

Stimulus Energy Grant Program Statement

Project Description

The Governor's Office has allocated \$20 million to the School Facilities Board (SFB) and the State Energy Office to complete energy efficiency and solar energy projects in schools. Approximately 65% of the available dollars will be dedicated to efficiency projects. SFB staff anticipates that these funds will mainly be used to replace and upgrade lighting, lighting controls, HVAC, and HVAC controls, install solar water heating, and implement geothermal projects. These projects shall meet the requirements set forth in the American Recovery and Reinvestment Act (ARRA) of 2009, including the Davis Bacon Act.

Eligibility

All public K-12 school districts in Arizona are eligible to apply. Charter schools are not eligible. Districts that conduct an investment grade audit (IGA) prior to receiving SFB approval may use the results of its audit to apply for funds. However, projects that begin construction prior to SFB award will NOT be eligible for grant funding.

SFB Funding

The School Facilities Board will provide grants for 30% of the proposed project cost, up to \$1 million per district. Awards will be made at the January 2010 SFB meeting.

District Funding

Districts may provide their local share (70% of the project cost) from any local source available for capital expenditures. However, the SFB encourages districts to finance the local share through a performance contract. Please see the section below titled, "Performance Contracting".

Criteria

Projects will be ranked based on the following criteria:

1. Life cycle payback
2. Energy savings (measured by unit reductions)
3. Energy savings (measured by dollar reductions)
4. Impact on the school utility budget

Timeline

All funds will be awarded in a single grant process. The application period will begin on August 11, 2009 and will run until November 6, 2009. SFB staff will review all applications and make recommendations to the School Facilities Board at the January 2010 Board meeting.

After the funds are awarded, the school district must complete an investment grade audit prior to proceeding with energy conservation measure (ECM) implementation. School districts that have completed an investment grade audit as part of or prior to the application process may submit that audit for review. SFB staff must review and approve the investment grade audit prior to the school district signing a construction contract with the Energy Service Company (ESCO). If there are significant differences between the investment grade audit and the original application, SFB staff may terminate the project, funding only the cost of the audit. If the audit is accepted, SFB staff will authorize the district to proceed with implementation. Funding for project

implementation will be available immediately upon receipt of signed Terms and Conditions.

Application

The application, which is due November 6, 2009, is available on the SFB website at www.azsfb.gov. Click on the link Stimulus Energy Grant Application, select your district under the District drop-down menu, go to Grants in the top menu, then select Stimulus Energy Grant Application in the drop-down menu. Click on Start Now to begin a new application. Your application will be assigned a random password. PLEASE REMEMBER THIS PASSWORD, as it will be required to access this application again. It should only be shared with those involved with completing the application.

Districts are required to use this application regardless of local funding source. Applicants may include multiple schools on one application. The application requires the following information: FY 09 utility expenditures for electricity, natural gas, and propane for all schools included in an application, a detailed description of each proposed ECM and its projected cost and savings (in both BTU and dollars), and the useful life of each proposed ECM (requires the use of an attached table which was prepared with reference to the Database for Energy Efficiency Resources (DEER)).

If the district is using performance contracting, the district-selected ESCO will assist with the application. The ESCO is required to provide mark-up information for both overhead and profit. These two mark-ups combined are limited to 20% of the total installation cost or as dictated by the state contract, whichever is lower. Overhead shall include general conditions including bonds and insurance.

Districts are not required, but may opt for a locally funded maintenance service agreement with an ESCO. ESCOs are asked to provide maintenance service cost as a part of the application. This cost will not be used as criteria to evaluate a project; it is for information only.

The cost of preparing the application is not reimbursable. An ESCO that assists in the preparation of the application should not charge for that service.

Contingency

Three percent (3%) of the installation cost will automatically be added to the project cost for contingency. This contingency funding can be used with SFB approval only.

Third Party Commissioning

Districts will be required to procure third party commissioning for each project. The cost will be included in the project cost. The commissioning company shall review design, make necessary recommendations, and certify installment to make sure that the districts receive savings as proposed in the investment grade audit and that all projects meet minimum standards (see "Standards" section below). The SFB can provide sample procurement documents for a commissioning solicitation.

Utility Rebates

Some utility companies offer rebates to customers who implement energy-saving measures. The district's ESCO or contractor should assist the district in applying to the appropriate utility companies to obtain rebates for the district. The district may apply those rebates to its local share of the project.

Payment Process

Invoices will be paid on a reimbursement basis. Districts submit pay applications to their SFB district liaison. Each invoice will be pro-rated; 30% will be paid from the SFB budget, and 70% will be paid from the district's portion. Warrants will be drawn and sent to the county treasurer, at which time the district will receive e-mail notification.

Accounting

For general accounting purposes, these funds must be held separate and apart from other district funds. The School Facilities Board is working with the Auditor General to provide additional information on the accounting requirements and procedures.

Standards

All projects must conform to at least the following standards:

1. The efficiency of the installed equipment and any retrofits shall meet current ASHRAE and IECC requirements or the utility company's rebate program requirements, whichever is more efficient.
2. The light levels for academic spaces shall be at least 50 foot-candles at the center of the room at the desk height. Effort shall be made not to exceed light levels beyond 60 foot-candles.
3. The lighting levels for spaces other than academic spaces shall follow current Illuminating Engineering Society of North America (IESNA) Lighting Handbook guidelines.
4. Program-start ballast shall be standard for all space controlled by lighting sensors/motion sensors.
5. HVAC Control system shall have an open protocol, preferably BACnet.
6. Any changes or additions on a structural member including roof shall be certified by a structural engineer.
7. The design and installation shall be in compliance with Arizona Administrative Code Title 7, Chapter 6 – Minimum Adequacy Guidelines (available on the SFB website under Rules and Policies).
8. Roof warranties shall be maintained.

