

Analysis
Department of Energy
Renewable Energy Assistance

Analyst: John Terpening

Request: Approve, retroactively, the submission of a federal grant application by the Department of Energy to the U.S. Department of Agriculture, in the amount of \$100,000 to aid farms, ranches and rural small businesses to obtain energy efficiency audits.

Analysis: The Department of Energy is requesting approval to apply for a federal grant in the amount of up to \$100,000 to provide grant assistance for farms, ranches and rural small businesses to obtain energy efficiency audits. This is an opportunity through the U.S. Department of Agriculture, Rural Energy for America Program via the Energy Audit and Renewable Energy Development Assistance Grant. The grants would provide up to 75% of the cost to conduct an energy efficient audit. The other 25% is covered by the grant recipient and all monies would flow through the Department of Energy, which would contract with auditors to conduct the work. The grant amount is expected to cover the cost of approximately 26 energy efficient audits.

This a competitive grant and does not require a match, however the Department would contribute existing staff time to administer the program. Notification of the federal grant opportunity was provided to the Department in December 2020, and the required 10-day notification letter was received by the Legislative Fiscal Office on January 13, 2021. The grant application was due February 1 with notification of awards expected in April. Due to the timing of the start of the 2021 legislative session, this grant request is retroactive.

Should the federal grant be awarded, the Department will work with the Legislative Fiscal Office to determine if additional federal funds expenditure limitation will be needed for the 2021-23 biennium.

Legislative Fiscal Office Recommendation: Approve the request.

Oregon Department of Energy Klein

Request: Authorization to apply for a grant of \$100,000 for providing funding assistance to provide energy efficiency audits for farms, ranches, and rural small businesses from the United State Department of Agriculture under the Rural Energy for America Program.

Recommendation: Approve the request.

Discussion: The Oregon Department of Energy (ODOE) is requesting authorization to apply for a grant to pay up to 75 percent of costs associated with conducting energy efficiency audits for farms, ranches, and rural small businesses. Under the agreement, the audit recipient would pay the remaining 25 percent of the audit costs, though ODOE is working with partners to identify funding assistance for the necessary payment. These audits would provide recipients with information on creating more energy efficient operations, allowing them to more easily apply for grants and guaranteed loans through the Rural Energy for America Program for energy efficient upgrades. ODOE believes it can fund 26 energy audits with this grant and plans to use current staffing resources for the workload associated with administration of the program.

The grant application was due on February 1, 2021, and successful applicants being notified in April 2021. If awarded the grant, the program would begin on July 1, 2021 and continue for a two-year timeframe. There is no match requirement for the grant, but the Department anticipates contributing approximately \$30,000 in existing staff and resources to administer the grant program. If the Department is successful, they will return to the Legislature to request the additional Federal Funds and Other Funds expenditure limitation needed for running the program during the 2021-23 biennium.



Oregon

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January 25, 2021

Senator Betsy Johnson, Co-Chair
Senator Elizabeth Steiner Hayward, Co-Chair
Representative Dan Rayfield, Co-Chair
Joint Committee on Ways and Means
900 Court Street NE
Salem, OR 97301

RE: Energy Audit and Renewable Energy Development Assistance Grant Application

Dear Senator Johnson, Senator Steiner Hayward, Representative Rayfield:

The Oregon Department of Energy intends to apply for a competitive funding opportunity offered by the United States Department of Agriculture under the Rural Energy for America Program (REAP), the Energy Audit and Renewable Energy Development Assistance Grant. ODOE would use the grant funding to pay for 75% of the cost of energy efficiency audits for farms, ranches and rural small businesses. Under the requirements of the grant, the audit recipient would pay the remaining 25 percent of the cost of the audit. ODOE is working with partner organizations to find reimbursement options for the program participants' 25 percent contribution outside of this grant, as capital funding is a barrier for many small rural businesses. The audit would assist agricultural producers and rural small business with evaluating energy efficiency opportunities in their operations. The audit recipient could then use the audit to support their application for a REAP, Energy Efficiency Improvements and Energy Efficient Equipment and Systems Assistance Program grant or guaranteed loan to purchase and make energy efficiency improvements to their operations.

Specifically, ODOE will provide funding for approximately 26 energy efficiency audits. To support the program, ODOE will perform the following tasks.

- Serve as a single statewide point of contact for eligible rural and agriculture businesses seeking an energy efficiency audit, and entities and auditors offering those services.
- Develop a list of auditors able to meet the requirements for REAP EA/REDA audits through a procurement process.
- Assist producers and businesses in connecting with auditors.
- Receive the 25% of the cost of the audit payment from the audit recipient and pay the auditor the full cost of the audit from a combination of federal grant funds and the funds received from the audit recipient.

- Provide technical assistance to agricultural producers and auditors to ensure that the resultant audits meet technical standards to apply for REAP grants and other similar funding sources.
- Engage in outreach and coordination among organizations operating in rural areas including partner organizations such as Energy Trust, Clackamas Community College, Sustainable NW, Spark NW, WyEast, University of Oregon's RARE Program, and Lake County Resources Initiative.
- Encourage the development of audit resources in areas of the state that currently have few energy auditors who can produce an audit that meets USDA REAP standards.

US Department of Agriculture (USDA) staff approached ODOE in December 2020 and encouraged us to apply for the 2021 grant. The grant application is due February 1, 2021. ODOE provided the required 10-day notification of the agency's intent to apply for the grant to Chief Financial Officer and Legislative Fiscal Office on January 13, 2021. With this letter, ODOE is requesting either prior or retroactive authorization from the Legislature to apply for the Energy Audit and Renewable Energy Development Assistance Grant

The anticipated grant level is \$100,000 in Federal Funds. In addition, \$33,000 in Other Fund limitation will be needed to allow the expenditure of funding received from the audit recipients. The \$33,000 Program Income from the audit recipients' 25% share of the total audit costs flows through the agency, which will contract with and reimburse auditors. The federal funds may be spent over a two-year timeframe beginning July 1, 2021. REDA grants do not require a match or cost share from the grant recipient (ODOE). However, a contribution in support of the program will make ODOE'S application more competitive. ODOE will contribute approximately \$30,000 in existing staff and resources to administer the program. The Governor's Office is supportive of ODOE's application for this grant.

USDA anticipates notifying applicants selected for the award in April 2021.

Please do not hesitate to contact me with any questions. A copy of the draft grant application is attached.

Sincerely,



Janine Benner
Director

cc: Renee Klein, CFO
John Terpening, LFO

Attachments: Energy Audit and Renewable Energy Development Assistance Grant DRAFT Application