

EPA, Climate Pollution Reduction Grants – Implementation Grants
New England Heat Pump Accelerator
Appendix A: Budget Narrative

This budget narrative provides detailed information about expected costs associated with implementation of the proposed New England Heat Pump Accelerator (Accelerator). Cost estimates and assumptions are provided for each of the following budget categories: Direct costs (personnel, fringe benefits, and travel, contractual, and other) and indirect costs. An explanation of costs associated with the proposal and a consolidated budget are presented below. Additionally, a summary of costs for each budget category is provided in the CPRG Implementation Grants Budget Table (Measure 1 tab) included with this proposal.

Note that the Accelerator seeks to significantly scale the uptake of one measure regionwide (residential heat pumps) and therefore all costs are listed as associated with one measure. Also, note that detailed personnel, fringe, and indirect costs are only provided for the lead applicant, CT DEEP. Salary and indirect costs incurred by all other coalition members including Maine, Massachusetts, New Hampshire, and Rhode Island are listed in the “other” (Subawards) category, as these would be distributed as subawards through the contractor selected as the Regional Implementer.

a. Budget Detail

Connecticut Department of Energy and Environmental Protection (CT DEEP): Personnel, Fringe, and Travel

CT DEEP’s program and business development offices will play a critical role in the implementation and oversight of the Accelerator and will leverage its significant experience in contract administration and coalition participation to undertake this role. CT DEEP will manage and oversee all contractors and will report to the U.S. EPA on all management of this grant. CT DEEP will oversee the development and marketing of two requests for proposals (RFPs), one for a Regional Implementer to administer the program and a second for a third-party Program Evaluator to analyze the impacts of the program. These entities will be selected by CT DEEP on behalf of the coalition, in consultation with the Advisory Council.

Managing the grant, administering RFPs, overseeing contractors, and reporting to EPA will require substantial staff support. Direct costs for CT DEEP personnel are included in the budget table. Cost estimates for personnel include six full-time equivalent staff comprised of Grants and Contract Specialists, Environmental Analysts, Research Analysts, or similar positions. Cost estimates for personnel include fringe calculations, which cover employee taxes, insurance, and retirement benefits.

The program will not require significant travel expenses. Estimated travel costs of \$5,000 per year are included to cover attendance and travel expenses for relevant staff to attend two conferences relevant for the successful implementation and reporting on this program. There are no anticipated equipment or supplies costs for this program as direct costs to CT DEEP.

All personnel, fringe, and travel expenses are shown in Table 1.

Table 1 Personnel, Fringe, and Travel Categories (\$1,000s)

Category	Year					
Personnel	Year 1	Year 2	Year 3	Year 4	Year 5	Total
CT DEEP staff (6 FTE):						
Grants and Contracts Specialists (2 FTE)	\$201	\$201	\$201	\$201	\$201	\$1,007
Research Analysts (4 FTE)	\$335	\$335	\$335	\$335	\$335	\$1,673

Category	Year					
TOTAL PERSONNEL	\$536	\$536	\$536	\$536	\$536	\$2,680
Fringe						
Fringe Benefits (CT DEEP average)	\$505	\$505	\$505	\$505	\$505	\$2,525
TOTAL FRINGE BENEFITS	\$505	\$505	\$505	\$505	\$505	\$2,525
Travel						
Two Conferences per Year	\$5	\$5	\$5	\$5	\$5	\$25
TOTAL TRAVEL	\$5	\$5	\$5	\$5	\$5	\$25
TOTAL PERSONNEL, FRINGE, TRAVEL	\$1,046	\$1,046	\$1,046	\$1,046	\$1,046	\$5,230

CT DEEP – Contractual

The contractual costs category lists three types of contractors for this program:

- Regional Implementor, which will be selected through a competitive RFP issued by CT DEEP on behalf of the coalition.
- Program Evaluator, which will also be selected through a competitive bid process and will provide independent third-party evaluation of the program.
- Contractor support for CT DEEP to provide various services in the administration of the RFPs, serve as a regional convener of the Advisory Council, and provide financial management support.

Contractual cost estimates are approximately \$86 million over five years, as presented in Table 2. Additional details for each of the three cost categories are provided below, and further information is provided in the Reasonableness of Costs section.

