



Department of Energy
Washington, DC 20585

WEATHERIZATION PROGRAM NOTICE 12-1
EFFECTIVE DATE: January 31, 2012

SUBJECT: PROGRAM YEAR 2012 WEATHERIZATION GRANT GUIDANCE

PURPOSE: To issue grant guidance and management information for the Weatherization Assistance Program (Weatherization or WAP) for Program Year (PY) 2012.

SCOPE: The provisions of this guidance apply to Grantees or other entities named in the Notification of Grant Award as the recipient(s) of financial assistance under the Department of Energy (DOE) WAP.

LEGAL AUTHORITY: Title IV, Energy Conservation and Production Act, as amended, authorizes the Department of Energy to administer the Weatherization Assistance Program. (42 U.S.C. § 6861, *et. seq.*) All grant awards made under this program shall comply with applicable law and regulations including the WAP regulations contained in 10 CFR part 440.

GRANTS.GOV: The use of Grants.gov for receipt of applications became mandatory for all programs in Fiscal Year (FY) 2007. Additional discussion and instructions for using this system is provided in PY 2012 Funding Opportunity Announcement No.DE-FOA0000641.

CLOSEOUT OF RECOVERY ACT GRANTS: DOE issued WPN 12-3 Closeout Procedures for Recovery Act Grants which establishes a “performance period end date” for WAP Recovery Act grant awards consistent with the project period end date of the grant award. Grantees must instruct their Subgrantees to close out their respective subgrants according to standard Grantee terms and conditions and their own requirement(s) prior to beginning the process of closing their WAP Recovery Act grants with DOE.

To assist Grantees in this process, DOE has issued WPN 12-3 to provide guidance on specific areas relating to closeout. Additionally, DOE has created a Frequently Asked Questions (FAQs) section on both the Weatherization and Intergovernmental Program Guidance website http://www1.eere.energy.gov/eere_faq/default.aspx?pid=10&spid=2 and the Weatherization Assistance Program Technical Assistance Center (WAPTAC) website www.waptac.org. These FAQs provide detailed information about specific grant closeout issues faced by Grantees and

Subgrantees. DOE strongly encourages Grantees to review the FAQs frequently since DOE will continually add updates, new questions and responses, and discussions of important topics as they arise. It is also important to contact your assigned Project Officer to pose questions or to seek further explanations of these FAQs and other closeout issues.

Note: DOE has offered Grantees the opportunity to request a “Performance Period Grant Modification” to their Recovery Act grant. DOE will review each request on a case-by-case basis.

NATIONAL EVALUATION: DOE has initiated the National Evaluation of the WAP. This multi-year project will assess program performance and procedures both retrospectively, for Program Year (PY) 2007 and PY 2008, and for the Recovery Act period, PYs 2009-2012. Section 3.3 of this guidance and WPN 10-11 provides additional information including what Grantees should anticipate with regard to participation in the evaluation effort. Grantees and Subgrantees can track the progress of the national evaluation and see early results through regular postings at: http://weatherization.ornl.gov/evaluation_nr.shtml.

PRODUCTION: There remains a strong interest in tracking the performance of Grantees in the production of weatherized units. DOE will closely monitor Grantee performance through the Quarterly Performance Report, the Quarterly Federal Financial Report, and the Annual Training and Technical Assistance, Monitoring and Leveraging Report.

PROGRAM OVERSIGHT: The \$5 billion in Recovery Act funding for WAP necessitated increased and enhanced program monitoring at all levels. This enhanced monitoring will continue under the annual program award. The DOE Office of Inspector General was tasked with performing a series of programmatic and financial audits of the WAP at all levels to ensure these funds were being spent properly. This increased oversight identified several areas of concern including but may not be limited to proper invoicing techniques at the Subgrantee level; proper documentation when determining eligibility; proper designation of allowable administrative expenses between administration and program support categories; and the practice of using DOE funds to return to previously completed homes to make adjustments or include additional measures not done on the initial visit and after the unit was reported to DOE as completed.

As a result of the findings of these oversight visits and the desire of DOE to continually improve the Program, DOE will place special emphasis on several key areas when monitoring program performance at all levels during PY 2012. DOE Project Officers will work closely with Grantees for improved program performance in all areas of both Recovery Act and regular appropriated funds during PY 2012 and beyond.

PROGRAM YEAR 2012 FUNDING FOR WEATHERIZATION: Congress has passed and the President has signed the FY 2012 Energy and Water Appropriations Act, Pub. L. 112-74. The FY 2012 Appropriations Act funds Weatherization at \$68,000,000 (\$3 million for HQ T&TA and \$65 million for grants), the Act also provides an option for the DOE Secretary to waive the allocation formula for PY 2012. DOE has determined that an appropriation level of \$68 million cannot sustain an effective national weatherization program using the regular formula to allocate funds. Therefore, DOE has exercised the waiver provision provided by the Congress for FY and conducted a thorough analysis of production and expenditure data provided by Grantees.

Grantees should refer to the Funding Opportunity Announcement No.DE-FOA0000641 or any subsequent guidance documents for additional information on the funding and allocation process.

Note: Sustainable Energy Resource for Consumers Grants will not be funded in 2012.

ALLOCATION FORMULA: If the Grantee program allocations in a FY are at or above the amount allocated to Grantees in FY 1994 under section [2526] of Pub. L. No. 103-332 (September 30, 1994), the Grantee program allocations are distributed according to a two-part allocation procedure as set forth in 10 CFR 440.10. Should total funds for program allocation for any FY fall below the total program allocations under Pub L. 103-332, then each Grantee's program allocations is reduced proportionally as set forth in 10 CFR 440.10. As of now, the two-part allocation procedure will not be in effect. As a condition of the FY 2012 Appropriations Act, Congress has given DOE the authority to waive the regular allocation process for FY 2012.

PREVAILING WAGE: The WAP statute contains no Davis-Bacon Wage requirements. Unlike the Recovery Act requirements, annual appropriations are exempt from any provision of the Davis-Bacon Act. Specifically, **Davis-Bacon requirements do not apply to the 2012 Annual Appropriations outlined in WPN-12-02, unless previously applicable by law.** However, Grantees are reminded that **Davis-Bacon requirements remain in effect for all Recovery Act -funded projects.** Recovery Act funding and PY 2012 funding must not be comingled. Recovery Act and regular appropriations are to be tracked and reported separately.

HISTORIC PRESERVATION: Prior to the expenditure of federal funds for any activity with the potential to affect any property, object or location that is on, or eligible for listing on, the National Register of Historic Places, the Grantee is required to comply with the requirements of section 106 of the National Historic Preservation Act (NHPA), Pub. L. No. 102-575 (16 U.S.C. § 470 *et seq.*). DOE, in coordination with the Advisory Council on Historic Preservation (ACHP) and the National Conference of State Historic Preservation Officers (NCSHPO), has developed a *Prototype Programmatic Agreement* to address historic preservation requirements for WAP. DOE, ACHP and NCSHPO understood the heavy volume of activity anticipated under the Recovery Act and worked together to create a manageable framework for streamlining compliance with the requirements of the Act while ensuring the protection of the Nation's

historic properties. To date there are 43 States and Territories with DOE Programmatic Agreements in effect that can be used to streamline the Section 106 process for WAP projects in those States or Territories that have executed a Programmatic Agreement with DOE and the SHPO. The Programmatic Agreements are not limited to projects funded by ARRA and most have an effective term of three years from the date of execution. Additional information can be found in Weatherization Program Notice 10-12.

VOLUNTARY NATIONAL GUIDELINES FOR WEATHERIZATION: In March 2010, the DOE Office of Energy Efficiency and Renewable Energy (EERE) tasked the National Renewable Energy Laboratory (NREL) with developing a suite of voluntary national guidelines for the work and a companion set of knowledge, skills, and attributes for the workforce involved in the residential energy efficiency retrofit industry

These guidelines are also to support employment and entrepreneurial opportunities for WAP workers hired to support Recovery Act projects, underemployed or dislocated workers looking for new prospects, and workers with relevant skills seeking an entry point into the home energy efficiency retrofit industry.

BEST PRACTICE GUIDES FOR WEATHERIZATION: The WAP has posted and will continue to post best practices for all aspects of the Program, including: Procurement, Technical Service Delivery, Health and Safety, Program Management and Monitoring. Examples posted at www.waptac.org include: Procurement Tool Kit CD, Service Contracting Agreements Best Practices and, Multi-Year Purchasing Agreements.

Examples of technical best practices are posted at <http://waptac.org/Best-Practices.aspx> and include: Midwest Weatherization Best Practices, Maine Weatherization Standards, New York State WAP Policies and Procedures Manual (also includes policy and management guides); Ohio Program Standards (including policy and management guides). Examples of monitoring best practices include: Washington State, Ohio, and many other Grantee monitoring tools.

