The State Energy Program and the American Recovery and Reinvestment Act

President Obama signs the American Recovery and Reinvestment Act of 2009 at the Denver Museum of Nature and Science, February 17, 2009, with Vice-President Biden looking on. More than $3 billion in additional funding for the State Energy Program from the Recovery Act will dramatically enhance the program's effectiveness for the coming years.

To help the nation weather the ongoing economic downturn and meet key energy goals, the State Energy Program (SEP) will invest $3.1 billion from the American Recovery and Reinvestment Act of 2009 (Recovery Act) for additional grants. These grants do not require matching state funds.

Wide Range of Uses

The SEP funding may be used to provide for residential energy audits or other energy-saving improvements, to develop renewable energy and alternative fuel projects, to promote ENERGY STAR® products, to upgrade the energy efficiency of state and local government buildings, and to promote other innovative state efforts to help families save money on their energy bills.

The SEP grants covered under the Recovery Act are part of a larger Department of Energy (DOE) initiative to create 87,000 American jobs. Under the Recovery Act, SEP is awarding funds to the states, the District of Columbia, and overseas U.S. territories—American Samoa, Guam, Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands—through SEP Formula Grants so that they can develop energy efficiency and renewable energy projects that meet their unique energy needs and are consistent with national energy goals.

The $3.1 billion in SEP funding from the Recovery Act will save government, businesses and consumers an estimated $22.3 billion and 3,400 trillion Btu, based on the nationally peer-reviewed methodology published in 2005 by the DOE Oak Ridge National Laboratory.

In addition to requiring no state match, the 50% limitation on use of SEP funds for capital construction is waived for Recovery Act-funded projects.

The Recovery Act is intended to stimulate the economy, create jobs, and retain jobs. Incorporating these requirements into eligible uses of SEP funds includes programs, projects, and measures designed to:

- Save energy
- Create or retain jobs
- Increase energy generation from renewable resources
- Reduce greenhouse gas emissions.

Program Requirements

DOE also has provided the following guidance to the states:

- States should plan for and maximize efforts toward achieving the specific goal of reducing per capita energy consumption by at least 25% of the state's 1990 per capita energy use by 2012. This is a minimum goal and DOE encourages higher or more stringent goals.
- DOE has a strong preference for proposals designed to permanently transform markets. States are uniquely positioned to stimulate innovative solutions that have broad and lasting impacts across a variety of institutions, resulting in measurable and meaningful changes in how energy decisions are made at a fundamental level. Accordingly, SEP strongly encourages strategies such as revolving loans, on-bill financing strategies, and performance contracting.

SEP Recovery Act funds provided to a state required a signed certification. State governors notified DOE that they have obtained necessary assurances that the following would occur:

- The state utility regulatory authority will undertake proceedings to align its policies to help customers use energy more efficiently.

The city of Denver's water department used a Clean Renewable Energy Bond available through the State Energy Program to finance adding hydroelectric turbines to this already existing dam. With additional funding from the American Recovery and Reinvestment Act, state and local government agencies will be able to build additional projects such as this, as well as adopt programs to encourage private adoption of energy efficiency and renewable energy projects.

- The state must prioritize and expand its energy efficiency programs, including retrofit programs for existing buildings and industrial facilities.
- The state must make a commitment that SEP Recovery Act funding will not be used to supplant ratepayer or other state funding for energy programs.
- The state or applicable units of local government that have the authority to adopt building codes will:
  - Adopt a residential building energy code that meets or exceeds the most recent International Energy Conservation Code
  - Adopt a commercial building energy code that meets or exceeds the ASHRAE Standard 90.1-2007
  - Implement a plan to achieve 90% code compliance within eight years.

Leverage for More Programs

DOE believes that strategic use of Recovery Act resources will enable states to develop programs that are self-sustaining, such as revolving loans and energy saving performance contracting with private financing, which will create a permanent stream of savings to fund future projects. Moreover, it is likely that other funding streams—either through system benefits charges or carbon auctions—can be established at the state or federal level.

Aggressive Goals Have Been Established for the Recovery Act SEP Funds

To achieve the objectives of the Recovery Act for SEP, an emphasis has been placed on rapid and efficient expenditures:

- $1.0 billion were obligated by states by Mar 30, 2010
- A minimum of 80% of SEP funds obligated by the state (funds executed in contracts) before June 30, 2010—at least $2.5 billion
- A minimum of 20% of SEP funds drawn down by the state (funds expended/costed) before September 30, 2010—at least $603 million
- 18 months after the SEP award date, 100% of SEP funds should be obligated—$3.069 billion
- A minimum of 50% of SEP funds drawn down by the state (funds expended/costed) by June 30, 2011—at least $1.53 billion
- 36 months after the SEP award date, 100% of SEP funds should be drawn down by the state.

For More Information

Contact the EERE Information Center at 1-877-EERE-INF or 1-877-337-3463 or visit *www.wip.energy.gov/sep.html*.

Photo credits: Front: www.colorado.gov.
Back: Ann Depperschmidt, Denver Water

U.S. DEPARTMENT OF ENERGY | Energy Efficiency & Renewable Energy

EERE Information Center
1-877-EERE-INF (1-877-337-3463)
www.eere.energy.gov/informationcenter

DOE/GO-102010-3063 • June 2010