



STIMULUS BILL ALERT

Economic Growth and Development Team

ENERGY PROGRAMS IN THE STIMULUS BILL

The recently enacted American Recovery and Reinvestment Act of 2009 (the “Stimulus Bill”) provides for new, supplemental appropriations for renewable energy development and infrastructure as part of a major initiative to provide jobs and stabilize the economy. These energy development appropriations are diverse and provide significant new opportunities for the energy industry.

Energy Efficiency and Renewable Energy

The Stimulus Bill appropriates a total of \$16.8 billion for the Energy Efficiency and Renewable Energy program. \$3.2 billion is allocated to Energy Efficiency and Conservation Block Grants (EECB Grants); \$5 billion is allocated to the Weatherization Assistance Program; \$3.1 billion is allocated to the Energy Conservation and Production Act (ECPA) State Energy Program; \$2 billion is allocated for advanced battery manufacturing; and the remaining \$3.5 billion is unallocated.

EECB grants are used for the implementation of programs authorized under Subtitle E of Title V of the Energy Independence and Security Act of 2007 (EISA). The purpose of these grants is to implement strategies: (1) “to reduce fossil fuel emissions created as a result of activities within the jurisdictions of eligible entities,” (2) “to reduce the total energy use of the eligible entities” and (3) “to improve energy efficiency.” Of

the \$3.2 billion, \$2.8 billion will be allocated according the formula in Section 543(a) of the EISA. The remaining \$400 million will be awarded on a competitive basis. (See Table I.)

Table I: Allocation of \$3.2B to Energy Efficiency and Conservation Block Grants

Eligible Entity	Funds Allocated (in Billions)
Local Governments	\$1.90
States	\$0.78
Indian Tribes	\$0.06
Competitive Grants	\$0.46
Total	\$3.20

EECB grants uses include, but are not limited to: (1) energy efficiency and conservation strategies, (2) building energy audits, (3) transportation energy conservation, (4) energy distribution technologies that significantly increase efficiency, (5) recycling and other material conservation projects, (6) greenhouse gas capture in landfills, and (7) renewable energy technology on the sites of government buildings.

It is important to note that states will receive roughly 25% of the EECB Grants, local government will receive about 60% of the EECB Grants and tribal governments will receive 2% of the Grants, thus less than 15% of the these grants will be directly available to the private sector.

The Stimulus Bill allocates \$5 billion to the Weatherization Assistance Program under Part A of Title IV of the ECPA. It will be challenging for states and local government to spend these funds, because no similar program on this scale has ever been implemented.

An additional \$3.1 billion will go towards the State Energy Program authorized under Part D of Title III of the ECPA.

Finally, \$2 billion will be “available for grants for the manufacturing of advanced batteries and components.”

Electricity Delivery and Energy Reliability

The Stimulus Bill provides a total of \$4.5 billion “for expenses necessary for electricity delivery and energy reliability activities to modernize the electric grid, demand responsive equipment, enhance security and reliability of the energy infrastructure, energy storage research, development, demonstration and deployment, and facilitate recovery from disruptions to the energy supply, and for implementation of [smart grid] programs authorized under title XIII of the EISA.”

The Stimulus Bill designates \$80 million for the Department of Energy Office of Electricity Delivery and Energy Reliability to “conduct a resource assessment and an analysis for future demand and transmission requirements after consultation with FERC.”

The Stimulus Bill also provides that the Office of Electricity Delivery and Energy

Reliability, in coordination with FERC, will “provide technical assistance to NERC, the regional reliability entities, the states and other transmission owners and operators for the formation of interconnection-based transmission plans for the Eastern and Western Interconnections and ERCOT.” This assistance may be in the form of “modeling, support to regions and States for the development of coordinated State electricity policies, programs, laws and regulations.”

Finally, Section 405(2) of the Stimulus Bill amends Section 1304(b)(3) of the EISA to allow entities, other than electric utilities, to receive up to a 50% contribution of federal funds towards the cost of smart grid demonstration projects. An informational filing requirement for entities seeking financial assistance for smart grid demonstrations has been added. Section 405(5) changes the maximum contribution from 20% to 50% for qualifying smart grid investments under the Smart Grid Investment Matching Grant Program.

