



Department of Energy
Washington, DC 20585

June 8, 2010

Dear State Weatherization Director,

The Weatherization Assistance Program (“Program” or “WAP”) is pleased to invite your participation in the Sustainable Energy Resources for Consumers (SERC) Grants. These grants are authorized from the Energy Independence and Security Act of 2007 (EISA) Pub. L. 110-140, Section 411(b). Section 411(b) can be found in the attached document.

Section 411(b) authorizes funds to be provided to local weatherization agencies to expand the Program for “materials, benefits, and renewable and domestic energy technologies not currently covered.” A total of up to \$90 million is being made available for the SERC grants; these funds were appropriated under the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5.

We hope that you, as a Grantee in the Program, will work with your local agencies to submit your interest in SERC Grants to the Department of Energy (Department). This letter is your invitation to participate. Responses to this letter are due to the Department on Tuesday, June 22, 2010, at 11:59 PM Eastern Time. Please note that you are not required to participate in the expansion of the Program under SERC – this is a voluntary project.

Additional information and guidance on these Grants is included on the following pages, as well as the format and instructions for your response.

The Department will review the responses received and determine how funding will be allocated among the qualifying Grantees who submitted projects on behalf of their local agencies. The funding will be distributed to State Grantees through amendments to the existing Recovery Act grants. The State Grantees will then distribute the funds to the qualifying local weatherization agencies.

The Department and the Program look forward to working with you to implement these exciting Sustainable Energy Resources for Consumers Grants.

Sincerely,

Claire Broido Johnson
Acting Program Manager,
Weatherization and Intergovernmental Program
Department of Energy

A. Response to SERC Grant Project

The following items are required in Grantees' responses to this letter in order to participate in the SERC Grants. Email your response to SustainableEnergyWAP@ee.doe.gov by Tuesday, June 22, 2010, 11:59 PM Eastern Time.

Responses must be provided as a Microsoft Word (.doc) attachment to the email, 12 point font, 1 inch margins. Only electronic responses will be accepted.

Any questions that you have should also be emailed to SustainableEnergyWAP@ee.doe.gov.

- 1) Name of Grantee, Address of Grantee, and Name of Grantee's Weatherization Director
- 2) Certification that you, as a Grantee, can provide necessary oversight to have the ability to make decisions about local agencies that are performing well. This certification is assured by the Grantee including the following text in their response:

(Insert Grantee Name) _____ certifies that:

- a. *[Grantee] has been fulfilling our monitoring and inspection protocol as part of our approved annual state plan.*
 - b. *Local quality control efforts are in place.*
 - c. *At least 5% of the completed units in state or territory are inspected by Grantee staff during the course of the year.*
 - d. *Grantee's progress reports are acceptable and submitted in accordance with grant requirements.*
- 3) A list of local weatherization agencies that the Grantee has certified are interested and capable of undertaking the grant activities. For each local weatherization agency that the Grantee has certified, please include the following:
 - a. Name
 - b. Brief description of the project to be undertaken
 - c. Requested funding levels for the described project
 - d. Number of homes weatherized in ARRA cumulatively to-date (specifying the date for which this number is accurate). For example, "247 homes weatherized in ARRA, as of May 17, 2010"
 - e. Goal: Total number of homes to be weatherized in ARRA by the local weatherization agency. For example, "1,200 homes"

Note: Grantees should only include local weatherization agencies that are meeting their ARRA performance goals. This means that production and expenditure are equal to or in excess of established goals as of June 1, 2010, and goals will continue to be met and exceeded if the SERC project is awarded. DOE expects local agencies should have weatherized 30% of their homes and outlaid 30% of their funds by this point; if the

Grantee includes a local agency that is not at these levels, please provide justification indicating how the agency is on track and capable of undertaking this project.

- 4) The Grantee shall provide certification that it will include the local agencies' project(s) in the financial oversight of the Grantee's Weatherization program, as required by EISA Section 411(b)(1). Please include the following language in your Response:

(Insert Grantee Name)_____ certifies that, if funded by DOE, it will include the local agencies' project(s) in the financial oversight of our Weatherization program.

