U.S. DEPARTMENT OF ENERGY

Office of ENERGY EFFICIENCY & RENEWABLE ENERGY

ALLOWABLE USES OF SEP FUNDS

2019 State Energy Program Training Forum
Denver, CO

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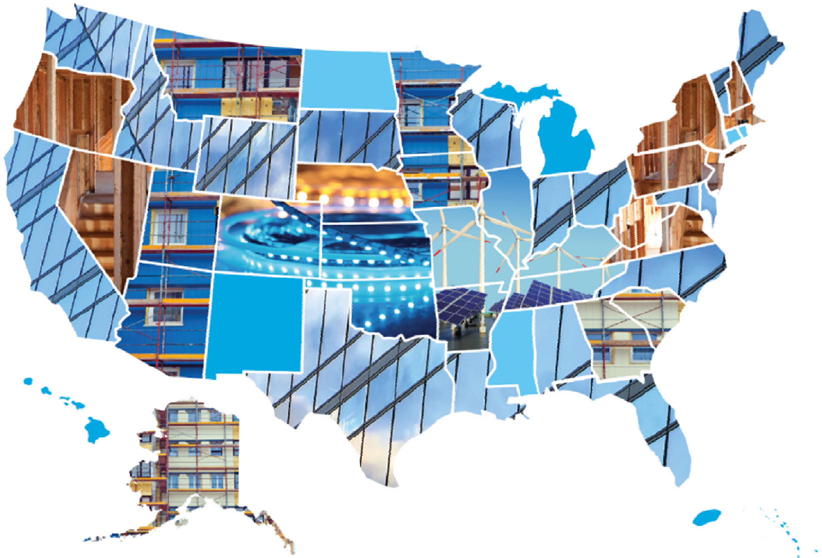
Introduction

SEP is a versatile, dynamic program designed to enhance energy security, advance state-led energy initiatives, and maximize the benefits of increasing energy efficiency.

Federal laws and regulations establish the program's purpose, set criteria for participation, and define how funds may or may not be used. Each state can propose how it would use its share of funds to address these criteria along with its own specific conditions.

States are responsible for planning and implementing program activities. DOE program officials review each State Plan to verify that the state meets program requirements.



State-led Policies, Programs, & Projects

State-led eligible activities have resulted in:

What I Must Do, May Do, and Cannot Do

SEP is authorized under the Energy Policy and Conservation Act of 1975 (Public Law 94-163), as amended (42 U.S.C. 6321 et seq.). All grant awards made under this program shall comply with applicable laws including, but not limited to, the SEP statutory authority 10 CFR 420, and 2 CFR 200 as amended by 2 CFR 910.

Three key aspects of the SEP Regulations include:

- Mandatory Activities – 10 CFR 420.15
  - Minimum criteria for required program activities in state plan.

- Optional Activities – 10 CFR 420.17
  - Other program activities that may be included in the state plan.

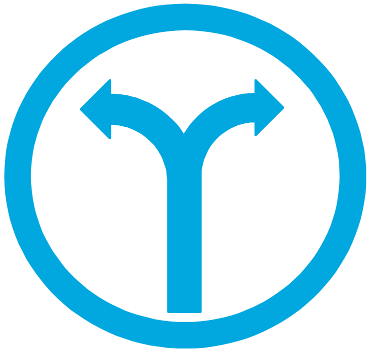
- Prohibited Activities – 10 CFR 420.18
  - Activities and limitations on the use of SEP funds in the state plan.

What Is Mandatory

Mandatory Activities:

- Establish mandatory lighting-efficiency standards for public buildings.
- Promote car pools, van pools, and public transportation.
- Incorporate energy efficiency criteria into procurement procedures.
- Permit right turns at red traffic lights and left turns from a one-way street onto a one-way street at a red light after stopping.

