

STATE ENERGY PROGRAM NOTICE 13-01
EFFECTIVE DATE: 04/16/2013

SUBJECT: PROGRAM YEAR 2013 STATE ENERGY PROGRAM FORMULA GRANT GUIDANCE

1.0 PURPOSE

To establish grant guidance and management information for the State Energy Program (SEP) formula grants for program year (PY) 2013 and provide estimated PY 2013 allocations. This Guidance applies to SEP grant funds received through regular federal appropriations. *In addition, Section 4.3 provides guidance on use of remaining SEP funds received under the American Recovery and Reinvestment Act (Recovery Act).*

2.0 SCOPE

The provisions of this guidance apply to States, Territories and the District of Columbia (hereinafter "States") applying for formula grant financial assistance under the Department of Energy's (DOE's) SEP. Much of the information in this guidance is summarized from the volumes of the Code of Federal Regulations (CFR) applicable to SEP, namely 10 CFR part 420 (covering the State Energy Program) and 10 CFR part 600 (the DOE Financial Assistance Rules). The CFR can be accessed at:

http://www.ecfr.gov/cgi-bin/text-idx?SID=8d59d81fd3f9c021fb570b431e15eee4&tpl=/ecfrbrowse/Title10/10tab_02.tpl

These regulations are the official sources for program requirements.

3.0 FUNDING OPPORTUNITY ANNOUNCEMENT (FOA) COVERAGE

The FOA (Number DE-FOA-0000817) for PY 2013 SEP will include the following specific information for States:

- Application submission dates
- Required forms and documentation

4.0 PROGRAM PRIORITIES

In line with the goals and objectives outlined below, during PY 2013 DOE will place emphasis on:

- **Planning for the future of SEP post-Recovery Act.** The experience gained through implementing Recovery Act programs has led to a wealth of lessons learned. It is expected that results from State and federal Recovery Act-funded Evaluation, Measurement, and Verification programs will provide further insight into the efficacies of SEP-funded activities in different climate areas, different regions of the country, different population groups, urban and rural settings, and so forth. SEP would like to work with the States to capture their experiences in a set of best practices on program implementation.

- **Providing the necessary information and technical assistance to new State Energy Office staff to give them a good foundation for administering SEP.** DOE staff will work with new State Energy Office personnel to ensure that they understand SEP and how it helps address their States' energy needs, challenges and goals.
- **States are encouraged to consider DOE priorities when formulating their plans.**

4.1 SEP LONG-TERM GOALS AND OBJECTIVES

- **Alignment with national goals:** DOE continues to encourage States to develop strategies that align their goals and objectives with national goals. By aligning with national goals – increasing jobs, promoting economic vitality through growth of all aspects of the “green economy,” reducing US oil dependency through energy conservation, increasing energy efficiency and deployment of renewable energy technologies, and reducing greenhouse gas emissions – the States and DOE demonstrate leadership in successfully addressing national needs at the State and local level.

These national goals are included in the Energy Policy Act of 2005, the Energy Independence and Security Act of 2007, and the American Recovery and Reinvestment Act of 2009.

- **Market Transformation:** As the post-Recovery Act period begins, DOE requests that States continue to focus their program efforts on market transformation initiatives. Market transformation is defined as:

“Strategic interventions that cause lasting changes in the structure or function of a market or the behavior of market participants, resulting in an increase in adoption of energy efficiency and renewable energy products, services, and practices.”
- **SEP Strategic Plan:** The SEP Strategic Plan establishes the following four goals for SEP:
 - Increase energy efficiency to reduce energy costs and consumption for consumers, businesses and government.
 - Reduce reliance on imported energy.
 - Improve the reliability of electricity and fuel supply and the delivery of energy services.
 - Reduce the impacts of energy production and use on the environment.
- **DOE Objectives:** DOE has established the following objectives that complement program goals articulated in the SEP Strategic Plan:

- Transform energy markets in partnership with States to accelerate near-term deployment of energy efficiency and renewable technologies.
- Promote an integrated portfolio of energy efficiency and renewable energy solutions to meet U.S. energy security, economic vitality, and environmental quality objectives.
- Strengthen core State energy programs to develop and adopt leading market transformation initiatives.

This strategic direction builds on SEP successes and promotes a stronger SEP national effort. DOE will continue to enhance the effectiveness of State programs to promote and support market transformation, while maintaining support for formula grants. DOE's plans are guided by the following principles:

- Target strategic market intervention that can cause permanent structural change.
- Identify opportunities for better integration of SEP and State energy initiatives to other EERE technology deployment and market transformation activities.
- Replicate State innovation and best practices.
- Promote collaboration across public and private agencies.
- Foster regional cooperation among State and federal agencies.
- Improve the way SEP and its partners measure program performance and communicate success.

4.2 SEP NATIONAL EVALUATION

Accountability and transparency in the expenditure of federal funds continue to be a high priority in Program Year 2013 for both DOE and the States, and evaluation is central to both of these requirements. DOE is conducting a full-scale SEP National Evaluation that covers program activities carried out both prior to the Recovery Act (PY2008) and during the Recovery Act period. Oak Ridge National Laboratory is managing the effort, and a team of evaluators led by KEMA, Inc. is conducting the evaluation. The project began in October 2010 and is now scheduled to be completed by fall of 2013. KEMA will be contacting States at several points during the evaluation to gather information about their SEP activities. DOE will provide further information on these contacts as necessary.