Table 2 Contractual Category (\$1,000s)

Category	Year					
Contractual	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Regional Implementer						
Market Hub: Workforce Training & Development	\$960	\$1,760	\$1,760	\$1,760	\$1,760	\$8,000
Resource Hub: Collect and Share Data	\$480	\$880	\$880	\$880	\$880	\$4,000
All Hubs: Program Administration & Outreach	\$5,533	\$13,833	\$13,833	\$13,833	\$13,833	\$60,865
Program Evaluator	\$600	\$1,100	\$1,100	\$1,100	\$1,100	\$5,000
RFP Support, Advisory Council Convener	\$1,673	\$1,673	\$1,673	\$1,673	\$1,673	\$8,363
TOTAL CONTRACTUAL	\$9,246	\$19,246	\$19,246	\$19,246	\$19,246	\$86,229

Regional Implementer

A contractor or team of contractors will be selected through an RFP process to serve as the Regional Implementer of the New England Heat Pump Accelerator. The Regional Implementer will play a central role in delivering all aspects of the Accelerator. It will deliver workforce development services, deploy distributor and contractor incentives, and subcontract with other program administrators in the region as deemed necessary by the coalition's Advisory Council. CT DEEP will oversee the development and administration of the RFP to select the Regional Implementer and oversee its work. All coalition members

will serve on an Advisory Council that will govern the Accelerator and provide input on the selected contractor or team of contractors.

Table 1 provides a summary of contractual costs for the Regional Implementer, except for the cost categories that are listed in the “other” category: Participant support costs (rebates and grants) and Subawards. While these “other” costs will be administered through the regional implementer, they are categorized as participant support costs and included in the “other” cost category for purposes of this budget. The costs applicable to the Regional Implementer that are not “other” costs are anticipated to include the following categories of expenses:

Market Hub: Workforce Training & Development

- Distributor & contractor engagement
- Contractor training for cold-climate heat pumps and whole-home installations

Resource Hub:

- Collect and share program, market, and building data via publicly accessible website
- Provide informational resources for consumer and contractor education
- Stakeholder and LIDAC education, outreach, and engagement

All Hubs: Program Administration

- Incentive processing, including supporting tools and systems
- Program management and coordination
- Reporting, including support for semiannual and annual reports to EPA

Program Evaluator

Programs that deliver energy-saving measures in buildings have a robust history and experience of using independent evaluation, measurement, and verification (EM&V) to document their impacts, evaluate cost-effectiveness, and improve performance. For example, nearly all states (95%) require energy efficiency programs to pass cost-effectiveness tests, compared to less than one-third of states that require these tests for customer-sited renewables or storage or for utility-scale renewables.¹ Moreover, most states (78%) use independent contractors to perform energy efficiency program evaluations² and have decades of experience with this practice. This breadth and depth of experience and rigor in third-party evaluation will support the ability to evaluate the Accelerator’s results.

EM&V assesses the performance of energy efficiency and building electrification programs and serves two critical objectives: accountability of the impacts and continuous improvement. An independent, third-party evaluator will provide EM&V support for this program to meet these two core objectives. To meet the first objective, the evaluator will document and measure the effects of the program to assess whether the program is delivering its estimated emissions reductions and other goals, such as delivering at least 40% of the benefits to low-income and disadvantaged communities (LIDACs) and creating long-term, structural change to the HVAC and water heating markets (market effects). To meet the second objective of continuous improvement, the evaluator will evaluate the actions of the program administrators and determine efforts needed to improve program performance.

Given the five-year duration of the program and the need for actionable recommendations that support continuous improvement, the evaluator will use a variety of evaluation techniques, including annual evaluation studies and fast feedback to the Regional Implementer, to document impacts and make program recommendations. The Regional Implementer and any other participating program

¹ York, D., C. Cohn, and M. Kushler. (2020). *National Survey Of State Policies And Practices For Energy Efficiency Program Evaluation*. American Council for an Energy-Efficient Economy. www.aceee.org/research-report/u2009.

² Ibid.

administrators will be required to provide quarterly impact and process data to the evaluator to support their evaluation studies. The total cost estimate for the third-party evaluator is \$5 million over five years, or 1% of the total cost of the program.

Contractors to Support CT DEEP

CT DEEP will also have contractual costs for additional services including an independent regional convener to support stakeholder engagement and coordination, independent auditors, and financial management services. Costs are estimated at approximately \$8 million over five years.