WEBSITE INFORMATION: To assist the Weatherization Network in obtaining the most up to date information on programmatic/policy issues, technical issues, and evaluation studies, please reference the following websites:

Energy Efficiency and Renewable Energy:
<http://www.eere.energy.gov/weatherization;>

Weatherization Assistance Program Technical Assistance Center:
<http://www.waptac.org;>

Oak Ridge National Laboratory:
<http://weatherization.ornl.gov>

Grantees are strongly encouraged to visit these websites often to keep abreast of the latest information and new techniques in Weatherization. Grantees should also continue to work with their respective DOE Project Officers.

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1.0 FUNDING

1.1 GENERAL FUNDING: In PY 2012, funding for the Weatherization Program, requiring DOE approval for expenditure, can come from several sources:

1. Federally appropriated funds.
2. Warner and EXXON oil overcharge funds.
3. Stripper Well and other oil overcharge funds (including Texaco) which are subject to Stripper Well settlement rules.
4. Low-Income Home Energy Assistance Program (LIHEAP) funds designated for expenditure under DOE rules.
5. Utility funds designated for expenditure under DOE rules.
6. Program income.
7. Other

Note: The expenditure of leveraged funds requires DOE approval only when those funds are acquired using DOE appropriated monies and designated for use in the DOE Weatherization Program. Also, #4, #5, and #7 above only need to be approved by DOE if the Grantee is charging administrative costs to DOE.

1.2 FY 2012 WEATHERIZATION FUNDING: Congress has passed, and the President has signed, the FY 2012 Energy and Water Development Appropriations Act, Pub. L. No. 112-74 (Division B, Title III, Energy). The FY 2012 Appropriations Conference Report, H. Rept. 112-331, funds Weatherization at \$68,000,000 while providing an option for the DOE Secretary to waive the allocation formula for Program Year 2012.

1.3 ADJUSTED AVERAGE: The average per dwelling expenditure of financial assistance provided under WAP for labor, weatherization materials, and related matters cannot exceed

\$6,500 adjusted (see, 10 CFR §440.18(a) and (c)). The adjusted annual average is determined by using the annual Consumer Price Index (CPI) or 3 percent, whichever is less. The CPI for the previous 12-month period (September 2010 – September 2011) is 3.9 percent, so a 3% percent increase was applied to PY 2012. The adjusted average expenditure limit for Program Year 2012 is **\$6,769**. **This average includes units computed in a multi-family building of 5 units or greater.**

The expenditure of financial assistance provided under WAP for labor, weatherization materials, and related matters for a renewable energy system, shall not exceed an average of \$3,000 per dwelling unit, adjusted. See, 10 CFR 440.18(b) and (c)) The PY 2012 adjusted average for renewable energy measures is **\$3,377**. Further discussion on renewable energy measures can be found in Section 5.6, Use of Weatherization Funds for Renewable Energy Systems. **Note: The adjusted average for renewable energy measures is not a separate average, but a part of the overall adjusted average expenditure limit of \$6,769.**

1.4 FUNDS FOR ADMINISTRATIVE PURPOSES: Except as provided below, there is a statutory and regulatory limit of 10 percent on funds that may be used for administrative purposes. Not more than 5 percent of grant funds for the new program year DOE allocation for plus any unexpended carry-over and other non-DOE administrative funds that are a part of the grant may be used by a Grantee for administrative purposes. The remainder is provided to Subgrantees, plus any unexpended Subgrantee administrative carryover funds.

Unexpended Funds in administrative category accounts may be carried over from the previous budget period within the award. Grantees can also choose to include any administrative carryover funding and/or provide a portion of their Grantee administrative funds to the local providers. **The limit for maximum administrative expenditures by a Grantee remains unchanged at 5 percent of the total funds in the award.**

Note: DOE defines “States” and “Territories” as Grantees but does not include Indian Tribes that are Grantees. Therefore, Indian Tribes can use up to 10% of grant funds for administrative purposes because they are not States and act as both Grantee and Subgrantee. However, Territories and States cannot utilize more than 5% because they are defined as “States” per the regulations.

However, a Grantee may provide for Subgrantees **who receive less than \$350,000** of new DOE appropriated funds with permission, to use up **to an additional 5 percent** of their subgrants for administration if the Grantee has determined that such Subgrantee requires the additional amount to effectively implement the administrative requirements of the Program. Grantees shall develop criteria to be used when allowing these eligible Subgrantees to use **up to an additional 5 percent** of their subgrants for administrative purposes. The criteria must be submitted with the Annual File.

Any Stripper Well funds used for administrative purposes may not exceed 5 percent of the Stripper Well funds provide to that Grantee. To avoid the possibility of disallowed costs, Grantees are reminded of this restriction. EXXON funds, however, may not be used for

administrative purposes. A Grantee may use federal funds appropriated for the Weatherization Program to administer the EXXON and/or Stripper Well funds applied to the Program. To the extent that EXXON and Stripper Well funds are applied by a State to the Weatherization Assistance Program, the 10 percent cap that applies to the federal funds is based on the combined value of the federal funds, the EXXON funds applied to the Program, and the Stripper Well funds applied to the Program.

Program income and leveraged resources that are used in the DOE Weatherization Program may be treated as appropriated funds, in which case they can be added to the total appropriated funds to determine overall administrative costs. There is no change to the percentage limits for administrative funds addressed above. For further information on program income see section 1.6. For leveraged resources, see section 1.7 of the grant guidance.

Note: If a Grantee elects to include non-federal leveraged funds in the Grantee Plan and administer those funds under DOE WAP rules, the Grantee may use DOE appropriated funds to pay administrative costs associated with the leveraged activity. The Grantee is limited to a maximum of 15% of their DOE allocation for leveraged activities as discussed in Section 1.7. Section 5.21 provides further discussion of DOE policy on administrative costs.

1.5 PETROLEUM VIOLATION ESCROW (PVE) FUNDS: EXXON and Warner funds are subject to the same rules. Texaco and other subsequent oil overcharge settlement funds are subject to Stripper Well rules. For convenience, in discussing these various funding sources, we will refer to EXXON or Stripper Well as generic categories. If a Grantee decides to use EXXON funds for its Weatherization Program, these funds are to be treated **in the same way** as appropriated funds. They must be included in the Grantee Weatherization Plan/Annual Application; they are subject to the same Grantee Plan/Application approval, Program oversight, and reporting requirements as appropriated funds; and, their use is subject to the **same** statutory and regulatory constraints as are appropriated funds.

A Grantee may elect to use Stripper Well funds for Weatherization projects either separate from, or included within, the DOE Weatherization Program. Where Stripper Well funds have been approved for use in the Program, these funds should be treated as appropriated funds. Where their use has been approved for Weatherization activities separate from DOE Weatherization, these funds are encouraged to be included, for informational purposes only, in the Grantee Plan, but are not subject to DOE rules, oversight, or reporting requirements.

There is no requirement that EXXON or Stripper Well funds be used during a particular period of time. A Grantee is also permitted to reallocate these funds from one eligible program to another as long as its Plan has been amended and reviewed by DOE-HQ. If EXXON and/or Stripper Well funds earmarked for expenditure in the prior program year are not expended, the amount of Federal and/or Stripper Well funding that may be used for administrative expenses in the following program year must be adjusted appropriately.

No more than 5 percent of the combined total of EXXON and Stripper Well funds budgeted in a Grantee Plan/application may be used for Training and Technical Assistance (T&TA) purposes. Up to an additional 5 percent of these funds may be used for evaluation of a Grantee's Weatherization Program and for innovative efforts for leveraging program funds, provided these activities are approved by the DOE Project Officer.

1.6 PROGRAM INCOME: DOE generally defines program income as any funds earned by Grantees and/or Subgrantees from non-Federal sources during the course of performing DOE Weatherization work. The income generated must be used to complete additional dwelling units in accordance with DOE rules.

Program income is more clearly defined and further subject to the specific requirements provided in the DOE Financial Assistance Rule, 10 CFR part 600, subpart B section 600.124 and subpart C, section 600.225, as appropriate. It should be treated as an addition to program funds and is subject to the same rules as appropriated funds. DOE will require in the grant award that program income is to be treated as an addition to program funds. Property owner (i.e. landlord) contributions and leveraged resources (i.e., utility or Grantee funds) are NOT considered to be "program income" for the purposes of the WAP.

Note: Grantees requiring further clarification on program income, as it applies to their specific program, should contact their respective DOE Project Officer.

1.7 LEVERAGING AND LEVERAGED RESOURCES: DOE program regulations permit Grantees to take a percentage of their grant (including PVE funds used under the Weatherization Program, and training and technical assistance funds) for undertaking leveraging activities which may supplement the program or be used to run a parallel program regardless of who initiates the action (see, 10 CFR §§ 440.14(c)(6)(xiv) and 440.18(d)(14)). Leverage activities include paying for agency staff or hiring consultant staff to explore and develop partnerships with utility companies and other entities that will generate non-Federal resources for Weatherization. Other allowable activities include: holding leveraging meetings; preparing technical materials/briefs; or facilitating voluntary match funds from a non-Federal source. The leverage resources should expand energy efficiency services and/or increase the number of DOE-eligible dwelling units weatherized.

