



## Request for City Council Committee Action from the Department of Community Planning and Economic Development

**Date:** November 30, 2009

**To:** Council Member Scott Benson, Chair, Health Energy and Environment Committee

**Referral to:** Council Member Paul Ostrow, Chair, Ways and Means/Budget Committee

**Subject:** **Minneapolis Economic Recovery Strategy: U.S. Department of Energy's Energy Efficiency Conservation Block Grant (EECBG) Competitive Solicitation: Retrofit Ramp-up**

### **Recommendation:**

1. Authorize staff to submit an application to the U.S. Department of Energy on behalf of the Cities of Minneapolis and Saint Paul for \$30 million of EECBG funds to support the proposed activities by December 14, 2009
2. Authorize staff to make such modifications as indicated by further guidance by Department of Energy
3. Direct staff to develop and recommend to Council an energy efficiency bond program

**Previous Directives:** On June 1, 2009 the Council authorized staff to submit an application for formula-EECBG funds to DOE in the amount of \$3.9 million. On November 17, 2009 the City Council authorized staff to accept a grant of \$150,000 from Living Cities for the purpose of planning and beginning to implement a comprehensive energy efficiency building retrofit program across the Twin Cities.

### **Department Information**

Prepared by: Cathy Polasky - Director of Economic Policy and Development, CPED Approved by: Chuck Lutz - Deputy Director, CPED _____ Presenters in Committee: <ul style="list-style-type: none"><li>▪ Cathy Polasky – Director of Economic Policy and Development, CPED</li><li>▪ Greg Goeke - Property Services Manager, Public Works</li></ul>
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### **Financial Impact**

- Other financial impact

### **Supporting Information**

In February, 2009, Congress passed and the President signed the American Recovery and Reinvestment Act (ARRA) which allocated \$3.2 billion to the Energy Efficiency Conservation Block Grant Program (EECBG), a Department of Energy program which was initially authorized in 2007 but had not received an appropriation of funds. The EECBG program

offers block grant recipients (cities, counties and states) funds to implement strategies that reduce fossil fuel emissions in a way that is environmentally sustainable and maximizes benefits for local and regional communities, reduce total energy use, and improve energy efficiency in the transportation, building, and other energy consuming sectors. The City applied for and received \$3.9 million in one time funding in an earlier funding round.

DOE issued a Funding Opportunity Announcement (FOA) for a competitive solicitation for EECBG funding on October 19<sup>th</sup>, 2009. Applications are due to DOE on or before December 14, 2009.

The purposes of the EECBG Program are to create and implement strategies to:

- Reduce fossil fuel emissions in a manner that is environmentally sustainable and, to the maximum extent practicable, maximizes benefits for local and regional communities;
- Reduce the total energy use of the eligible entities;
- Improve energy efficiency in the building sector, the transportation sector, and other appropriate sectors.
- Create and retain jobs; and
- Stimulate the economy.

This FOA will use up to \$453.72 million in Recovery Act EECBG funds for competitive grants awarded in two topic areas. Topic 1, the Retrofit Ramp-up Program, relevant to this request, provides up to \$390.04 million for 8-20 awards for programs of \$5 to \$75 million. The stated goal of this competitive FOA is to stimulate activities that move beyond traditional public awareness campaigns and demonstration projects, and instead will fundamentally and permanently transform a community's energy usage.

Specifically, DOE is seeking applications that:

- Leverage the participation and support of multiple local jurisdictions, regional planning agencies, and state energy offices;
- Prioritize energy efficiency and/or energy conservation;
- Move beyond the planning stage and are ready for implementation;
- Clearly articulate and demonstrate the ability to achieve measurable stretch goals and that have the potential to make an impact at the regional or national level;
- Maximize the creation and/or retention of jobs in the United States,
- Deliver verified energy savings from a variety of projects in the local jurisdiction of the applicant, with a particular emphasis on efficiency improvements in residential, commercial, industrial and public buildings;
- Achieve broader market participation and greater efficiency savings from building retrofits;
- Highly leverage grant funding in order to significantly enhance the resources available for supporting the program (Goal of 5:1 leverage of grant funding);
- Sustain themselves beyond the grant monies and the grant period by designing a viable strategy for program sustainability;
- Serve as pilot building retrofit programs that demonstrate the benefits of gaining economy of scale; and
- Serve as examples of comprehensive community-scale energy-efficiency approaches that could be replicated in other communities across the country.