CT DEEP – Other

The “other” category of costs in the budget represents participant support costs (PSCs) and subawards to participating states. Several types of participant support costs are included in this category, which represents most of the Accelerator costs. The costs are estimated in Table 3 in the following categories: heat pump incentives to distributors and contractors, Innovation Hub grants, stipends to community and LIDAC participants, and subawards to coalition states to serve on the Advisory Council and provide staff support to the Accelerator. All participant support costs and subawards will be administered through the Regional Implementor.

Table 3 Other Category (\$1,000s)

Category	Year					
Other Costs	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Participant Support Costs						
Market Hub: Heat Pump Incentives	\$36,000	\$66,000	\$66,000	\$66,000	\$66,000	\$300,000
Innovation Hub: Grants	\$12,000	\$22,000	\$22,000	\$22,000	\$22,000	\$100,000
Resource Hub: Community Stipends	\$500	\$500	\$500	\$500	\$500	\$2,500
Subawards						
Subawards to RI, MA, NH, ME for Staffing	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$5,000
TOTAL OTHER	\$49,500	\$89,500	\$89,500	\$89,500	\$89,500	\$407,500

CT DEEP - Indirect Costs

Indirect costs for the lead agency, CT DEEP, are included at the approved, federally negotiated rate by the Cognizant Agency (U.S. EPA) on a Fiscal-Year basis. The lead agency will charge indirect costs at the approved rate in each applicable fiscal year. For purposes of the budget, we have estimated using the same each year rate over award period. Estimates are shown in Table 4.

Table 4 Indirect Costs Category (\$1,000s)

Category	Year					
Indirect Costs	Year 1	Year 2	Year 3	Year 4	Year 5	Total
CT DEEP Indirect Costs	\$208	\$208	\$208	\$208	\$208	\$1,041
TOTAL INDIRECT	\$208	\$208	\$208	\$208	\$208	\$1,041

Table 5 Consolidated Budget by Year

BUDGET BY YEAR							
COST-TYPE	CATEGORY	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL
Direct Costs	TOTAL PERSONNEL	\$536,019	\$536,019	\$536,019	\$536,019	\$536,019	\$2,680,095
	TOTAL FRINGE BENEFITS	\$504,981	\$504,981	\$504,981	\$504,981	\$504,981	\$2,524,903
	TOTAL TRAVEL	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$25,000
	TOTAL EQUIPMENT	\$0	\$0	\$0	\$0	\$0	\$0
	TOTAL SUPPLIES	\$0	\$0	\$0	\$0	\$0	\$0
	TOTAL CONTRACTUAL	\$9,245,702	\$19,245,702	\$19,245,702	\$19,245,702	\$19,245,702	\$86,228,512
	TOTAL OTHER	\$49,500,000	\$89,500,000	\$89,500,000	\$89,500,000	\$89,500,000	\$407,500,000
	TOTAL DIRECT	\$59,791,702	\$109,791,702	\$109,791,702	\$109,791,702	\$109,791,702	\$498,958,509
	TOTAL INDIRECT	\$208,298	\$208,298	\$208,298	\$208,298	\$208,298	\$ 1,041,491
TOTAL FUNDING		\$60,000,000	\$110,000,000	\$110,000,000	\$110,000,000	\$110,000,000	\$500,000,000

Table 6 Consolidated Budget by Project

Project Number	Project Name	Total Cost	% of Total
Total	<i>New England Heat Pump Accelerator</i>	<i>\$500,000,000</i>	<i>100%</i>

b. Expenditure of Awarded Funds

CT DEEP will expend and account for awarded funds in accordance with state laws and procedures for expending and accounting for the state's own funds. The financial management system for CT DEEP complies with the requirements of 2 CFR 200.302(b) and will follow a fiscal stewardship plan. CT DEEP will also ensure that grant funds will be expended in a timely and efficient manner.

Connecticut Fiscal Stewardship Plan

CT DEEP will expend and account for awarded funds in accordance with state laws and procedures for expending and accounting for the state's own funds. CT DEEP's financial management system complies with the requirements of 2 CFR 200.302(b). CT DEEP acknowledges that funds disbursed under the CPRG are subject to Davis-Bacon Prevailing Wage requirements as explained in Section VI.C of the NOFO and to Build America, Buy America (BABA) as explained in Section VI.D. of the NOFO.