DOE has issued recommended evaluation guidelines consistent with the design of the SEP National Evaluation for States wishing to evaluate their SEP programs. These guidelines were issued as recommendations for evaluating SEP Recovery Act-funded programs, but they apply to evaluations of all activities funded through SEP, from regular appropriations, Petroleum Violation Escrow (PVE) funds, or any other source. These guidelines can be found at: http://www1.eere.energy.gov/wip/pdfs/evaluation_webinar_slides_june16_2010.pdf

4.3 SEP RECOVERY ACT FUNDS

Working together over the past four years DOE and the States have made significant progress in moving SEP Recovery Act funds into the local economy to increase energy efficiency and the use of renewable energy, create jobs, and expand and strengthen the green economy. Approximately \$600 million is allocated toward revolving loan programs, loan loss reserves or other types of financing programs and incentives.

Building on this progress, the Department's priorities for SEP Recovery Act funding in 2013 are to work with the States to:

- Encourage continued informational sharing and the use of lessons learned and best practices in program implementation: There will be a wealth of lessons learned about large- and small-scale energy program implementation from the Recovery Act period, and it is vital that they be gathered and widely disseminated.
- Identify ways to maintain momentum and provide sustained benefits into the post-Recovery Act period.

DOE will continue to provide technical assistance to States in PY 2013. Technical assistance is available in many areas including long-range strategic planning, reaching target audiences, financing programs, minimizing risk, and evaluation, monitoring and verification (EM&V) activities. Requests for technical assistance should be made through the State's DOE Project Officer.

5.0 LEGAL AUTHORITY

SEP is authorized under the Energy Policy and Conservation Act, 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 (42 U.S.C. § 6321 et seq.), and 10 CFR 420 and 600.

6.0 FUNDING

6.1 GENERAL FUNDING

PY 2013 funding for SEP, requiring DOE approval for expenditure, can come from three sources: (1) federally appropriated funds; (2) Warner, EXXON, and similar petroleum violation escrow funds; and (3) Stripper Well and other oil overcharge funds (including Texaco) which are subject to Stripper settlement rules.

6.2 FORMULA ALLOCATIONS

The estimated federal appropriation for PY 2013 is \$39,000,000 less a 6% adjustment for sequestration.

The funding levels provided in this Guidance for each Grantee may increase or decrease

depending on final 2013 Appropriations provided by Congress. Grantees should proceed with preparing and submitting their respective plans using the proposed allocations contained in this Guidance. Results of the final appropriations bill for FY2013 will be transmitted in a revision to this Guidance. **Once final allocations are available, Grantees will be required to submit revised applications and budgets to reflect the final allocations.**

Funding for all awards and future budget periods is contingent upon the availability of funds appropriated by Congress for the purpose of this program and the availability of future-year budget authority.

See 10 CFR Part 420.11 for the allocation process.

6.3 MATCH

States must contribute (cash, in-kind, or both) an amount no less than 20 percent of their total federal formula award. States must demonstrate the contribution (cash, in-kind or both) of an amount no less than 20 percent of every federal dollar that is spent *each* program year. Failure to meet this requirement *each* program year may result in disallowed costs.

Stripper Well funds and Diamond Shamrock funds may be used toward the 20% non-Federal cost match requirement. Chevron, Warner Amendment, and Exxon funds may not be used towards the 20% non-Federal cost match requirement, but may be included in the project budget.

See 10 CFR Part 420.12 regarding match.

6.4 NEW ACTIVITIES FUNDED UNDER SEP

Any new SEP initiatives, including those funded through the use of Petroleum Violation Escrow (PVE) funds, must be approved in writing prior to implementation by the appropriate Contracting Officer via amendment to the current grant award. Recipients must ensure that all proposed use of Stripper Well funds have prior review and approval by DOE Headquarters and should be submitted through the following email address: sep-pve@ee.doe.gov.

7.0 APPLICATIONS FOR SEP ANNUAL FORMULA GRANTS

The application package for SEP grants consists of the State Plan and a number of required forms. The State Plan is the heart of the application package. It is divided into three sections – the Budget, the Master File, and the Annual File (see section 8.0 below).

Applications must be submitted in accordance with the PY 2013 SEP Funding Opportunity Announcement. Detailed information on the application package can be found in Part IV of the Funding Opportunity Announcement, Application and Submission Information. Application due dates are identified on the cover page of the FOA.

As a reminder, application documents, forms, and data submitted to SEP may be made

available to the public at DOE's discretion following all applicable laws and regulations that protect confidential or proprietary information.

8.0 STATE APPLICATION

The State Application consists of a Standard Form 424, Standard Form 424A, Budget Justification, Master File, Annual File, various certifications, a link to the State's latest A-133 audit, an indirect rate agreement (if applicable), and an environmental questionnaire (if applicable).

8.1 STANDARD FORM 424

A completed and signed Standard Form 424 must be submitted. Section 18 of this form should reflect new funds only.

