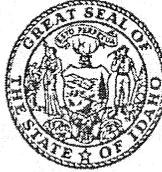


OFFICE OF ENERGY RESOURCES

C.L. "BUTCH" OTTER
Governor

PAUL KJELLANDER
Administrator



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Governor C.L. "Butch" Otter
Office of the Governor
P.O. Box 83720
Boise, Idaho 83720

RE: Assurance Regarding Stimulus Section 410(3) Concerning Expenditure of
Funds for Energy Efficiency and Renewable Energy Programs

Dear Governor Otter:

The Office of Energy Resources writes to assure you that it will expend state energy program monies allocated to it for expanded energy efficiency and renewable energy programs as required by Section 410(3) of the American Recovery and Reinvestment Act of 2009.

The Office of Energy Resources plans to expend the funds in the following ways:

- To train a workforce to perform scoping audits, building tune ups, and install and train schools in the use of monitoring tools and software and to pay for these services on all major school facilities throughout Idaho. This will save 10 to 15% of all energy used in schools.
- To fund and facilitate the retrofit of approximately 25 schools throughout Idaho revealed as the best efficiency opportunities by the scoping audits. This will save 30 to 40% of the energy used in the retrofitted schools.
- To place photovoltaic arrays on at least two schools using the most cost-effective technology as a demonstration of integrating renewable energy generation into public facilities.
- To allocate funds to renewable energy project financing.

These projects are designed to use the funds to create a retrofit workforce for institutional and commercial buildings, to demonstrate energy efficiency and renewable energy throughout Idaho, to significantly improve Idaho's schools, and to decrease the public cost for maintenance and operation in schools.

Sincerely,

A handwritten signature in cursive script that reads "Paul Kjellander".

Paul Kjellander
Administrator,
Office of Energy Resources

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Program: State Energy Program, from Title 10 Code of Federal Regulations, part 420.

Location in Bill (Division, Title & Section): Division 1, Title IV, Section 410.

Application Required: Assurance letter from Governor required for stimulus funds, annual plan submitted to US DOE

Amount of Federal funding anticipated: Between \$26.0 and \$30.0 million

Timeframe for receipt of funds: Unsure, although may be available as early as April.

Existing or new federal program: State Energy Program is an existing federally funded formula grant program.

State funding impact: Increase energy efficiency and renewable energy programs and projects by \$26.0 to \$30 million over approximately 2.5 years.

Additional federal spending authority required: Yes

Additional FTE and purpose: Will not require new FTE, will be able to handle increased workload with existing FTE (some duties will be re-assigned within existing FTE and filling one vacant position with a fiscal officer).

Requirements/restrictions (i.e. match, MOE, limitations, timeframes, etc.): There is no match requirement for the stimulus money.

Federal funds end date: Our understanding is the end of state fiscal year 2011.

Spending plan to include how the agency will address the absence of funding after it ends: The Office of Energy Resources will not hire new FTE to administer the Stimulus fund programs. Re-assignment of existing staff will be employed to administer Stimulus fund programs. At the conclusion of Stimulus fund programs any staff working on those programs will revert to former duties or the Office will reduce FTE. Any contract services used for the Stimulus programs will end with the end of Stimulus funding.

Idaho Energy Efficient Schools Proposal: A Cost Effective Utilization of the American Economic Recovery and Reinvestment Act of 2009

Purpose: The potential influx of federal stimulus funding tied to the existing State Energy Program (a federally funded program administered by the Idaho Office of Energy Resources) provides an opportunity to launch an aggressive energy efficiency project designed to reduce energy consumption in Idaho's Public Schools. Obtaining more energy efficiency in public

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school facilities represents a valuable non-wires/non-construction alternative that could free up capacity on the region's constrained transmission system and potentially delay the need to build additional generation resources.

More directly, this project reduces utility bills at public school buildings. Energy costs represent a portion of Idaho's general fund appropriation for the operation of the state's public education system. Every dollar saved through an aggressive energy efficiency project in a public school building represents a dollar of positive and permanent benefit to Idaho's general fund.