Other federal guidelines and restrictions on EECBG funding are:

- no more than 10% can be used for administrative costs
- no more than 20% can be used for revolving loan funds
- funds must be obligated within 18 months of the award, and spent within 36 months

**Strategies and Goals of the City of Minneapolis's Economic Recovery Activities:**

The Economic Recovery Action Team established by Mayor Rybak and Council President Johnson has developed the following strategic goals for use of ARRA funds, as well as broad criteria to guide the establishment of new ARRA program dollars for the City of Minneapolis:

Minneapolis Strategic Priorities for ARRA funds:

- Protect Public Safety Gains
- Retain and Create Jobs and Prepare Workers for the 21st Century Economy
- Modernize Infrastructure
- Leverage Minneapolis' Wireless and Technology Infrastructure
- Support People and Communities Most Impacted by the Economic Downturn
- Expand our Green Economy and Build a Greener Minneapolis
- Promote Regional Competitiveness and Efficiencies

**Recommendation for Submission of Joint Application on Behalf of the Cities of Minneapolis and Saint Paul, in partnership with various public, non-profit, and private entities**

The Cities of Minneapolis and Saint Paul have long histories of energy conservation and greenhouse gas reduction efforts. The cities have often collaborated in these efforts. In May 2009, the two cities were afforded an opportunity to bring together a 10-person team representing state and local government, energy non-profits, energy utilities, labor, and workforce for an intensive three day building retrofit boot camp on the Harvard campus. Through that workshop and with a subsequent planning grant from Living Cities, a strong coalition emerged and grew to include business, educational, and community representation.

The result of the coalition's efforts is a new, community-wide partnership effort to reduce energy in 50% of the buildings in Minneapolis and Saint Paul within 10 years. Building upon strong existing programs, this retrofit program will reach across the residential, commercial, industrial and government sectors to offer a one-stop approach to energy audits, conservation implementation, and financing. While the component parts aren't new, the scale, delivery system, and integrated approach are new. To reach scale and transform the way services are delivered, staff seeks Council approval to seek a grant in the approximate amount of \$30m from the U.S. Department of Energy. The grant will be leveraged by a variety of sources, described below. In addition, staff seeks Council direction to work with the City's Finance Department and its bond counsel to prepare a Council recommendation to create an energy efficiency bond program, patterned after existing and authorized City bond programs. DOE funding would be used to establish a loan loss reserve for the program.

Key program components of the Energy Savings Made Easy (ESME) Program include the following.

**Residential Program**

The residential strategy leverages Minneapolis' strong neighborhood organizations to proactively take energy services to concentrated groups of residents, rather than responding piecemeal to individual residents' desire to take action. Using demonstrated community-based social marketing and engagement techniques, the new delivery model will solve several longstanding barriers to greater participation in energy conservation. By delivering services on a neighborhood by neighborhood basis, costs are reduced because trucks and crews will provide services to a block at a time, much like a street paving effort. Residents who have been reluctant to participate due to cost or complexity will be more likely to be reached through this approach.

The current plan contemplates neighborhood recruitment of residents to free energy workshops, followed by a home visit for nominal charge, free installation of low or no cost materials, including compact florescent light bulbs, low-flow showerheads and setback thermostats. The simultaneous energy audit will identify additional work such as installation of insulation, windows, and energy-efficient furnaces and appliances, which can be ordered through qualified contractors, and financed.