8.2 BUDGET

8.2A Overview: The budget includes Standard Form 424A and a Budget Justification. Each of these forms should be completed following the guidelines set out below.

8.2B Standard Form 424A: Applications must include a budget for all funds applied for including federal, PVE, and State match. Standard Form 424A should be completed as follows:

- Section A: Budget Summary Lines 1-4, Columns (a) through (g). On line 1, enter new and unexpended DOE funds. Carryover funds should be listed in the unobligated columns. Use a separate line for each funding source, e.g., PVE funds, State match, etc.
- Section B: Budget Categories. Separate column headings should be utilized for each funding source. The total in column g, Section A, must equal the total of all columns in Section B.

8.2C Budget Justification: The Budget Justification consists of a detailed explanation of the object class categories listed in line 6, Section B, of Standard Form 424A. In preparing the Budget Justification, States should address the following as requested for each budget category.

- Personnel: Identify all positions to be supported by title and the amounts of time (e.g. % of time) to be expended, the base pay rate, and the total direct personnel compensation. Also, the rate basis should be identified – e.g., actual salary.
- Fringe Benefits: If fringe cost rates are approved by a federal agency, identify the agency and date of latest rate agreement of audit and include a copy of the rate agreement with the application. If fringe cost rates are not approved by a federal

agency, explain how total fringe benefit costs were calculated. Your calculations should identify all rates used along with the base they were applied to (and how the base was derived), and a total for each (along with the grand total). If there is an established computation methodology approved for State-wide use, provide a copy with the application.

- **Travel:** Provide the purpose of travel, such as professional conference(s), DOE sponsored meeting(s), project monitoring, etc. If there is any foreign travel it should be identified. Provide the basis for the travel estimate such as past trips, current quotations, Federal or State Travel Regulations, etc. All listed travel must be necessary for the performance of the award.
- **Equipment:** Equipment is defined as an item with an acquisition cost greater than \$5,000 and a useful life expectancy of more than one year. List all proposed equipment and briefly justify its need as it applies to the objectives of this award. Provide a basis of cost such as vendor quotes, catalog prices, prior invoices, etc. If the equipment is being proposed as cost match and was previously acquired, provide the value of its contribution to the project and a rationale for the estimated value shown. If it is new equipment which will retain a useful life upon completion of the project, provide a rationale for the estimated value shown. Also, indicate whether the equipment is being used for other projects or is 100% dedicated to this project.
- **Supplies:** Supplies are defined as items with an acquisition cost of \$5,000 or less and a useful life expectancy of less than one year. Supplies are generally consumed during the project performance. List all proposed supplies and the estimated cost and briefly justify the need for the supplies as they apply to the objectives of this award. Supply items must be direct costs to the project and not duplicative of supply costs included in the indirect pool that is the basis of any indirect rate applied for this project. Provide a basis of cost for each item listed. Examples include vendor quotes, prior purchases of similar or like items, published price list, etc.
- **Contractual:** All costs related to sub-recipients, vendors, contractors and consultants must be identified:
Sub-recipients, vendors, contractors and consultants – All sub-recipients, vendors, contractors and consultants and their estimated costs should be identified. Use TBD if the entity is unknown. Provide a brief description of the work to be performed or the service to be provided and reference the market title the work or service falls under.
- **Other Direct Costs:** Other direct costs are direct cost items required for the project which do not fit clearly into other categories. These direct costs must not be included in the indirect costs (if an indirect rate is being applied for on this project). Examples are: conference fees, meetings within the scope of work, subscription costs, printing costs, etc., which can be directly charge to the project and are not duplicated in

indirect costs (overhead costs). Provide a general description, cost and justification of need for each direct cost item. Provide a basis of cost for each item. Examples include vendor quotes, prior purchases of similar or like items, published price list, etc.

- Indirect Costs: If the indirect cost rate has been approved by a federal agency, identify the agency and the date of the latest rate agreement and submit a copy of the agreement with the application. If the indirect cost rate has not been approved by a federal agency, provide the basis for computation of rates including the types of benefits to be provided, the rate(s) used and the cost basis for each rate.

8.3 MASTER FILE

8.3A Overview: The Master File should include, wherever practicable, information on the State's overall strategic energy plan and its key elements, its strategic goals and objectives, and how its SEP activities fit into that overall plan. The Master File should:

- Explain how implementing the plan will conserve energy;
- Explain how the State will measure progress toward attaining its goals;
- Explain how the plan satisfies the minimum criteria for the required (mandatory) activities; and
- Provide a plan for State monitoring that describes how the State conducts the administrative and programmatic oversight for programs implemented by other agencies within the State, contractors employed by the State, or sub-recipients of financial assistance from the State.

If a State has completed certain mandatory activities, this may also be indicated in the Master File. A quarterly spend plan as prescribed in the FOA must also be included in PAGE within 30 days following the award.

8.3B EPAAct: The Energy Policy Act of 2005 (EPAAct), PL 109-58, Title I, Subtitle B, Section 123, made two revisions to the legislation governing SEP.

