

AMENDMENT NO. 1

GRANT AGREEMENT NO. 32000466

RECITALS:

1. Pursuant to Ordinance No. 184118, Grant Agreement No. 32000466 (the "Grant Agreement") was made and entered into effective October 1, 2010, by and among the City of Portland (the "City") and Clean Energy Works Oregon, Inc. ("CEWO"). The City and CEWO may hereinafter collectively be referred to as the "Parties."
2. The Grant Agreement implemented a competitive Energy Efficiency and Conservation Block Grant ("EECBG") award DE-EE0003565/000 from the U.S. Department of Energy ("DOE") to the City (CFDA# 81.128). The \$20 million competitive grant was made under the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5 ("ARRA"), to expand the Clean Energy Works Portland pilot into a statewide program.
3. In June, 2010, the City Council adopted Ordinance No. 183922, authorizing the City to enter into an intergovernmental agreement with the Oregon Department of Energy ("Department") to accept additional ARRA funding of \$2 million under the State Energy Program ("SEP"). SEP Contract No. 10-1245. The SEP funding is available to complement the funding previously provided to CEWO under the existing Grant Agreement.
4. The \$2 million SEP funds will be sub-granted by Portland to CEWO to further support and leverage the financing of energy efficiency upgrades across Oregon.

NOW THEREFORE, the Parties agree as follows, for good and valuable consideration the receipt and sufficiency of which is hereby acknowledged:

AGREEMENT:

1. Section IV of the Grant Agreement is amended by adding a new Section I as follows:
 - I. The City will provide CEWO with additional funding in the amount of \$2,000,000.00 (Two Million Dollars) to fund the following expenditures:
 1. **Home energy assessments.** Home energy assessments are a pre-requisite to all residential retrofit projects and loans. An industry-standard BPI audit will be performed before any loan is made to estimate energy savings benchmarks and identify the most promising energy upgrades in each home. The assessments will be fixed at a unit cost of \$400, as specified in each Contractor Participation Agreement, which agreement must be signed by a contractor prior to participating in the CEWO program.
 2. **Home energy advisors.** The Energy Advisor's role is: 1) to help to educate the customer on the benefits of energy efficiency, 2) to assist the homeowner in making decisions and 3) to oversee the quality of work from the certified contractors. The Energy Advisor role will be fulfilled in 2011 primarily by Conservation Services Group, Inc. (CSG) personnel on contract with CEWO. CEWO will pay CSG approximately \$750 per home for this service, which is based upon a negotiated rate of 15 hours per home at \$50 per hour, or less as may be set forth in the contract between CEWO and CSG.

This fee-for-service arrangement between CEWO and CSG will not be transparent to the consumer, though consumer marketing materials will acknowledge the value-add of the Energy Advisor and will indicate the comparable value of the service, which the consumer is getting for free in 2011. A copy of the CEWO-CSG contract will be made available to the Department upon execution.

3. **Rebates to buy down the cost of the loan.** For homes with at least \$8,000 in project cost (Contractor invoice pre rebate reduction) and 15% projected energy savings, CEWO will apply grant funds directly to the cost of the loan. This rebate will buy down the cost of the loan. The rebate amount will step up as energy savings increase. Fifteen percent is the minimum allowable energy savings threshold recently required by US DOE of BetterBuildings grantees.

Initial pilot data show that the average loan size is just under \$13,000 and that most projects yield upwards of 20% projected energy savings. The loan threshold sizes and corresponding rebate amounts thus were crafted around this average loan size, with a variance of \$5,000 in either direction. The majority of the rebate dollars are allocated to the \$13,000 loan size/20% energy savings category. Once the pilot data set is complete and can be more thoroughly analyzed, Portland and the Department may revisit the rebate/energy savings tiers.

The total number of rebates made will be 500. The 220 urban renewal area (URA) rebates will be a subset of this 500. This additional rebate will be applied to homeowners that live in urban renewal areas. Portland and CEWO have loan origination funds to deploy specifically in URAs, but pilot experience has demonstrated that this homeowner demographic is harder to reach and to motivate to undertake a retrofit. This deeper rebate will enable us to deploy both SEP and URA funds most quickly and effectively. Portland is limiting these specific rebates to 220, as this reflects the amount of capital available for loan origination in the URAs.

