

Attachment E

Energy Efficiency & Conservation Strategy for States

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DUNS #: 806811931

Program Contact Email: Jonathan.Feipel@illinois.gov

1. Describe your State's proposed Energy Efficiency and Conservation Strategy. Provide a concise summary of your measureable goals and objectives, which should be aligned with the defined purposes and eligible activities of the EECBG Program. These goals and objectives should be comprehensive and maximize benefits statewide. Provide a schedule or timetable for major milestones. If your State has an existing energy, climate, or other related strategy please describe how these strategies relate to each other.

The State's Energy Efficiency and Conservation Strategy (EECS) builds upon several existing statutes, plans and executive orders that establish a strong set of policies as the foundation for the EECS.

The **Illinois Power Agency Act** finds that "The health, welfare, and prosperity of all Illinois citizens require the provision of adequate, reliable, affordable, efficient, and environmentally sustainable electric service..." Towards that goal, the statute creates a Renewable Portfolio Standard requiring renewable sources for 2% of electricity supply in 2008 rising to 25% in 2025 and an Energy Efficiency Portfolio requiring electricity savings of 0.2% in 2008 rising to 2% annually by 2015.

The **Energy Policy and Planning Act** sets the following policy for Illinois: "To become energy self-reliant to the greatest extent possible, primarily by utilization of the energy resources available within the border of this State, and by the increased conservation of energy".

The **Government Buildings Energy Cost Reduction Act** declares it to be the policy of the State of Illinois "to establish interagency and intergovernmental programs for the purpose of deploying cost effective energy conservation measures and technologies to minimize energy consumption and costs." The **Agency Energy Efficiency Act of 2008** further mandates the State to reduce energy use in State facilities by 10% within 10 years.

The **Energy Conservation Act, Energy Conservation and Coal Development Act, Renewable Energy, Energy Efficiency and Coal Resources Development Act** and others further develop these policies.

The **Illinois Climate Change Advisory Group** established the following statewide greenhouse gas reduction goals for Illinois:

- Reduce emissions to 1990 levels by 2020
- Reduce emissions to 60% below 1990 levels by 2050.

The Advisory Group also recommended a set of 24 strategies to achieve the first of these goals, through building energy efficiency, renewable energy, and transportation energy efficiency programs and polices.

Governor Quinn's **Executive Order Number 11**, "Executive Order to Reduce the Environmental Impact of Illinois State Government Operations" states that "the State of Illinois is committed to conserving, improving and protecting natural resources

and the environment; preventing water, air and land pollution; minimizing greenhouse gas emissions that contribute to global climate change; and enhancing the health, safety and welfare of its residents and their overall economic and social well-being". It specifically commits the State "to lead by example...by making sustainable choices....to employ cost-effective methods to reduce the consumption of energy and fuel, and associated emissions of greenhouse gases".

Therefore, building on these policies, the Illinois Energy Efficiency and Conservation Strategy proposes the following goals for its Energy Efficiency and Conservation Block Grants programs:

- Create and retain jobs in Illinois
- Maximize the amount of leveraged funds invested in energy efficiency and renewable energy projects
- Improve energy efficiency in buildings to reduce electricity and natural gas consumption and costs
- Increase use of distributed electricity generated from renewable sources at state and local facilities
- Increase the energy efficiency of government fleet vehicles
- Reduce greenhouse gas emissions in Illinois.

Based on these broad goals, the state has established clear **objectives for State government facilities**. The Executive Order #11 sets an ambitious objective of reducing electricity and natural gas consumption in State-owned facilities by 25% by 2025. To the maximum extent feasible, agencies shall attain Energy Star qualification in all eligible State-owned buildings by 2015 and wherever practicable certification under the U.S. Green Building Council's LEED for Existing Buildings. The Executive Order also sets ambitious goals for improving the efficiency of State fleet vehicles, including an objective of reducing petroleum use in State vehicles by 20% by 2012 and to increasing purchase of hybrid vehicles to 20% of new fleet vehicles by 2015.

The Illinois Green Governments Coordinating Council (GGCC) will play a central role in implementing the State's Energy Efficiency and Conservation Strategy. The GGCC was established to integrate more fully into the ongoing management systems, long-range planning and daily operations of agencies cost-effective sustainability measures that enhance health and safety, reduce the consumption of energy and fuels, conserve water, minimize emissions and reduce solid and hazardous wastes. It will establish priorities for State EECBG projects and help select the projects that will receive funding.

While the specific objectives in the Governor's Executive Order will not be attained within the timeframe of the EECBG, the State intends to use the funds to make significant strides towards attaining them, within the framework of the EECBG goals to create and retain jobs, leverage funds, improve building and fleet efficiency, increase renewables, and reduce greenhouse gases.