CT DEEP has a long-standing history of compliance with regards to grants terms and conditions. CT DEEP adheres to policies set forth in the Connecticut State Accounting Manual as well as 2 CFR § 200 as a whole. It will continue to utilize procedures and tools already in place and modify certain procedural and staffing requirements to ensure the funds of Opportunity EPA-R-OAR-CPRGI-23-07 are used in accordance with the terms and conditions outlined in the award.

CT DEEP's organizational chart has several offices, which will handle different aspects of the award, creating an environment of multiple checks and balances. The programmatic portion of the award will be handled by the bureaus in charge of applying for the funding, in this case the Bureaus of Energy & Technology Policy, Air Management, and Materials Management & Compliance Assurance, and the financial and administrative pieces of the award will be handled in the Bureau of Central Services.

CT DEEP's Bureau of Central Services will handle the administration and financial aspects of the Federal award through the employment of multiple units within its Department of Financial Management. The Federal Grants management team will be responsible for the creation and custodianship of funding strings

to identify and keep award funds separate. In addition, the Federal Grants unit will share pertinent funding string information with programmatic bureau staff to ensure the correct funding is used throughout the duration of the award. Funds will be received and expended using the funding strings created by the Federal Grants team. Included in this will be contractual payments, staff coding, travel, and any other cost category that may be approved in the final budget.

Throughout the course of the award, Grants Management will continue to monitor spending, prepare periodic financial reports, and prepare drawdowns of federal funds as needed. There will be constant communication with the programmatic bureaus to ensure that both the programmatic and financial aspects of the grant are in line with one another from inception through the financial closeout process at the end of the award period.

In addition to close fiscal oversight by the Bureau of Central Services, the Bureau of Energy and Technology Policy will build the programmatic work plan and ensure that the work being completed, both internally by CT DEEP and by any contractors awarded, is in accordance with the objectives set forth in the award. The programmatic bureau will engage with the Bureau of Central Services' Contracts unit in generating comprehensive RFPs for the Regional Implementer and Program Evaluator that outline contractor responsibilities and expectations, which will then go out for the bidding and selection process. In this process, applicants will be reviewed and rated, using a Risk Assessment tool, to evaluate the overall confidence rating in selecting and moving forward with a particular contractor. Criteria being evaluated are likely to include, at minimum:

- Dollar value being requested by contractor;
- Complexity of the work proposed to be completed;
- Contractor's prior experience with receiving federal funds;
- Existing experience and internal controls; and
- Prior audit(s).

After all proposals within the given selection period have been received and reviewed, the contractor will be selected and the contracting process shall continue. Upon execution of contracts, the programmatic bureaus will have continued correspondence with the selected contractors. This communication will be programmatic in nature but also include the submission of invoices to be paid. The programmatic bureaus will review incoming invoices for completeness and accuracy and compare against its own tracking system to ensure that costs are allowable and accurate per the conditions set forth in the grant award and as part of the requirements in 2 CFR § 200.329. The programmatic bureaus will then work in unison with Financial Management to aid in the reporting aspects of the award. The semiannual reports and final report to EPA will include a breakdown of expenditures associated with implementation of this proposal.

Expending Grant Funds in a Timely and Efficient Manner

CT DEEP will ensure that grant funds are expended efficiently and with appropriate fiscal controls, as described above, while also working quickly to ensure that Accelerator programs are launched and available to the New England market as soon as possible. Steps CT DEEP and its partners in the New England Heat Pump Coalition will take to ensure timeliness include:

- **Efficient RFP process:** CT DEEP will select the Regional Implementer within five months of receipt of the assistance agreement. To meet this timeline, CT DEEP will develop the Regional Implementer RFP between announcement of CPRG awardees and receipt of the assistance agreement and will leverage experience across the coalition states on similar RFPs that can serve as examples.

