



Department of Commerce
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Energy Efficiency Grants for Higher Education and Local Governments

2012 Joint Report per Engrossed Senate Bill 5127

*Chapter 1, Laws of 2012
2012 Second Special Session*

June 2013

Report to the Legislature

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Introduction

Background

Engrossed Senate Bill 5127 as passed by the 2012 Legislature, 2nd Special Session, included two appropriations totaling \$38 million to the Washington State Department of Commerce (Commerce) for energy cost-savings grants.

- Section 301 appropriated \$18 million to local governments.
- Section 307 appropriated \$20 million to higher education.

The program's immediate goal is to stimulate Washington's economy by creating jobs. The long-term goal is to reduce energy costs at the state's public education facilities and local agencies. These grants must be used solely for energy and operational cost-saving improvements.

The legislation included requirements for selecting, scoring, and awarding grants.

- Award grants in competitive rounds based on demand and capacity.
- Award funds to the top 85 percent of projects applying in a round.
- Set aside at least 10 percent of the local government appropriation for small cities or towns with populations of 5,000 or less.
- Score applicants based on three criteria (in order of priority): leverage ratio, energy savings, and expediency of expenditure.
- Submit a joint report with the Department of Enterprise Services (DES) to the appropriate legislative committees and the Office of Financial Management (OFM) on the timing and the use of the grant funds; program administration function; compliance with apprenticeship utilization requirements in RCW 39.04.320; compliance with prevailing wage requirements; and administration fees by the end of the fiscal year until funds are fully expended and all savings verification requirements are fulfilled.

The legislation directed Commerce to work with the DES Energy Program and the Washington State University Extension – Energy Programs (WSU) to conduct a competitive grant process and to solicit and to evaluate applications. After projects were selected, Commerce worked with grantees to execute contracts.

These are the second and third appropriations the Legislature made to Commerce for energy efficiency programs. The first appropriation was the Jobs Act for K-12 Public Schools and Higher Education Institutions (Jobs Act -2010 Supplemental Capital Budget, ESHB 2836 Section 1016).

This is the 2012 Energy Efficiency Grants for Higher Education and Local Governments program's first legislative report. The legislation directs Commerce to submit reports every year until all funds are fully expended and all savings verification requirements are fulfilled (estimated timeframe from three to 10 years).

Program Administration

Commerce staff administers the Energy Efficiency Grants program. Administrative activities include:

- Answering program questions from applicants, media, legislative staff, and legislators.
- Obtaining project details needed for developing and negotiating contracts.
- Developing and supporting communications (Web page, reports, blogs, fact sheets, and case studies).
- Collecting and compiling data for internal and external reporting and contract monitoring.
- Developing and monitoring interagency agreements with DES and WSU to provide program and technical assistance.
- Testifying at legislative hearings as requested.

Technical Assistance

To provide the Energy Efficiency Grants program with more in-depth energy technical assistance, Commerce works closely with DES, WSU, and Commerce's Energy Office .

The DES Energy Program provides project management and technical assistance to a significant percentage of the higher education and local government applicants. Commerce relies on the DES Energy Program staff to review investment grade audits and energy service proposals, clarify scope of work, answer questions on funding and utility incentives, and review measurement and verification of plans and reports.

Both WSU staff and Commerce's Energy Office staff conducted the technical review of all non-DES Energy Program managed applications.

Administrative Expenses

Administrative expenses for the Energy Efficiency Grants program fall into two main categories: Commerce staff costs and interagency agreements with DES and WSU.

The Commerce model for administering capital programs assumes that no general funds will be used for administrative expenses.

Commerce uses 3 percent of each appropriation for program administrative expenses.

- Section 301, \$540,000 in administrative funding
- Section 307, \$600,000 in administrative funding

Commerce estimates that \$165,743 from Section 301 and \$157,580 from Section 307 will be expended by June 30, 2013. The remainder will be used by Commerce, DES, and WSU to continue the program and for ongoing technical support.

After grantees have drawn down all contract funds, Commerce and DES will continue project monitoring, including mandatory measurement and verification. If the applicant used an Energy Service Company, measurement and verification is required for one to three years. If the applicant did not use an Energy Service Company, measurement and verification is required for up to 10 years to ensure that energy savings pay for the project

Commerce has entered into interagency agreements with DES (\$30,000) and WSU (\$15,000) to provide technical assistance. The DES Energy Program invoiced Commerce for \$15,000 during this reporting period. WSU invoiced Commerce \$8,490 during this reporting period. The remainder will be used to support Commerce's ongoing technical needs. Additional interagency agreements will be negotiated as necessary as the program moves forward through project construction, completion, monitoring, and measurement and verification phases.

Program Solicitation, Scoring, Awards, and Data

Solicitation

The Energy Efficiency Grants program held three rounds of competitive solicitation.

- Round One closed July 2, 2012 (for both higher education and local governments).
- Round Two closed January 15, 2013 (for both higher education and local governments).
- Round Three closed May 20, 2013 (for higher education only).

Commerce used a combination of press releases, email announcements, list serve solicitations, blogs, utility workshops, and webinars with the Association of Washington Cities and the Washington State Association of Counties to promote the program.

