



Memorandum to Southeast States
Energy Efficiency Provisions in ARRA 2009 and Their Impact on Southeast States

On February 17, 2009, the American Recovery and Reinvestment Act (ARRA) of 2009 was signed into law. This Act allocates approximately \$43 Billion to energy efficiency and renewable energy programs for the country.

The Southeast Energy Efficiency Alliance (SEEA), a regional nonprofit in 11 Southeast States, seeks to provide the States with the most up to date information on the funding and process for accessing these dollars. Below is an approximate summary of the allocation of State Energy Program (SEP), Weatherization, and Energy Efficiency and Conservation Block Grant funds which will be available to the States in the coming weeks. The Act specifically set forth \$2.4 Billion to the Southeast states through the existing Department of Energy SEP, Weatherization, and Energy Efficiency Block Grant programs.

State	2009 SEP Allocation	2009 Weatherization	2009 EE Block Grant
AL	\$55,089,000	\$74,961,206	\$42,930,119
AR	\$39,202,000	\$50,011,299	\$26,294,479
FL	\$125,013,000	\$190,187,790	\$168,780,499
GA	\$82,340,000	\$130,055,864	\$89,193,277
KY	\$52,334,000	\$73,052,825	\$39,314,270
LA	\$69,315,000	\$53,646,108	\$40,617,773
MS	\$39,922,000	\$51,783,392	\$27,060,902
NC	\$76,422,000	\$136,715,178	\$84,926,602
SC	\$50,188,000	\$61,473,034	\$41,253,211
TN	\$62,497,000	\$102,460,197	\$57,231,146
VA	\$70,427,000	\$96,931,634	\$71,543,343

*data from Center for American Progress

Section 410 of the Act sets forth conditional requirements for the SEP funds. In summary, it requires that the Governor **“of the recipient State notifies the Secretary of Energy in writing that the Governor has obtained necessary assurances that each of the following will occur”**:

(1) The applicable State regulatory authority will seek to implement, in appropriate proceedings for each electric and gas utility, with respect to which the State regulatory authority has ratemaking authority, a general policy that ensures that utility financial incentives are aligned with helping their customers use energy more efficiently and that provide timely cost recovery and a timely earnings opportunity for utilities associated with cost-effective measurable and verifiable efficiency savings, in a way that sustains or enhances utility customers' incentives to use energy more efficiently.

(2) The State, or the applicable units of local government that have authority to adopt building codes, will implement the following:

(A) A building energy code (or codes) for residential buildings that meets or exceeds the most recently published International Energy Conservation Code (IECC), or achieves equivalent or greater energy savings.

(B) A building energy code (or codes) for commercial buildings throughout the State that meets or exceeds the ANSI/ASHRAE/IESNA Standard 90.1-2007, or achieves equivalent or greater energy savings.

(C) A plan for the jurisdiction achieving compliance with the building energy code or codes described in subparagraphs (A) and (B) within 8 years of the date of enactment of this Act in at least 90 percent of new and renovated residential and commercial building space. Such plan shall include active training and enforcement programs and measurement of the rate of compliance each year.

(3) The State will to the extent practicable prioritize the grants toward funding energy efficiency and renewable energy programs, including -

(A) the expansion of existing energy efficiency programs approved by the State or the appropriate regulatory authority, including energy efficiency retrofits of buildings and industrial facilities, that are funded-

(i) by the State; or

(ii) through rates under the oversight of the applicable regulatory authority, to the extent applicable;

(B) the expansion of existing programs, approved by the State or the appropriate regulatory authority, to support renewable energy projects and deployment activities, including programs operated by entities which have the authority and capability to manage and distribute grants, loans, performance incentives, and other forms of financial assistance; and

(C) cooperation and joint activities between States to advance more efficient and effective use of this funding to support the priorities described in this paragraph.

SEEA is working with DOE and other parties to understand these requirements and will translate to the States. Funding for the block grant programs (below) will be through an application process to DOE with some direct allocation to large cities. SEEA is available as a resource and to provide assistance to State Energy Offices, Legislatures, and others who would like more information regarding the energy efficiency provisions of ARRA 2009.