The work done with leveraged resources must be consistent with an approved energy audit and utilize cost-effective measures. Leverage efforts will not always be successful but Grantees should strive to produce more than one dollar for each DOE dollar expended. As of PY 2007, the maximum percentage of Weatherization funds that can be diverted for leveraging activities is 15 percent of the Grantee's total allocation.

Grantees utilizing this option must provide a detailed leverage implementation plan in their Annual Plan, and must indicate in their annual budget the estimated DOE resources to be used for leveraging activities. The amount of detail in the Plan should be commensurate with the amount of funds used for this effort. Reporting of leverage activities and results must be

submitted on the annual Training, Technical Assistance, Monitoring and Leverage Report (see Section 6.1).

Landlord contributions are not considered leveraged resources because they are generally not voluntary and often come with special requirements. Grantees requiring further clarifications or guidance on leverage resources should contact their respective DOE Project Officer.

1.8 TRAINING AND TECHNICAL ASSISTANCE FUNDS: DOE will establish the percentage of PY 2012 funds that may be used for training and technical assistance(T&TA) as part of WPN 11-2 Grantee Allocations. T&TA funding allowances are not applied to the innovative leveraging project.

2.0 GRANT APPLICATION

2.1 GENERAL: To increase public involvement and obtain timely suggestions in developing their Application, DOE strongly urges Grantees to hold two meetings: one at the beginning of the planning process, as well as the formal and required public hearing on the completed Plan. DOE may request information in addition to what is expressly identified by the Program rule on a case-by-case basis when warranted by prior performance.

2.2 INTERGOVERNMENTAL REVIEW: In the development, submission, and review of grant applications, the provisions of Executive Order 12372 (Intergovernmental Review of Federal Programs) and the DOE Implementing Order (10 CFR 1005) remain unchanged.

2.3 APPLICATION PACKAGE: Applications **must be** submitted through Grants.gov to be considered for award. Grantees cannot submit applications through Grants.gov unless they are registered (see the submission and registration requirements set forth in Funding Opportunity Announcement No.DE-FOA0000641). For PY 2012 a Grantee **must** prepare its application in PAGE, and upload it directly to Grants.gov via PAGE.

For information on the content and preparation of the PY 2012 application package, refer to Part IV, Paragraph C of Funding Opportunity Announcement No.DE-FOA0000641.

APPLICATION FORMAT: All applicable sections of the Annual File portion of the Application Instructions and Forms Package dated November 2005, attached to WPN 06-3, are to be completed in their entirety. This includes all information on the Weatherization Annual File Worksheet (pages V-17 and V-18 and the Subgrantee Information Sheet, page V-21). Grantees must list any revisions to their On-File Information in Section II.10 of the Annual File in each year's application. Grantees are not required to submit a complete copy of the current On-File Information with their application each year, but may do so. However, the first year of any new five year grant period should include updated On-File information, and, therefore, a complete copy of the updated On-File Information shall be submitted at least every five years. Grantees are required to keep their On-File Information up-to-date at all times on their premises, and to submit a copy of the current On-File Information to DOE upon request.

2.4 PUBLIC HEARING: The DOE Project Officer will carefully review the reports of the public hearings on the 2012 Grantee Plans to determine that all issues are properly addressed by the Grantee prior to approval of the final Grantee Plan. Grantees should be aware that if major program changes are made after the initial public hearing, an additional hearing may be required. **Also, any change in the distribution of funds not addressed in the initial hearing will necessitate another public hearing.** DOE will continue to require all geographical areas of the Grantee to be served. However, DOE will consider approving alternative Plans which may require implementing this provision over more than one program year and may include funds from other sources. Further, given recent innovations in technology, Grantees may use a Grantee-approved alternative electronic public notification process that is used by other Federally-funded Grantee programs, provided it is also approved by the DOE Project Officer in advance.

DOE reminds Grantees that the public hearing should be held before the Grantee Plan is submitted to DOE for approval, and adequate notice (not less than 10 days) must be given prior to holding a public hearing on the Grantee Plan. A part of this notice should be a summary or highlights of the proposed changes from the previous year's Plan. Providing this information up front will improve communication between Grantees, Subgrantees, and other interested parties and minimize disputes that may arise at the hearing.

Note: DOE no longer requires an official transcript of the public hearing. However, DOE considers an official hearing transcript as a best practice, particularly if the hearing is of a contentious nature. Grantees must submit the notes or minutes taken by a Grantee staff person as part of the final Grantee Plan. Where discrepancies exist in the minutes or notes, the Grantee must allow participants to provide supplemental submissions. Whenever possible, DOE would like to be informed, in advance, of major proposed program changes or issues of a contentious nature that will be addressed at the hearing. Also, most Grantees, States and Territories have laws governing the conduct of public hearings, including making a copy of the Plan available upon request. Those laws must be followed.

2.5 BUDGET: Grantees should ensure that Subgrantees are allowed to charge legitimate program support costs to the program budget operations category rather than requiring those costs to be charged to the administrative category. For example, salaries, space, utilities, telephone and similar costs associated with program support personnel should be charged to program operations.

DOE encourages Grantees to fully utilize the DOE funding in the year it is originally awarded to maximize the opportunity of achieving the Weatherization mission. Available carryover funds from previous budget years always need to be included as part of the budget and application for the new years' funding. DOE encourages each Grantee to estimate carryover for the current budget period and include it as part of the application for new funding.

When Grantees prepare their budgets for 2012, **it is essential that they include adequate travel expenses for staff to effectively implement the program.** DOE considers attendance by Grantee staff at national and regional conferences, as well as participation on related planning committees, task forces, and other scheduled and related meetings, as high priorities. DOE is aware that many Grantees have travel restrictions due to budgetary constraints. **Funds for Grantee and Subgrantee travel are provided as part of the Weatherization grant award, and proper usage of these funds will be closely monitored by DOE to ensure compliance with stated travel indicated in Grantees' Annual Plans.**

Note: Grantees planning to carryover unused training and technical assistance funds from one program year to another must return these monies to the program operations budget category and use them to weatherize additional homes. This provision can be waived provided that the Grantee can justify to the DOE Project Officer the necessity to carryover these funds into the new program year and that they be included as a part of the new training and technical assistance budget.

T&TA funds may not be used to purchase vehicles or equipment for Subgrantees to perform Weatherization services. The cost of these vehicles or equipment to support the program must be charged to the vehicle/equipment or program operations categories. Only Grantee purchases of vehicles or equipment, which are directly related to specific training and technical assistance activities, such as monitoring, etc., may be purchased with T&TA funds.

2.6 LIABILITY INSURANCE: Grantees and Subgrantees are reminded that all work performed must be covered by liability insurance. Grantees should inform Subgrantees and their contractors that sufficient liability coverage for DOE funded activities must be obtained. Liability insurance can be charged to the liability line item in the budget, which was created to ensure that such costs would never have to be charged to the administrative cost category. (See preamble to the Federal Register Notice, 45 Fed. Reg. 13028, 13031, Feb. 27, 1980.).

Most, if not all, regular liability insurance policies do not provide for many health and safety measures such as lead and other pollution occurrence items. Thus, DOE strongly recommends Pollution Occurrence Insurance (POI) as a part of, or an addendum to, general liability insurance. These costs are also charged on the liability insurance line item. If Grantees or Subgrantees choose **NOT** to obtain POI coverage and damage occurs or there is disturbance to any other environmental pollutants, the cost of remediation, clean up, relocation, medical expenses, or any other resulting costs may not be charged to DOE Weatherization and must be covered by another funding source.

Subgrantees that employ private contractor labor to perform Weatherization services must ensure that each private contractor is adequately insured as well. Subgrantees shall review their existing policies to ensure that they have adequate coverage, in accordance with their Grantee requirements. POI is discussed further in Weatherization Program Notices 02-6 and 09-06.

Additional information about POI coverage can be found on the WAPTAC website. Sections 5.12 – Energy Related Health and Safety and 5.14 – Lead Paint Hazard provide further information affecting this decision.

2.7 FINANCIAL AUDITS: A separate budget category is permitted for financial audits. The cost of these audits was previously charged to the administrative cost category and sometimes resulted in less than adequate financial audits. Grantees are encouraged to provide this relief to their Subgrantees provided they meet the threshold contained in A-133.

Note: OMB Circular A-133, revised June 30, 2003, should be consulted for thresholds, etc. Grantees should refer to Section IV.3 of the current Application Instructions and Forms Package attached to WPN 06-3 located on the WAPTAC site (www.waptac.org) and/or contact their Contracting Officer for further guidance or clarification.

