

**Application Guidelines
for the
Energy Efficiency Grant Program**

Health and Safety Code §§ 386.201-386.205
(Senate Bill 5, 77th Legislature)

June 2003

Mission Statement

The mission of the Public Utility Commission of Texas is to protect customers, foster competition and promote high quality infrastructure.

Statutory Responsibility

Under Health and Safety Code §§ 386.201-386.205 (Senate Bill 5, 77th Legislature) the Public Utility Commission is required to develop an energy efficiency grant program and report the quantity of the air emission reductions achieved from the program in non-attainment areas and affected counties.

Program Objective

The objective of the Energy Efficiency Grant Program, Health and Safety Code §§ 386.201-386.205 (Senate Bill 5, 77th Legislature), is to contribute to the reduction in air emissions by reducing electric consumption and production in specific counties.

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Reference Documents

The following link connects to the reference documents that define the structure of the Energy Efficiency Grant Program developed by the Public Utility Commission (hereinafter “PUC” or “Commission”). These reference documents include the enabling legislation, rules guiding program implementation, the approved energy efficiency program templates and applicant eligibility.

WEB Site: <http://www.puc.state.tx.us/electric/projects/25309/25309.cfm>

Subject	Information
Health and Safety Code §§ 386.201-386.205 (SB5 2001 RS)	PUC Legislative Mandate Subchapter E. Energy Efficiency Grant Program See: §§ 386.201-386.205
PUC Rules	PUC Substantive Rules § 25.181 Energy Efficiency Goal § 25.182 Administration § 25.183 Reporting
Approved Templates	PUC Approved Energy Efficiency Program Templates
Deemed Savings	PUC Approved Deemed Savings
Eligible Counties & Utilities	Utilities Eligible to Apply for Grant Awards

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Table 1. Definitions

Definitions

The following defined terms are used in the design, development, implementation and evaluation of the energy efficiency program.

Affected Counties – See Table 2, Page 10 for a current listing of specific counties.

Electric Utility – A person or river authority that owns or operates for compensation in this state equipment or facilities to produce, generate, transmit, distribute, sell, or furnish electricity in this state. For specific exclusions, see PUC Substantive Rules § 25.5.

Energy Efficiency – Programs aimed at reducing the rate at which energy is used by equipment or processes. Reduction in the rate of energy used may be obtained by the substitution of technically more advanced equipment to produce the same level of end-use services with less electricity; adoption of technologies and processes that reduce heat or other energy losses; or reorganization of processes to make use of waste heat. Efficient use of energy by consumer-owned end-use devices implies that existing comfort levels, convenience, and productivity are maintained or improved at lower customer cost.

Energy Efficiency Service Provider - A person who installs energy efficiency measures or performs other energy efficiency services. An energy efficiency service provider may be a retail electric provider or a large commercial customer, if the person has executed a standard offer contract with the grantee.

Grantee – An entity awarded a grant under the Energy Efficiency Grant Program.

Non-attainment Area – See Table 2, Page 10 for a current listing of specific counties. An area so designated under the federal Clean Air Act section 107(d) (42 U.S.C. section 7407), as amended. A non-attainment area does not include affected counties.

Peak Demand / Peak Load – Electrical demand at the time of highest annual demand on a utility's system, measured in 15 minute intervals.

Peak Demand Reduction – A reduction of the peak demand on a utility's system during the utility system's peak period for the duration of at least one hour.

Peak Period – The peak demand period is from May 1 through September 30, which is usually the time a utility's system experiences its maximum demand for electricity.

Retirement – The disposal or recycling of equipment and material that results in permanent removal of the equipment and material from the system with minimal environmental impact.

I. Introduction

The *Application Guidelines for the Energy Efficiency Grant Program* (hereinafter EEGP) explain the process the Public Utility Commission (hereinafter “PUC” or “Commission”) will use to evaluate proposals and award grants, for the implementation of projects financed by the Texas Emissions Reductions Plan Fund.

These guidelines outline program administration and expenditures monitoring for compliance with Health and Safety Code §§ 386.201-386.205 (77th Legislature). This information will serve as a guide for an applicant in its selection of program design, application for funds, oversight of program implementation, and evaluation of results.