While it is anticipated that every neighborhood will be reached within 10 years, neighborhoods who will be invited to “opt in” to the first round of the program were selected based on income, demonstrated interest in committing NRP funds, and geography.

**This program leverages financing, rebates, and grants from Xcel Energy, Centerpoint Energy, the Center for Energy and Environment (CEE), the City of Minneapolis EECBG Formula grant, NSP grant, NRP Funding, Minnesota Housing, and other sources.**

### **Small Commercial Program**

Minnesota has one of the most successful small business lighting programs in the country, operating since 2000, called the One-Stop Efficiency Shop Lighting Program. This program has consistently achieved high savings and participation in a hard-to-reach segment. XCEL Energy is currently funding, and CEE is delivering a pilot program for expanded efficiency savings beyond lighting.

The ESME program will offer a block-by-block approach to small businesses on commercial corridors, utilizing the City’s Great Streets infrastructure, similar to that described for the residential sector. Customers would receive a free energy audit and free “quick fixes,” together with financed lighting, equipment and building improvements.

**This program leverages financing, rebates and grants from Xcel Energy, Centerpoint Energy, and the City of Minneapolis EECBG Formula grant. If approved, the new energy efficiency bond program would also support this sector.**

### **Large Commercial and Industrial Program**

Xcel Energy and CenterPoint Energy have a suite of programs, addressing different segments within the large commercial and industrial sector, that offer assistance for assessing energy savings opportunities, and providing implementation assistance. Funds from the DOE would be used for Recommissioning, Energy Assessments, Data Center Efficiency, Process Efficiency and Energy Advisory Services, each of which address different market segments.

**This program leverages financing, rebates and grants from Xcel Energy, Centerpoint Energy, and the new Trillion BTU program administered by the Saint Paul Port Authority with funding from the State’s allocation of ARRA State Energy Program funding. If approved, the new energy efficiency fund program would also support this sector.**

## **Government Buildings**

Public Works has engaged an engineering firm to prioritize the City's 65 municipal buildings for retrofit work, using the City's allocation of EECBG Formula funding, together with rebates and grants available from the State, Xcel and Centerpoint. Funds from this DOE grant would be used to expedite projects and further leverage State and utility funding.

## **Additional Program Components**

**Tracking:** Energy usage data will be tracked for all program participants, including pre-program usage and at least 12 months of post-program usage. Ongoing energy tracking will be made available to all residential and government participants, as well as some businesses through a sophisticated web-based energy tracking tool. This tool will also provide summary reports on overall program accomplishments in each targeted area. These accomplishments will be displayed in a highly visible manner so the public and potential participants are continually aware of the program and its progress.

**Energy labeling:** A transparent method for quickly evaluating the energy performance of a building will help in the development of market demand and consumer awareness of energy efficiency in homes.

**New Energy Bank:** Financing for all sectors will be conducted under the umbrella of the "Energy Bank," to ensure that energy efficiency projects identified by ESME participants get implemented. The Energy Bank will be a program - seamless to the participant - that will unify a variety of existing and new financing for all sectors.

**Training and Workforce Development:** An important objective of the EECBG program is job creation, and a massive retrofit program such as ESME will require an increase in the base of qualified contractors. The City is committed to helping Minneapolis workers most impacted by the economic downturn gain employment. ESME will build on the successful auditor and weatherization programs of such institutions as Dunwoody College and Summit Academy OIC, as well as the apprenticeship programs of applicable building trades. Employment of Minneapolis residents, women and minority workers and contractors will be tracked and reported. Additionally, ESME will investigate "lean manufacturing" techniques to ensure continuous process improvement in the retrofit process.

## **Next Steps**

The City anticipates receiving a notice of award next spring. Staff will thereupon return to the City Council with requests to accept the grant, appropriate the funds and execute agreements to implement the ESME program(s), including without limitation a joint powers agreement with the City of Saint Paul, over a 3 year period.