



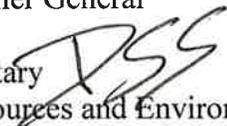
STATE OF DELAWARE  
**DEPARTMENT OF NATURAL RESOURCES  
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**MEMORANDUM**

TO: Ann S. Visalli, Director  
Office of Management and Budget  
  
Michael L. Morton, Controller General

FROM: David Small, Deputy Secretary   
Department of Natural Resources and Environmental Control

DATE: April 15, 2013

SUBJECT: Annual Report on the Weatherization Assistance Program

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Attached please find DNREC's annual report on the Weatherization Assistance Program as of April 15, 2013, and in accordance with the Fiscal 2013 Budget Bill SB260 Section 229.

As the primary author of this report, Mr. Phil Cherry and staff of Energy & Climate continue to make significant progress in bringing Delaware's Weatherization Assistance Program up to federal standards.

Please contact us with any questions or concerns.

cc: Collin P. O'Mara, Secretary  
Robert J. Zimmerman, Chief Operating Officer  
Phillip J. Cherry, Energy & Climate

Attachment

*Delaware's Good Nature depends on you!*

**Annual Report**  
**Weatherization Assistance Program**  
**Department of Natural Resources and Environmental Control**  
**Division of Energy and Climate**  
**April 15, 2013**

**Introduction**

Section 229 of Senate Bill # 260 of the 146<sup>th</sup> General Assembly requires the Department of Natural Resources and Environmental Control (DNREC) to report to the Controller General and the Budget Director annually by April 15 on the status of the state's Weatherization Assistance Program. This report complies with that requirement.

The Weatherization Assistance Program (WAP), overseen by the U.S. Department of Energy (DOE), reduces the energy costs for low-income households by increasing the energy efficiency of their homes. In addition, the program makes people's homes healthier, safer, and more comfortable. The DOE estimates that the average household saves \$437 per year on their energy costs after receiving weatherization services. WAP provides an opportunity to significantly reduce the fuel assistance needed by low-income households, who spend over 14% of their total annual income on energy costs alone. Weatherization is a highly cost-effective investment; for every \$1 invested in the program, WAP returns an estimated \$2.5 to the household and society.<sup>1</sup>

The WAP has been under the jurisdiction of the DNREC since early 2011, and is now implemented from within the DNREC Division of Energy and Climate. Since moving to DNREC, we have re-built the program from the ground up – focusing on providing quality services to low income Delawareans across the State. The DOE WAP requires, by federal statute, states to contract with local agencies, otherwise referred to as “subgrantees”, to deliver weatherization services to eligible residents. When DNREC took over the WAP in early 2011, the decision was made to continue using the same subgrantees that had administered the program historically. This was done to streamline the expenditure of ARRA funds, and because of these agency's familiarity with the existing client base and long standing involvement in Delaware's weatherization efforts. As noted below, DNREC is still using ARRA funds, and the same subgrantees are involved in the program today. The subgrantees, Neighborhood House, Inc. and First State Community Action Agency, Inc. currently serve New Castle County, and Kent and Sussex Counties, respectively.

**Activities and Assessment**

DNREC has made significant progress in bringing Delaware's Weatherization Assistance Program up to federal standards. The program is now functioning at full performance.

Due to ubiquitous problems experienced in 2009 and early 2010, the decision was made to revisit all homes that had received some level of assistance under the old program – to look for any cases of fraud and abuse, poor workmanship issues and missed opportunities in 1424 units that had previously had WAP ARRA funds expended for weatherization work.

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<sup>1</sup> For more information, see DOE's website: <http://www.waptac.org/WAP-Basics.aspx>

Highlights of the last year's activities and current progress and status are as follows:

- DNREC, working through NH and FSCA, successfully addressed all 1424 units that had been touched by the program previously and completed the work in October, 2012. We were able to gain the cooperation of a majority of these homeowners and successfully re-weatherize them, while at the same time assessing any overcharges, incorrect billings or other irregularities.
- We are currently weatherizing between 15-20 homes every week throughout Delaware.
- We successfully corrected and addressed all previous audit findings from the program from the DOE and the State's A133 Audit.
- New client and fiscal tracking systems have been emplaced to ensure full accountability, fiscal tracking and program transparency.
- The WAP Program has undergone three program monitoring visits and one administrative review from DOE during the period 10/30/11 through 4/15/13. All monitoring visits resulted in compliance with all DOE rules and requirements, although some additional program improvement suggestions and recommendations were made by DOE. We are currently following up at making improvements to the program as a result of DOE's suggestions.
- Our DOE grants under the American Recovery and Reinvestment Act (ARRA) and base grant appropriations are up-to-date with all mandatory federal reporting.
- Due to federal funding cycles, the WAP works on a "program year" basis from April 1 through March 31 each year. We have just renewed contracts with the existing subgrantees extending them through March 31, 2014.
- These subgrantees (Neighborhood Hose and first State Community Action Agency) have invested heavily in our program and both have hired new program managers and technical staff to aid in their work. Their performance continues to improve over time.
- Our comprehensive Policies and Procedures Manual includes specific rules and guidance for all aspects of the program. This 260 page reference and guidance document has been extensively reviewed by DOE and is currently in use.
- The program is currently fully staffed at the State level including a program manager, two field monitors, a management analyst and administrative specialist doing operational analyses, subgrantee management and training, fiscal tracking and data management.
- The WAP Program is creating jobs - over 50 individuals are employed in the program, including contractors, office workers, and staff at the two subgrantee agencies providing services.
- All contractors working in the program were competitively selected and have received extensive and specialized training in all aspects of weatherization work, including DOE required safety training. Training is ongoing.
- All clients are certified eligible for services under DOE rules and proper documentation is included in both paper and electronic files at both the subgrantee and state levels.
- All completed units receive a detailed final inspection. Any incorrect or incomplete work is resolved before final billing.
- State and local quality monitors have been on-site during various aspects of weatherization work (audit, installation or Final inspection) in an estimated 80% of all units weatherized to date.