The Commission has adopted Substantive Rule 25.182 to govern implementation of the Energy Efficiency Grant Program, and Substantive Rule 25.183 for reporting results of program implementation.

The final 2003 grant timeline has been scheduled to provide time for application submission and scoring, implementation of energy efficiency measures and evaluation of program achievements.

Purpose

The purpose of the EEGP is to contribute to the reduction in air emissions by reducing electric consumption in specific counties and related electric production. The PUC will award grants to eligible entities that will then contract with Energy Efficiency Service Providers for implementation of proposed energy efficiency measures.

Funding

The EEGP is funded by revenue from the Texas Emissions Reductions Plan (TERP) Fund 5071. Although Health and Safety Code Chapter 386, Subchapter C (SB 5, 77th Legislature) designates five fees to support the fund, all five do not currently generate revenue due to litigation. Thus, the anticipated revenue to fund the EEGP has been substantially reduced.

Based on the timing and amount of program revenue received the Commission will determine the scope and timing of grants to be awarded.

Information concerning the balance of TERP Fund 5071 will be made available upon request.

Grant Application Procedures

The *Application Guidelines for the Energy Efficiency Grant Program* contain instructions required for eligible applicants serving qualified jurisdictions to apply for grant funding. Although many energy efficiency projects are eligible under the criteria listed, only those that meet all requirements and can reasonably be completed within the strict timeline requirements will be considered for funding. Interested applicants should follow these steps:

Step 1 – Review the *Application Guidelines for the Energy Efficiency Grant Program* and Reference Documents

Step 2 – Evaluate the Eligibility Requirements, Timeline, and Criteria for Evaluation

Step 3 – Follow Directions, Complete Application and Required Attachments

Step 4 – Submit Complete Application with Required Attachments to the Address Listed Below

Following the receipt of applications, the Commission will follow these steps:

Step 1 – Applications Will Be Evaluated on the Stated Criteria and then Ranked

Step 2 – Grant Award Notification

Step 3 – Execute Contract Document for Grant

Contact Information

The Reference Documents listed on page 4 offer valuable sources for review of program legislation, implementation rules, and approved energy efficiency program templates. PUC contact information is listed below.

Web: www.puc.state.tx.us/electric/projects/25309/25309.cfm

E-mail: www.theresa.gross@puc.state.tx.us

Phone: 512.936.7367

Address: Public Utility Commission of Texas
Electric Division
Energy Efficiency Grant Administrator
1701 N. Congress Avenue
Austin, Texas 78701
P. O. Box 13326
Austin, Texas 78711-3326

II. Eligibility for Grants

Specific standards are required for applications eligible for grant revenue from the Emissions Plan Fund created by Chapter 386, Subchapter C Texas Health and Safety Code (77th Leg. R.S.) and the implementation rules PUC SUBST. R. 25.181, 25.182 and 25.183.

Eligibility Requirements

The requirements for applicant qualifications and allowable costs and activities are prescribed by Health and Safety Code §§ 386.201-386.205, and PUC SUBST. R. 25.181, 25.182 and 25.183. Applications will be screened to verify that eligibility qualifications have been met.

Eligible Applicants

Entities eligible to apply for an Energy Efficiency Grant include electric utilities, electric cooperatives and municipally owned utilities. Joint applications, incorporating a listing of multiple eligible utilities, are permissible.

Eligible applicants include those serving non-attainment and affected counties. Priority will be given to proposals for implementation of energy efficiency measures in a non-attainment area or an affected county where the applicant provides electric service or electric delivery service.

The applicant should describe in the application its experience in conducting programs that previously achieved and verified peak demand reductions and energy savings.