2. Describe your State's proposed implementation plan for the use of EECBG Program funds to assist you in achieving the goals and objectives outlined in the strategy describe in question #1. Your description should include a summary of the activities submitted on your activity worksheets, and how each activity supports one or more of your strategy's goals/objectives.

As called for in the EECBG the state's implementation plan has two parts – one addressing the State 40% portion of the funds and one addressing the local government 60% portion.

State Energy Conservation Plan (40%)

The State programs will focus on improving energy efficiency in the building and transportation sectors and on developing distributed electricity generation from renewable resources at State facilities. The GGCC will establish a process for prioritizing the State projects and help to select projects for funding. Three program areas will be funded:

- a. State building energy efficiency – State agencies may use the funds to support the installation of electric or natural gas measures that improve the energy efficiency of lighting, HVAC, hot water systems, motors, and cooking, refrigeration, and other energy using equipment. Geothermal and air-source heat pumps are specifically eligible. EECBG funds may cover a maximum of 50% of project costs. Electric efficiency projects eligible for EEP funding should apply for EEP funding before using EECBG funding.
- b. Distributed renewable electricity – Renewable energy projects on State-owned buildings or properties are eligible for funding if they generate electricity from solar, wind, fuel cells, or biomass. Projects with public visibility will be given preference in order to help promote the development of distributed renewable resources in Illinois. Again, EECBG will pay no more than 50% of project costs.
- c. Transportation fleet efficiency – The State may use funds to increase the energy efficiency of fleet vehicles. Rebates or grants of up to \$5,000 shall be available for each hybrid, electric, or alternative-fueled vehicle purchased. Larger rebate awards may be granted for purchases of fleet vehicles with greater energy savings (e.g. plug-in electric vehicles).

State government pays nearly \$90 million annually in utility bills for State buildings. Implementation of the EECS is expected to reduce those bills by nearly 7%, a significant step towards the long term goal of a 25% reduction by 2025. Examples of projects being considered for funding include:

- Converting lighting to highly efficient LED lights at a large museum.
- Installing small wind and solar energy systems at interstate rest stops to help lower the high energy bills for lights, heating and hot water.
- Upgrade building management controls to greatly increase the efficiency of building HVAC systems at large state office buildings.

Local Government Block Grant Plan (60%)

Illinois will provide funding to local governments that are not eligible for direct formula grants through a competitive process administered by Regional Planning Agencies (see answer to number 4 below). Eligible activities include the following:

- a. Energy efficiency and conservation strategy – Up to 10% of the block grant funds may be used to fund consultant services to assist communities in developing a sustainable energy efficiency strategy and to identify viable projects and programs to implement that strategy.
- b. Residential and commercial building energy audits – Communities may provide funding for audits for its residents, businesses and government facilities, but will be encouraged not to duplicate services that may already be offered by the State or utilities.
- c. Energy efficiency retrofits in buildings and facilities. Communities may use funds to administer programs or pay for their own building projects. They may offer incentives to residences, businesses, and nonprofit organizations for energy efficiency measures in buildings. They may also fund energy retrofit projects in municipal, school, or other local public facilities. Incentives may be in the form of grants, rebates, or revolving loans. Projects that are eligible for funding from the Energy Efficiency Portfolio, State Energy Program, or other state or utility program will be expected to first apply for funding from those programs. The EECBG funds may be used to match funding from these other sources if needed to make a project viable, but the combined incentives

should not exceed 75% of project costs. Applicants are encouraged to use Energy Performance Contracting as a mechanism for financing any additional costs of energy efficiency retrofits or to participate in utility on-bill financing programs.