Proposal: This proposal will create a direct grant program for energy efficiency projects targeting existing public school buildings. The Office of Energy Resources proposes to allocate 60 % to 70 % of State Energy Program ARRA stimulus funds received to this program. The objective is to rapidly deploy energy efficiency measures that will result in immediate, cost-effective, and lasting benefits. Jobs creation is also a focus of this project and it is anticipated a direct increase in employment opportunities for energy efficiency auditors, construction/installation workers, and manufactures and vendors of energy efficiency technology will result. This venture will attempt to distribute funding for energy efficiency projects as broadly as possible throughout the State of Idaho.

New construction projects will not be considered for this program. This restriction is based on the expectation that funding sources for new projects have already been secured and that cost-effective energy efficiency measures have been incorporated into the design.

Considerations for Grant Requirements:

- Require participating schools to complete an energy audit that identifies energy efficiency measures. These audits would be funded through the grant program.
- Require installation of measurement devices that track real-time energy use. Costs of this technology will be included as a component of the grant.
- Attempt to distribute the grant dollars as broadly across the state as possible.
- Demonstrate opportunities to leverage project support with other incentive programs available through sources such as utilities.

Additional Information Requests:

- Establish a range of costs and type of energy efficiency projects already deployed in schools.
- Establish the cost of an energy audit, what it should determine, time necessary to complete an individual audit, and the potential jobs this audit project could create.
- Evaluate the need to train energy auditors and establish a rapid deployment for a certified training program that utilizes existing educational programs.
- Number of years funding will be available and assessment of terms and conditions regarding cash flow of federal funding.
- Identify funding requirements for needed staffing support over the life of the project.

Administrative Costs:

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- The Office of Energy Resources will allocate up to 10 % of ARRA stimulus funds in this program for administration and salary and fringe benefits costs to operate the program. It is anticipated existing staff will be used and re-assigned to serve as an education energy efficiency coordinator. Reclassification of existing staff may be required. Any additional administrative needs of the Office of Energy Resources would be handled with outside contracted staff support.

Idaho Solar Panel Schools Proposal: A Cost Effective Utilization of the American Economic Recovery and Reinvestment Act of 2009

Purpose: Access to federal stimulus funding tied to the existing State Energy Program (a federally funded program administered by the Idaho Office of Energy Resources) provides an opportunity to launch a progressive pilot project that utilizes solar power to offset energy costs at public schools. This distributed generation concept allows schools to displace energy that would otherwise be purchased to service the building. Additionally, existing net metering tariffs allow energy to be sold to utilities from projects such as this when the energy produced exceeds the needs of the facility.

This project potentially reduces utility bills at public school buildings in two ways:

- 1) Provides a generation resource that displaces current energy requirements.
- 2) Creates a potential revenue stream through excess energy production.

Energy costs represent a portion of Idaho's general fund appropriation for the operation of the state's public education system. Every dollar saved through the use of solar panels in a public school building represents a dollar of positive and permanent benefit to Idaho's general fund. If net metering tariffs can be beneficially utilized, the solar panel project could also serve as a revenue generation source for public schools.

Proposal: This proposal develops pilot projects that will install solar panels at public school buildings. The Office of Energy Resources proposes to allocation 15 % to 20 % of State Energy Program ARRA stimulus funds received to this program. The intent is to determine the value of this distributed generation resource by assessing its ability to reduce energy consumption and generate a potential new revenue stream.

Idaho's energy consumption is heaviest in the summer months, the same time of year when many school buildings are largely empty. Solar energy potential in Idaho is greater during the summer months, which heightens the opportunity to generate net metering revenue during peak summer hours from solar panels installed on school buildings that are vacant and have lower energy requirements. This provides an additional energy resource during peak summer load periods. This proposal can provide the necessary data to examine opportunities for similar scalable projects to assist Idaho utilities in serving loads during peak summer months.

The schools selected for this project must already have achieved a high level of energy efficiency. Buildings that are already energy efficient represent the best opportunities to explore

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the potential benefits of the distributed generation and net metering potential this project seeks to examine. The pilot project will identify additional opportunities to further reduce energy consumption at participating schools during summer months in an effort to maximize the benefits of net metering tariffs.

Location of solar panels on school property must also take into account issues surrounding available space. Additionally, the placement of panels in highly visible and accessible areas represents a safety concern. One possible solution is to take advantage of the fact that many Idaho schools have flat roofs that represent a potential location for solar panels. By utilizing the roofs of school buildings, the panels are out of reach of student populations and do not encroach on existing parking or playground space. The structural integrity of roofs must obviously be considered to determine whether they are suitable for installing solar panels.