3.0 TRAINING AND TECHNICAL ASSISTANCE (T&TA) PLAN

3.1 BASIC: T&TA activities are intended to maintain or increase the efficiency, quality and effectiveness of the Weatherization Program at all levels. Such activities should be designed to maximize energy savings, minimize production costs, improve program management and crew/contractor “quality of work,” and/or reduce the potential for waste, fraud, abuse and mismanagement. The Subgrantees should be the primary recipients of T&TA activities, although Grantee requirements for monitoring, training support and providing assistance must also be maintained.

T&TA funds may also be used to train contractors at the Subgrantee level participating in the Program. In making the determination to pay for contractors’ training, Grantees and Subgrantees must secure a retention agreement in exchange for the training. The retention agreement should require that contractors will work in the Program for a specific amount of time and must align with the cost of the T&TA provided. Examples of contractor/agency retention agreements can be found at www.waptac.org or can be obtained by request from the Grantee’s contact at DOE.

Section II.6 of the Annual File, which describes specific activities, and Section III.5.4 of the “On-file” Information, which describes the overall approach, in the current Application and Forms Package should be used to describe how Grantees will identify and address the needs of the Subgrantees in this area. As a minimum, such a description must include the following:

- A. How a Grantee assesses the training needs of its Subgrantees;
- B. What training the Grantee will provide for Subgrantee staff and whether attendance is mandatory;
- C. Whether the Grantee requires any certification or training of Subgrantee staff prior to hire or by date certain from date of hire;

- D. How the Grantee compares productivity and energy savings between Subgrantees and how these comparisons are used in the development of T&TA activities and priorities;
- E. What portion of Grantee T&TA funds will be allocated for Grantee program oversight (monitoring) efforts, how such funds will be apportioned, and whether any other funding sources will be used for this purpose; and,
- F. An assessment of Grantee T&TA activities to determine whether these funds are being spent effectively.

3.2 CLIENT EDUCATION: Client education is a key component of any effective Weatherization Program. The information shared among Grantees in this area has brought about a heightened awareness of the importance of client education. DOE will continue its efforts to identify and network successful Grantee initiatives, and provide training and materials as needed.

3.3 PROGRAM EVALUATION: The Department of Energy has initiated the National Evaluation of the Weatherization Assistance Program. This multi-year project will assess program performance and procedures both retrospective, for PY 2007 and PY 2008, and for the Recovery Act period, PYs 2009-2011. The retrospective evaluation is being conducted by a competitively selected independent contractor team headed by Apprise, Inc. of Princeton N.J. under the supervision of Oak Ridge National Laboratory. (Please see Program Notice 10-11 for further details.) The specific outline of this study can be found in the publication *National Evaluation of the Weatherization Assistance Program, ORNL/CON 498* <http://weatherization.ornl.gov/publications.shtml>.

Note: Collection of requested data after the completion of the Recovery Act period is an allowable expense for PY 2012.

The evaluation effort is critical to the future design and management of the Weatherization Assistance Program. The research has many components to it and will involve all grantees and Subgrantees, as well as many contractors, Department staff, energy vendors and some Weatherization households. A Network Committee, comprised of representatives of Grantees, Subgrantees and others, was instrumental in the design of the evaluation and will continue to be involved in its implementation and further development.

While all Grantees and Subgrantees will be asked to provide information for the evaluation, some will be called upon to provide substantial amounts of data from their records in order to facilitate a proper sampling of weatherized households and related performance information. All Grantees and Subgrantees are asked to continue the practice of acquiring household energy bill confidentiality waivers from all applicant households.

DOE continues to encourage Grantees to proceed with individual Grantee evaluations. Grantees undertaking such an evaluation are requested to coordinate their plans with DOE so the information may be shared to gain maximum results from the Program. Technical assistance is available to Grantees through DOE to help with the design and analysis plans for Grantee evaluation studies. DOE published the report, “Estimating the National Effects of the U.S. Department of Energy’s Weatherization Assistance Program with State-Level Data: A Meta-Evaluation Using Studies from 1993 to 2005.” The individual evaluations conducted by the Grantees were critical to this effort. Also, DOE completed a non-energy benefits study. Both of these documents can be accessed on the ORNL website.

4.0 GRANTEE PROGRAM OVERSIGHT (Program Monitoring)

As the Program prepares to ramp down from the Recovery Act, DOE Project Officers will focus the on-site monitoring visits over the next year to resolve outstanding findings/concerns/issues, identify and provide technical assistance/training, and document best practices. In addition, the Program will continue to refine and improve the monitoring processes and guidance to assist state and local weatherization agencies to meet the Program’s long-term monitoring goals:

- Development of consistent and comprehensive Grantee Plans.
- Consistent implementation of Grantee and Subgrantee Weatherization programs.
- Compliance with Federal regulations and Program Guidance documents (WPNs).

As the funding allocations return to pre-Recovery Act levels, DOE is adjusting the on-site monitoring frequency in Program Year 2012 to be at a minimum once a year. Depending on the specific Grantee and/or Subgrantee situation or need, additional on-site visits may be conducted by DOE.

During an on-site monitoring visit, DOE Project Officers will visit the Grantee to review their program, administration, and management activities. In addition, the Project Officer will select specific Subgrantees to visit and review how the Grantee is monitoring their weatherization work. A component of the Subgrantee on-site monitoring includes Quality Management Assurance (QMA) visits, which are technical visits to weatherized units. The QMA visits are detailed in scope, may be conducted by a subcontractor, and technical assistance can be provided to the Subgrantees and/or their contractors.

In addition to on-site monitoring visits, the DOE Project Officers have regular communication with the Grantees and conduct regular desktop monitoring reviews. As part of the desktop monitoring, DOE will use reference materials (conversations and correspondence, fiscal and programmatic reports, and QA contractor data) to assist them throughout the activity.

The on-site monitoring checklists and reports will be periodically reviewed and updated when needed to either incorporate new program requirements or remove out-of-date information.

GRANTEE MONITORING OF SUBGRANTEES: Per 10 CFR part 440, the Grantee has a responsibility to perform monitoring and oversight of the program implementation and work performed by all its Subgrantees.

Monitoring Plan: Grantees shall include a **description of their monitoring plan used to ensure their Subgrantees' quality of work and that adequate financial management controls** are sufficient to meet DOE and Grantee requirements. The plan must also include the monitoring method and state the percentage of Training and Technical Assistance (T&TA) funds to be spent on monitoring. This plan must be filed within their Grantee Plan in Section III.6.3 of the Master File. Monitoring activities specific to the current program year shall be described in Section II.6 of the Annual File.

The Grantee is responsible for executing the activities identified in the Grantee Plan approved by DOE. This responsibility includes ensuring that grant funds are expended in accordance with applicable law, including regulations contained in 10 CFR part 440; applicable OMB circulars; DOE Financial Assistance Rule (10 CFR part 600); WPNs, and other policies and procedures that DOE may issue. Training and Technical Assistance funds may be used to assist with the Grantee monitoring effort. The Grantee must identify the amount of T&TA funds slated to be used for this activity.

The Monitoring Plan is required to identify the following areas within the Grantee Plan. If a Grantee Plan does not include the items below, then the 2012 Plan will have to be updated accordingly.

A. APPROACH: The Grantee must conduct comprehensive monitoring of each Subgrantee at least once a year, provide a written report to the Subgrantee and maintain a file related to monitoring which is accessible by DOE during its monitoring visits. The comprehensive monitoring must include the following areas and details:

- **Programmatic and Management Monitoring**
 - Subgrantee Review
 - Financial/Administrative
 - Equipment/Inventory/Materials
 - Eligibility
 - Rental
 - Feedback and Reporting
 - Energy Audits
 - Field Work
 - Health & Safety
 - Quality Assurance
 - Training & Technical Assistance
 - SERC Monitoring (if applicable)
 - What staff or entity completes the monitoring?
 - How are monitoring results handled and what are the follow-up procedures?

- **Subgrantee Monitoring**
 - Program Overview (Client File Review, Work Orders, etc.)
 - Financial/Administration
 - Inventory
 - Energy Audits
 - Qualifications & Training
 - Weatherization of Units
 - Health & Safety
 - Final Inspections
 - SERC Overview (if applicable)
 - What staff or entity completes the monitoring?
 - How are monitoring results handled and what are the follow-up procedures?
- **Financial Monitoring**
 - Financial Management/Accounting Systems and Operations
 - Audits
 - Payroll/Personnel
 - Vehicles and Equipment
 - Procurement
 - Davis Bacon (Recovery Act only)
 - Subawards/Subgrantee Monitoring
 - Invoicing
 - Records Retention
 - What staff or entity completes the monitoring?
 - How are monitoring results handled and what are the follow-up procedures?

Grantees are required to complete reviews of at least 5 percent of each Subgrantee's completed weatherized units (with DOE funds). Grantees are strongly encouraged to also review units "in progress" beyond the 5 percent completed units, in order to assess: quality and compliance; appropriate and allowable materials; appropriateness and accuracy of energy audits (no missed opportunities); comprehensive final inspections; safe work practices, such as lead safe weatherization protocols; and other factors that are relevant to on-site work.