Roles & Responsibilities

SFB/Energy Office:

1. Review applications & award funding
2. Provide limited project oversight
3. Evaluate project cost & savings
4. Evaluate ESCO contract
5. Evaluate measurement and verification (M&V) plan and maintain records
6. Maintain warranty records
7. Record energy usage pattern change

District:

1. Procure ESCO through its own RFQ, state contract, or cooperatives
2. Hold contract with ESCO & finance company
3. Make debt service payments through the life of the contract
4. Maintain record of M&V plan
5. Keep track of all warranties
6. Complete maintenance requirements
7. Record energy usage pattern change

ESCO:

1. Energy Audit
2. Assist district with application
3. Design-Build with guaranteed project cost
4. Guarantee energy savings for the life of the contract
5. Create energy usage baseline
6. Create M&V plan to analyze energy savings
7. Bear risk if energy savings do not meet projection
8. Provide finance option
9. Coordinate with utility companies for rebates
10. Provide maintenance service if purchased by district

Commissioning agent:

1. Review design and make recommendations
2. Review submittals & verify that all equipment is installed and operates as specified
3. Review warranty coverage and length
4. Review maintenance plan

Reporting

Districts and ESCOs will be required to adhere to all federal reporting requirements set forth in the American Recovery and Reinvestment Act (ARRA) of 2009. In addition, the SFB will require the districts to submit an annual report on all performance contracting projects pursuant to A.R.S. 15-213.01, as amended by HB 2332, and A.R.S. 15-910.02. The report shall include the name of the project, name of the qualified provider, the total cost of the project, the amount financed through guaranteed savings, the baseline energy consumption data, and energy and cost savings information.

Performance Contracting

A.R.S. 15-213.01, as amended by HB 2332, authorizes school districts to sign a performance contract with an energy service company (ESCO). The SFB will provide technical assistance to school districts who would like to use performance contracting to raise the local share. Under a performance contract, an ESCO identifies projects that would reduce energy consumption. The ESCO guarantees the level of energy savings that will result from the funded upgrades. The district borrows funds against that guarantee to finance its share of the project cost. Utility cost reductions are used to repay the loan; there should be no cost to the district.

Performance Contracting Process

Project Identification

District identifies projects or schools to audit and provides the information to the ESCOs to help facilitate the preliminary audit. The Project Information template located on SFB's website can be used for the self-assessment of schools or projects.

Selecting an ESCO

A district can procure an ESCO through its own RFQ process, the state contract, or any cooperatives as per procurement rule dictated by the Arizona Department

of Education. The district will select an ESCO based on its own evaluation criteria. A sample Evaluation form is available on the SFB's website.

ESCO on State Contract

There are nine ESCO firms on state contract that a district may select. Districts must send project information to all nine ESCOs with invitations for a preliminary audit walk-through. The contact information for the nine vendors is listed on the SFB's website.

Other ESCO

Districts may procure an ESCO that is not on state contract, as outlined in A.R.S. 15-213.01.

Application

Once an ESCO is selected, the district and ESCO submit an online application for SFB funds.

Investment Grade Audit

Districts that are approved for funding from the SFB will conduct an investment grade audit (IGA). It shall include an energy usage baseline, cost and savings for each ECM, and M&V options. The audit shall indicate the guaranteed maximum price (GMP) for project implementation and guaranteed cost savings per year for the length of the contract. Project mark-ups shall be broken down into individual categories. The warranty and maintenance requirements for each ECM along with roles and responsibilities of stakeholders should be identified. The cost of the IGA will be included in the total project cost.

Implementing Projects

Investment grade audits will be reviewed by SFB staff. If approved, districts will receive approval to move forward with construction. Districts will be required to sign Terms and Conditions prior to implementation.

Measurement and Verification

HB 2332 requires the ESCO to submit an annual report that measures and verifies savings for the first three years that the measures are in effect. The measurement of savings after the first three years is optional. HB 2332 authorizes districts and energy service providers to modify energy baselines during the M&V process for significant changes in the nature of energy use. There are four options for M&V:

1. Option A- Savings measured & verified based on engineering calculations using measured or estimated operational factors.
2. Option B- Savings measured & verified based on engineering calculations with continuous or periodic measurements taken on all relevant parameters.
3. Option C- Savings measured & verified with engineering analysis based on whole-building or facility-level utility meter data adjusted for weather or other factors.
4. Option D- Savings measured & verified with engineering analysis based on computer simulation of building or process.

SFB staff can help districts determine the best option for their project(s).

Financing Options

Financing the performance contract can be completed through several methods. Examples are listed below.

1. Issue bonds - there are several financial advisory (FA) firms on state contract; districts may select one of these firms or procure its own FA.
2. Qualified School Construction Bonds (QSCB): The use of QSCB will augment the district's ability to leverage the grant funds by allowing school districts to enter the performance contracts virtually interest free. The federal government provides a tax credit to QSCB bondholders allowing the bonds to be issued at a 0 – 1% interest rate. This will significantly reduce interest costs, which typically make up 25 to 30 percent of the total debt service over the life of a performance contract. SFB staff will assist school districts in developing a market for this debt. These bonds will allow districts to realize budget savings sooner than traditional financing.
3. Through the ESCO or directly with financial institutions. Note, the ESCO may charge administrative fees for handling the district's financing.
4. Through utility companies per A.R.S. 15-213.02.

Contact Information

If there are any questions regarding this program, please contact your district liaison listed below.

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