- 5) Brief description of how the Grantee evaluated local agencies to ensure the projects meet the priorities listed in Section 411(b)(2) of EISA, as follows:
 - a. The expected effectiveness and benefits of the proposed project to low- and moderate-income energy consumers;
 - b. The potential for replication of successful results;
 - c. The impact on the health and safety and energy costs of consumers served; and
 - d. The extent of partnerships with other public and private entities that contribute to the resources and implementation of the program, including financial partnerships.

B. Process

The process for awarding funding for these projects will be as follows:

- 1) Interested Grantees must complete their "Response to SERC Grant Project" on behalf of interested and capable local weatherization agencies in their State or Territory. Responses are due by Tuesday, June 22, 2010, 11:59 PM, and should be sent to DOE by emailing to SustainableEnergyWAP@ee.doe.gov.
- 2) The Department will review the responses submitted, check local weatherization agencies' performance against our records, verify that proposed projects meet the intention of EISA Section 411(b), and ensure that proposed projects are able to be categorically excluded under the National Environmental Policy Act. Upon completing review, the Department may approve a response in whole or in part.
- 3) The Department will determine the allocations to be distributed to qualifying Grantees.
 - a. The list of local weatherization agencies that have been certified by Grantees and verified by DOE (described in B.2 above) will be compiled, along with the requested funding level for each project.
 - b. If the requested funding levels are at or below the amount of funds available (approximately \$90 million), then funding for approved projects will be distributed as requested.
 - c. If the requested funding levels are above the amount of funds available, then DOE will fund projects at lower than requested funding levels. This will be done by

adjusting the requested funds based on the relative percentages of project funds requested and funds availability.

- 4) Upon approval of a response, the Department will amend the Grantees' Recovery Act grants to reflect the additional allocations. The Grantee will need to provide additional information, including revised budgets, at this time. All funds will be obligated by DOE to the State Grants by September 30, 2010.
- 5) Grantee is responsible for distribution and oversight of the additional funding for SERC grants to local weatherization agencies.

C. Weatherization Regulations

The following sections and parts of the Weatherization Regulations, found at 10 CFR 440, will apply to this funding:

- Administration of Grants (10 CFR 440.2)
- Allowable expenditures under 10 CFR 440.18(d) and 10 CFR 440.18(e)
- Labor (10 CFR 440.19)
- Oversight, Training, and Technical Assistance (10 CFR 440.23)
- Reporting (10 CFR 440.24)
- Recordkeeping (10 CFR 440.25)

D. Administrative Costs

In accordance with Weatherization regulations, no more than 10% of these funds shall be used for administrative costs, and no more than 5% at the Grantee level, in accordance with 10 CFR 440.18(e).

E. Recovery Act Funding

This funding comes from the American Recovery and Reinvestment Act of 2009, and is subject to Davis-Bacon wage rates, Buy American, Historic Preservation, and other Recovery Act conditions set out in the State Grants. This includes the expenditure of these funds by March of 2012.

In addition, proposals should support the primary goals of the Recovery Act, which include the creation and retention of jobs, spurring economic activity and investing in long-term growth, and fostering unprecedented levels of accountability and transparency in government spending.

F. Local Weatherization Agencies

As stated in 411(b) of EISA, this funding is to be made available to local weatherization agencies. In this instance, the Department is limiting the eligibility to local weatherization agencies that are serving in WAP as of 5/31/2010.

G. Moderate-income Energy Consumers.

Under WAP, in order for a dwelling unit to be eligible for weatherization assistance it must be occupied by a low-income family unit, as defined by WAP regulations. See 10 CFR 440.22.

Under the SERC Grants, Grantees may consider expanding the scope of eligible dwelling units to include those occupied by moderate-income family units. If a State is considering expanding the scope of eligibility to include moderate-income family units it must provide DOE with the definition of “moderate income” that the State will use for the SERC Grants.

