



HERO – NEW HOMES PROGRAM

Program Guidelines

EmPower Louisiana HERO – New Homes Program
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I. Introduction

The Louisiana Department of Natural Resources (DNR) will be managing the disbursement of State Energy Program funding (from which HERO funds are drawn) allocated by the U.S. Department of Energy (DOE) according to the 2009 American Recovery and Reinvestment Act (ARRA).

DNR's grant application and funding distribution strategy were recently approved by DOE and we are proceeding to expedite the implementation of this program. DNR developed a funding distribution strategy to maximize funding availability to all areas of the state while providing an opportunity to increase energy efficiency and the use of renewable energy for the benefit of all Louisiana citizens.

The program is marketed under the name *EmPower Louisiana HERO–New Homes Program Guidelines*. These Program Guidelines are meant to provide guidance to *Participants* on how the EmPower Louisiana HERO Program will be implemented, as well as detail all aspects of the application and reporting process.

1. American Recovery and Reinvestment Act of 2009

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (ARRA or Public Law 111-5). The stated purposes of the ARRA are to preserve and create jobs; promote economic recovery; assist those most impacted by the recession; provide investments needed to increase economic efficiency by spurring technological advances in science and health; invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; and to stabilize state and local government budgets.

2. State Energy Program Formula Grants

The ARRA appropriated funds for the first time to the U.S. Department of Energy (DOE) to issue/award formula-based grants under the State Energy Program. Under this program, DOE provided grant funds to States, Territories and the District of Columbia for eligible projects. The State of Louisiana was allocated a total of \$71,694,000 in SEP funds under ARRA, out of which \$15,170,448 is allocated to HERO.

II. HERO Program Overview

In 1999 the DNR introduced the Home Energy Rebate Option (HERO) Program in which Louisiana residents would receive up to a \$2,000 rebate for making their home more energy efficient. To date the program has saved over 8.7 trillion BTUs of energy for Louisiana residents. Since 2007 the program has been restricted to retrofits of existing homes. With funds from ARRA, the HERO program is expanded to encompass new home construction, existing home retrofits, and commercial property retrofits.

The expanded HERO Program makes \$15.2 million available to encourage energy efficiency in homes and commercial properties. The program is designed to support homeowners and businesses seeking to save money on energy and/or reduce their environmental impact through cash incentives for energy efficiency improvements. The program includes three components: New Homes, Existing Homes, and Existing Commercial Buildings.

The *HERO-New Homes Program* encourages the building of energy efficient new homes. Achieving a Home Energy Rating System (HERS) score of 70 qualifies the new home for a \$2,000 incentive. DNR will provide a \$3,000 rebate for homes that achieve a 50% energy savings for heating and cooling over the 2004 International Energy Conservation Code (IECC 2004) including supplements to that code, where at least 1/5 of the energy savings must come from building envelope improvements.

The *HERO-Existing Homes Program* encourages energy efficiency by providing a cash incentive to Louisiana residents who improve the energy efficiency of their existing home by a minimum of 30%. The incentive is based solely on energy savings expressed in kilowatt-hours (kWh). The incentive will be two cents (\$0.02) per kWh savings comparing the pre-improvement home and post-improvement home over 15 years as determined by a HERS rating. The maximum potential rebate is \$3,000.

The *HERO-Commercial Buildings Retrofit Program* is designed to encourage business owners to retrofit their existing commercial properties. The program requires a 10% reduction in annual kWh usage and awards an incentive of one cent (\$0.01) per kWh savings comparing the pre-improvement property and the improved property. The maximum potential rebate is \$5,000.

III. HERO-New Homes Program Goals

DNR created the EmPower Louisiana HERO–New Homes Program to encourage construction of approximately 2,300 new energy efficient dwelling units meeting a higher level of energy efficiency. The objective is to make the application process as simple as possible while maintaining the transparency and accountability requirements mandated by Congress in the ARRA. (Guidelines for the Commercial Buildings and Existing Homes programs are available under separate cover.)

1. Timeline

Event	Date
Release of New Program Guidelines	May 1, 2010
Project Eligibility Start Date	May 1, 2010
Project Eligibility End Date for Preliminary Submittals	August 31, 2011 (or whenever funding is depleted, whichever comes first)
Project Eligibility End Date for Final Submittals	February 29, 2012
Program Completion Date	April 30, 2012 (or whenever funding is depleted, whichever comes first)

IV. Eligible Applicants

Eligible applicants include private home builders, commercial home builders, property developers, and non-profit organizations. Rebates can only be awarded to the owner of the property at the time of the final rating. Individual applicants must be Louisiana residents. In the case of partnerships and corporations (including LLCs and other firms), eligible applicants must be licensed to do business in Louisiana and must provide contact information for all principal owners or members.