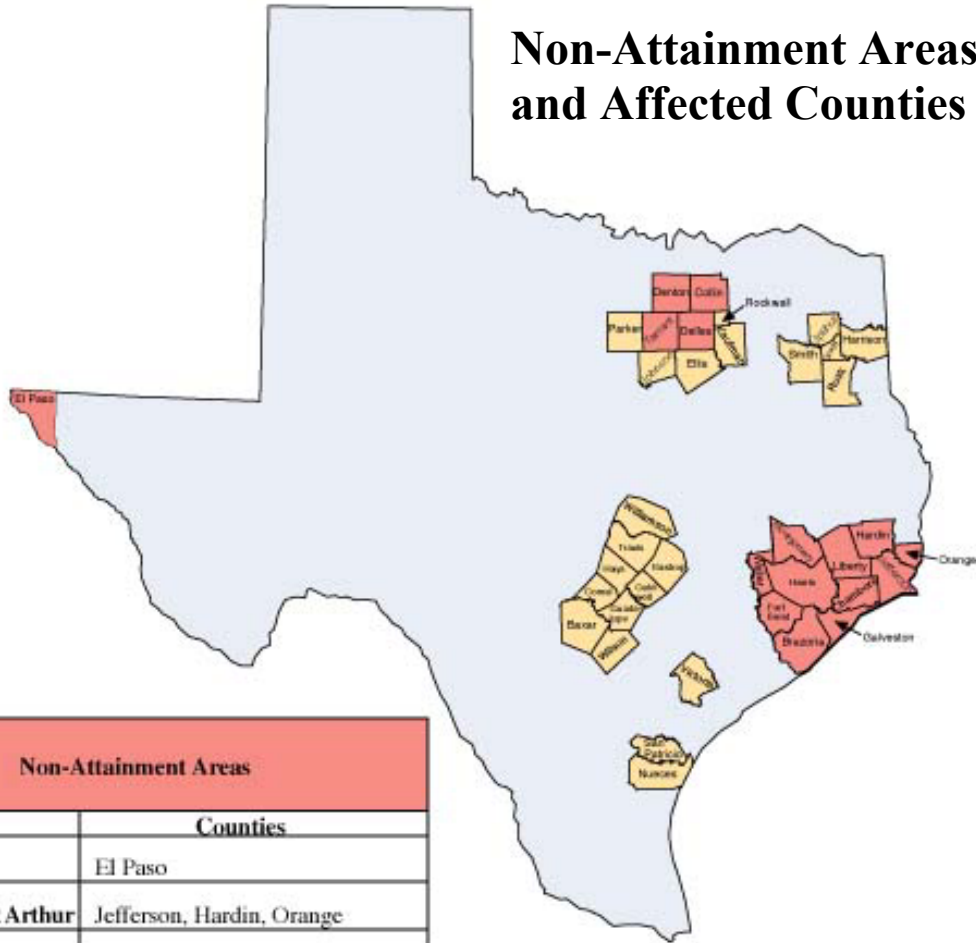
Eligible Jurisdictions

Eligible applicants that provide electric service or electric delivery service to any of the 38 eligible jurisdictions may apply for program funding to implement energy efficiency measures within the respective service territory.

A total of 38 counties have been designated as either clean air non-attainment areas or affected counties. There are four non-attainment areas that encompass 16 counties. In addition, twenty-two counties are designated as affected counties. Table 2 lists the 38 jurisdictions eligible for energy efficiency measures funded by this program.

Table 2. Eligible Jurisdictions

Non-Attainment Areas and Affected Counties



Non-Attainment Areas	
Area	Counties
El Paso	El Paso
Beaumont/Port Arthur	Jefferson, Hardin, Orange
Houston/Galveston	Brazoria, Harris, Chambers, Liberty, Galveston, Montgomery, Fort Bend, Waller
Dallas Fort Worth	Collin, Dallas, Denton, Tarrant

Affected Counties			
Bastrop	Guadalupe	Parker	Upshur
Bexar	Harrison	Rockwall	Victoria
Caldwell	Hays	Rusk	Williamson
Comal	Johnson	San Patricio	Wilson
Ellis	Kaufman	Smith	--
Gregg	Nueces	Travis	--

Eligible Activities

Eligible activities include the administration of energy efficiency programs under the Approved Templates listed below, or a modification of these templates. Use of these templates or a modification of these templates, to implement energy efficiency programs must be cost-effective.

Projects will be deemed cost-effective if the expense of the project for the utility is less than or equal to the benefits of the project. The cost-effectiveness test is detailed in PUC SUBST. R. 25.181.

- Project costs includes incentives, measurement and verification costs, and administrative expenses.
- Project benefits include the value of the reduction in electric demand and peak load. The present value of the project benefits shall be calculated over the projected life of the energy efficiency measure not to exceed ten years.
- The proposed annual budget to implement the program should include detailed incentive payments, utility administrative costs, and both the rationale and methodology used to estimate the proposed expenditures.