Application Scoring

The legislation directs Commerce to score the applications based on three criteria in the following priority order:

- Leverage ratio (non-state to state funds)
- Energy savings
- Expediency of expenditures

Non-state fund sources include local, private, debt financing (local or state), federal, and utility incentives or rebates. The program's leverage goal was 3:1 (\$3 non-state to \$1 state funds).

All of the applications were scored on these three criteria. Applications that were not part of the DES Energy Program received technical review by either WSU staff or Commerce's Energy Office staff.

Awards

Round One Results

Higher Education

- 12 applications received
- \$5,255,434 in grants requested
- 10 applicants received grant awards
- \$4,600,434 in grants awarded
- \$16,495,241 in total project costs

Local Governments

- 24 applications received
- \$9,070,930 in grants requested
- 20 applicants received grant awards
- \$7,094,570 in grants awarded
- \$33,679,515 in total project costs

No small cities or towns applied in Round One.

Round Two Results

Higher Education

- 14 applications received
- \$10,438,367 in grants requested
- 12 applicants received grant awards
- \$7,358,650 in grants awarded
- \$19,793,829 in total project costs

Local Governments

- 35 applications received
- \$10,229,598 in grants requested
- 30 applicants received grant awards
- \$8,620,485 in grants awarded
- \$42,201,524 in total project costs

Local Governments (cities or towns with 5,000 or less in population)

- 9 applications received
- \$2,712,063 in grants requested
- 7 applicants received grant awards
- \$1,962,791 in grants awarded
- \$4,605,018 in total project costs

Round Three Results (Higher Education Only)

Higher Education

- 10 applications received
- \$11,941,784 in grants requested
- 7 applicants received grant awards
- \$8,090,916 in grants awarded
- \$14,812,438 in total project costs

Estimated Number of Jobs Created

Commerce estimates a total of 1,064 jobs will be created in the construction industry from these projects. This number is based on a ratio of 8.1 jobs per \$1 million in construction costs, which was calculated from previous Jobs Act quarterly reports submitted by the grantees for Government Management Accountability and Performance reporting. As of March 31, 2013, 125 jobs have been reported to Commerce.

Apprenticeships

The number of apprenticeships created by the Energy Efficiency Grants program is not known at this time. This is because many of the projects have not yet begun construction.

Prevailing Wages

Commerce's contracts require all grantee contractors and subcontractors performing work on these projects to comply with prevailing wage laws set forth in RCW 39.12. The grantee must maintain records indicating compliance and these records must be made available if requested by Commerce.

Leverage

Commerce's goal was to have the grant funds constitute 25 percent or less of the total project cost (leverage ratio of 3:1). The leverage ratio for higher education (all three rounds combined) was 1.56, for local governments (combined rounds one and two) it was 3.79, and for small cities or towns (round two only) the ratio was 1.24.

Department of Enterprise Services

The DES Energy Program collaborated with Commerce and WSU to implement the Energy Efficiency Grants program. DES provides Commerce with on-going technical services that cover reviewing energy service proposals, contractor bids and invoices, and measurement and verification plans and reports.

Use of Grant Funds and Examples of Projects

The Energy Efficiency Grants program funded a wide variety of energy and water-efficiency projects. Some higher education and local governments upgraded their lighting and controls while others installed new HVAC systems or water-efficiency fixtures.

Higher Education

Bellevue College, Bellevue

Founded more than 50 years, ago Bellevue College serves 37,000 students from the city of Bellevue and other cities and towns in east King County. The college is undertaking a campus-wide water, and interior and exterior lighting retrofit project. New controls and an energy dashboard will help ensure equipment is operating at its maximum efficiency. The 7kW solar PV system will supply power for the campus' educational kiosk.

- Anticipated number of jobs funded: 23
- Total project costs: \$2,896,852
- Anticipated annual savings: \$205,000
- Grant award: \$815,000

Local Government

Ferry County Memorial Hospital, Republic

Ferry County Memorial Hospital opened its doors in 1945 and has been in its current building since June 1975. Most of the hospital's HVAC and hot water equipment has reached the end of its useful life. New HVAC systems, hot water heaters, interior and exterior lighting, and appliances will make certain the hospital continues to provide medical service to people in Republic and Ferry counties.

- Anticipated number of jobs funded: 22
- Total project costs: \$2,713,246
- Anticipated annual savings: \$100,094
- Grant award: \$500,000

Local Government (Small Cities or Towns)

City of Royal City

This farming community of 2,193 lies in the heart of the Columbia Basin. Royal City's wastewater treatment plant needs upgrading. The city is using its grant to install new dissolved-oxygen controls and new blowers for mixing and aeration.

- Anticipated number of jobs funded: 2
- Total project costs: \$265,398
- Anticipated annual savings: \$1,565
- Grant award: \$244,812

Conclusions and Recommendations

The 2012 Energy Efficiency Grants for Higher Education and Local Government program continues to create much needed jobs in the construction sector, which is just now recovering from the recession. Commerce estimates 1,064 jobs will be created in the construction industry from these projects. This number is based on a ratio of 8.1 jobs per \$1 million in construction costs, which was calculated from previous Jobs Act quarterly reports submitted by the grantees for Government Management Accountability and Performance reporting. As of March 31, 2013, 125 jobs have been reported to Commerce. The majority of these jobs pay prevailing wages.

