



Department of Energy
Washington, DC 20585

WEATHERIZATION PROGRAM NOTICE 10-04
EFFECTIVE DATE: November 10, 2009

SUBJECT: DAVIS-BACON COMMERCIAL LABOR RATES IN LARGE MULTI-FAMILY BUILDINGS IMPACT ON SAVING-TO-INVESTMENT RATIOS

PURPOSE: Provides guidance to grantees and local agencies and/or their contractors under the Weatherization Assistance Program on the determination of the cost-effectiveness of weatherization materials installed in multi-family buildings.

SCOPE: The provisions of this guidance apply to States or other entities named in the Notification of Grant Award as the recipients of financial assistance under the DOE Weatherization Assistance Program (WAP), including the recently added Territories.

LEGAL AUTHORITY: Title IV, Energy Conservation and Production Act, as amended, authorizes the Department of Energy to administer the Weatherization Assistance Program. All grant awards made under this Program shall comply with applicable law including regulations contained in 10 CFR Part 440, the Energy Policy Act of 2005, the Energy Independence and Security Act of 2007, the American Recovery and Reinvestment Act of 2009 and other procedures applicable to this program as DOE may, from time-to-time, prescribe for the administration of financial assistance.

BACKGROUND: Under 10 CFR 440.21(d), each individual weatherization material and package of weatherization materials installed in an eligible dwelling unit must be cost-effective. These materials must result in energy cost savings over the lifetime of the measure(s), discounted to present value, that equal or exceed the cost of materials, installation, and on-site supervisory personnel as defined by DOE.

The new "weatherization laborer" category and associated wage rates do not apply to weatherization work performed on buildings of 5 or more stories (high-rise buildings). For weatherization work done on high-rise buildings wage rates for analogous laborers (plumbers, carpenters, etc.) must be applied, which can be significantly higher than the wage rates for "weatherization laborers." As a result of the higher wage rates, weatherization materials installed on high-rise buildings may not meet the cost-effectiveness requirement established in regulation, where as the same measures would be cost-effective if installed on low-rise buildings.

GUIDANCE: To address the potential difference in wage rates between high-rise buildings and low-rise buildings when determining cost-effectiveness, DOE is defining installation costs so that local agencies and/or their contractors may to use the existing weatherization worker wage categories to calculate the cost of installing each measure, for installation in low-rise as well as high-rise buildings. The actual wage paid for installation in a high-rise building must still be the commercial prevailing wage for each of the disciplines used on the project. This guidance

effects only the calculation of cost-effectiveness for the purpose of weatherization materials installed under the Weatherization Assistance Program.

The substitute of the regular weatherization labor rate in the savings-to-investment ratio (SIR) modeling better reflects the routine WAP effort instead of highlighting the exception. The use of this labor classification and prevailing wage rate normalizes the costs for service delivery with all other housing stock in each State and better reflects the reality of labor costs. By using this realistic rate, measures that currently pass SIR thresholds would likely remain cost effective, allowing local agencies to provide a complete package of measures on multi-family buildings being weatherized using ARRA funds.

CONCLUSION: This guidance provides that a local agency may use either the weatherization labor rates or the commercial prevailing wage in calculating the cost-effectiveness of a weatherization measure installed in high-rise buildings. This flexibility in operation of SIR modeling will permit many local agencies with a large backlog of multi-family units to begin weatherization work immediately. DOE expects multi-family buildings to provide a significant portion of the production necessary to achieve the Administration's goal for Weatherization using ARRA funds. We appreciate your cooperation and patience as we work to remove the barriers that impede your ability to help achieve our overall goals.

It is a pleasure to work with you on this important challenge. I look forward to the growth of this Program and our continued partnership to ensure *Weatherization Works!*



Claire Broido Johnson
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