

# ECOWISE

May 2011 | Volume 9, Issue 5

[www.hud.gov/offices/pih/programs/ph/phecc/newsletter/newsletter.cfm](http://www.hud.gov/offices/pih/programs/ph/phecc/newsletter/newsletter.cfm)

## IN THIS ISSUE

- » HUD Clarifies Funding and Incentives Rules for Energy Performance Contracts
- » Upcoming Events
- » New Protocol Available for Homes with Problem Drywall
- » Resident's Corner | Save Energy by Reducing "Phantom Power"



## HUD Clarifies Funding and Incentives Rules for Energy Performance Contracts

The Office of Public and Indian Housing (PIH) recently issued a memo to clarify which funding sources and incentives are allowed for use in an Energy Performance Contracting (EPC) program. The memo discusses the operating fund benefit (OFB) and its treatment when a PHA undertakes an EPC. Specifically, the memo clarifies that a PHA may not include the OFB in an EPC cash flow.

EPC is a financing technique that public housing agencies (PHAs) use to fund significant energy conservation and energy efficiency projects. EPC projects are required to generate enough energy savings to repay third-party financing; they are typically on a larger scale than ordinary PHA projects. Energy conservation measures (ECMs) are the improvements and replacements that create the energy and financial savings; they are only funded by third parties. For each ECM implemented as part of an EPC, PHAs are allowed to select one incentive. The allowable incentives under EPC are the frozen rolling base (FRB), the resident-paid utility incentive, and the add-on subsidy.

The add-on subsidy is an extra amount of total operating fund subsidy that HUD can give the PHA to pay back its EPC debt. HUD pays the PHA the lesser of program costs or savings. If the savings are less than the debt payment, HUD will provide an add-on subsidy equal to the savings. If the savings are greater than the debt payment, the add-on subsidy will be equal to the debt payment. While receiving the add-on subsidy, however, the PHA's rolling base consumption level is not frozen. As a result, the PHA also receives an OFB.

The OFB (sometimes called the 3-year rolling base incentive or the rolling base normalization savings) is given to any PHA that reduces energy consumption levels under the operating fund formula. The OFB is an incentive that operates within the normal operating subsidy eligibility and is not an EPC incentive. To determine the payable consumption level used in calculating a PHA's operating subsidy eligibility, the current level of consumption of each utility is compared to the rolling base consumption level. A PHA is allowed to retain 75 percent of the decrease in utility consumption if it goes down in comparison to the RBCL, and must pay 75 percent of the increase in utility consumption if it goes up in comparison to the RBCL. By allowing the PHA to retain a portion of utility savings that are created, HUD encourages the PHA to make decisions as part of its normal operation that will enhance the PHA's energy efficiency.

If the OFB were to be utilized within an EPC, it would be inappropriately funding additional ECMs and would result in a double incentive (OFB and the add-on subsidy) for a particular energy conservation measure. Thus, although the PHA will still receive the OFB, it may not be included in an EPC cash flow.

The memo is available at: <http://I.usa.gov/ghv240>

To learn more about allowable incentives, view PIH Notice 2009-16: <http://I.usa.gov/I2360A>

## UPCOMING EVENTS

- » **RESCHEDULED**  
Save the Date—Going Green: Intelligent Investments for Public Housing Presented by U.S. Department of Housing and Urban Development (HUD), Office of Public and Indian Housing  
July 13 & 14, 2011, Park Plaza Hotel  
Boston, MA
- » **Public Housing Authorities Directors Association Annual Convention**  
May 15-18, 2011  
New Orleans, LA  
<http://bit.ly/gcmp5U>
- » **Southeast PIH Network Energy Conference**  
May 24-26, 2011  
Orange Beach, AL  
<http://I.usa.gov/g5YRvw>

## New Protocol Available for Homes with Problem Drywall



Photo: Drywall Information Center

On March 18, 2011, HUD and the U.S. Consumer Product Safety Commission (CPSC) issued updated correction of guidance for homes with problems related to drywall. This guidance relates to drywall that was imported from China and installed in homes between 2006 and 2009. CPSC began investigations in response to thousands of resident reports of health concerns, as well as reported corrosion of metal parts in walls with the drywall.

As part of CPSC's ongoing investigation, the Sandia National Laboratories of New Mexico conducted a study which concluded that the drywall did not create safety hazards for home electrical systems. The study simulated 40 years of wiring and other electrical component exposure to hydrogen sulfide gas—the gas associated with this drywall. While the study found that exposed electrical components did corrode or blacken, it did not report any acute or long-term electrical safety problems, including smoking or fire.

The updated guidance calls for replacement of all problem drywall. However, drywall that was installed before the problem was identified may be left in place. Importantly, the new guidance also calls for the clean-up of all visible drywall dust and debris. This includes any material that was on or around framing material before the remediation.

Removing the problem drywall should eliminate the source of the corrosion. If corrosion has already taken place, PHAs should replace fire safety alarm devices, electrical distribution components, gas service piping, and fire suppression sprinkler systems. The fire safety alarm devices include carbon monoxide and smoke alarms, whose performance may be harmed by corrosion. Electrical distribution components do not necessarily include wiring, but do include receptacles, switches, and circuit breakers.

Additionally, HUD and CPSC issued updated identification guidance at the same time as the updated remediation guidance. One change to this guidance broadens the range of years when installation of the faulty materials may have taken place—going from 2006-2008 to as late as 2009. The updated identification and remediation protocols will help PHAs to correctly identify homes containing problem drywall and to fix any potential associated health and safety issues.

For the protocols and additional findings from the Interagency Drywall Task Force's investigation, visit <http://www.drywallresponse.gov>

## Resident's Corner | Save Energy by Reducing "Phantom Power"

"Phantom power," also known as "vampire power," "idle current," and "wall wart," is the extra energy that appliances and various electronic devices use—even when turned off. Electric appliances left on standby and plugged in power adaptors are constantly using electricity. Even when not in use, chargers for cell phones, power tools, and digital cameras draw energy as long as they are plugged in. The same is true for appliances such as computer monitors, televisions, DVD and VCR players, audio systems, and microwave ovens.

According to the Lawrence Berkeley National Laboratory, "phantom power" can add up to 5-10 percent of a home's energy use on average. This may not seem like much, but in a year it can add up — especially if you consider that many households have 20 or more appliances. There are a number of ways to cut this additional power use.

The easiest and cheapest way to reduce this "phantom power" is simply to unplug any devices that are not in use. Another method is to plug a number of your devices into a power strip or surge protector with multiple sockets (\$5 and up). When you flip the power strip switch off, you cut off all power to whatever is plugged in. This saves you from plugging in and unplugging devices through your home. There are Smart power strips (about \$30), which can, for instance, sense when your computer is off and can turn off power to items connected with the computer, such as the printer. By following these simple tips, you can save money while helping to save the planet.

To read more on saving energy with your appliances:  
<http://www.energysavers.gov/>

To see a chart of estimating the power used by appliances in standby:  
<http://standby.lbl.gov/summary-table.html>

To estimate the cost of using your appliances:  
<http://bit.ly/2q5c7y>



## Contact Us:

### Public and Indian Housing Information Resource Center (PIH IRC)

2614 Chapel Lake Drive  
Gambrills, MD 21054

**Toll free number:** 1-800-955-2232

**Fax number:** 1-443-302-2084

**E-mail:** [pihirc@firstpic.org](mailto:pihirc@firstpic.org) (Put "EcoWise" in subject line)

### Follow us on:

<http://facebook.com/HUD>

<http://twitter.com/HUDnews>

[www.hud.gov](http://www.hud.gov)