Various types of programs using, or modifying, one of the eight approved templates discussed below may be undertaken to achieve the EEGP objectives. Therefore, the applicant should provide a clear link between Health and Safety Code §§ 386.201-386.205 (Senate Bill 5, 77th Legislature) goals and the proposed program design, implementation plan and strategies associated with program delivery.

III. Approved Templates

The scope of allowable projects is limited to the use of the eight approved templates, or a modification of these templates, which provide incentives to reduce electric consumption and production, thus contributing to air emissions reductions. The PUC rules regarding use of these templates are outlined in §25.181.

1. Only activities in compliance with §25.181 and in support of reducing electric consumption and production that contribute to a reduction in air emissions will be considered for funding.
2. Proposals that incorporate use of more than one template must provide separate data for deemed savings, electric demand reductions and peak load reductions to be achieved by implementation of each energy efficiency measure.
3. The application must include a description of the utility's plan to oversee implementation of the energy efficiency program template, and a copy of the proposed contract to include terms and conditions between the applicant and its Energy Efficiency Service Provider. The application must also include an assessment of the impact the proposed method will have in reducing air emissions.

List of Templates

The PUC approved templates are listed below. Full text of the templates is available on the PUC Web site. See the Reference Documents, page 4.

Standard Offer Programs	Market Transformation Programs
Commercial and Industrial	Air Conditioning Distributor
Residential and Small Commercial	Energy Star Homes
Load Management	Residential Energy Star Windows
Hard to Reach	Air Conditioning Installer Information and Training

Timeline for 2003

In 2003 the EEGP requires adherence to the timeline, as outlined on page 17. The applicant should use this timeframe to structure plans that allow for completion of all project phases in the timeframe.

Applicants should assume a project period that will begin on the award date and end on December 31st. The last date for evaluation of implemented energy efficiency measures is September 30, 2003. It is anticipated that the grants will be awarded on a routine basis beginning June 2003 and prior to August 31, 2003.

IV. Criteria for Evaluation

The PUC will evaluate all applications submitted based on the criteria listed below. Grants will be awarded on a competitive basis with selection of the grantee to be determined by the highest number of evaluation points received.

Evaluation Points

The criteria listed below will be used by the PUC to evaluate applications, to select projects for grant awards. The point values listed beside each objective will be used to rank each application. The point value next to each objective represents the maximum possible score. Each application will receive a score based on a total of the values for each objective. The maximum number of points is 100.

1. Quantify Reductions of Electric Consumption and Production

Maximum Points: 30

Points will be assigned based on the degree of a clear, logical and verifiable link between the program activities and the energy savings. The applicant should include an estimate of the reduction in electric consumption and production to be achieved, in a peak demand period, by implementation of the energy efficiency proposal. Priority will be given to programs that reduce energy consumption during peak demand periods.

In estimating energy savings to be achieved from the program proposal, the deemed savings values filed under Project No. 22241 – Energy Efficiency Implementation Docket shall be used. All other measures must be verified using the Independent Measurement and Verification Protocol.

2. Where Programs are Offered

Maximum Points: 15

The program will emphasize the reduction of air emissions in non-attainment areas first and in affected counties second.

3. Cost and Benefits

Maximum Points: 15

The project must specify the template, or template modification, that will be used. Preference will be awarded to those proposals specifying use of the commercial and industrial template based on a higher level of energy savings for a given level of incentives. Other programs will be evaluated on the basis of ratio of benefits to costs.

4. Service Area Sources of Electricity

Maximum Points: 20

Applications must include a description of the sources of electricity for the service area where the proposed energy efficiency measures will be implemented, and identify whether the sources of electricity are in a non-attainment or affected county. Preference will be given to programs that will reduce emissions in a non-attainment area or adjacent regions that affect the air quality in the non-attainment area.

5. Ability to Complete Project within Prescribed Timeframe

Maximum Points: 10

Provide a detailed timeline to complete project tasks including the installation, verification and evaluation of all energy efficiency activities. The timeline must demonstrate an ability to complete the project and report results, consistent with the timeline prescribed in these guidelines.

