



DEQ Energy Infrastructure and Efficiency Upgrade Project BUDGET NARRATIVE

An explanation of costs associated with each measure and a consolidated budget are presented below. See the itemized budget tabs in the Budget Table, Budgetcalcs_MTDEQ.xlsx, included with this proposal, for detail on costs associated with each budget category.

PERSONNEL AND FRINGE

Montana Department of Environmental Quality (DEQ) Fringe – Average Rate per Total Personal Services = 35%

- Schedule of Fringe Benefits

- FICA base calculation of Gross Salary 6.20%
- MDCR base calculation on Gross Salary 1.45%
- Workers Compensation Insurance (varies by job category) base calculation on Gross Salary 0.85/1.25/1.48%
- Retirement contributions based on Gross Salary 7.170%
- Group Health Insurance based on \$/year per FTE \$8,796
- State Unemployment Tax base calculation on Gross Salary 0.30%

Measure 1: School Energy Performance Initiative

DEQ is requesting \$229,105 over five-year funding period for this measure, allocated to the following positions:

- 0.45 FTE of a CPRG Implementation Coordinator for each funding year to lead project development and management, procurement and oversight of a Third-Party Administrator, metrics tracking, and submittal of required reporting.
- This project will be supported by and implemented in coordination with staff separately funded by U.S. Department of Energy (DOE) State Energy Program funds. Supporting staff include positions responsible for fiscal management and communications.

Measure 2: Strategic Conversion of Fleet Vehicles to Cleaner Alternatives

DEQ is requesting \$149,365 over five-year funding period for this measure, allocated to the following positions:

- 0.2 FTE of an Energy Resource Professional position for each funding year to lead project management. Duties will include coordinating with DEQ procurement and legal staff to ensure request for applications (RFA) and draft contracts comply with CPRG and DEQ requirements. The project manager will also serve as the liaison for inquiries regarding the RFA, compliance with contract requirements, and CPRG reporting requirements. The project manager will have previous experience managing vehicle replacement funding opportunities and contract compliance.
- 0.05 FTE of an Energy Bureau Section Supervisor for each funding year to provide project supervision. Project supervisor will oversee the project manager and request regular updates on the overall project status including funded projects and CPRG compliance. The project



supervisor has experience managing multiple staff and program activities including vehicle replacement projects.

- 0.02 FTE of a CPRG Implementation Coordinator for each funding year to support CPRG project reporting, grant administration, and compliance with CPRG requirements.
- This project will be supported by and implemented in coordination with staff separately funded by DOE State Energy Program funds. Supporting staff include positions responsible for fiscal management and communications.

Measure 3: Electric Grid Technology

DEQ is requesting \$143,482 over five-year funding period for this measure, allocated to the following positions:

- 0.2 FTE of an Energy Resource Professional position for each funding year to lead project management. Duties will include leading stakeholder outreach for this project and coordinating with DEQ procurement and legal staff to ensure request for applications (RFA) and draft contracts comply with CPRG and DEQ requirements. The project manager will also serve as the liaison for inquiries regarding the RFA, compliance with contract requirements, and CPRG reporting requirements.
- 0.05 FTE of an Energy Bureau Section Supervisor for each funding year to provide project supervision, budget management and to ensure compliance with CPRG requirements. The supervisor has experience managing multiple staff and program activities including grid resilience projects.
- 0.03 FTE of a CPRG Implementation Coordinator for each funding year to support CPRG project reporting, grant administration and compliance with CPRG requirements.
- This project will be supported by and implemented in coordination with staff separately funded by DOE State Energy Program funds. Supporting staff include positions responsible for fiscal management and communications.

Measure 4: C-PACE Audits

DEQ is not requesting any personnel funding for this measure. The project will be implemented by staff of the Montana Facility Finance Authority (MFFA), a program of the Montana Department of Commerce.

TRAVEL

Measure 1: School Energy Performance Initiative

DEQ is requesting \$10,652 over five-year funding period to cover the cost of 25 in-state trips at an average of \$169 per one-day trip and \$597 per two-day trip for two staff. Travel may include stakeholder meetings and outreach to schools, Third Party Administrator consultant check-ins, and site visits to individual schools. All in-state travel is governed by state travel policies at set rates.

Measure 2: Strategic Conversion of Fleet Vehicles to Cleaner Alternatives

DEQ is requesting \$3,066 over five-year funding period to cover the cost of 8 in-state trips at an average of \$169 per one-day trip and \$597 per two-day trip for two staff. Travel may include stakeholder meetings and outreach to subrecipients, site visits, inspections of deliverables, and provision of technical assistance. All in-state travel is governed by state travel policies at set rates.



Measure 3: Electric Grid Technology

DEQ is requesting \$4,937 over five-year funding period to cover the cost of 14 in-state trips at an average of \$169 per one-day trip and \$597 per two-day trip for two staff. Travel may include stakeholder meetings and outreach to subrecipients, site visits, inspections of deliverables, and provision of technical assistance. All in-state travel is governed by state travel policies at set rates.