- d. Transportation energy efficiency – Applicants may use funds to encourage purchase of hybrid, electric, or alternative-fueled vehicles for local government or school fleet vehicles. The rebate or grant shall not exceed \$5,000 for each vehicle purchased. Other transportation projects may be funded, if sufficient justification is provided that the project is cost-effective (in \$/energy saved) and that Block Grant funds are a crucial element in making a particular project possible. No proposals will be accepted for transportation projects where the majority of funding comes from the EECBG.
 - e. Building Code Development and Enforcement – Applicants may use Block Grant funds to develop a new or revise an existing building energy efficiency code consistent with the requirements of ARRA. They may also use funds to support enforcement activities, including training enforcement officials or the local building industry in the requirements of the applicable model code.
 - f. Source reduction, recycling and recycled content procurement. Recycling-related projects must lead to documented energy savings to be eligible for funding. Applicants will be required to take advantage of SEP or existing recycling programs offered by DCEO, before using Block Grant funds for such recycling-related projects.
 - g. Traffic signals and street lights – Communities may use Block Grant funds to replace traffic signals or street lights with energy efficient lighting technologies, such as LED or other technology of equal or greater energy efficiency (such as induction lighting). Traffic signals are an eligible EEP measure and, therefore, EECBG funds should only be used if additional funds are needed to make the project viable or if the community is not eligible for EEP funding. For LED street light projects, only pilot projects will be accepted unless the applicant can demonstrate that a larger project would be cost effective. Again combined incentives should not exceed 75% of project costs.
 - h. Government building renewable electricity – Onsite renewable energy projects that generate electricity from solar, wind, fuel cells, or biomass are eligible for funding. Depending on the project, applicants should first take advantage of any rebates available from the state's Renewable Energy Resources Program (RERP) or grants available from SEP. Block Grants should only be used if necessary to make a project viable. Combined incentives should not exceed 75% of project costs.
3. Summarize your performance metrics from Attachment B1 – Project Activity File: Proposed Number of Jobs Created, Proposed Number of Jobs Retained, Proposed Energy Saved and/or Renewable Energy Generated, Proposed GHG Emissions Reduced (CO2 Equivalents), and Proposed Funds Leveraged.

The State will require that fund grantees regularly collect, track and report metrics data related to energy savings, jobs created/saved, emissions reductions and monetary savings as described in the EECBG predefined metrics. The State's proposed target performance metrics are:

Program	Funds		Jobs		Energy Saved			Renewable Energy		CO2 Reduced
	Budgeted	Leveraged	Created	Retained	Electricity (kWh)	Natural Gas (therms)	Gasoline (gallons)	Capacity (MW)	Generated (kWh)	metric tons Reduced
State EECGB	\$8,733,840	\$12,352,145	229		21,834,600	5,822,560	19,057	0.6	1,428,158	49,142
1. Bldg. Energy Efficiency	\$6,550,380	\$8,421,917	163		21,834,600	5,822,560				47,820
2. Renewable Generation	\$1,746,768	\$1,746,768	38					0.6	1,428,158	1,131
3. Hybrid/Alt. -fueled Vehs.	\$436,692	\$2,183,460	28				19,057			191
Local Govt. EECGB	\$13,100,760	\$22,973,945	392		32,250,811	8,546,338	28,586	0.9	2,142,236	72,342
1. EE Strategies	\$655,038	\$218,346	9							
2. Energy Audits	\$655,038	\$218,346	9		2,009,519	205,900				2,671
3. EE Bldg. Retrofits	\$6,026,350	\$9,039,524	213		26,365,280	8,035,133				63,008
4. Transportation EE	\$655,038	\$3,275,190	43				28,586			286
5. Building Codes	\$655,038	\$218,346	9		656,760	305,305				2,121
6. Recycling*	\$655,038	\$218,346	9							9
7. Traffic/Street Lighting	\$1,310,076	\$1,335,857	29		3,219,252					2,550
8. Govt. Bldg. Renewables	\$1,310,076	\$3,930,228	57					0.9	2,142,236	1,697
9. Administration	\$1,179,068		13							
TOTAL	\$21,834,600	\$35,326,091	621		54,085,411	14,368,898	47,643	1.5	3,570,394	121,484

4. Describe your State's established process for providing sub-grants to units of local government that are not eligible for direct EECBG formula grants from DOE.

The Department plans to use the Illinois Association of Regional Councils (ILARC) and their member regional planning agencies to administer the EECBG block grants to smaller communities (<35,000) in order to:

- Leverage other state and federally-funded programs and link energy efficiency efforts to long-term priorities in existing community development and economic development programs
- Maximize efficiency in program administration and ensure appropriate oversight, transparency, and accountability
- Tap into the existing network of agencies' experience and expertise in planning and regional development activities.

The ILARC serves as the recognized organization representing regional councils and planning commissions at the state level. Its member organizations were created to study the needs and conditions of a region and develop strategies which enhance each region's communities. They provide advocacy, planning, technical assistance and project development in areas such as community development, transportation, housing, land use, energy efficiency, solid waste and natural resources. The regional planning agencies act as umbrella agencies for numerous state and federal programs. DCEO is an affiliate member of the ILARC and has an established relationship with the association through DCEO's Community Development Assistance Program (CDAP).

Utilizing the ILARC to administer the EECBG would ensure consistent and statewide coverage for ARRA projects and programs. The Department will develop guidelines and program requirements, determine regional allocations and coordinate closely with ILARC. ILARC will award sub grants to the approximately 25 regional planning agencies who will in turn administer an RFP or equivalent process to select projects proposed by communities within their respective regions that meet the goals of the EECBG program.