If significant deficiencies are discovered, such as health and safety violations, poor quality installation of materials, major measures missed, the Grantee is expected to assist the Subgrantee in implementing a corrective action plan in order to resolve the identified issues in a timely manner. The Grantee is also expected to increase both the number of units reviewed and the frequency of monitoring visits to the Subgrantee until it can be assured that the deficiencies are resolved.

Once the deficiencies are corrected and procedures are put in place to prevent reoccurrence, the Grantee may resume their 5 percent sampling of the Subgrantee's work in subsequent monitoring visits. The Grantee Plan must describe the process for meeting this requirement.

By the close of the program year, the Grantee is also required to have completed a review of its latest financial audit. **Failure to comply with this requirement is sufficient cause to impose special "high-risk" conditions to the grant under 10 CFR § 600.212.**

Exemplary Agencies:

Previous Guidance permitted the designation of Exemplary Subgrantees. Under this Guidance, exemplary status is suspended until further notice. DOE will revisit this topic at some point in the future and determine if there is merit in reinstating exemplary Subgrantee status.

B. VISIT: At a minimum, the Grantee must follow the identified monitoring areas under the Approach section and ensure these areas are reviewed within their monitoring process. After the monitoring review is completed, the Grantee must brief the Subgrantee on the observations and findings generated by the monitoring visit, usually through an exit briefing. If Health and Safety issues that present imminent danger to people in the house are found during a visit, the Grantee must require the Subgrantee to immediately resolve the issues.

Sensitive or significant noncompliance findings, such as waste, fraud, or abuse must be reported to DOE immediately.

Within 30 days after each visit, the Grantee must prepare a written report for the Subgrantee that describes the current monitoring assessment (identify any findings, concerns, recommendations, commendations, and best practices) and any corrective actions, if applicable. **Subgrantee noncompliance or repeated unresolved findings (based on a minimum of 2 monitoring visits at a Subgrantee) must be reported immediately to the DOE Project Officer.**

C. TRACKING & ANALYSIS: All the results of Grantees monitoring of Subgrantees, including, financial reviews, must be tracked by the Grantee to final resolution. DOE recommends that the tracking record developed by the Grantee include, but not be limited to: findings, concerns, recommendations, commendations, best practices, corrective actions, deliverables, technical assistance and training provided, and resolutions.

Annually, the Grantee is required to summarize each of its Subgrantee's financial reviews, program monitoring reports, and any outstanding issues and develop a Subgrantee monitoring analysis overview that identifies each Subgrantee's needs, strengths, and weaknesses. The results of this monitoring analysis must be considered during annual planning and must be available in the Grantee Office for the DOE Project Officer to review during Grantee monitoring visits.

D. REPORTING: Annually, a narrative report that includes summary information, including successes and significant problems (as opposed to each and every problem) that are found, must be identified and reported to DOE within the *T&TA, Monitoring, and Leveraging Report*. Only those official visits that would normally be reported to DOE, not routine day-to-day activities, are required. The monitoring report is due annually, 30 days after the end of the reporting period.

At a minimum, the monitoring report must include the following items:

- Subgrantees monitored.
- Any major findings (waste, fraud, and abuse) and resolutions.
- Trends with respect to findings, concerns or other issues (and needed training & technical assistance).

- Programmatic/Administrative
- Technical
- Financial
- Any Subgrantees that are considered high risk and plan on how to resolve.
 - Are any Subgrantees considered high risk for other programs or program management? (e.g. LIHEAP; financial issues, etc.)
- Outcome Activities
 - Training and technical assistance.
 - Monitoring Training

Failure to submit the report within the allocated timeframe may result in a hold on grant funds. For Additional information on Monitoring expectations please refer to WPN 12-5.

5.0 POLICY, PROGRAM GUIDANCE AND REGULATORY CHANGES

5.1 QUALIFIED ALIENS RECEIVING WEATHERIZATION BENEFITS: Grantees are directed and encouraged to review guidance provided by Health and Human Services (HHS) under LIHEAP. This guidance can be found by going to http://faq.acf.hhs.gov/cgi-bin/liheap.cfg/php/enduser/std_adp.php?p_faqid=610&p_created=1032202422&p_sid=PxJVtLPj&p_accessibility=0&p_redirect=&p_lva=&p_sp=cF9zcmNoPTEmcF9zb3J0X2J5PSZwX2dyaWRzb3J0PSZwX3Jvd19jbnQ9MSwxJnBfcHJvZHM9JnBfY2F0cz0xMDQmcF9wdj0mcF9jdj0xLjEwNCZwX3NIYXJjaF90eXBIPWFuc3dlcnMuc2VhcmNoX25sJnBfcGFnZT0xJnBfc2VhcmNoX3RleHQ9YWxpZW5z&p_li=&p_topview=1 and searching the word “aliens” under the “Find Answers” section.

5.2 MULTI-FAMILY ELIGIBILITY: Certain buildings containing rental units may comply with the income eligibility requirements when 50 percent of those dwelling units are eligible dwelling units rather than the established 66 percent identified in the regulation. (10 CFR§ 440.22(b)(2)). The buildings that are subject to the 50 percent threshold are duplexes, four-unit buildings, and certain eligible types of large multi-family buildings. In the final rule published on December 8, 2000, DOE provided guidance on what types of large multi-family buildings may be subject to the 50 percent threshold. (65 Fed. Reg. 77210, Dec. 8, 2000.).

DOE indicated that “certain eligible types of large multi-family buildings” are those buildings for which an investment of DOE funds would result in a significant energy-efficiency improvement because of the upgrades to equipment, energy systems, common space, or the building shell. (*Id.* at 77215) By providing this flexibility, Subgrantees are better able to select the most cost-effective investments and enhance their partnership efforts in attracting leveraged funds and/or landlord contributions. This flexibility does not apply to any other type of multi-family unit. Questions on whether a building meets the criteria should be directed to the DOE Project Officer.

The definition of “significant energy improvement” is based on specific criteria for the building in question. This must be assessed using existing conditions to determine the threshold to achieve significant energy improvements. Grantees should consult with their DOE Project Officer if there are questions related to this threshold. Additional guidance is being considered by DOE to provide Grantees criteria for what constitutes “significant energy improvement.”

As a reminder, when addressing multi-family units with DOE funds, multiply the total number of income-eligible units in the multi-family building by the current allowable per dwelling unit average cost to determine the amount of DOE funding available for weatherizing the building. While the amount of funding available for weatherizing a building is limited by the number of eligible units, the weatherization work can result in improvements to all units in the building, even those that are not eligible units. All units should be reported to DOE.

Note: Grantee and Subgrantee agencies should exercise caution when utilizing flexibility in this area. The key is the investment of DOE funds coupled with leveraged resources which result in significant energy savings. Absent this investment, lowering the eligibility to 50% may lead to disallowed costs. Subgrantees who are uncertain on a given multi-family project should seek approval by the DOE Project Officer through their Grantee Weatherization Program Manager.

Note: DOE issued the following Program Notices on multi-family related issues: WPN 10-15, Final Rule on Amending Eligibility Provisions to Multi-Family Buildings for the Weatherization Assistance Program; WPN 10-15A, Guidance Regarding Accrual of Benefits to Low-Income Tenants in Multi-Family Buildings under the Weatherization Assistance Program; and WPN 10-17, Guidance on Using Non-Federal Resources as a Buy-Down for Meeting the Savings-to-Investment Ratio for Materials Used in the Weatherization Assistance Program.

5.3 PROCUREMENT OF BUILDING INSULATION PRODUCTS AND MATERIALS CONTAINING RECOVERED MATERIALS: The Comprehensive Procurement Guideline (CPG) program is authorized by Congress under Section 6002 of the Resource Conservation and Recovery Act (RCRA), Pub. L. No. 94-580, 42 U.S.C. § 6901 *et seq.*, and Executive Order 13423. EPA is required to designate products that are or can be made with recovered materials, and to recommend practices for buying these products. Once a product is designated, Grantees and Subgrantees are required to purchase it with the highest recovered material content level practicable. For more information on these products, Grantees should consult the EPA website. <http://www.epa.gov/osw/consERVE/tools/cpg/products/building.htm>.

5.4 RENTAL REQUIREMENTS: All Grantees were required to develop rental procedures prior to the submission of their Grantee application to address the provisions of 10 CFR §440.22, Eligible Dwelling Units. In developing these procedures, Grantees were encouraged to open a dialogue with their Subgrantees to ensure that the procedures adopted are both understood and attainable. These procedures are not a part of the application; however, they do impact directly the operation of the Program by the Subgrantees. DOE strongly encourages Grantees to address

their rental procedures, including any changes from the previous year in a public hearing forum. The hearing offers an excellent opportunity to explain these procedures and how they would impact other components of the Plan, and to accept and consider comments from the public.