Measure 4: C-PACE Audits

N/A

EQUIPMENT

Measure 1: School Energy Performance Initiative

N/A

Measure 2: Strategic Conversion of Fleet Vehicles to Cleaner Alternatives

N/A

Measure 3: Electric Grid Technology

N/A

Measure 4: C-PACE Audits

N/A

SUPPLIES

Measure 1: School Energy Performance Initiative

DEQ is requesting \$750 over five-year funding period to cover the cost of General Office Supplies to complete daily work. All purchases of office supplies are required to go through a state-approved vendor.

Measure 2: Strategic Conversion of Fleet Vehicles to Cleaner Alternatives

DEQ is requesting \$750 over five-year funding period to cover the cost of General Office Supplies to complete daily work. All purchases of office supplies are required to go through a state-approved vendor.

Measure 3: Electric Grid Technology

DEQ is requesting \$750 over five-year funding period to cover the cost of General Office Supplies to complete daily work. All purchases of office supplies are required to go through a state-approved vendor.

Measure 4: C-PACE Audits

N/A



CONTRACTUAL

Measure 1: School Energy Performance Initiative

DEQ is requesting \$695,000 over the five-year funding period to cover the cost of a Third-Party Administrator for this Schools measure, and owner's representative for the schools participating in energy performance upgrades. DEQ will select a single contractor in accordance with state procurement policies to serve as an owner's representative for schools, and to support administration of the Schools measure, including technical assistance, outreach to schools, development of a funding opportunity, and follow up with schools to ensure energy deliverables funded by CPRG are met. This consultant will serve as the reporting aggregator for school projects and will submit metrics and reporting to DEQ. This contractor will serve as an owner's representative for schools when they enter into contracts with private entities for provision of energy performance services.

DEQ has calculated the estimated cost of this contract as follows. Actual cost will be determined by the outcome of the competitive procurement process used to select the Third-Party Administrator.

Contract Cost Category	Cost
Annual Third-Party Administrator fee (estimated \$45,000/year)	\$225,000
Owner's Rep fees (2% of CPRG subawards issued to schools)	\$470,000
Total	\$695,000

Measure 2: Strategic Conversion of Fleet Vehicles to Cleaner Alternatives

N/A

Measure 3: Electric Grid Technology

N/A

Measure 4: C-PACE Audits

N/A

OTHER

Measure 1: School Energy Performance Initiative

DEQ is requesting \$23,500,000 over the five-year funding period to cover the costs of an estimated 13 subawards to schools for energy performance projects. Subrecipients will be selected according to a competitive request for applications (RFA). DEQ estimates the following number and size of awards, however the actual amount and number of awards will be determined according to the outcome of the RFA process.



Number of estimated subawards	Subaward amount
10	\$2,000,000
2	\$1,250,000
1	\$1,000,000
Total	\$23,500,000

DEQ subawards will provide funding for project design and implementation. School administrators will be responsible for selecting a pre-qualified energy performance contractor or design-build firm, with guidance from DEQ and the Third-Party Administrator, best suited for their individual project. Actual project design and implementation financial transactions will occur between each school and their chosen firm(s).

Measure 2: Strategic Conversion of Fleet Vehicles to Cleaner Alternatives

DEQ is requesting \$10,025,514 over the five-year funding period to cover the costs of an estimated 31 subawards for vehicle replacements. Subrecipients will be selected according to a competitive request for applications (RFA). DEQ estimates the following number and size of awards, however the actual amount and number of awards will be determined according to the outcome of the RFA process. DEQ will match CPRG funds with Volkswagen Settlement funding and subrecipient match to make up the total cost of the vehicle replacement. The table below only represents the CPRG portion of each project.

Number of estimated subawards	Vehicle	Subaward amount	Total
13	School buses	\$261,800	\$3,403,400
3	Street sweepers	\$418,880	\$1,256,640
4	Transit buses	\$589,050	\$2,356,200
3	Garbage trucks	\$442,788	\$1,328,364
1	Switchers	\$1,309,000	\$1,309,000
3	Push back	\$80,850	\$242,550
4	Belt loader	\$32,340	\$129,360
		Total	\$10,025,514

Funding will be issued to subrecipients upon completion of the vehicle replacement projects in accordance with CPRG terms, and terms of the subaward between DEQ and subrecipients, which will pay vehicle providers directly.

Measure 3: Electric Grid Technology

DEQ is requesting \$11,750,000 over the five-year funding period to cover the costs of an estimated 10 subawards for electric grid technology projects. Subrecipients will be selected according to a competitive request for applications (RFA). DEQ estimates the following number and size of awards, however the actual amount and number of awards will be determined according to the outcome of the



RFA process. DEQ will require subrecipients to match a portion of the project cost. The table below only represents the CPRG portion of each project.