All of Washington's higher educational facilities and local governments are being squeezed by shrinking budgets, rising energy costs, and aging infrastructure. These entities are doing everything they can to update their buildings and reduce operating costs. This is not easy and the challenge is significant. These energy efficient grants, combined with their own funds, help remedy this situation.

The program's long-term goal is saving energy. Saving energy is about making the bottom line go farther. Almost all of the energy savings dollars from these projects are going right back into local government and higher educational facilities.

Three possibilities for making this program and any future energy-efficiency programs for higher education, local governments, and state agencies more efficient are:

- Allow the Public Works Trust Funds loans to be used as non-state match. These loans are similar to loans received from the State Treasurer. The loans are the financial responsibility of the local government.
- Create a prescriptive path (for energy and water-efficiency measures) that small cities and towns, and perhaps small counties could use when applying for these grants. This prescriptive path would be a list of energy and water measures that they could apply for and receive a fixed-amount grant for the measures. A prescriptive path would allow the small cities and towns to apply without having an extensive, costly energy service proposal prepared.
- Provide on-going program financial support for continuous planning and growth of the program and to sustain all the progress these agencies have made in energy and water efficiency.

Appendix A: List of Selected Projects

List of Original Grant Awards

Round One

Higher Education

Bates Technical College	\$128,037
Bellevue College	\$815,000
Bellingham Technical College	\$153,241
Cascadia Community College	\$142,386
Central Washington University	\$1,850,000
Clover Park	\$180,000
Community Colleges of Spokane	\$141,378
Highline Community College	\$452,699
Washington State University	\$478,812
Wenatchee Valley College	\$258,881

Local Government

City of Bellevue	\$410,000
City of Everett	\$262,206
City of Longview	\$500,000
City of Mountlake Terrace	\$ 79,500
City of Seattle	\$500,000
City of Shelton	\$106,415
City of Tacoma	\$500,000
Snohomish County	\$462,000
Thurston County	\$178,544
Walla Walla County	\$281,388
Ferry County Memorial Hospital (Ferry County Public Hospital District No. 1)	\$500,000
Harborview Medical Center	\$500,000
Samaritan Health Care (Grant County Public Hospital District No. 1)	\$200,000
Spokane Regional Health District	\$500,000
Sound Transit	\$400,000
Valley Medical Hospital	\$500,000
Des Moines Pool Metropolitan Park District	\$ 83,675
Tukwilla Metropolitan Park District	\$416,666
William Shore Pool	\$415,000
Port of Bellingham	\$499,176

Round Two

Higher Education

Big Bend Community College	\$472,032
Community Colleges of Spokane	\$ 80,000
Green River Community College	\$453,000
Highline Community College	\$196,877
Olympic College	\$1,025,000
Pierce College	\$825,000
Shoreline Community College	\$349,643
University of Washington - Friday Harbor Laboratories	\$533,147
University of Washington - Main	\$978,555
University of Washington - Medical Center	\$496,769
Washington State University	\$1,445,627
Yakima Valley Community College	\$503,000

Local Government

City of Bremerton	\$500,000
City of Camas	\$110,711
City of Centralia	\$500,000
City of Edmonds	\$187,566
City of Everett	\$191,949
City of Kirkland	\$208,000
City of Lacey	\$108,000
City of Olympia	\$500,000
City of Port Townsend	\$500,000
City of Renton	\$500,000
City of SeaTac	\$100,562
Grays Harbor County	\$170,000
Island County	\$367,000
Island Hospital	\$164,850
Kitsap County	\$ 33,634
Kittitas County	\$330,384
Lakehaven Utility District	\$368,411
Lincoln County	\$252,493
LOTT Clean Water Alliance	\$352,120
Mason County	\$499,500
Model Irrigation District 18	\$ 40,500
Okanogan County	\$500,000
Port of Longview	\$ 45,744
Port of Seattle	\$384,450
Port of Tacoma	\$197,532

Samaritan Healthcare (Grant County Public Hospital District No. 1)	\$214,535
Skagit County	\$103,419
Spokane County	\$500,000
Thurston County	\$189,125
Whitman Hospital & Medical Center	\$500,000

Small Cities and Towns

City of Blaine	\$500,000
City of Buckley	\$325,000
City of Mabton	\$ 68,229
City of Pateros	\$500,000
City of Royal City	\$244,812
City of Ruston	\$ 24,750
City of Tenino	\$300,000

Round Three

Higher Education

Bellevue College	\$1,185,000
Columbia Basin College	\$1,762,301
Edmonds Community College	\$1,971,537
Peninsula College - Fort Warden	\$692,374
Peninsula College - Forks	\$1,307,114
South Puget Sound Community College	\$508,490
The Evergreen State College	\$664,100

Note: The project's final grant amount may vary depending upon contract negotiations.