What Is Optional



Optional Activities:

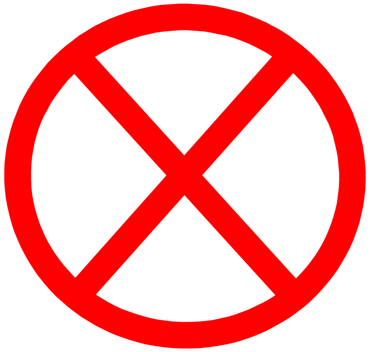
- Public education to promote energy efficiency and renewable energy.
- Financing energy efficiency and renewable energy (e.g., ESPC, RLFs).
- Building energy audits.
- Integrated energy planning evaluating a state's energy needs, resources (including energy efficiency), and costs.
- Identifying unfair or deceptive acts or practices.
- Reducing peak demand for energy and improving efficiency of energy supply systems.
- Promoting energy efficiency as an integral component of economic development planning.
- Training and educating building designers and contractors to promote building energy efficiency.
- Pre-feasibility and feasibility studies for projects that use energy efficiency and renewable energy technologies.
- Supplying industrial energy efficiency and combined heat and power.

What Is Prohibited

Prohibitions:

- –Funding construction, such as construction of mass transit systems.
- –Purchasing land, a building or structure, or any interest therein.
- –Subsidizing fares for public transportation.
- –Subsidizing utility rate demonstrations or state tax credits for energy conservation or renewable energy measures.
- –Conducting or purchasing equipment to conduct research, development, or demonstration of energy efficiency or renewable energy techniques and technologies not commercially available.

Don't Do These – Unallowable Expenses



Unallowable:

- Alcoholic beverages.
- Entertainment.
- Meals in your home town/not traveling, including working lunches.
- Unauthorized airfare upgrades.
- Auto expenses when already being reimbursed for mileage.
- Pre-award costs not previously approved in writing by the contracting officer.
- Cost overruns incurred on other federal awards.
- Contributions or donations, including cash, property, and services.
- Fee or profit for award recipients.
- Direct expenses not related to the Federal project.
- Expenses not ordinary and necessary for the performance of the federal award.
- Advertising and public relations costs not related to the performance of the federal award.
- Bad debt and related collection and legal costs.
- Costs incurred for an organized fundraising activity.
- Contributions or donations, including cash, property, and services.
- Interest on borrowings.
- Lobbying expenses.

Demonstration Projects

Demonstrations of commercially available energy efficiency or renewable energy techniques and technologies are permitted, and are not subject to the prohibitions of § 420.18(a)(1), or to the limitation on equipment purchases of § 420.18(b). A demonstration project must show a unique applicability to a specific sector of the population or audience.

Questions such as the following must be addressed to be considered a demonstration project:

Q: How will the savings and benefits be measured, monitored, and verified?

Q: How will the target audience be informed and can the public visit?

Q: By what means will it be promoted (i.e., media, web, brochures)?

Examples of Allowable Formula Projects!

- Kentucky launched the Performance Excellence in Electricity Renewal project. The Performance Excellence in Electricity Renewal project provided a measureable framework to evaluate power system resilience in Kentucky.

- Ohio's Energy Efficiency Program for Manufacturing provides Ohio manufacturers with tools to drive a sustainable energy management program. This program helps Ohio companies reduce costs through lasting energy savings achieved in their manufacturing processes and improve the competitive position of program participants, relative to their worldwide market competitors.

- Washington developed the Center for Benchmarking Services, supporting efforts to benchmark energy use in public and private commercial buildings, better manage data collection, and analyze building performance data. The Center is a technical assistance resource for public building facility managers. Training specific to Portfolio Manager data entry, energy reduction strategies, best practices, and lessons learned is also provided.

Examples of Successful Competitive Projects!





- New Hampshire is reducing electric energy use at over 20 municipally-owned wastewater treatment facilities (WWTFs) by an average of 33% through the use of educational workshops, benchmarking facility-specific energy use data, and one-on-one technical assistance.