These rebates will not be represented as cash rebates provided separately to the customer. The transaction will occur as part of the loan arrangement, with customers seeing the rebate as a deduction from their total loan costs. Table 1 below shows the tiered rebate schedule.

Table 1. Rebate Tiers

Energy savings	Rebate	#	Budget
15%	\$ 1,500	100	\$ 150,000
20%	\$ 2,200	250	\$ 550,000
30%	\$ 3,200	150	\$ 480,000
Urban renewal area	\$ 1,000	220	\$ 220,000
Total		500	\$ 1,400,000

4. **Budget and Timeline.** CEWO will deliver the \$2 million of SEP funding across the state of Oregon entirely within 2011. The expectation is that by providing an aggressive rebate, homeowners will accelerate their acceptance, have a financial incentive to select the most cost-effective measures, increase the size of their loan, or come closer to reaching net neutrality. CEWO anticipates serving 1,200 homes in 2011, but will deliver the SEP-funded audits to the first 600, Energy Advisor services to the first 480, and SEP-funded rebates to the first 500. Budget detail and category expenditure limitations are below in Table 2.

Table 2. Portland/CEWO Budget for SEP Funds

	Unit cost	#	Budget
Audits	\$ 400	600	\$ 240,000
EA	\$ 750	480	\$ 360,000
Rebates	\$1,500-4,200	500	\$ 1,400,000
			\$ 2,000,000

CEWO began accepting customer applications and financing retrofits in March, 2011. Table 3 below provides a monthly projection of retrofits by rebate tier from February through December 2011. The majority of the loans and retrofits will occur in the Portland metro area in 2011.

Table 3. City/CEWO Timeline for BetterBuildings Grant Activities

	Unit Cost	January	February	March	April	May	June	
Number of Retrofits (15%)	25.0%	-	10	13	20	20	25	
Number of Retrofits (20%)	45.0%	-	18	23	36	36	45	
Number of Retrofits (30%)	30.0%	-	12	15	24	24	30	
TOTAL RETROFITTS	100.0%	-	40	50	80	80	100	
		July	August	September	October	November	December	TOTAL
		25	30	38	50	38	33	300
		45	54	68	90	68	59	540
		30	36	45	60	45	39	360
		100	120	150	200	150	130	1,200

- 5. Location.** The City and CEWO expect that the first homes available for the SEP funding strategy and rebates will be located in the Portland metro area. The Department understands targeting this area, and concurs with this focus given its priority on spending and job creation over statewide distribution. The Department will have the opportunity to review residential location as part of the provided reporting.
- 6. Eligible Measures.** Although Exhibit A of the SEP #10-1245 contract suggests that the breadth of the program is limited to weatherization, all parties agree that the contract permits eligible measures to extend beyond weatherization measures.

Eligible measures for the program are as follows:

- Air and duct sealing;
- Floor, ceiling, and wall insulation (no roof insulation);
- High efficiency furnaces, heat pumps, and water heaters;
- Highly-insulating (R-5) windows.

A measure may not be eligible at a given home, if the existing conditions are already sufficient or if the BPI audit shows that the measure is not cost-effective. These measure screens are based on the Energy Trust of Oregon's verified thresholds. Energy savings for these measures is accounted for in the BPI audit and the software agreed to by the auditors and the Clean Energy Works program.

Clean Energy Works Oregon offers financing for highly-insulating (R-5) windows. Highly-insulating windows will qualify for financing only on projects that achieve a minimum of 30% energy savings. Windows are well-known demand drivers for weatherization but since they are typically the least cost-effective weatherization measure, CEWO will only provide incentives for and finance the most efficient window model (the R-5) on the projects doing the deepest retrofits. The US DOE is conducting a volume purchase

program for R-5 windows, potentially lowering the price and increasing the cost-effectiveness of this product.

The City is held to State Historic Preservation Office (SHPO) compliance for all weatherization measures undertaken.

The City and CEWO are considering whether solar installations may qualify for CEWO. The Department is held to NEPA compliance with all small-scale renewable energy generation projects. All projects must be 60 kW or less. While a residential system larger than 60 kW is a highly unlikely scenario, advance notice and approval from the Department for any solar projects is mandatory.

If the list of eligible measures changes, the City must notify the Department of its intent and seek approval for any projects that may receive SEP funding.