Innovative Technology Loan Guarantee Program

The Stimulus Bill allocates \$6 billion towards the costs of federal government guarantees made under the ECPA for innovative technologies. The Secretary of Energy can make guarantees under Title XVII of the ECPA for projects that either: (1) “avoid, reduce, or sequester air pollutants or anthropogenic emissions of greenhouse gases” or (2) “employ new or significantly improved technologies as compared to commercial technologies in service in the United States at the time the guarantee is issued.”

Renewable Energy and Electric Power Transmission Loan Guarantee Program

Section 406 of the Stimulus Bill adds Section 1705 to the ECPA which allows the Secretary of Energy to make loan guarantees “only for the following categories of projects that commence

construction not later than September 30, 2011”:

1. Renewable energy systems, including incremental hydropower, that generate electricity or thermal energy, and facilities that manufacture related components
2. Electric power transmission systems, including upgrading and reconductoring projects
3. Leading edge biofuel projects that will use technologies performing at the pilot or demonstration scale that the Secretary of Energy determines are likely to become commercial technologies and will produce transportation fuels that substantially reduce life-cycle greenhouse gas emissions compared to other transportation fuels.

The Secretary of Energy may consider the following factors in deciding whether to make the guarantee: (1) “viability of the project without guarantees”, (2) “the availability of other Federal and State Incentives”, (3) “the importance of the project in meeting reliability needs”, and (4) “the effect of the project in meeting a State or region’s environment (including climate change) and energy goals.” The amendment to the ECPA limits the funding to no more than \$500 million.

Renewable Electricity Transmission

Section 409 of the Stimulus Bill requires the Secretary of Energy to include in the 2009 National Electric Transmission Congestion Study:

- an analysis of the significant potential sources of renewable energy that are constrained in accessing appropriate market areas by lack of adequate transmission capacity;
- an analysis of the reasons for failure to develop the adequate transmission capacity;
- recommendations for achieving adequate transmission capacity; and
- an analysis of the extent to which legal challenges filed at State and Federal level are delaying the

construction of transmission necessary to access renewable energy.

Additional State Energy Grants

Section 410 of the Stimulus Bill permits the Secretary of Energy to make grants in excess of the base allocation of \$100 million for state energy conservation plans established under Section 6322 of the ECPA. The Secretary of Energy may only exceed the base allocation amount if the governor of the recipient State notifies the Secretary that it will comply with various conditions. Among these conditions is an assurance from the governor that they will develop 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.”

Another condition governors must comply with is a promise that the State will, to the extent practicable, prioritize the grants toward funding energy efficiency and renewable energy programs including 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.”

Miscellaneous Provisions

Finally, the Stimulus Bill allocates \$3.4 billion to Fossil Energy Research and Development and \$1.6B to the Department of Energy Office of Science. The Stimulus Bill also allocates \$400 million to the Advanced Research Projects Agency-Energy (ARPA-E) as authorized under Section 5012 of the America Competes Act. The purpose of the ARPA-E is to “overcome the long-term and high-risk technological barriers

in the development of energy technologies.” The ARPA-E has two primary goals. The first is “to enhance the economic and energy security of the United States through the development of energy technologies” that result in: (1) “reductions of imports of energy from foreign sources,” (2) “reductions of energy-related emissions, including greenhouse gases,” and (3) “improvement in the energy efficiency of all economic sectors.” The second is “to ensure that the United States maintains a technological lead in developing and deploying advanced energy technologies.”

Conclusion

In sum, roughly 10% of the Stimulus Bill’s total \$311 billion in appropriations are allocated specifically to energy programs. The majority of these programs is focused on renewable energy, energy conservation, electricity transmission and reliability, and energy research. The Stimulus Bill puts nearly \$4 billion in the hands of state governments to administer some of these programs. It also provides numerous opportunities for businesses to obtain grants or secured loans for certain projects such as those related to energy efficiency, reducing fossil fuel emissions, implementing renewable energy systems, and biofuel research.

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