- The first amends the provisions regarding State Plans by adding a subsection, as follows:

“(g) The Secretary shall, at least once every 3 years, invite the Governor of each State to review and, if necessary, revise the energy conservation plan of such State submitted under subsection (b) or (e) [*the annual State Plan*]. Such reviews should consider the energy conservation plans of other States within the region, and identify opportunities and actions carried out in pursuit of common energy conservation goals.”

With the issuance of this program guidance, States are invited to review their SEP State Plans with a view toward regional/multi-State collaboration. DOE will continue

to work with the National Association of State Energy Officials (NASEO), the National Governors Association, regional governors associations and regional initiatives designed to foster and support regional/multi-State cooperation and collaboration.

- The second EAct revision amended the provisions regarding the energy efficiency goals established by the States, as follows:

“Each State energy conservation plan with respect to which assistance is made available under this part on or after the date of enactment of the Energy Policy Act of 2005 shall contain a goal, consisting of an improvement of 25 percent or more in the efficiency of use of energy in the State concerned in calendar year 2012 as compared to calendar year 1990, and may contain interim goals.”

Each State must describe within the Master File in the 2013 State Plan how it has met or exceeded its 25 percent goal. If a State has not met or exceeded its 25 percent goal, it must describe how it plans to improve its efficiency, as described in EAct, by 25%, and provide a target date by which this goal will be met.

Section 9.3 of this guidance provides information on reporting progress toward achieving the 25 percent goal.

8.3C Ongoing ARRA Financing Programs: The following template language should be included in Box 12, Monitoring Approach, of the Master File for any states continuing an ARRA Financing Program:

“Following the end of [State Energy Office’s Name]’s SEP ARRA grant [ARRA Grant Number], [State Energy Office’s Name], chose to continue financing program(s) established under our SEP ARRA Grant per SEP Guidance Series 10-008. This Guidance Series outlines the continuing administration and reporting required. No dollars have been transferred from the ARRA award to the Annual award as the dollars were expended during the period of performance of the ARRA award. Monitoring information on the programs, including the scope and quarterly financial information, can be found in the Financial Programs Report, submitted quarterly as part of [State Energy Office’s Name]’s SEP Annual grant quarterly reporting requirements.”

8.4 ANNUAL FILE

The Annual File section of the State Plan describes each market area and program activity for which the State requests financial assistance for a given year, including budget information and milestones for each activity, and the intended scope and goals to be attained either qualitatively or quantitatively. The SEP Narrative Information Worksheets capture this information. *We strongly encourage States to structure the activities within the market areas narrowly such that each market area represents only a single State-implemented program or*

activity. The Annual File should account for all funds budgeted within the program year, including funds for administrative activities. This includes match and PVE funds.

See 10 CFR Part 420.13 for more specific requirements on State Plans.

8.5 OTHER FORMS

The following files should be submitted as attachments with your application if applicable:

- Indirect Rate Agreement or Rate Proposal.
- Certifications regarding Lobbying.
- A document containing a link to the State's latest A-133 audit.

Projects/activities not included under the FOA-wide categorical exclusion are subject to additional NEPA review and approval by DOE. For activities/projects requiring additional NEPA review, States must complete the environmental questionnaire (<https://www.eere-pmc.energy.gov/NEPA.asp>).

8.6 STATE PLAN ACTIVITY CODES

States should identify program activities under the market areas and topic categories. Use of the markets and topic categories assists DOE in tracking grant-funded activities and gathering information on SEP regionally and nationwide. DOE is often required to provide analyses, justifications, and recommendations based on the information provided by the States. The use of these categories, which are included in the Narrative Information Worksheet, also assists in developing performance metrics for each activity.

8.7 MANDATORY REQUIREMENTS

The following activities and details on compliance are required in each State Plan:

- Establish mandatory lighting efficiency standards for public buildings;
- Promote carpools, vanpools, and public transportation;
- Incorporate energy efficiency criteria into procurement procedures;
- Implement mandatory thermal efficiency standards for new and renovated buildings, or, in States that have delegated such matters to political subdivisions, adopt model codes for local governments to mandate such measures;
- 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; and
- Ensure effective coordination among various local, State, and federal energy efficiency, programs for renewable energy and alternative transportation fuel within the State.

See 10 CFR Part 420.15 for more specific requirements on mandatory activities.

8.8 OPTIONAL PROGRAM ACTIVITIES

States may wish to consider the following program areas for inclusion in their State Plans:

- Program activities of public education to promote energy efficiency, renewable energy, and alternative transportation fuels;
- Program activities to increase transportation energy efficiency, including programs to accelerate the use of alternative transportation fuels for government vehicles, fleet vehicles, taxis, mass transit, and privately owned vehicles;
- Program activities for financing energy efficiency measures and renewable energy measures, which may include loan programs and performance contracting programs for leveraging of additional public and private sector funds and program activities which allow rebates, grants, or other incentives for the purchase of energy efficiency measures and renewable energy measures;
- Program activities for encouraging and for carrying out energy audits with respect to buildings and industrial facilities (including industrial processes) within the State;
- Program activities to promote the adoption of integrated energy plans which provide for (a) periodic evaluation of a State's energy needs, available energy resources (including greater energy efficiency), and energy costs; and (b) utilization of adequate and reliable energy supplies, including greater energy efficiency, that meet applicable safety, environmental, and policy requirements at the lowest cost;
- Program activities to promote energy efficiency in residential housing, such as (a) program activities for development and promotion of energy efficiency rating systems for newly constructed housing and existing housing so that consumers can compare the energy efficiency of different housing; and (b) program activities for the adoption of incentives for builders, utilities, and mortgage lenders to build, service, or finance energy efficient housing;
- Program activities to identify unfair or deceptive acts or practices which relate to the implementation of energy efficiency measures and renewable energy measures and to educate consumers concerning such acts or practices;
- Program activities to modify patterns of energy consumption so as to reduce peak demands for energy and improve the efficiency of energy supply systems, including electricity supply systems;
- Program activities to promote energy efficiency as an integral component of economic development planning conducted by State, local, or other governmental entities or by energy utilities;
- Program activities (enlisting appropriate trade and professional organizations in the development and financing of such programs) to provide training and education (including, if appropriate, training workshops, practice manuals, and testing for each area of energy efficiency technology) to building designers and contractors involved in building design and construction or in the sale, installation, and maintenance of energy systems and equipment to promote building energy efficiency;
- Program activities for the development of building retrofit standards and regulations, including retrofit ordinances enforced at the time of the sale of a building;

- Program activities to provide support for prefeasibility and feasibility studies for projects that utilize renewable energy and energy efficiency resource technologies in order to facilitate access to capital and credit for such projects;
- Program activities to facilitate and encourage the voluntary use of renewable energy technologies for eligible participants in federal agency programs, including the Rural Electrification Administration and the Farmers Home Administration; and
- Program activities to implement the Energy Technology Commercialization Services Program.

See 10 CFR Part 420.17 for more specific requirements on optional activities.

8.9 STATE ENERGY EMERGENCY PLANS

In conjunction with the SEP State Plan, States are required to file, for informational purposes only, an energy emergency plan detailing implementation strategies for dealing with energy emergencies. DOE encourages States to ensure that their plans are up to date. For States that desire to update their plan, model guidelines have been developed for incorporating energy efficiency and renewable energy technologies into a State's energy emergency plan. These guidelines can be viewed at: <http://naseo.org/eaguidelines/index.html>

8.10 EXPENDITURE PROHIBITIONS AND LIMITATIONS

8. 10A Prohibitions: States are prohibited from using SEP financial assistance to:

- Fund construction, such as construction of mass transit systems and exclusive bus lanes, or for the construction or repair of buildings or structures;
- Purchase land, a building or structure, or any interest therein;
- Subsidize fares for public transportation;
- Subsidize utility rate demonstrations or State tax credits for energy conservation or renewable energy measures; or
- Conduct or purchase equipment to conduct research, development, or demonstration of energy efficiency or renewable energy techniques and technologies not commercially available.

8. 10B Limitations:

- No more than 20 percent of the financial assistance awarded to the State for this program shall be used to purchase office supplies, library materials, or other equipment whose purchase is not otherwise prohibited.
- Demonstrations of commercially available energy efficiency or renewable energy techniques and technologies are permitted and are not subject to the construction prohibition or the 20 percent on equipment and direct purchase limitations.
- A State may use regular or revolving loan mechanisms to fund SEP services that are consistent with SEP rules and that are included in the approved State Plan. Loan repayments and interest on loan funds may be used only for activities which are

- consistent with the rules and are included in the State's approved plan.
- A State may use funds for the purchase and installation of equipment and materials for energy efficiency measures and renewable energy measures, subject to the following:
 - Such use must be included in the State's approved plan (and if PVE funds are used, the use must be consistent with any judicial or administrative terms and conditions imposed upon State use of such funds).
 - Such use is limited to no more than 50 percent of all funds allocated by the State to SEP in any given year, regardless of source, except that this limitation shall not include regular and revolving loan programs funded with PVE funds. States may request a waiver of the 50 percent limit from DOE for good cause. For regular and revolving loan funds, loan documents shall ensure repayment of principal and interest within a reasonable period of time, and shall not include provisions for loan forgiveness.
 - Funds may be used to supplement and no funds may be used to supplant weatherization activities under the Weatherization Assistance Program for Low-Income Persons.

See 10 CFR Part 420.18 for more detailed expenditure prohibitions and limitations.

8.11 EXPENDITURES WITHIN A GRANT PERIOD

States should expend all obligated funds within the annual budget period. If a State has unobligated balances to be authorized by a Contracting Officer for carryover from one budget period to another, the State must include such carry-over funds in its State Application.

It is imperative for States to spend all funds prior to the end of the period of performance of the grant. Any remaining unobligated funds will not be transferred to a subsequent award.

8.12 PROGRAM INCOME

DOE encourages States to earn income in connection with SEP activities to defray program costs. If the State Plan includes such activities, States should include an estimated amount of earned income in the budget portion of the Grant Application. Program income is defined in federal regulations as gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award. Program income includes but is not limited to:

- Income from fees for services performed.
- The use or rental of real or personal property acquired under federally-funded projects.
- The sale of commodities or items fabricated under an award.
- License fees and royalties on patents and copyrights.
- Payments of principal and interest on loans made with award funds.