H. Expansion of the Program

This funding is made available to *expand* the Program for materials, benefits, and renewable and domestic energy technologies not currently covered under the WAP. The WAP guidelines that define materials, benefits, and renewable energy systems that are currently covered by the Program are the following:

Materials: Generally, only those weatherization materials which are listed in Appendix A to the WAP regulations and which meet or exceed standards prescribed in Appendix A may be purchased with funds provided under WAP (see 10 CFR 440.21(b)). Appendix A to DOE’s regulations can be found at <http://waptac.org/si.asp?id=486>.

Benefits: Weatherization materials funded under WAP must meet a cost-effectiveness test as specified in 10 CFR 440.21(d).

Renewable Energy System: What is considered a renewable energy system for the purpose of WAP is limited under 10 CFR 440.21(c)(1).

SERC funding is not to be used for Appendix A materials, benefits, and renewable and domestic energy technologies already covered by WAP funds. For example, if a local agency is planning to use the SERC grant to install solar panels on homes they are weatherizing, the solar panels should be paid for with a SERC grant, but the base weatherization should be paid for with existing WAP funds.

SERC funds are not subject to the average cost caps of \$6,500 per home and \$3,243 for renewable energy systems that apply to the standard Weatherization work, and would not be considered when calculating dollar caps under WAP (the caps under 10 CFR 440.18 apply only to funds provided under WAP).

The SERC funds may be used by local weatherization agencies to implement this expansion on homes they are currently weatherizing or will weatherize. If a local agency proposes to implement SERC activities on homes previously weatherized, they may do so on homes that were weatherized with non-DOE funds without DOE approval. If a local agency’s project approach is to return to homes previously weatherized with WAP funding, it will need approval through the Grantee’s DOE Project Officer.

SERC funds are not permitted to be spent for loans, revolving loan funds, property-assessed clean energy programs, or other financing activities. Section 411(b) allows for an expansion of the types of materials and benefits currently permitted under WAP, but does not include a change to the mechanism for funding those benefits.

Projects under SERC grants must account for the four priorities outlined in EISA Section 411(b)(2).

I. Illustrative List of Materials and Technologies to Expand the Program

An illustrative list of materials and technologies meeting 411(b) includes, but is not limited to the following:

- Durable high-R enclosure system retrofits, including high-performance walls, foundations, windows, attic ventilation, attic and basement air sealing, and ceiling or cathedral roof insulation;
- High-performance space conditioning system retrofits, including air handler upgrades, ducts in conditioned space, ventilation, heating, solar ventilation pre-heat, cooling, and direct supply of combustion air, if needed;
- High-performance hot water systems, including condensing, tankless, and solar hot water systems;
- Cool roof technologies;
- Integration with utility smart-grid pilots or implementations;
- Energy usage benchmarking with feedback, which could be
 - In-home displays
 - Increased on-line access to energy use information
 - Reports or mailings
 - Other means of transmitting this information;
- Community-Based Social Marketing (CBSM) and other behavioral approaches;
- Developing innovative buying cooperatives and bulk buying strategies to lower costs of materials;
- Onsite renewable energy technology that generates electricity from renewable resources, including the following which are generally categorically excluded under the National Environmental Policy Act (NEPA):
 - Solar Electricity/Photovoltaic - appropriately sized system or unit on existing rooftops and parking shade structures; or a 60 KW system or smaller unit installed on the ground within the boundaries of an existing facility.
 - Wind Turbine - 20 KW or smaller.
 - Solar Thermal - system must be 20 KW or smaller.
 - Solar Thermal Hot Water - appropriately sized for residences or small commercial buildings.
 - Ground Source Heat Pump - 5.5 tons of capacity or smaller, horizontal/vertical, ground, closed-loop system.
 - Combined Heat and Power System - boilers sized appropriately for the buildings in which they are located.
 - Biomass Thermal - 3 MMBTUs per hour or smaller system with appropriate Best Available Control Technologies (BACT) installed and operated.