5.5 ENERGY AUDIT CRITERIA: In accordance with Weatherization Program Notice 01-4, DOE reviews not only how the energy audit software or manual methods estimate energy use and potential weatherization savings, but also how a Grantee implements their energy audit procedures. Therefore, Grantees requesting to use previously accepted software still have to list the measures that are typically enabled and provide the input data, assumptions, and audit results (recommended measures) for two sample dwelling units typical of those weatherized by the Grantee's program. All of the information on field procedures and administrative requirements described in Attachment 1 of Weatherization Program Notice 01-4 must be provided with any audit approval requests.

All Grantees whose audit procedures or priority lists were approved more than five years ago must request DOE re-approval. DOE requires energy audit procedures to be approved specifically for use on single-family dwellings and manufactured homes.

Where multi-family dwelling units represent more than 20% of a Grantee's building type, DOE requires the Grantee to submit multi-family audit and procedures, in accordance with WPN 01-4. For Grantees that fall below the 20% threshold and do not have a DOE-approved audit and procedures for multi-family buildings, a Grantee must take two actions:

1. Describe in its Grantee Plan the approach that will be taken to ensure that the eligible occupants of multi-family dwellings receive appropriate, cost-effective weatherization services.
2. Submit to the Project Officer the necessary material to approve the multi-family project prior to commencing weatherizing the building (e.g. engineering assessment, audit input/output). The Project Officer will review and approve the project(s) on a case-by-case basis in the absence of a multi-family energy audit.

Single Family Audits:

The National Energy Audit Tool (NEAT) has been developed by DOE for use by the network. NEAT is part of the Weatherization Assistant and is maintained by Oak Ridge National Laboratory (ORNL). The Weatherization Assistant is posted to the WAPTAC and ORNL websites (<http://www.waptac.org/Energy-Audits/Weatherization-Assistant.aspx> and <http://weatherization.ornl.gov>, respectively). Grantees may elect to use alternative energy audits provided they are approved in writing by DOE.

Manufactured Home Audits:

Guidance directs Grantees to have a DOE-approved Manufactured Home Energy Audit and beginning with PY 2010 all Grantee Plans must include a training component to implement their procedures for manufactured homes. The Manufactured Home Energy Audit (MHEA) is available to the Network as part of the Weatherization Assistant, developed by DOE for use by the network. Weatherization Program Notice 03-6, dated September 26, 2003, marked the Network release of the new and improved MHEA and outlined its availability and use. The package is available at no cost to Grantees and Subgrantees.. The Weatherization Assistant is posted to the WAPTAC and ORNL websites (<http://www.waptac.org/Energy-Audits/Weatherization-Assistant.aspx> and <http://weatherization.ornl.gov>, respectively). The results of the MHEA validation are complete. Grantees will be encouraged to adopt this latest version of the Weatherization Assistant to insure that cost-effective measures are selected and installed in eligible manufactured homes. Grantees that use priority lists on manufactured homes that were developed with a previous version of MHEA should revisit them using the latest revised version.

Grantees may elect to use alternative energy audits provided they are approved in writing by DOE.

Multi-Family Audits:

For energy audit purposes, DOE considers multi-family buildings to be those containing five dwelling units or more. Approved single-family energy audits can be used in buildings with up to four dwelling units without any further approval or discussion. As approved by DOE on a case-by-case basis, certain single-family energy audits may be used in multi-family buildings containing up to 25 individually heated and cooled dwelling units. However, even if the tool is approved for use in these small multi-family buildings, the Grantee must still have DOE-approved procedures and protocols in place before implementing their use.

During the Recovery Act period, DOE has embarked on the development of a multi-family audit tool that will be part of the Weatherization Assistant suite. The audit tool is currently being field tested and when completed, it will be made available on a staggered roll out to the network. In the meantime, DOE relies on commercially available tools to meet the needs of the WAP.

Even when the multi-family tool is available, Grantees may elect to use alternative energy audits provided they are approved in writing by DOE.

Priority Lists:

Where appropriate, Grantees may request use of a Priority List – a list of measures generated through use of the computerized audit tool that routinely are prioritized in the typical housing stock treated by a Grantee. Weatherization Program Notice 01-4 addresses the course of action required to receive approval for use of a priority list. However, Grantees must still have audit tools and the procedures reviewed and approved in order to address units outside the typical housing stock covered by the priority list.

It is the responsibility of the Grantee to ensure the priority list(s) remain valid during the period of use. While the re-approval is only required every five years, lower fuel costs and/or higher labor and material costs can invalidate the priority list. Grantees should routinely check assumptions to ensure SIR requirements are consistently met with the approval on record.

Note: Grantees that weatherize multi-family units must have a multi-family energy audit and procedures as part of their Program year 2013 plan submittal to DOE. The use of the multifamily energy audit tool must include a training component.

5.6 USE OF WEATHERIZATION FUNDS FOR RENEWABLE ENERGY SYSTEMS:

Assistance under the WAP may be provided for renewable energy systems. The per-dwelling cap for such assistance is \$3000, subject to annual adjustments.

Summary of Amendments

10 CFR §440.18 (Allowable Expenditures) incorporates the renewable energy system provisions and specifies a ceiling of \$3000 per dwelling for labor, weatherization materials, and related matters. The current adjusted value is \$3,377 for renewable energy systems.

Because the total average cost per unit exceeds the renewable measures allowance, the major effects of the regulation are to provide criteria and a procedure for integrating renewables into the WAP, and to establish a process for evaluating petitions to use new or innovative renewable energy systems in the WAP.

Section 440.21(c)(1) specifies performance and quality standards criteria for renewable energy systems. Paragraph (c)(2) establishes a procedure for submission and action on petitions by manufacturers requesting the Secretary of Energy to certify a new technology or system as an eligible renewable energy system.

Approved renewable energy systems will be listed in Appendix A of Part 440, Standards for Weatherization Materials.

5.7 DISASTER RELIEF: DOE issued Weatherization Program Notice 08-5, Disaster Planning and Relief, on September, 22, 2008, which supersedes Weatherization Program Notice 93-12. This guidance details the process and procedures Grantees should follow to use Weatherization resources to assist in areas that are affected by disasters.

5.8 DETERMINING ELIGIBILITY LEVELS: In determining what eligibility level will be used in its program, the Grantee may select one of the three levels listed below to be identified as part of the annual plan.

Low income means that income in relation to family size which:

- (1) At or below 200 percent of the poverty level determined in accordance with criteria established by the Director of the Office of Management and Budget, except that the Secretary may establish a higher level if the Secretary, after consulting with the Secretary of Agriculture and the Secretary of Health and Human Services, determines that such a higher level is necessary to carry out the purposes of this part and is consistent with the eligibility criteria established for the weatherization program under Section 222(a)(12) of the Economic Opportunity Act of 1964; , Pub. L. No. 88-452, 42 U.S.C. § 2701 *et seq*;
- (2) Is the basis on which cash assistance payments have been paid during the preceding twelve month-period under Titles IV and XVI of the Social Security Act, Pub. L. No. 88-452, 42 U.S.C. § 2701 *et seq*; or applicable State or local law; or
- (3) If a Grantee elects, is the basis for eligibility for assistance under the Low Income Home Energy Assistance Act of 1981, provided that such basis is at least 200 percent of the poverty level determined in accordance with criteria established by the Director of the Office of Management and Budget.

5.9 DEFINING INCOME: DOE issued WPN 11-5, Poverty Income Guidelines and Definition of Income. This document includes a revised definition of income for use by Grantees and Subgrantees in their programs. The revisions in this document include defining income, cash receipts, exclusions, proving eligibility, child support, annualizing income, and re-certification.

Note: Grantees and Subgrantees are reminded that the supporting documentation for applicants applying for weatherization that may be on a waiting list or for other reasons must have their eligibility documentation updated at least annually.

5.10 DETERMINING PRIORITY SERVICE: Grantees and Subgrantees are provided flexibility to target their services to maximize program effectiveness. However, Grantees must have a procedure to ensure that the following properties are prioritized in identifying and providing weatherization services:

- Elderly persons,
- Persons with disabilities,
- Families with children,
- High residential energy users, and
- Households with a high energy burden.

Consideration of “high residential energy users” and “households with a high energy burden” may be in combination with, the other priority categories of elderly, persons with disabilities, or families with children. The consideration of “high residential energy users” and “households with a high energy burden,” allows Grantees and Subgrantees to be better able to partner with utilities and other programs to leverage additional resources into their programs. If a Grantee elects to use either of these categories, these should be submitted in Program Reporting.

Housing type is not a recognized priority under the regulations, and use of housing type as a priority may be contrary to the requirement for high residential energy users to be considered as a priority in evaluating service delivery ranking of eligible households. Grantees and Subgrantees may not discriminate due to the type of home where the low-income family lives. All other issues related to eligibility (like the entire multi-family building being eligible for a family to receive services) still apply.