Number of estimated subawards	Grid Technology	Subaward amount	Total
2	distribution system upgrades	\$250,000	\$500,000
2	utility scale microgrids	\$2,625,000	\$5,250,000
6	community microgrids	\$1,000,000	\$6,000,000
		Total	11,750,000

Funding will be issued to subrecipients upon completion of the grid technology projects in accordance with CPRG terms, and terms of the subaward between DEQ and subrecipients , which will pay technology providers and implementation costs directly.

Measure 4. C-PACE Audits:

DEQ is requesting \$2,000,000 over the five-year funding period to support C-PACE project-enabling energy audits and Independent Third-Party Reviews (ITPRs). All funds will be sub awarded to MFFA, which implements Montana’s C-PACE program.

MFFA will subaward funds directly to energy audit companies who perform the C-PACE-required audits and ITPRs. The MFFA will use no funds through this program for personnel or other services. The \$400,000 per year request is the cost of 15 energy audits/year at \$20,000 each, for five years as well as funding to cover 20 ITPRs/per year at \$5,000 for 5 years. If the energy audits and ITPRs come in for less cost than expected, more audits will become available for Montana businesses. No funds will be used for DEQ or MFFA administrative or indirect costs.

INDIRECT COSTS

U.S. Environmental Protection Agency is the cognizant agency for the review and approval of the indirect rates charged by the DEQ. DEQ's negotiated agreement, effective 7/1/2023 through 6/30/2024, has an approved indirect rate of 24.00% for personal services plus fringe benefits and an operating indirect rate of 4.00%.

No funds will be used for administrative or indirect costs for MFFA’s audits and ITPRs.



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	\$71,383	\$74,238	\$77,207	\$80,296	\$83,508	\$386,631
	TOTAL FRINGE BENEFITS	\$24,984	\$25,983	\$27,023	\$28,103	\$29,228	\$135,321
	TOTAL TRAVEL	\$3,731	\$3,731	\$3,731	\$3,731	\$3,731	\$18,654
	TOTAL EQUIPMENT	\$0	\$0	\$0	\$0	\$0	\$0
	TOTAL SUPPLIES	\$450	\$450	\$450	\$450	\$450	\$2,250
	TOTAL CONTRACTUAL	\$205,000	\$205,000	\$125,000	\$95,000	\$65,000	\$695,000
	TOTAL OTHER	\$8,400,000	\$8,400,000	\$8,400,000	\$12,400,000	\$9,675,514	\$47,275,514
	TOTAL DIRECT	\$8,705,547	\$8,709,402	\$8,633,411	\$12,607,580	\$9,857,430	\$48,513,370
	TOTAL INDIRECT	\$85,295	\$86,220	\$87,182	\$88,183	\$89,224	\$436,105
TOTAL FUNDING		\$8,790,842	\$8,795,622	\$8,720,593	\$12,695,763	\$9,946,654	\$48,949,475

Consolidated Budget by Project

BUDGET BY PROJECT			
Project Number	Project Name	Total Cost	% of Total
1	<i>School Energy Performance</i>	\$24,595,948	50%
2	<i>Fleet Conversion</i>	\$10,369,695	21%
3	<i>Grid Upgrade</i>	\$11,983,832	24%
4	<i>MFFA C-PACE Audits</i>	\$2,000,000	4%
Total		\$48,949,475	100%



1. Expenditure of Awarded Funds

DEQ 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 the DEQ complies with the requirements of 2 CFR 200.302(b).

DEQ will enter into a subaward agreement with each sub-recipient prior to disbursement of subaward funds. These agreements will include all applicable pass-through requirements for subrecipients in accordance with [EPA's Subaward Policy](#) and [EPA's General Term and Condition for Subawards](#).

DEQ will use existing controls/procedures for disbursement of funds to subrecipients. Completion of project deliverables will be required before funds are disbursed. These controls/procedures include:

- Select subrecipients through competitive request for applications process.
- Enter into contract agreements with subrecipients that include roles and responsibilities for DEQ and the subrecipient. Contract agreements will align with EPA requirements and follow previous fleet conversion contract requirements used by DEQ.
- Deliverables including visual evidence of project completion will be required before rebate funds are released to the subrecipient.
- DEQ has project monitoring practices in place to ensure projects are completed within the contract period. If there is a good faith effort to meet the contract period timeline, DEQ has allowed extra time on a case-by-case basis.
- DEQ will comply with EPA reporting requirements including emissions reductions based on the vehicle being replaced.
- DEQ has previously communicated with the media on project awards or completions including television, radio, and newspaper interviews as well as ribbon cutting ceremonies. DEQ will likely encourage similar media outreach.

The semi-annual reports and final report will include a breakdown of expenditures associated with implementation.

DEQ will enter into a subaward agreement with MFFA prior to disbursement of subaward funds. These agreements will include all applicable pass-through requirements for subrecipients in accordance with [EPA's Subaward Policy](#) and [EPA's General Term and Condition for Subawards](#).