- Minnesota's Local Government Energy Planning Project is helping local governments develop and implement actionable strategies for reducing energy consumption. The team has engaged local governments in the Twin Cities and across the state that have committed to long-term energy reductions.

- Hawaii is using existing high resolution imagery and large-scale simulation data as a visualization tool to support discussions concerning Hawaii's current and forecasted energy future – including reliability, resiliency, and economic goals.

QUESTIONS?

THANK YOU!

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Petroleum Violation Escrow (PVE) Funds

- Funds received by States from legislation, settlements, or judgments relating to violations of oil price controls during the 1970s.
- Major sources of restitutionary funds for oil price control overcharges:
  - Warner Amendment: $200 million in funds distributed under P.L. 95-105; must be used in SEP, WAP, or LIHEAP.
  - Exxon: One-time distribution of $2.1B; must be used in SEP, WAP, or LIHEAP.
  - Stripper Well: Periodic distributions from 1986-2006, totaling over $2B. Funds may be used for purposes consistent with SEP, WAP, and LIHEAP or in nine areas related to energy:
    - Highway and bridge maintenance and repair;
    - Ridesharing;
    - Public transportation;
    - Grants or loans for weatherization and energy conservation; equipment installation;
    - Energy assistance programs;
    - Building energy audits;
    - Airport maintenance and improvement;
    - Reduction in airport user fees; and
    - Energy conservation research.

PVE Funds - Important Restrictions

- Warner Amendment funds may not be used for administrative expenses.
- Exxon funds follow the policy established by the Warner Amendment. Funds may <u>not</u> be used for administrative expenses.
- Stripper Well: Up to 5% of Stripper Well funds may be used for administrative expenses. Unlike Warner and Exxon funds, Stripper Well funds are not considered to be Federal funds and may be used as non-Federal match for Federal grant funds.
  - A small amount of funds commonly referred to as Diamond Shamrock funds are treated almost exactly like the bulk of Stripper Well funds. In the case of Diamond Shamrock funds, however,
    - Any amount may be used for administrative expenses as long as this amount does not exceed 5% of the state's total PVE funds.
    - States may spend Diamond Shamrock funds outside the programs without prior notification to DOE.

PVE Funds - Approval, Reporting, and Monitoring

DOE's Responsibilities

- DOE Project Officers review, approve, monitor, etc. funds that are included in SEP and/or WAP State Annual Plans. DOE approves use of funds by approving the annual plan. (DOE has no role in approving use of funds for LIHEAP (HHS)).
- Stripper Well funds are reviewed by DOE to ensure eligibility of use
  - Use of Stripper Well funds through federal grant program (e.g., SEP, WAP) are reviewed as part of DOE's review of that program
  - Use of Stripper Well funds outside of a federal program must be submitted to DOE for review at least 30 days prior to the expenditure of the funds.
- DOE has responsibility to oversee use of PVE funds, including through annual report to the Court.

PVE Funds - Approval, Reporting, and Monitoring

States' Responsibilities

- Identify proposed use of PVE funds for a grant program (e.g. SEP) in the annual plan.
- For Stripper Well funds to be used outside of a grant program for an eligible energy-related activity, a State should send a proposal to DOE HQ thirty days in advance of intended use. This can take place any time during the year. The proposal can be brief (1-2 pages is usually sufficient), but it must include a description of proposed activity, budget, target audience, and time period. It must clearly show the energy focus of the proposed activity. As noted, this prior approval requirement does not apply to Diamond Shamrock funds. Proposals and all PVE-related materials not included in a grant program Annual Plan should be sent to this dedicated DOE E-mail address:

SEP-PVE@ee.doe.gov

- The States are required to submit Annual Reports to DOE HQ reporting the financial status of remaining funds from all PVE sources as well as how funds have been used during the year. States may file one annual consolidated report covering Exxon, Stripper Well, and Diamond Shamrock funds.
- Annual Reports are officially due 30 days after the close of the State's fiscal year. DOE may grant an extensions, upon a reasoned request by the State.