### **Funding and Expenditures**

Weatherization has traditionally been a federally funded program and has existed since the early 1980's. In Delaware, annual federal funding for the WAP Base program has varied with congressional

appropriations over the course of the last 5 years at between \$500,000 and \$1,000,000 per year. With the passage of ARRA in 2009, Delaware received \$13.7 Million, and we are still spending those funds today.

A summary of funding and expenditures is as follows:

- Early this year, DOE announced that Delaware, and approximately 20 other states would be given the opportunity to fully spend out any remaining ARRA funds. Delaware had been scheduled to end its ARRA activities on September 30, 2012, and as of that date, had spent all but approximately \$1.2m on weatherizing 1433 units throughout the state. DOE's most recent extension will allow us to fully spend out all ARRA funds.
- Delaware, because we have focused exclusively on fully expending ARRA funds, has accumulated \$1.8 Million in unexpended FFY10 and FFY11 WAP annual base funds. These funds will be carried over into our FFY 13 program year and used once all ARRA funds are expended.
- For FFY 12, federal appropriations for WAP have dropped 65%. Delaware received no new FFY 12 funds last year as a direct result of the carryover balance from FY 11 and the extension of ARRA.
- Funding for FFY 13 is troublesome. In the current discussion in Congress, WAP will be lucky to maintain the reduced national funding level for FFY 12 of \$68M, which will be further reduced through sequestration to \$62M. Of those funds available nationally, we are uncertain as of this writing what allocation may be given to Delaware, although we have been assured of receiving some funds (unlike FFY 12).
- DNREC and DHSS last year executed a Memorandum of Understanding agreeing to dedicate 10% of LIHEAP funds (Low Income Home Energy Assistance Program) received by DHSS to the DNREC WAP on an annual basis. Use of LIHEAP funds for WAP activities is expressly permitted by federal statute and encouraged by DOE, up to a total of 15% of federal LIHEAP appropriations each and every year. For FFY 12, the WAP program received a total of \$684,000 which was used to weatherize over 150 homes throughout the State. While again subject to congressional Appropriations, the expectation is that LIHEAP funds may provide approximately \$1.0M/year for WAP activities over the long term.
- Also contained in the DNREC/DHSS MOU, the agencies have agreed to dedicate 50% of "utility funds" (authorized under 26 Del Code §1014) to the WAP; expected to be approximately \$400,000 per year. DNREC received its first installment of utility funds in late 2012 and will use those funds during the 2013 program year.
- 10% of the revenues from the Regional Greenhouse Gas Initiative (RGGI) are also directed to the WAP under 7 Del Code §6054. The generation of these funds is subject to market forces associated with the sale of CO2 allowances, but may be a significant source of funds for the program moving forward. In CY 12, RGGI proceeds dedicated to WAP totaled \$569,905. These funds will be used to meet Program year 2013 expenses.
- DNREC also receives \$100,000 of General Funds for the weatherization assistance program. FY 13 funds have been fully expended on administrative costs associated with the program.

#### **Planning for the Next Fiscal Year**

- For the WAP program year commencing on April 1, 2013, we will use a combination of ARRA funds, WAP base grant funds, RGGI WAP funds, utility funds and LIHEAP funds to weatherize approximately 600 homes in Delaware.
- We will be applying for WAP Program Year Base grant funds once we get the announcement of Delaware's allocation. We expect that grant to be small - perhaps \$200,000. Those funds will be

rolled into Program Year 2013 contracts we have with subgrantees. Our goal is to weatherize as many homes as we can, given the resources available to us.

- Continuing development of subgrantee and contractor capabilities to provide efficient, effective, and affordable weatherization services to Delaware's low income population.
- Fine tuning policies and procedures for delivery of services and activities in the field.
- Development of a contractor certification program with reciprocity in neighboring states to build the level of contractor knowledge and training.
- Re-bidding, through a robust and transparent solicitation process, the role of subgrantee in delivery of services commencing in program Year 2014 (April 1, 2014)