6. Additional Criteria

Maximum Points: 10

Evaluation criteria will also include the extent to which the application proposal is credible, internally consistent, feasible, and demonstrates the applicant's ability to administer the project consistent with PUC rules.

Grant Award and Contract

Those applications receiving the highest number of evaluation points will be considered for receipt of a grant award. All applicants will be informed of the final awards.

The PUC of Texas requires all grantees to sign a contract that includes terms and conditions, budgetary expectations, provisions for grant adjustments and authorizations, closeout procedures and release of claims.

V. Administration of Grant Program

The Energy Efficiency Grant Program law requires several agencies to work in a coordinated effort to achieve the mandated goals.

Coordinating Agencies

The Public Utility Commission administers the grant program. The Texas Natural Resource Conservation Commission provides point source emissions data, tons per hour and tons per year data, measured at utility plants. The Energy Systems Laboratory of Texas A&M University will cooperate with the PUC in quantifying reductions of peak demands, energy consumption and associated air contaminants due to the implementation of energy efficient measures under this program.

Timeline, Schedule of Events, Milestones

Table 3 on page 17 lists the Public Utility Commission timeline, anticipated schedule of events and milestones to be achieved. Applicants are required to include a similar timeline that details the tasks and assignments for timely achievement of activities and program goals.

Reimbursement

Grantees shall be reimbursed from the Emissions Plan Fund for allowable expenses incurred in administering the Energy Efficiency Grant Program. The PUC Fiscal Services Division will evaluate and process reimbursement requests. Required reports and necessary attachments must be included with the reimbursement request in order to receive payment authorization.

VI. Project Monitoring and Reporting

The PUC and grantee are responsible for overseeing and monitoring the project to ensure compliance with the grant contract.

Monitoring

The PUC will monitor the grantee's oversight of program operations to verify that activities and expenditures are in compliance with applicable laws and regulations. Key grant activities to be monitored include outreach efforts, terms and conditions of service contracts, implementation of energy efficiency measures, verification, evaluation, tracking of expenditures, adherence to grant rules and timely reporting.

The grantee will be required to monitor and track grant activities for the program cycle designated in the PUC grant contract and the Energy Efficiency Service Provider contract. The grantee will maintain records that will permit the PUC to conduct its oversight activities, including program audits.

Reporting

Grantees are required to submit a monthly report and supporting documentation to the PUC that includes program progress, achievements, pending activities, budget status and expenditures.

Grantees are required to report the impact of the programs on electric consumption for projects financed by TERP funds. This data will be used by the PUC to prepare a report for the TCEQ on emission reductions from the program.

The PUC's report to TCEQ must quantify the reduction of energy demand, peak loads, and associated emissions of air contaminants achieved from programs implemented with grant funds. Only those applications that provide proposals that assist in meeting this legislative goal will be considered for funding.

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Table 3. Timeline

Timeline

The timeline for the Energy Efficiency Program reflects external requirements and program implementation milestones, including coordination with other affected agencies, an ongoing comprehensive assessment of program needs, generation of revenue, application evaluation, implementation of energy efficiency measures and evaluation of program achievements necessary for development of reports to the TCEQ and the Texas Legislature.

The schedule below shows major program milestones for the Energy Efficiency Program for 2003. This timeline is tentative and subject to updates.

Date	Milestone Event
June 2003	PUC Announces a Request for Applications & Proposals
June 2003	Utilities Submit Applications to PUC for Evaluation
May 2003	Peak Period Begins Implementation Must Occur Between May 1 and September 30
June 2003	Applications accepted and evaluated with awards made on a routine basis until the remaining TERP funds are expended
September 2003	Peak Period Ends Initial reports due from grantees Implementation Must Occur Prior to September 30
October 2003	Complete Initial Report On Reductions In Electric Production
December 2003	Complete Initial Report On Reductions In Air Emissions (TCEQ)

Table 4. Cost Effectiveness and Incentive Levels

Cost Effectiveness and Incentive Levels

The project cost effectiveness and avoided cost criteria must be consistent with PUC SUBST. R. 25.181.

Cost Effectiveness Category	Amount Allowed
Avoided cost of capacity savings	\$78.50 per kW saved at the customer meter
Avoided cost energy savings	2.68 cents per kWh saved at the customer meter
Environmental Adder	Up to 20% for projects in non-attainment areas