Individual applicants must be Louisiana residents. Businesses must be licensed to conduct business in the State of Louisiana. Applicants are *Subgrantees* of the State’s allocated Energy Program Formula Grants and are referenced as *Participants* below.

V. Eligible Activities

1. Eligible Projects

Eligible projects must be physically located within the State of Louisiana. The *Program* applies to new construction of all residential structures and may include owner-occupied or builder construction, rental apartment buildings with, single-family, and multi-family projects. Each residence must be metered separately.

2. Ineligible Activities

In order to comply with federal ARRA requirements and to ensure that proposed projects result in the greatest amount of energy savings, and therefore the greatest benefit possible to the State, *the following activities are NOT eligible for funding under these guidelines:*

- (a) Projects for casinos or other gambling establishment, aquariums, zoos, golf courses, or swimming pools.
- (b) Non-residential, mixed occupancy buildings and mobile homes.

- (c) Portions of a residence. The entire residence must be included in the rating.
- (d) Projects begun prior to May 1, 2010.
- (e) Buying or leasing property.
- (f) Only one rebate is available per dwelling unit. Projects are tracked by address. Addresses that have received a HERO rebate in the past are not eligible.
- (g) Projects that have received assistance through the State of Louisiana Home Energy Loan Program (HELP) are not eligible.
- (h) Projects that are not rated in accordance with these guidelines prior to beginning of construction.
- (i) Projects in which the slab has been poured or foundation constructed prior to filing a qualified preliminary energy rating.
- (j) Projects that have applied for an ENERGY STAR® rebate through the EmPower Louisiana ENERGY STAR® Appliance Rebate program for the following equipment are ineligible:
 - Room Air Conditioners
 - Gas Storage Water Heaters
 - Gas condensing water heaters
 - Central Air Conditioners
 - Gas Furnaces
 - Electric Heat Pump Water Heaters
 - Gas Tank-less Water Heaters
 - Solar (electric or gas back-up) Water Heaters
 - Air Source Heat Pumps

VI. Eligible Funding Levels

Rebates are provided under the HERO – New Homes Program for new homes that fit into either of the categories described below. Rebate levels are determined by category and an eligible applicant may not receive a rebate under both categories.

- (a) For homes that receive a Home Energy Rating System (HERS) score better than or equal to 70, the HERO Program will provide a rebate of \$2,000.
- (b) For homes that achieve a 50% energy savings for heating and cooling over the 2004 International Energy Conservation Code (IECC) and supplements where at least 1/5 of the energy savings must come from building envelope improvements; the HERO Program will provide a rebate of \$3,000.

HERO Program rebates are taxable and Participants will receive a *1099-MISC, Miscellaneous Income* form from the State of Louisiana for the year in which the rebate is received.

VII. Program Requirements

HERO Program *Participants* must comply with all program requirements.

3. Project Completion

All projects that receive HERO Program funding from the Louisiana Department of Natural Resources must be completed, including final rating and required documentation, on or before *April 30, 2012*. The HERO Program will not, without exception, authorize any extensions to the Project Completion Date and reserves the right to terminate a Grant Agreement and de-obligate awarded funds. In such case, the *Participant* shall not be reimbursed for costs incurred at their risk.

4. HERO Certified Energy Rater

Program energy ratings must be performed by a HERO-Certified Energy Rater (*Energy Rater*). An Energy Rater list is available on the program website (<http://www.EmPowerLouisiana.org>) or by contacting the HERO program hotline at: 1-877-319-1368.

5. Home Construction Standards

Construction must meet applicable building and energy codes. In most instances participating homes will require the installation of higher performing equipment than is listed as the minimum criteria of either the 2006 or 2009 International Residential Codes.

All HVAC ductwork that is installed outside of the homes conditioned space must be sealed with mastic and have a minimum R6 insulation.

These two items will be verified by the Energy Rater when the final rating is conducted on the completed home. Homes that do not meet these criteria will not qualify for the program.

6. Additional Requirements

Additional requirements are detailed in the document *ARRA Requirements* that accompanies these guidelines and identifies requirements mandated by ARRA related to federal legislation such as the National Historic Preservation Act (NHPA) Requirements.