5.11 FUEL SWITCHING: WAP does not permit the general practice of non-renewable fuel switching when replacing furnaces/appliances. However, DOE does allow the changing or converting of a furnace/appliance using one fuel source to another on a limited, case-by-case basis only.

5.12 ENERGY-RELATED HEALTH AND SAFETY: The Program's inclusion of health and safety improvements to the units occupied by low-income persons served must be limited to such improvements that are "energy-related." Grantees are reminded that the primary goal of the WAP is energy efficiency. Achievement of this goal endures even with the program changes that allow the DOE funds to be used for health and safety risk mitigation.

DOE encourages Grantees to be prudent in their oversight of the percentage of funds approved for health and safety mitigation on homes weatherized by their Subgrantees. Health and safety appears in three sections of the regulations 10 CFR §§440.16, 440.18 and 440.21) and directly affect operation of the Program by Subgrantees. The hearing on the Grantee Plan offers an excellent opportunity to present these procedures in addition to their potential impact on other components of the Plan; and to hear and consider comments from the public.

Grantees are encouraged to budget health and safety costs as a separate category and, thereby, excluding such costs from the average per-unit cost calculation. This separate category also allows these costs to be isolated from energy efficiency costs in program evaluations. Grantees are reminded that, if health and safety costs are budgeted and reported under the program operations category, the related health and safety costs should be included in the calculation of the average cost per home and cost-justified through the audit.

Note: DOE issued revised Health and Safety Guidance in Weatherization Program Notice 11-6 on January 12, 2011. Grantees should use the revised guidance in developing their health and safety plans. Previous WPN 12-1 program guidance has included sections on Lead Safe Weatherization and Mold and Moisture. In order to place all health and safety guidance in one location, these sections have been removed and are incorporated in WPN 11-6.

All Grantees are required to complete Health and Safety Plans for the PY 2012 meeting full compliance with WPN 11-6.

ASHRAE 62.2 compliance is expected to be met to the fullest extent possible. For Grantees who are not prepared to fully perform ASHRAE 62.2, they can provide as part of their Health and Safety Plan the detailed components and explanations for implementation of ASHRAE 62.2,

which should include those components that are ready for implementation and to what extent; justification for why the ASHRAE 62.2 will not be met to begin the PY 2012; and how and when the Grantee will fully comply with the standard. Grantees also have the ability to provide justification if making changes to ASHRAE 62.2 specific to their housing stock and local considerations. Justification must be based on scientific study that supports a change from ASHRAE 62.2.

5.13 INCIDENTAL REPAIRS: Grantees and Subgrantees are reminded that the WAP is not a rehabilitation or general repairs program and does not allow roof replacement, major structure repairs, or other non-energy related repairs. Units requiring this type of repair should be referred to a rehabilitation program or the Subgrantee must use other sources of funds to cover these costs. The 10 CFR §440.3 definition is as follows: *Incidental Repairs* means those repairs necessary for the effective performance or preservation of weatherization materials. Such repairs include, but are not limited to, framing or repairing windows and doors which could not otherwise be caulked or weather-stripped and providing protective materials, such as paint, used to seal materials installed under this program.

Grantees must set cost limitations in their Plan for incidental repairs when using a priority list; otherwise, a site specific audit must be performed to justify the cost of the incidental repairs. Incidental repairs must be justified in the client file with an explanation for their need and relationship to a specific measure or group of measures. Incidental repair costs can be treated in two ways, by being considered a component of the energy conservation measure and incorporated into the SIR of the associated measure, or incorporated into the SIR for the package of measures.

Note: DOE will issue additional guidance on incidental repairs in early 2012 to provide more clarity for Grantees and Subgrantees in this area.

Note: See WAP Health and Safety Guidance for defined health and safety measures, which are not generally treated as incidental repairs.

5.14 REWEATHERIZATION: The Recovery Act amended the DOE Weatherization Reweathering dates and now allows Grantees and Subgrantees to weatherize homes previously weatherized from September 30, 1994, and earlier. This provision gives Grantees the flexibility to revisit those homes weatherized prior to 1994 that may not have received the full complement of Weatherization services, including the use of an advanced energy audit or addressing health and safety concerns. DOE reminds Grantees and Subgrantees that in selecting previously weatherized homes to revisit, there still remain more than 34 million federally eligible households that have received no Weatherization services to date. Section 5.7 of this guidance addresses Disaster Planning and Relief and references DOE-issued Weatherization Program Notice 08-5, which allows additional work to be done on homes due to natural disasters. Please refer to these sections and follow appropriate procedures if the Grantee wishes to serve homes located in disaster areas.

Note: The term “Rweatherization” applies only to those units which fall into the category of time indicated above and described under 10 CFR §440.18(e)(2)(iii).

5.15 VEHICLE AND EQUIPMENT PURCHASES: The regulations and guidance that include the requirement for approval for purchase of equipment greater than \$5,000 and vehicles "in every instance" are as follows: 10 CFR Part §440.18(c)(6) and Weatherization Program Notice 05-1' Program Year 2005 Weatherization Grant Guidance, dated November 12, 2004, explains why this requirement could not be eliminated.

The regulations allow agencies to amortize the cost of purchasing vehicles and/or certain other equipment, having an acquisition cost of \$5,000 or more over the entire life of the vehicle and the number of homes served during that period. DOE currently retains the cost of purchasing such vehicles and equipment as a part of the amount of funds used to determine the average cost per home per section 440.18(c)(6) of the program regulations.

For some Subgrantees, purchasing vehicles under the existing rule often forced them to seek low-cost Weatherization candidate homes in order to keep their average cost per home within the allowed maximum for the year, while ignoring potentially higher energy saving candidate homes. To address the concerns expressed by the Grantee and Subgrantees that the cost of these vehicles and certain types of equipment included in the average cost per home calculation placed an undue burden on them, DOE amended 10 CFR 440.18(b) by adding paragraph (3) which allows Grantees and Subgrantees to determine the average cost per unit by including only that fraction of the cost of a new vehicle or equipment purchase which was actually “used” during the current year.

For example, if a Subgrantee purchases a new vehicle for \$24,000 with an expected useful life for the vehicle of 8 years (96 months), then the cost of that vehicle would be amortized at the rate of \$3,000 per year or at \$250 per month. This approach also affects certain types of equipment purchases having a useful life of more than one year and a cost of \$5,000 or more as defined by 10 CFR §600.232(e)(2). It permits Subgrantees to spread these costs over the useful life of the vehicle or equipment purchase, for the purpose of calculating the average cost per home, even though the full purchase price is reported in the year in which it occurs. Grantees are encouraged to anticipate the need for vehicle purchases and include these in the annual application which, upon approval by DOE, satisfies the requirement for prior approval without the need for subsequent approvals.

Availability (i.e. 8-week order or whether it is in stock) of vehicles/equipment should be considered and is best made part of the bid specification.

Grantees, as well as Subgrantees, should consider and weigh the options on leasing versus purchasing. DOE would not need to approve a vehicle lease that does not include a "purchase option." But if a lease-purchase option is proposed and even if the purchase price is as small as one dollar, DOE would need to approve the purchase of the vehicle. The disposition of equipment/vehicles needs to be considered.

For approval of Vehicle & Capital Equipment Purchases, the minimum information needed by DOE is:

- Name of requesting Grantee and Subgrantee
- Where the vehicle will be used and how it will be used – Specify, full or part time use in Weatherization Program
- A statement of whether this is a replacement or an expansion for ramp-up. If this is a replacement, how is the trade-in being addressed?
- Brief description of how the procurement will be done, and confirmation that Agency, Grantee and Federal procurement guidelines will be met
 - 2 CFR part 225 (former OMB Circular A-87) – Cost Principles for State, Local, and Indian Tribal Governments
 - 2 CFR part 230 (former OMB Circular A-122) – Cost Principles for Non-Profit Organizations
 - 10 CFR part 600 – Financial Assistance Rules
- What the funding source(s) will be (e.g., DOE Weatherization Program Operations funds). Subgrantee T&TA funds are not an allowable option as noted in bold at the end of Section 2.5 in the annual guidance.
- Copies of bid specifications (vehicle/equipment description with options requested) and a bid analysis indicating at a minimum, each bidder, the bid price, a determination whether the proposal met the bid specification
- Statement that lowest bid will be selected, or a sufficient justification of the “best value selection” if lowest bid not recommended for DOE approval.

This information can be submitted via e-mail, fax, or mailed letter, but the Grantee recommendation for approval must be submitted in writing to the applicable DOE Project Officer.

If a Grantee submits the above information via e-mail or fax, the DOE Project Officer should approve the request within three business days; if all of the minimum information is adequately provided. If extenuating circumstances arise, the DOE Project Officer will conduct a follow-up within three days requesting additional details on the purchase.