In total approximately \$16.8 Billion is provided for within the Act for energy efficiency and renewable energy (EERE). After DOE and other agencies release official formula funding allocation tables and guidance documents, SEEA will provide another analysis of energy efficiency funding for the Southeast in ARRA 2009. The breakdown of this funding is as follows:

- \$2.5 Billion for applied research development and deployment activities which includes \$800 million for the Biomass Program, \$400 million for the Geothermal Technologies Program, and \$50 million for efforts to increase the energy efficiency of information and communications technologies.
- \$400 million to add electric technologies to vehicles.
- \$400 million will support the establishment of the Advanced Research Projects Agency—Energy (ARPA-E), an agency to support innovative energy research, modeled after the Defense Advanced Research Projects Agency (DARPA).
- \$5 billion for the Weatherization Assistance Program and the act increases the eligible income level under the program, increases the funding assistance level to \$6,500 per home, and allows new weatherization assistance for homes that were weatherized as recently as 1994.
- \$4.25 billion to the Department of Housing and Urban Development (HUD) to rehabilitate and retrofit public housing, including increasing the energy efficiency of units.
- \$2 billion in EERE funds toward grants for the manufacturing of advanced battery systems and components within the United States, as well as the development of supporting software.
- \$300 million to support an Alternative Fueled Vehicles Pilot Grant Program.
- \$300 million to support rebates for energy efficient appliances.
- \$3.2 billion to the Energy Efficiency and Conservation Block Grants, which were established in the Energy Independence and Security Act of 2007, but were not funded. The grants will go toward states, local governments, and tribal governments to support the development of energy efficiency and conservation strategies and programs, including energy audit programs and projects to install fuel cells and solar, wind, and biomass power projects at government buildings.
- \$3.1 billion of EERE funds will to the State Energy Program for additional grants that don't need to be matched with state funds, but the act only allows such grants for states that intend to adopt strict building energy codes and intend to provide utility incentives for energy efficiency measures as noted above.
- \$500 million to the Department of Labor to prepare workers for careers in energy efficiency and renewable energy.
- \$6 billion to support loan guarantees for renewable energy and electric transmission technologies. The act requires the DOE Loan Guarantee Program to only make loan guarantees to projects that will start construction by September 30, 2011, and that involve renewable energy, electric transmission, or leading-edge biofuel technologies.
- \$4.5 billion for the DOE Office of Electricity Delivery and Energy Reliability for activities to modernize the nation's electrical grid, integrate demand-response equipment, and analyze, develop, and implement smart grid technologies. The funds will also support research in energy storage technologies, efforts to facilitate recovery from energy supply disruptions, and efforts to enhance the security and reliability of the nation's energy infrastructure.