- 7. **Quality Control Plan.** All participating CEWO homes must have a home energy assessment (also called a test-in) at the outset of the project. This determines the projected energy savings and associated rebate. After the energy efficiency project work is completed, 100% of participating CEWO homes have a quality assurance check called the test-out. Both test-in and test-out are conducted by the Energy Advisor paired with the selected CEWO contractor. The test-out data confirm that the installed measures will produce the projected energy savings, all else being equal. If there is a variance at test-out, the adjusted modeled savings will be captured and reported.

If test-out data show that projected energy savings fall below what was determined at test-in, the City/CEWO will still request reimbursement from the Department for the full rebate. If experience demonstrates significant divergence between projected savings at test-in and test-out, the City/CEWO will alert the Department and will seek to remedy the situation.

- 8. **Methodology for Attributing Energy Savings.** All homes for which rebates are provided must have a minimum of 15% energy savings and project costs equal to \$8,000.

The Oregon Department of Energy has a portfolio-wide goal of achieving a minimum of 10 MMBtu per \$1000 in SEP funds invested. By offering increased rebates based on the depth of energy savings, CEWO will assure that savings per dollar invested will not decline or fall too far below the minimum threshold.

The City of Portland and CEWO will report 100% of the energy savings from the completed retrofits financed using SEP rebates. The Department will not own these savings, but will report them as 100% leveraged. Savings will be reported on a quarterly basis and will be based on completed retrofits that involved SEP-funded rebates.

Table 4. Profile of a 15% Energy Savings Deal

	15% DEAL
Average Cost of Energy Efficiency Improvements (Contractor Invoice) (CEWP pilot average + \$5,000 for windows being eligible)	\$ 8,000
CEWO Rebate (direct project cost buy down)	\$ 1,500
Net Loan Amount	\$ 6,500
Energy Advisor Service (15 hours at fully loaded cost of \$50 per hour)	\$ 750
Home Energy Audit/Assessment (\$400 per)	\$ 400

It should be noted that the majority of energy savings in the residential retrofit market are gas savings.

US DOE is still ironing out the exact reporting methodology for BetterBuildings grantees. Our understanding at this time is that Portland will report 100% of the energy savings to the BetterBuildings program and they will internally discount the energy savings on their end to account for other federal funding sources like SEP and formula EECBG. They are not requiring grantees to do this upfront.

9. **Job Creation.** The Oregon Department of Energy will capture and claim all job creation hours directly funded by the SEP grant. Specifically, the state will exclusively capture the amount of hours for the audit (a flat 5 hours per home), advisor assistance (a flat 15 hours per home) and a portion of hours attributable to the rebate amount. If the SEP rebate represents 20% of the project cost (total invoiced amount), the City of Portland will attribute 20% of the hours on that retrofit project to SEP-induced job creation. The amount of hours attributable to the rebate will vary by project, and cannot be estimated as this point. The City of Portland will report on all the hours worked on a quarterly basis, as reimbursement requests will not reflect the total job hours worked.

All other funding sources (BetterBuildings, EEA, et cetera) must indicate these hours as "leveraged."

As part of closing out the grant, the City of Portland will provide a full accounting and truing up of all the SEP funds expended and the attendant job hours created.

10. **Tracking Performance Evaluation, Reimbursement and Reporting.** The City of Portland is responsible for meeting standard SEP reporting requirements. These requirements include:

- A monthly narrative update, entered into the ARRA database;
- Monthly conference calls with the program's ARRA project manager;
- Monthly reimbursement requests, entered into the database; and
- In-depth quarterly reporting to include a separate report on window installations.

Reporting shall consist of an accounting of energy savings, job creation, and spend-down by eligible expenses (see "Contribution" and Table 2 above). As detailed in the **Quality Control Plan** section above, projected energy savings are modeled at test-in and test-out. Rebates will be based on test-in savings. Projected energy savings will be adjusted if test-out values vary from test-in. All relevant energy savings data will be captured and reported to the Department. Home profiles shall remain anonymous but indicate general location, stack of upgrades, loan values and rebate values. The report shall also indicate leveraged jobs created and note performance of savings (kWh) per \$1,000 SEP funds invested.

Energy Trust of Oregon, the state's public purpose fund administrator, is mandated by the Oregon Public Utilities Commission to conduct impact evaluations for energy efficiency programs run with investor-owned utility ratepayer funds.