Three-fourths of the \$13.1 million in funds will be allocated by population to the regional planning agencies to serve cities and counties not entitled to direct grants from DOE. The remaining one-fourth will be allocated to regional planning agencies by population for cities under 35,000 located in the ten counties that are receiving direct awards. (See attached table.) All communities under 35,000 in population in all 102 Illinois counties will be eligible to apply through their local regional planning agency.

5. Describe how this strategy has been designed to ensure that it sustains benefits beyond the EECBG funding period.

In order to ensure sustainability of program benefits and continuation of efforts to improve efficiency and expand renewables after ARRA expires, the Department through its contractual relationship with ILARC will:

- a. Educate communities on the use of ongoing state and federal energy efficiency programs including the Electric Energy Efficiency Portfolio (EEP), State Energy Program (SEP) and Renewable Energy Resources Program (RERP)
- b. Require communities to apply for incentives through existing state and utility energy programs in order to leverage available resources and make best use of EECBG funds

- c. Develop and test pilot programs with EECSBG funds that the state may sustain with future state or federal funding streams; e.g., state administered natural gas efficiency programs
 - d. Encourage interested communities to adopt revolving loan programs administered by the community or in partnership with the regional planning agency and encourage the use of Energy Performance Contracting as another financing mechanism to leverage EECSBG funds
 - e. Build capacity at a local level for identifying and prioritizing viable energy projects for future implementation.
6. The President has made it clear that every taxpayer dollar spent on our economic recovery must be subject to unprecedented levels of transparency and accountability. Describe the auditing or monitoring procedures currently in place or that will be in place (by what date), to ensure funds are used for authorized purposes and every step is taken to prevent instances of fraud, waste, error, and abuse.

The Department has developed standards and procedures for program and grant monitoring, administrative oversight, and programmatic oversight for all Bureaus. The expenditure, planning and control (EPC) system is used for budget planning and tracking for all expenditures within the Department. These expenditures are tracked by both state appropriations and by federal grant. All expenditures approved through the EPC system are reviewed, reconciled, and approved by the accounting department and approved for final payment by the Agency Director. All fiscal and accounting procedures are in compliance with all applicable state and federal laws and regulation. Funds received under the American Recovery and Reinvestment Act will receive unique subaccount identifiers.

In addition, all programs are submitted to the Office of the Director and the internal auditor, contract, grant, and spending plans and monitoring procedures for all functions defined by this plan. These procedures and monitoring plans must be approved by both the Director and the internal auditor prior to any program expenses being incurred. It is the responsibility of the grant manager, with guidance from the division manager, to ensure that the procedures are followed.

The Office of Administration will be responsible for developing and maintaining an efficient operating environment consistent with federal, legal and administrative requirements, in addition to managing the agency's financial and physical resources in support of EECSBG program goals and objectives. The Energy Division will manage, promote and report on the EECSBG and will coordinate the EECSBG with the other state and federal-funded programs.

The Energy Division Manager will work with the Office of Administration to coordinate the production of both programmatic and financial reports.

Regional Planning Agencies

Agency	EECBG Budget
Bi-State Regional Commission	\$533,690
Blackhawk Hills Resource Conservation and Development District	\$759,460
Boone-Belvidere Regional Planning Commission	\$173,394
Champaign County Regional Planning Commission	\$944,862
Chicago Metropolitan Agency for Planning	\$2,706,985
Coles County Regional Planning and Development Commission	\$362,718
Greater Egypt Regional Planning and Development Commission	\$730,869
Greater Wabash Regional Planning Commission	\$326,204
Kankakee County Regional Planning Commission	\$358,588
Logan County Regional Planning Commission	\$97,051
Macon County Regional Planning Commission	\$279,447
McClellan County Regional Planning Commission	\$129,815
North Central Illinois Council of Governments	\$906,527
South Central Illinois regional Planning and Development Commission	\$385,062
Southeastern Illinois Regional Planning and Development Commission	\$158,789
Southern Five Regional Planning District and Planning Commission	\$198,815
Southwestern Illinois Metropolitan and Regional Planning Commission	\$797,151
Springfield-Sangamon County Regional Planning Commission	\$249,517
Tri-County Regional Planning Commission	\$445,357
Two Rivers Regional Council of Public Officials	\$185,408
West Central Development Council	\$569,631
Western Illinois Regional Council	\$622,351
Administration	\$1,179,068
TOTAL	\$13,100,760