Program income does not include interest on grant funds except as otherwise provided in this subpart, program regulations, or the terms and conditions of the award. Nor does it include rebates, credits, discounts, refunds, etc., or interest earned on any of them. Interest earned through loan fund programs generated by grant-supported activities is treated as program income.

(See 10 CFR Part 600.225 for further information.)

8.13 REVOLVING LOANS

8.13A Basic Programmatic Requirements

When a State uses funds for an established revolving loan fund, they are treated as obligated or encumbered. Once such a program is in place, returned principal and interest collected may be used to make additional loans or to fund the operations of the revolving loan program.

When DOE approves funds for a revolving loan, the State assumes responsibility for the stewardship and ultimate recapture of the principal and any interest at the end of the approved life of the program. These funds must eventually be closed out and a final accounting submitted to DOE. The report should include the amounts of interest collected and principal repayment. The State must apply the remaining principal and interest to restitution (in the case of PVE funds) or to other uses in the program for which they were originally authorized, including a decision on a reasonable timeframe for expenditure. Re-authorization of funds used in the revolving program will be based on State proposals and program rules and regulations along with court orders in effect at that (later) time. The interest would be considered program income when the program ends, and the final accounting report would reflect the balance of funds remaining over and above the original principal after subtracting any operating expenses.

Program regulations govern all funds assigned to SEP activity use, whatever their source. Appropriated funds, PVE funds, an estimated amount for program income, and the State share must all be listed in the budget portion of the Grant Application. All funds must then be spent on the activities described in the Grant Application and addressed in the financial and performance reports required under the grant.

8.13B Loan Loss Reserves and Other Financing Programs

On October 26, 2012, DOE issued revised program guidance on the use of Loan Loss Reserves (LLR) attached to revolving loan programs under SEP. The guidance states:

“The use of SEP funds for a loan loss reserve is an eligible use of funds if the loan loss reserve is in support of a loan made by the [State] or third party lenders that is for the ‘purchase and installation of energy efficiency and renewable energy measures.’”

The guidance outlines further conditions that must be met for LLR eligibility, and also describes eligible uses of several other financing mechanisms. For complete information, see SEP Program Notice 10-008D, "Guidance for State Energy Program Grantees on Financing Programs."

8.14 STATE MATCH TIMEFRAME

The 20 percent State match requirement must be met *each* year, not over the duration of the grant period. States must demonstrate the contribution (cash, in-kind or both) of an amount no less than 20 percent of every federal dollar that is spent *each* program year. Failure to meet this requirement *each* program year may result in disallowed costs.

9.0 METRICS AND REPORTING

Guidance has been published that provides the scope and purpose of reporting for SEP formula grants. SEP Program Notice Series 10-006, most recently published as 10-006C on February 4, 2013 is available at:

http://www1.eere.energy.gov/wip/pdfs/sep_02-04-13.pdf

9.1 PROCESS METRICS

Process metrics are an important element of formula grant reporting, and are described in detail in the reporting guidance (SEP Program Notice Series 10-006). Attached are the currently approved process metrics.

The attached list of process metrics can also be found at:

http://www1.eere.energy.gov/wip/pdfs/eecbg_sep_reporting_guidance_attachment_06242011.pdf

Some activities funded by SEP formula grants cannot be measured meaningfully by the metrics outlined here (e.g., emergency preparedness or quick-response analysis for legislators, State executives, or stakeholders). *The metrics discussed in this Guidance are not intended to restrict or change State activities funded by SEP.* Rather, they are intended to aid States so that, where possible, activity outcomes may be standardized so that they are more readily understood by Congress, by State executives and legislators, and by the public. SEP activities that do not fit well into these metrics should be reported qualitatively.

9.2 MEASURING PROGRESS TOWARD THE EAct 2005 GOAL

The metrics listed above should be adapted to measure progress toward the energy efficiency goal set forth in Section 123 of EAct 2005 of "an improvement of 25 percent or more in the efficiency of use of energy in the State concerned in calendar year 2012 as compared to

calendar year 1990.” States should provide substantive information on the status of their efforts toward achieving that goal in their PY2013 annual formula grant application materials.

9.2A Data to be Reported Annually Related to EAct Goal

States should measure and report annually the change since 1990 in:

- Total energy use per capita;
- Residential energy use per capita;
- Commercial energy use per capita;
- Transportation energy use per capita;
- Total energy intensity of production (Btu per dollar of State real GDP);
- Industrial energy intensity of production.

In addition, where feasible, States should include the following measures with their EAct reporting:

- The change in the sectorial distribution of energy use since 1990 (percentage of total energy use by residential, industrial, commercial and transportation sectors), and
- The change in real GDP per capita.

The recommendations in this section are based on the EAct requirement that activities contained in each State’s energy conservation plan must be linked to a State energy efficiency goal. By providing an assortment of goals rather than one single metric, it will be easier for States to link activities with appropriate interim goals as well as ultimate goals for 2013. For example, a State that has already significantly reduced its energy intensity of production may decide to focus its energy conservation plan on residential energy use, therefore its EAct activities would be better measured by residential energy use per capita.