As part of this mandate, Energy Trust will undertake regular impact analysis of Clean Energy Works participants. For all the projects that complete in a given year, Energy Trust will pull usage data for the year prior to participation and the year that starts the January after the year of participation to support the analysis. Thus, for projects completing in 2010, Energy Trust will pull data in March 2012 for their usage in 2009 and 2011. CEWO participant billing analysis would therefore be conducted between 2012-2015. Portland/CEWO will furnish the Department with the annual results of

Energy Trust's impact evaluations to help demonstrate the performance of the Department's investment of SEP funds in Clean Energy Works Oregon.

Portland will seek reimbursement from ODOE on a monthly basis. Reimbursement per retrofit will be based on a flat-fee for audits and Energy Advisor services plus the actual rebate amount, as outlined in Table 1 and 2 above. The Department should expect the City of Portland to submit its first invoices for reimbursement no earlier than May 31, 2011.

Neither Buy American nor Davis-Bacon prevailing wage apply to these projects. However the Department expects that all applicable elements of the ARRA requirements are adhered to by the City of Portland. These elements are discussed at length in the Department's Toolkit (http://oregon.gov/ENERGY/Recovery/Funding.shtml#Resources_for_sub_recipients) and in the contractual exhibits.

When all SEP funds have been expended, the project must go through a closeout process. This process is documented in Chapter 6 of the Toolkit, and requires final reporting and all hours and savings leveraged as well as all revenue sources described. The City of Portland understands its obligation to report actual energy savings for its projects for two years after the award and retain records for 3 years after the award.

11. **Closing the Grant.** CEWO acknowledges that it must have expended all grant funds and submitted expenditure reimbursement requests and any invoices by the Project Completion Date identified in SEP Contract No. 10-1245 of February 15, 2012. Time is of the essence in this performance, as no cost reimbursement payments will be made by the Department after March 31, 2012. When all SEP-related funds have been expended, the SEP phase of the project must go through a grant closeout process. CEWO will fully cooperate with the City in complying with the closeout process, including providing information necessary for final reporting and all hours and savings leveraged as well as all revenue sources described. CEWO will further provide support and assistance to the City in performing the SEP-related obligation to report actual energy savings for the participating projects for two years after the grant close-out date. CEWO shall retain all SEP-related records for 3 years after the close-out of the grant.
12. **Compliance with SEP conditions.** SEP Contract No. 10-1245 contains conditions that are similar to, but not identical with, the ARRA requirements under Section V of this Grant Agreement. CEWO has had the opportunity to review SEP Contract 10-1245. CEWO understands that there are substantive requirements imposed as a condition of receiving the SEP funding being provided under this Agreement. The expectation of the City and CEWO is that, where required as a condition of the SEP funding, data collection and reporting on energy conservation measures will generally occur at the contractor or home owner level, will be forwarded to CEWO who will then provide the information to the City. As a condition of receiving SEP funds under this Grant Agreement, supplemental terms and conditions are applicable. CEWO must comply with the SEP requirements applicable to the work and services funded by the SEP funds provided under this Agreement to the extent identified in this Agreement or otherwise communicated and directed by City. CEWO shall separately account for the SEP funds provided by the City under this subsection IV.1. In the event of any conflicts between the requirements under this Section IV.1 and SEP Contract No. 10-1245, the requirements of SEP Contract No. 10-1245 agreement shall control.
13. **Amendment.** The City's Grant Manager is authorized to amend the terms and conditions of the Grant Agreement provided such changes do not increase the City's financial risk. If approved, such changes shall be incorporated into a formal grant amendment and signed by the Grant Manager and duly authorized representatives of the other parties before such

changes are effective. Other changes to the Grant Agreement must be approved by the City Council, by ordinance.

Except as expressly provided in this Amendment No. 1, all other terms and conditions of the Grant Agreement remain unmodified and in full force and effect.

This Amendment is effective on and after _____.

CITY OF PORTLAND, OREGON

CLEAN ENERGY WORKS OREGON, INC.

By: _____

By: _____

Name: Mayor Sam Adams

Name: Derek Smith

Title: Mayor, City of Portland, Oregon

Title: Chief Executive Officer

Dated: _____

Dated: _____

APPROVED AS TO FORM

Linda Henry
CITY ATTORNEY

5/27/2011