VIII. Application Process

In order for a new construction home to participate in the HERO Program, the architectural drawings must be evaluated and rated by a HERO Certified Home Energy Rater during the planning stages before construction activities begin (e.g. prior to the foundation being constructed or slab being poured). The typical application process includes the following steps:

1. *Participant* contacts an *Energy Rater*. It is expected that the selected *Energy Rater* will perform ratings throughout the project. If the participant wishes to change raters after the beginning of the process, he/she *must* contact the HERO Program beforehand.
2. The *Energy Rater* will verify the availability of funds (via secure internet site). At this time, \$3,000 is immediately obligated to the project for 14 calendar days (*the obligation-of-funds period*). The *Energy Rater* will receive a project number (CO#) specific to that property and that property owner. This begins the rebate application process.
3. The *Energy Rater* will perform a preliminary rating from the *Participant's* building plans and provide a list of options for achieving the energy performance goals.
4. The *Participant* and the *Energy Rater* review the recommendations and agree on a target performance level and a pathway to compliance.
5. The *Energy Rater* submits the preliminary rating to the HERO Program.
 - (a) Note: The Energy Rater must submit the preliminary rating to the HERO Program within the 14-day obligation-of-funds period to maintain the obligation. If the preliminary rating is not submitted within this period, the obligation expires and the funds automatically revert back to the general HERO program fund.
 - (b) Preliminary ratings submitted after the 14-day obligation-of-funds period will be accepted and the process can continue to the next step, but only if funds are available at the time of submittal. If no funds are available, the process ends and the participant will not be able to receive a rebate.
 - (c) Once the Participant's preliminary energy rating has been submitted to the HERO Program by the energy rater, the participant can monitor the status of the process through the HERO system by going to: <http://www.EmPowerlouisiana.org>
1. The HERO Program revises the fund obligation period to 6-months to provide time for project completion and submittal of energy rating documentation.
2. The *Participant* constructs the project and, when construction is completed, contacts the original *Energy Rater* to perform the final rating. For the project to receive a rebate, the final rating must verify the required energy performance level.
 - (a) Homes that receive a Home Energy Rating System (HERS) score better than or equal to 70 will receive a rebate of \$2,000.

- (b) Homes that achieve a 50% energy savings for heating and cooling over the 2004 International Energy Conservation Code (IECC) and supplements where at least 1/5 of the energy savings must come from building envelope improvements, will receive a rebate of \$3,000.
- (c) The final rating and *all* required documentation must be submitted *within the 6-month obligation-of-funds period*. For projects not meeting this requirement, rebates will be paid only if funding is still available.

1. The rebate is issued to the participant by the HERO New Homes program.

1. Required Documents

The *Energy Rater* will be responsible for submittal of the required documents, but the *Participant* is responsible for the accuracy of all documents submitted to the HERO Program. Several of the documents require the participant’s signature in addition to other information. The list below summarizes the required documents:

Required Documents	At Preliminary Rating	At Final Rating	Participant Responsible	Energy Rater Responsible
HERO Cover Sheet	√	√	•	•
Form 1119	unsigned	signed	•	•
Tax Letter	√	—	•	
W-9	√	—	•	
New ENERGY STAR® HVAC Equipment Form	—	√	•	
New NON -ENERGY STAR® HVAC Equipment Form	—	√	•	
Foundation Certification (slab pour receipt or equivalent)	—	√	•	
SHPO Form	—	√	•	
REMRate BLG Files	√	√		•
Economic Summary	√	√		•
Home Tax Credit Report	—	√		•
Energy Cost and Features Report	—	√		•
Quick Analysis Report for As-Is and Proposed/Improved	√	√		•

2. Description of Required Documents

HERO Cover Sheet. The HERO Cover Sheet summarizes the results of the rating.

Form 1119. This form establishes the final rebate amount. The Certified Energy Rater is responsible for the technical portions of the form. It must be signed by the applicant prior to final submission.

Tax Letter. All cash rebate amounts are currently taxable. The Applicant’s signature on this document demonstrates acknowledgement. The Applicant will receive a 1099 for the year the rebate is received.

W-9. The HERO Program is required to file an information return (1099) with the IRS for all rebates. This form provides your taxpayer identification number (TIN) for that purpose.

Energy Star® and NON-Energy Star® Equipment Forms: List Make(s), model(s), & serial no(s) of any new equipment installed from the list at section III, paragraph 2, item (j) above since the preliminary audit on the building – required for verification purposes.

Foundation Certification. Documentation that the project construction began after the submitted preliminary rating. May be a dated receipt for the installation of the concrete slab for the project or equivalent documentation.

SHPO Form. Certification that requirements of the National Historic Preservation Act have been met.

REMRate BLG Files. These are input files for the software that performs the rating calculation for your project.

Economic Summary. Projected utility savings of the home over the useful life of energy efficiency measures incorporated into the home.

Home Tax Credit Report. This report indicates if the home meets the requirements of the 2005 EPACT Tax Credit for New Homes

Energy Cost and Features Form. Utility use comparison between as-is and improved home improvements.

3. 3rd Party Audits

Participating properties may be randomly selected for an independent 3rd party audit for up to three years from the date of the accepted final rating. Participants and raters must maintain records of the rating process including the HERO required documents (see above) and the rated project plans for the three year period.