While the last two metrics do not measure the reduction in energy use, they may indicate whether changes in energy use may be related to broader economic transformations rather than energy efficiency measures. For example, an apparent improvement in industrial energy intensity may result less from successful conservation efforts and more from recession, if the economic downturn has resulted in the loss of heavy manufacturing. States should report changes in all of the recommended indices, and should indicate to DOE which are most pertinent to its State energy conservation plan.

9.2B Information Sources

The Energy Information Administration (EIA) State Energy Data System (SEDS) database provides a common data source for all States working toward the EAct goal. A State should use the relevant SEDS data for 1990 as a baseline to calculate its goals, and then link each element of its State Plan to the appropriate goal. SEDS data can be found at:

<http://www.eia.doe.gov/emeu/states/seds.html>

Excellent State-specific information on energy consumption can also be found in EIA's State Profiles, at: <http://www.eia.doe.gov/states/>.

CONCLUSION

As SEP and its partners continue to draw both on regular federal appropriations and the valuable lessons and benefits from the Recovery Act, DOE looks forward to continuing to work with its State partners to implement effective SEP programs.



AnnaMaria Garcia, Program Director
Weatherization and Intergovernmental Program
U.S. Department of Energy
Office of Energy Efficiency and Renewable Energy

Attachments

1. PY13 SEP Formula Grant Allocations
2. SEP Formula Grant Process Metrics List (SEP 10-006C)

PY13 SEP FORMULA ALLOCATIONS
(\$39M, reduced 6% for sequestration)

State/Territory	Allocations
Alabama	\$ 582,800
Alaska	\$ 282,000
American Samoa	\$ 185,180
Arizona	\$ 549,900
Arkansas	\$ 450,260
California	\$ 2,441,180
Colorado	\$ 582,800
Connecticut	\$ 532,040
Delaware	\$ 252,860
District of Columbia	\$ 240,640
Florida	\$ 1,301,900
Georgia	\$ 839,420
Guam	\$ 191,760
Hawaii	\$ 266,020
Idaho	\$ 297,980
Illinois	\$ 1,500,240
Indiana	\$ 873,260
Iowa	\$ 530,160
Kansas	\$ 470,000
Kentucky	\$ 604,420
Louisiana	\$ 705,940
Maine	\$ 329,940
Maryland	\$ 673,980
Massachusetts	\$ 807,460
Michigan	\$ 1,243,620
Minnesota	\$ 776,440
Mississippi	\$ 428,640
Missouri	\$ 724,740
Montana	\$ 278,240
Nebraska	\$ 365,660
Nevada	\$ 328,060
New Hampshire	\$ 310,200
New Jersey	\$ 1,036,820
New Mexico	\$ 339,340
New York	\$ 2,042,620
North Carolina	\$ 847,880

PY13 SEP FORMULA ALLOCATIONS
(\$39M, reduced 6% for sequestration)

State/Territory	Allocations
North Dakota	\$ 265,080
Northern Marianas	\$ 183,300
Ohio	\$ 1,401,540
Oklahoma	\$ 523,580
Oregon	\$ 480,340
Pennsylvania	\$ 1,434,440
Puerto Rico	\$ 447,440
Rhode Island	\$ 286,700
South Carolina	\$ 528,280
South Dakota	\$ 260,380
Tennessee	\$ 704,060
Texas	\$ 2,161,060
U.S. Virgin Islands	\$ 196,460
Utah	\$ 374,120
Vermont	\$ 252,860
Virginia	\$ 826,260
Washington	\$ 668,340
West Virginia	\$ 401,380
Wisconsin	\$ 798,060
Wyoming	\$ 251,920
Total Allocation	\$ 36,660,000

Attachment 2: SEP Formula Grant Process Metrics List (SEP 10-006C)

Metric Area	Metric	Metric Item(s) to Report On
1. Building Codes and Standards	1a. Building Code Adoption	Name of new code adopted Name of old code replaced Number of new and existing buildings covered by new code Number of audits performed Floor space audited Auditor's projection of energy savings (kWh) Number of building roofs retrofitted Square footage of building roofs retrofitted Number of buildings retrofitted
2. Building Energy Audits	2a. Building energy audits, by sector	Number of buildings retrofitted
3. Building Retrofits	3a. Building roofs retrofitted, by sector	Square footage of building roofs retrofitted
	3b. Buildings retrofitted, by sector	Number of buildings retrofitted
	3c. Energy management systems installed, by sector	Square footage of buildings retrofitted Number of energy management systems installed Square footage of buildings under management
	3d. Water conservation retrofits, by sector	Number of water conservation retrofits completed
	3e. Water management systems installed, by sector	Number of water management systems installed
	4a. Alternative energy plans developed or improved	Number of alternative energy plans developed or improved
	4b. Climate Action Plans developed or improved	Number of Climate Action Plans developed or improved
	4c. Energy Efficiency and Conversation strategies (EECS) completed	Number of Energy Efficiency and Conservation strategies completed
	4d. Energy efficiency standards established or improved	Number of energy efficiency standards established or improved
	4e. GHG inventories completed	Number of GHG inventories completed
4. Clean Energy Policy	4f. Interconnection standards established or improved	Number of interconnection standards established or improved
	4g. Renewable energy feasibility studies completed	Number of renewable energy feasibility studies completed
	4h. Renewable portfolio standards established or improved	Number of renewable portfolio standards established or improved
	4i. Transportation feasibility studies completed	Number of transportation feasibility studies completed
5. Energy Efficiency Rating and Labeling	4j. Other policies developed or improved	Number of other policies developed or improved
	5a. Energy-consuming devices for which energy-efficiency rating and labeling systems were endorsed by grantee	Types of energy-consuming devices for which energy-efficiency rating and labeling systems were endorsed