- \$4.5 billion to the U.S. General Services Administration (GSA) to convert federal buildings into high-performance green buildings.
- \$4 million toward the establishment of an Office of Federal High-Performance Green Buildings within the GSA.
- \$100 million for the Energy Conservation Investment Program within the Department of Defense.
- \$100 million for energy conservation and alternative energy projects at facilities of the U.S. Navy and U.S. Marine Corps.
- \$300 million to cover the costs of acquiring greener motor vehicles, including hybrids, electric vehicles, and plug-in hybrid vehicles for federal agencies, once they become commercially available.
- \$8 billion for the Federal Railroad Administration to provide capital assistance to rail projects, placing priority on projects that support intercity high-speed rail service.
- \$1.3 billion to the National Railroad Passenger Corporation, Amtrak, with the majority of funds going toward the repair, rehabilitation, or upgrade of passenger rail assets or infrastructure, and for capital projects that expand passenger rail capacity.
- \$6.9 billion to the Federal Transit Administration for capital assistance grants. \$100 million of those funds to help public transit agencies reduce their energy consumption and their greenhouse gas emissions, with priority given to those projects that save the most energy.
- \$750 million is provided to support infrastructure investments in "fixed guideway" systems. A fixed guideway refers to any transit service that uses exclusive or controlled rights-of-way or rails, entirely or in part, running the gamut from heavy rail to high-occupancy vehicle lanes.
- \$750 million for grants to "New Starts" and "Small Starts" projects, which include fixed guideway systems, system extensions, and bus corridor improvements.
- \$1.5 billion in supplemental discretionary grants for capital investments in surface transportation infrastructure, which could include transit systems.
- Three-year extension of the production tax credit (PTC) for most renewable energy facilities, while offering expansions on and alternatives for tax credits on renewable energy systems. The extension keeps the wind energy PTC in effect through 2012, while keeping the PTC alive for municipal solid waste, qualified hydropower, and biomass and geothermal energy facilities through 2013.
- Two-year extension of the PTC for marine and hydrokinetic renewable energy systems will keep that tax credit in effect through 2013. The PTC provides a credit for every kilowatt-hour produced at new qualified facilities during the first 10 years of operation, provided the facilities are placed in service before the tax credit's expiration date.
- The act also allows owners of non-solar renewable energy facilities to make an irrevocable election to earn a 30% investment credit rather than the PTC. The option remains in effect for the current period of the PTC, that is, through 2012 for wind energy facilities and through 2013 for other qualified renewable energy facilities.
- Grants to facility owner equal to 30% of the tax basis (that is, the reportable business investment) for the renewable facility, so long as the facility is depreciable or amortizable. The grants are also available for renewable energy facilities that would normally earn a business energy credit of 10%-30%, including systems using fuel cells, solar energy, small wind turbines, geothermal energy, microturbines, and combined heat and power (CHP) technologies. To earn a grant, the facility must be placed in service in 2009 or 2010, or construction must begin in either of those years and must be completed prior to the termination of the PTC. For facilities that would normally earn a business tax credit, construction must be completed prior to 2017. The grants will be paid directly from the U.S. Treasury.
- Increases a 10% tax credit for energy efficiency improvements to a 30% tax credit, eliminates caps for specific improvements (such as windows and furnaces), and instead establishes an aggregate cap of \$1,500 for all improvements placed in service in 2009 and 2010 (except biomass systems, which must be placed in service after February 17, 2009).

- For residential renewable energy systems, the act removes all caps on the tax credits, which equal 30% of the cost of qualified solar energy systems, geothermal heat pumps, small wind turbines, and fuel cell systems.
- For businesses and individuals buying electric vehicles, the act simplifies and expands the available tax credits. For electric low-speed vehicles, motorcycles, and three-wheeled vehicles, a 10% tax credit is available through 2011, with a cap of \$2,500. For vehicles converted into qualified plug-in electric vehicles, a 10% tax credit is also available through 2011, with a cap of \$4,000. And starting in 2010, full-scale commercial plug-in electric vehicles can earn a maximum tax credit of \$7,500, depending on their battery capacity. The credit will phase out over a year for each manufacturer after they sell 200,000 plug-in vehicles.
- The act also provides a bonus to homeowners or business owners installing clean fuel refueling systems at their homes or businesses. For businesses, the maximum credit for installing such refueling systems increases to \$50,000 for most systems, up from \$30,000 and it increases to \$200,000 for hydrogen refueling stations. For homeowners, the credit is doubled from \$1,000 to \$2,000.
- New tax credit to encourage investment in the manufacturing facilities that help make such clean energy projects possible. A new 30% investment tax credit is available for projects that establish, re-equip, or expand manufacturing facilities for fuel cells, microturbines, renewable fuel refineries and blending facilities, energy saving technologies, smart grid technologies, and solar, wind, and geothermal technologies. The credit also applies to the manufacture of plug-in electric vehicles and their electric components, such as battery packs, electric motors, generators, and power control units.
- \$1.6 billion in new Clean Renewable Energy Bonds (CREBs), which are tax credit bonds for financing renewable energy projects. CREBs were previously limited to a maximum of \$800 million. The tax credit bonds pay the bondholders by providing a credit against their federal income tax. In effect, the new tax credit bonds will provide interest-free financing for clean energy projects.

Please feel free to contact us with any questions or assistance needed.

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