The direct grant program will place solar panels at school facilities that have the generation capacity necessary to achieve the objectives of this project. Utilities that would take the excess capacity through net metering tariffs will be consulted as potential partners in these demonstration projects.

This proposal will also address the following:

- The need to examine current net metering policies in an effort to work with utilities and regulators to maximize the potential of small scale distributed generation projects.
- The creation of a cost benefits analysis of solar panel utilization at schools for future deployment.
- The potential considerations surrounding integration costs that might be associated with solar resources.
- The feasibility of scalable deployment of solar generation resources.

Considerations for Grant Requirements:

- Require participating schools to demonstrate a high level of energy efficiency as an initial criteria for project consideration.
- Require installation of measurement devices that track real-time energy use. Costs of this technology will be included as a component of the grant.
- Attempt to locate projects as broadly across the state as possible.
- Only schools located within the territory of a utility that offers net metering tariffs will be considered.
- Demonstrate opportunities to leverage project support with other incentive programs or grant funding opportunities.

Additional Information Considerations:

- Identify current restrictions (size and payment structure) on net metering tariffs offered by Idaho's utilities.
- Identify appropriate location to place panels on school property (the roof represents an option).
- Identify potential solar technologies that represent the most cost-effective approach to delivering the most reliable energy resource.

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- Explore opportunities to utilize centralized procurement to purchase equipment at the lowest possible cost.
- Choose school buildings for the project that have already achieved a high level of energy efficiency and are located in optimal areas for solar power generation.
- Choose schools in locations that represent the least cost to connect to the existing distribution system.
- Identify Idaho utilities (IOU's, Municipals, and Coops) that offer net metering tariffs.

Administrative Costs:

- The Office of Energy Resources will allocate up to 10 % of ARRA stimulus funds in this program for administration and salary and fringe benefits costs to operate the program. Any additional administrative needs of the Office of Energy Resources would be handled with outside contracted staff support.

*In the event that this project proves to be uneconomic or represents unnecessary risk, the money set aside for this venture could be utilized in the energy efficient schools project outlined in a separate OER proposal. Additionally, any unused funds would be diverted into the energy efficient schools project.

Idaho Renewable Energy Projects Proposal: A Cost Effective Utilization of the American Economic Recovery and Reinvestment Act of 2009

Purpose: The potential influx of federal stimulus funding tied to the existing State Energy Program provides an opportunity to increase the contribution of renewable energy to the Idaho Energy mix. The goal of this program is to provide a means to assist the development of energy production projects and the start up of renewable energy equipment manufacturing in Idaho.

Many renewable energy developers and manufacturers do not have the requisite financial backing, credit support or access to capital that would allow the creation or expansion of these business models. The purpose of this proposal would be to establish supplemental funds within the State to provide financing for new renewable energy projects and re-tooling for expansion of renewable energy manufacturing opportunities.

One opportunity is to provide co-funding to bring energy manufacturing to Idaho. Possible uses include but are not limited to manufacturing plants that produce wind turbines, solar energy technologies and other renewable energy products. In these examples, renewable energy resource opportunities are enhanced while increasing manufacturing jobs in the state.

Another opportunity would be to work with the Idaho Energy Resource Authority to support bond financing for renewable energy production projects. The IERA is an "instrumentality of the state" empowered to sell revenue bonds to finance (i) generation, transmission and distribution facilities of electric utilities with a nexus to Idaho and (ii) renewable energy electric generation facilities. The state Treasurer is empowered to purchase fixed rate long-term IERA bonds that

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are investment grade and his ability to do so is an attractive alternative to the IERA for smaller scale projects and bond financings.

Proposal: The Office of Energy Resources proposes to allocate a 15 percent to 20 percent of State Energy Program ARRA stimulus funds to a renewable energy stimulus fund that could be used for financial assistance with renewable energy manufacturing or co funding for IERA bond financing for renewable energy production projects. Any options under this proposal category will be subject to approval by the U. S. Department of Energy to confirm compliance with the federal State Energy Program.

Administrative Costs: There would be no administrative costs for projects in this category.