Attachment 2: SEP Formula Grant Process Metrics List (SEP 10-006C)

Metric Area	Metric	Metric Item(s) to Report On
6. Financial Incentives and Rebates	6a. Financial incentives provided, by incentive type and sector	Monetary value of financial incentives provided
	6b. Total value of investments incentivized, by incentive type and sector	Total value of investments incentivized
7. Government, School, Institutional Procurement	7a. Units purchased, by type	Number of alternative-fuel vehicles purchased
		Number of energy efficient exit signs purchased
		Number of energy efficient HVAC units purchased
		Number of energy efficient IT systems or software packages purchased
		Number of energy efficient outdoor area lights purchased
		Number of energy efficient pieces of office equipment purchased
		Number of energy efficiency refrigerators purchased
		Number of energy tracking software packages purchased
		Number of energy efficient streetlights purchased
		Number of energy efficient water heating units purchased
8. Industrial Process Efficiency	8a. Reduction in electricity consumption	Reduction in electricity consumption (MWh/year)
	8b. Reduction in fuel oil consumption	Reduction in fuel oil consumption (gallons/year)
	8c. Reduction in natural gas consumption	Reduction in natural gas consumption (MMcf/year)
9. Loans and Grants	9a. Grants given	Number of grants given
	9b. Loans given	Total monetary value of grants given
		Number of loans given
	9c. Loans given that are supported by Loan Loss Reserves	Total monetary value of loans given
		Number of loans supported by loan loss reserves

Attachment 2: SEP Formula Grant Process Metrics List (SEP 10-006C)

Metric Area	Metric	Metric Item(s) to Report On
10. Renewable Energy Market Development	10a. Biofuel systems installed	Number of biofuel systems installed Total capacity of biofuel systems installed (gallons/year)
	10b. Biomass (non-transport) system installed	Number of biomass (non-transport) systems installed Total capacity of biomass (non-transport) systems installed (kW)
	10c. Ground source geothermal systems installed	Number of ground source geothermal systems installed Total capacity of ground source geothermal systems installed (tons)
	10d. Hydropower systems installed	Number of hydropower systems installed Total capacity of hydropower systems installed (kW)
	10e. Solar energy systems installed	Number of solar energy systems installed Total capacity of solar energy systems installed (kW)
	10f. Solar thermal systems installed	Number of solar thermal systems installed Total capacity of solar thermal systems installed (square feet)
	10g. Wind energy systems installed	Number of wind energy systems installed Total capacity of wind energy systems installed (kW)
	10h. Other systems installed (BTU/h)	Number of other systems installed Total capacity of other systems installed (BTU/h)
	10i. Other systems installed (kW)	Number of other systems installed Total capacity of other systems installed (kW)
	11a. Energy management staff hired	Number of sustainability officers or energy managers hired
	11. Technical Assistance	11b. Information contacts (e.g., webinars, site visits, media fact sheets) in which energy efficiency or renewable energy measures were recommended, by sector

Attachment 2: SEP Formula Grant Process Metrics List (SEP 10-006C)

Metric Area	Metric	Metric Item(s) to Report On
12. Transportation	12a. Alternative fuel vehicles purchased	Number of alternative fuel vehicles purchased
	12b. Bike lanes installed	Length of bike lanes installed (linear feet)
	12c. Conventional vehicles converted to alternative fuel use	Number of conventional vehicles converted to alternative fuel use
	12d. Energy efficient traffic signals installed	Number of energy efficient traffic signals installed
	12e. Energy efficient streetlights installed	Number of energy efficient streetlights installed
	12f. Energy efficient street signs installed	Number of energy efficient street signs installed
	12g. New alternative refueling stations emplaced	Number of new alternative refueling stations emplaced
	12h. New carpools and vanpools formed	Number of new carpools and vanpools formed
	12i. Sidewalks installed	Length of sidewalks installed (linear feet)
	12j. Street lane-miles for which synchronized traffic signals were installed	Number of street lane-miles for which synchronized traffic signals were installed
	12k. Vehicle miles traveled reduced	Number of vehicle miles traveled reduced annually (VMT/year)
	13. Workshops, Training, and Education	13a. People contacted
13b. Workshops, training, and education sessions held, by sector		Number of workshops, training, and education sessions held Number of people attending workshops, training, and education sessions
14a. Administrative		Administrative (no associated metric)
14. Other	14b. Manufacturing Re-Tooling	Number of facilities with manufacturing space repurposed for clean energy products Square footage of manufacturing space repurposed for clean energy products
	14c. Trees planted	Number of trees planted
	14d. Waste diverted	Amount of waste diverted annually (tons/year)
	14e. Other	Pertinent metric information for any activity not defined above should be captured and included as needed

