

U.S. DEPARTMENT OF
ENERGY

Office of
**ENERGY EFFICIENCY &
RENEWABLE ENERGY**

ALLOWABLE USES OF SEP FUNDS

2022 State Energy Program Training Forum
Denver, CO

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US DOE



Introduction

SEP is a versatile, dynamic program designed to enhance energy security, advance state-led energy initiatives, and increase energy affordability.

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:



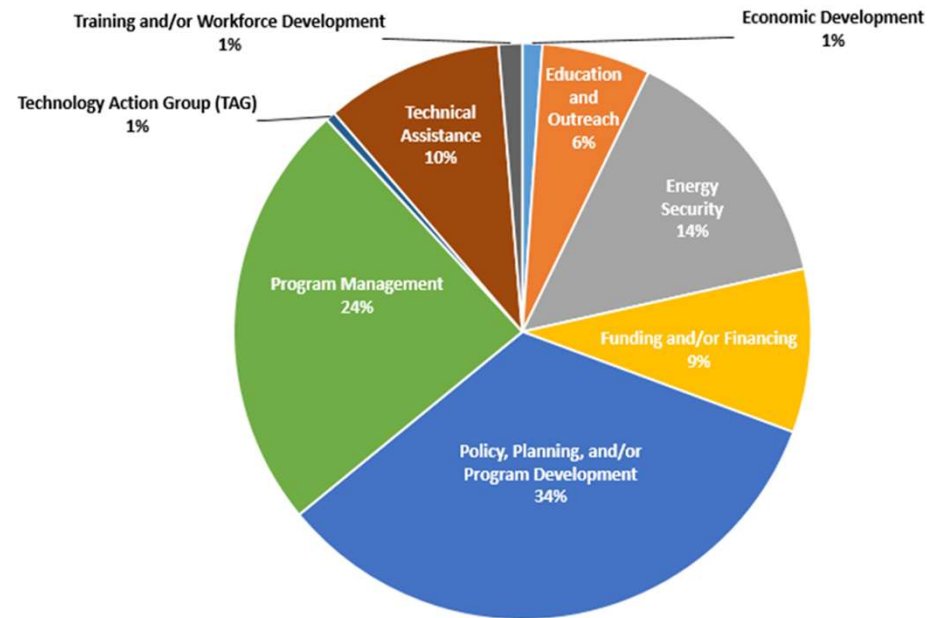
SEP Success Metrics & Activity Categories

- National SEP Success Metrics* between FY 2017 and FY2021

- Buildings retrofitted: 24,833
- Square footage of buildings retrofitted: 126,741,088 sq. ft.
- Renewable energy systems installed: 54,908
- Installed renewable energy system capacity: 2,164,190 kW
- Workshops and trainings held: 8,684
- Number of people trained and educated: 1,497,317

*Metrics are for data reported by States as of 06/29/2022 in the Performance & Accountability for Grants in Energy (PAGE) Online System.

PY22 Planned Formula Spending by Activity Category**



**Chart is based on data reported by States as of 06/29/2022 in the Performance & Accountability for Grants in Energy (PAGE) Online System.

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.

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



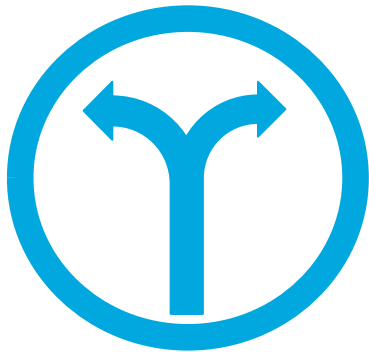
Mandatory Activities:

1. Establish lighting-efficiency standards for public buildings.
2. Promote carpools, van pools, and public transportation.
3. Incorporate energy efficiency criteria into procurement procedures.
4. Thermal efficiency standard for buildings.
5. Permit right turns at red traffic lights.
6. Effective coordination among local, state and federal agencies.

**New from
IIJA**

7. **Support for transmission and distribution planning, including:**
 - Support for local governments and Indian Tribes.
 - Feasibility studies for transmission line routes and alternatives.
 - Preparation of necessary project design and permits.
 - Outreach to affected stakeholders.

Examples of What Is Optional

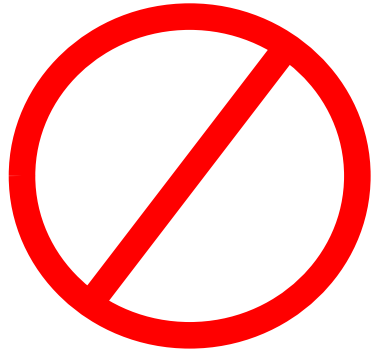


Optional Activities:

- Public education to promote energy efficiency and renewable energy.
- Financing energy efficiency and renewable energy (e.g., ESPC, RLFs).
- Building energy audits.
- 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.
- Programs that increase transportation efficiency and accelerate the use of alternative transportation fuels for, and the electrification of, vehicles.
- Programs that promote the installation and use of demand-response technology and demand-response practices.