- **Regional Implementer experience:** CT DEEP will structure the competitive RFP process and selection criteria to identify a Regional Implementer with significant experience implementing similar programs, enabling the Accelerator to leverage existing systems and market relationships.
- **Proactive coordination with existing programs in the region:** CT DEEP will engage existing state and utility program implementers early on to map the program landscape in the region and identify resources that can be shared and replicated. CT DEEP will also tap into regional organizations such as NEEP and NESCAUM to share information and resources for residential building electrification.
- **Quick Start Grants:** The Accelerator will include several program elements, including community-based Quick Start Grants, that can be launched within the first nine months after award, delivering “quick wins” that build momentum for the Accelerator as a whole.
- **Streamlined incentive design:** By deploying midstream incentives via a limited number of wholesale distributors, rather than paperwork-intensive downstream rebates via a large number of individual customers, the Accelerator’s incentive model is inherently streamlined and administratively efficient, allowing it to be launched and scaled more rapidly.

c. Reasonableness of Costs

All estimates for personnel, contractual, other, and indirect cost categories were developed based on extensive discussions among coalition states, drew upon significant experience in the region, and leveraged a review of experience and costs from other programs in the U.S., including the TECH Clean California market transformation initiative on which this program is modeled.

Personnel and Indirect Costs

Personnel cost estimates for the lead state were developed based on extensive experience at CT DEEP in program management and its significant experience with energy efficiency programs. Indirect costs are included at the approved, federally negotiated rate by the cognizant agency (U.S. EPA) on a fiscal-year basis.

Contractual Costs

Estimates for contractor costs for the Regional Implementer to provide workforce development, outreach, and administration of the program are informed by the TECH program, which provides detailed public reporting on its program expenditures at granular levels.³ California Public Utilities Commission (CPUC) sets a 10% administration cost cap for TECH for activities such as program reporting and stakeholder communication. This decision helped to inform a reasonable estimate of program administration costs for the Accelerator.

Estimates for the Program Evaluator are informed by national experience with third-party evaluation costs for energy efficiency programs, which have at times ranged from 3% to 5% of total program costs or utility-regulated programs.⁴ The California TECH program has been authorized by regulators to invest 2.5% of program costs for evaluation purposes.⁵ We estimate slightly lower evaluation costs for the Accelerator compared to these programs regulated by public utility commissions (PUCs) because only a portion of

³ TECH Clean California. (2024). *TECH Public Reporting Equity and Budget Spending*. <https://techcleanca.com/public-data/equity-budget-and-spending/>.

⁴ ACEEE. (2017, June 12). *Toolkit: Evaluation, Measurement & Verification*. <https://www.aceee.org/toolkit/2017/06/evaluation-measurement-verification>.

⁵ CA PUC. (2020, April 6). *Decision Establishing Building Decarbonization Pilot Programs. Rulemaking 19-01-011*. <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M331/K772/331772660.PDF>.

those evaluation services are critical to Accelerator program evaluation, including a focus on GHG impact analysis and benefits to LIDACs.⁶

Additional contractor support services to CT DEEP were also estimated for RFP development, financial management, and selection and use of a regional convener for the Advisory Council. These estimates were developed based on experience with program management and will support robust financial management of the program and rigor in coalition management. CT DEEP and all member states will also leverage its experience in participating in regional initiatives such as RGGI for coalition support.

Other – Participant Support Costs and Subawards

The Market Hub of the Accelerator will provide \$300 million in incentive payments to distributors and incentive payments to contractors over five years to spur consumer adoption of heat pump technologies. These incentives will provide a critical intervention in the regional market. The individual incentive values for the equipment types were based on a review of financial incentives in the region, anticipated consumer rebates from DOE programs, and other experience with distributor-based incentives for market transformation programs in California and the Pacific Northwest (see Section 1.b for details). Allocations of the incentive funding by state will be finalized in the coalition’s memorandum of agreement (MOA).

The Innovation Hub of the Accelerator will provide \$100 million in funding for State Initiatives and Quick Start Grants, which will be provided to winning program implementers through a competitive selection process. This estimate of funding relies on needs identified by coalition states and is informed by TECH Clean California’s allocation of funding to Quick Start programs. However, individual grants for the Innovation Hub will be determined through a competitive process, and the criteria for that process will be established through the MOA and supported by the Advisory Council. The Council will be made up of representatives of each coalition member state and other stakeholders providing key perspectives. To ensure the success of the Accelerator, each state will need funding to support staff costs for their participation in the Advisory Council. The budget assumes that subawards will be made to each coalition state, and that the Regional Implementor will administer these subawards to states to support their staffing costs.

⁶ Additional evaluation costs that utility regulators have expected, such as analysis of avoided utility costs and ratepayer impacts, are not necessary for the Accelerator.