5.16 POLICY ADVISORY COUNCIL: The regulations reflect DOE’s intentions in offering Grantees some flexibility in the area of the Policy Advisory Council (PAC). In order to change the PAC to a council or commission, the Grantee must show cause to DOE that the current PAC is either non-existent or is not functioning as outlined in 10 CFR §440.17 of the Program regulations. DOE does not intend, nor does it mean to imply, that the Grantee has the discretionary authority to replace the PAC without due process or cause.

Any Grantee who desires to substitute a Grantee council or commission for a PAC, must address this issue as a part of the public hearing held on the annual Grantee Plan. The DOE PMC will make the final determination on this request as a part of the review of the application and Plan.

Also, the requirement remains that any person(s) employed in any Grantee Weatherization Program can be a member of an existing commission or council, but has to abstain in reviewing and approving the activities associated with the DOE Weatherization Assistance Program.

5.17 ELECTRIC BASE LOAD: Weatherization Program Notice 00-5 issued October 6, 2000, added the use of replacement refrigerators and replacement electric water heaters to the approved list of measures using DOE funds. Typically, addressing only the heating and/or cooling costs of a dwelling unit, accounts for only about half of that unit's energy expenditures. The addition of cost-effective electric base-load measures gives Weatherization agencies greater flexibility to help low-income households reduce their energy costs and to partner with sources of leveraged funds. Weatherization Program Notice 94-5 issued on July 29, 1994, already allows for the use of fluorescent light sources in the Weatherization Program. Specific electric baseload materials do not appear in Appendix A; however, DOE has approved their use in the Program through energy audits submitted by each State. All energy audits are required to be revalidated every 5 years pursuant to 10 CFR 440.21(i).

5.18 DAVIS-BACON ACT: The Weatherization Assistance Program statute contains no Davis-Bacon requirements; therefore, annual appropriations are exempt from any provision of the Davis-Bacon Act. Specifically, **Davis-Bacon requirements do not apply to the 2012 Annual Appropriations outlined in WPN-12-02.**

However, Grantees are reminded that Davis-Bacon requirements remain in effect for all Recovery Act-funded projects. Recovery Act-funding and PY 2012 funding must not be comingled. Recovery Act and regular appropriations are to be tracked and reported separately.

5.19 ADMINISTRATIVE COSTS: The impact of the 10 percent statutory and regulatory limit on administrative costs has long been a difficult issue for Subgrantees, particularly small Subgrantees in the management of their Weatherization programs. It is also a concern of small Grantees that have been added to the program in recent years, and Grantees that have no Subgrantees and are limited to 5 percent on administrative costs. Beginning with the 1985 Annual Grant Guidance to the Grantees, DOE identified instances where certain administrative functions could be charged to the program operations category and encouraged Grantees to permit their Subgrantees to incorporate these changes. Additionally, the current regulations include a provision to allow Subgrantees with grants of less than \$350,000 to be permitted to use up to an additional 5 percent of its subgrant for administrative costs. DOE will continue to rely on the program guidance documents still in effect since their issuance in their early 1980's. The Weatherization authorizing legislation and the Weatherization Program regulations, 10 CFR Part 440, do not specifically define allowable administrative costs. DOE expects consistency in the implementation of program costs, particularly in how the Grantee defines these costs and how they will be charged to either administration or program operations.

Certain opportunities for flexibility were identified for Grantees and Subgrantees through Program guidance. The four separate memoranda provide the only flexibility on charging

administrative costs as issued by DOE. Copies of these guidance documents can be found on the WAPTAC website. Included in these memoranda is House Report 98-886 which accompanied the 1985 Appropriations Bill and provided DOE with the original authority to provide relief for Subgrantees on the issue of administrative costs.

Program guidance in this area is not mandatory for Grantees. However, the fact that the flexibility offered in these memoranda would not be acknowledged by an OMB Circular A-133 audit does cause concern when an independent financial audit of the Program is conducted. An auditor would note discrepancies in program operations costs that would normally be charged as traditional administrative costs. DOE will attempt to address this issue through future training addressing how Grantees can best assure that the flexibility offered by DOE is understood and applied uniformly.

5.20 HISTORIC PRESERVATION: Prior to the expenditure of federal funds to alter any structure with historic significance, the Grantee is required to comply with the requirements of Section 106 of the National Historic Preservation Act (NHPA), Pub. L. 102-575, 16 U.S.C. § 470 *et seq.* DOE, in coordination with the Advisory Council on Historic Preservation (ACHP) and the National Conference of State Historic Preservation Officers (NCSHPO), has developed a *Prototype Programmatic Agreement* to address historic preservation requirements for WAP. DOE, ACHP and NCSHPO understood the heavy volume of activity anticipated under the Recovery Act and worked together to create a manageable framework for streamlining compliance with the requirements of the Act while ensuring the protection of the Nation's historic properties. Additional information can be found in Weatherization Program Notice 10-12.

5.21 ELIGIBLE DWELLING UNITS: Subgrantees should exercise caution in dealing with non-traditional type dwelling units such as shelters, and apartments over businesses, etc. to ensure they meet program regulations on whether the unit is, in fact, eligible. Consideration on weatherizing these types of units should be coordinated with the Grantee or if necessary approved by the DOE Project Officer prior to weatherization.

The weatherization of non-stationary campers and trailers that do not have a mailing address associated with the eligible applicants is not allowed. The use of a post office box for a non-stationary campers or trailers does not meet this requirement.

5.22 USE OF WAP FUNDS FOR ADD-ON/CALL-BACK WORK: Grantees and Subgrantees may not charge the WAP for additional work on homes that have already been reported to DOE as completed, weatherized units. WPN 11-03 provides specific guidance on this type of activity.

Note: Under no circumstances can any of these activities be covered under the reweatherization provisions of 10 CFR §440.18(e)(2)(iii).

5.23 AVERAGE COST PER UNIT CALCULATIONS: The adjusted average expenditure limit for Program Year (PY) 2012 is \$6,769. This means that the “average cost per unit” (ACPU) for Grantees must be at or below this figure for PY2011 at the end of the project period. In general, the ACPU is determined through a simple calculation - dividing the number of units reported as completed to DOE into the amount of expenditures reported in the Grantees’ “Program Operations” Budget Category on their most recent PY Quarterly Program Report.

DOE issued WPN 11-1A Clarification of Average Cost Calculations. DOE is requesting that Grantees closely monitor the way Subgrantees define costs within a Budget Category and ensure consistency in defining allowable costs within Budget Categories. This is necessary to better understand how Subgrantees are managing their WAP grants and controlling expenditures. The various control documents and Budget Category explanations can be found on the WAP Technical Assistance Center (WAPTAC) website at www.waptac.org.

6.0 REPORTING

6.1 REPORTING REQUIREMENTS: The reporting requirements are set forth in the Funding Opportunity Announcement No.DE-FOA0000641.

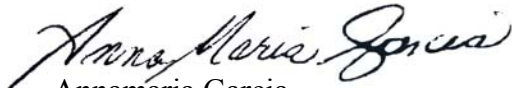
6.2 REPORTING DOE COMPLETED UNITS: It is important both to DOE and the Weatherization Network that the most accurate information on how many units were completed with DOE funds are reported. Meeting performance goals is paramount to the Program, and can assist Grantees and Subgrantees with their leveraging efforts. Grantees should ensure that their Subgrantees report all units in which DOE funds are used as DOE completions.

DOE is aware that this may be difficult where multiple sources of funds are used to weatherize a unit or a complicated leveraging agreement has been reached with non-Federal partners. To assist Grantees and Subgrantees in determining what a DOE weatherized unit is, DOE offers the following definition. **A DOE Weatherized unit is: A dwelling on which a DOE-approved energy audit or priority list has been applied and weatherization work has been completed. As funds allow, the DOE measures installed on this unit have a Savings-to-Investment Ratio (SIR) of 1.0 or greater, but also may include any necessary energy-related health and safety measures. The use of DOE funds on this unit may include, but are not limited to auditing, testing, measure installation, inspection, or use of DOE equipment and/or vehicles, or if DOE provides the training and/or administrative funds. Therefore, a dwelling unit that meets both the definition of a DOE weatherized unit and has DOE funds used directly on it must be counted as a DOE completed unit.**

Note: Grantees and Subgrantees are reminded that the weatherization crews, including supervisory persons that also work to install weatherization measures on a unit as well as the energy auditor/assessor who performed the initial audit should not then also perform the final inspection of the unit. DOE requires the final inspection be performed by a person(s) not directly associated with actual work that was performed on the unit.

CONCLUSION: It remains critically important that WAP funds be cost-effectively expended in the year in which they were appropriated. Funding decisions at the Congressional and DOE levels are often based on Grantee and Subgrantee performance.

The WAP continues to make progress in a number of areas. The performance of the Program is still being scrutinized and the Department of Energy appreciates your many contributions that continue to make Weatherization Work!



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