**New from
IIJA**

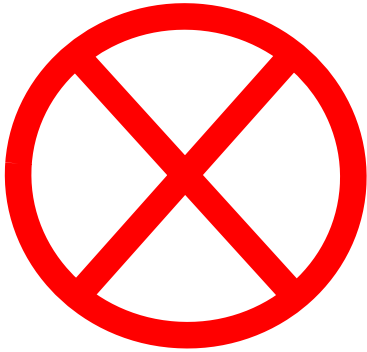
What Is Prohibited



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 Expenses:

- Alcoholic beverages.
- Entertainment.
- Meals in your hometown/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** developed and launched the *Solar Siting Potential in Kentucky* web tool that helps government officials and businesses identify land suitable for utility-scale solar projects, with a particular focus on underutilized lands such as brownfields and abandoned mines.
- **Pennsylvania's** Agriculture Energy Efficiency Rebate Program helps agricultural producers reduce energy consumption through the use of energy efficient technologies.
- **New Mexico** leveraged SEP funding to help secure approval from the Federal Highway Administration to designate alternative fuel corridors, a critical first step for expanding electric vehicle charging infrastructure.
- **Maryland's** Parking Lot Solar PV Canopy with EV Charger Grant Program incentivizes installation of solar photovoltaic systems over parking lots and garages. IKEA's Baltimore location recently participated in the program and installed a 1.5MW solar canopy coupled with electric vehicle charging pumps.

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 not 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

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.

MONTANA STATE ENERGY OFFICE

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State Buildings Energy Conservation Program (SBECP)

- SBECP is a revolving loan program, that was created in 1989 to reduce energy costs in state government and finance energy improvement projects on state owned buildings. The program reduces utility bills and uses the savings to repay the cost of the projects.
- In 2009 SBECP secured \$3 million in state funding and was then able to leverage \$21 million in ARRA funds to build capacity for the program.
- SBECP program management and implementation is primarily funded with our SEP Formula Grant, and projects are funded either by Federal or State dollars depending on the project.
- MEO uses State dollars when the project doesn't fall within the requirements of the Federal ARRA/SEP guidelines.
- To date SBECP has given out approximately \$153 million in federal, and \$33 million in state funded loans.

Alternative Energy Revolving Loan Program (AERLP)

- AERLP was established in 2001. Since its inception, the program has provided low interest loans for more than \$16 million in alternative energy systems and energy saving measures installed in Montana homes and small businesses.
- Funded by Air Quality penalties collected by DEQ (state) and by ARRA (federal) which was received in 2009, program staff time is funded by SEP Formula.
- AERLP can be used to leverage additional funding such as USDA's REAP grants (Rural Energy for America Program), CPACE for small commercial projects, and may be able to leverage private funding by offsetting the cost of the project.

Clean School Bus Program

Goals:

- Gain acceptance of the need to reduce diesel emissions in poor air quality areas;
 - Gain future support for diesel emissions and fuel reduction activities;
 - Demonstrate reductions in emissions and fuel use with new technology.
-
- SEP Formula is used for program management and implementation of projects.
 - MEO has the opportunity to apply for the EPA Diesel Emissions Reduction Act (DERA) funds each year to work towards meeting these goals.
 - In 2019 MEO was able to match DERA Funds (\$316k) with VW funding (Volkswagen Diesel Emissions Settlement) unlocking an EPA Match Bonus of \$158k.
 - With the additional VW and EPA Match Bonus funds, MEO was able to open funding to every school district in the state. Previously, only districts in counties with air quality issues, primarily western Montana, had been eligible.
 - Once completed, this round of DERA and VW funds will have helped fund the replacement of 39 older diesel buses with 13 propane, 1 gasoline, and 25 clean diesel buses. This is more than the previous four school bus funding opportunities combined.

SMART Schools

- Smart Schools is a friendly competition to encourage Montana's K-12 schools to integrate lessons and projects relating to resource conservation, efficiency and healthy schools. At the end of the project deadline MEO selects 10 schools to receive sponsorships to go towards their classroom or expand on their projects the following year.
- MEO staff time is primarily funded through the SEP Formula grant, and the sponsorships are funded through a combination of SEP, EPA (radon), and State Funds depending on the type of projects, and eligibility under each funding source.
- MEO can fund one indoor air quality sponsorship with EPA funds as long as there is a radon component to the project.
- Energy efficiency, renewable energy, and alternative transportation projects may receive a sponsorship funded with SEP dollars
- All other project sponsorships that are not directly correlated with energy conservation (living classrooms, upcycling, industrial processes/public infrastructure, and sustainable agriculture) may be funded with general funds (state dollars).



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MONTANA STATE ENERGY OFFICE WEBSITE:

[HTTPS://DEQ.MT.GOV/ENERGY/INDEX](https://deq.mt.gov/energy/index)

Thank you!