



COVID-19 RESTORATION PROPOSAL: SMALL BUSINESS ENERGY EFFICIENCY GRANT PROGRAM

This proposal sets forth the need, benefit, and structure for a grant program to provide federal funding to small businesses that would supplement, and not supplant, utility incentives to make energy efficiency improvements to their properties. The grant program would jump-start currently shuttered demand side management (DSM) programs for small commercial customers – *groceries, restaurants, markets, dry cleaners, service stations, and countless other small business operations*. The grant program serves the important functions of putting energy efficiency workers back to work as quickly as is safely possible while helping businesses across the U.S. to recover and rebuild by permanently lowering monthly energy costs.

Grants would be made to qualifying electric and natural gas utilities and DSM program administrators to flow federal support through to small business customers that make efficiency upgrades at little or no cost to the small business participants. Typical small commercial projects today receive utility incentives that represent between 35% and 65% of project costs; the remaining project costs would be supplemented by federal funding such that there are no costs borne by the small businesses.

SMALL BUSINESS BY THE NUMBERS:

Maximum annual electric demand of **300 kW**

Maximum annual natural gas consumption of **150,000 therms**

COVID-19 IMPACT ON SMALL BUSINESS DSM PROGRAMS AND CUSTOMERS

Small businesses are being hit hard by the COVID-19 economic crisis. These businesses employ one-half of the U.S. workforce and account for half of U.S. GDP. The energy efficiency workforce, including most of the 1.3 million electricians and other skilled and unskilled laborers working on utility DSM programs are employed by small businesses. Today, in states across the country, these firms have had to stop utility energy efficiency work, are not earning revenue, and have laid off or furloughed much of their workforce. The result is that many more energy efficiency workers lost their jobs in March than in any other segment of the clean energy workforce. Fully two-thirds of clean energy job losses were in energy efficiency businesses.

In the best of economic times, small businesses struggle to produce their share of the capital required to participate in utility-subsidized efficiency projects, despite recognizing the benefits of participation. On-bill financing from utilities and other lending offerings have helped to maintain program participation in recent years; however, with the devastating COVID-19 economic impacts, it is unlikely that small business customers will have the financial ability, nor the appetite, to borrow money to make efficiency upgrades. Supplementing utility incentives with federal funding to cover the customer's share of the project costs will ensure that these important utility programs can maintain and/or grow participation levels once the economy reopens.

WHY USE UTILITY DSM MODEL AS A DELIVERY MECHANISM FOR FEDERAL FUNDING?

Utility DSM programs represent portfolios of construction-ready projects that can be scaled up quickly to address the job loss due to COVID-19. The U.S. utility industry invests about \$8.3 billion annually on customer energy efficiency programs. Three-quarters of utilities operating in the U.S. currently offer DSM programs, employing a vast network of small businesses and contractors to deliver energy efficiency to their customers, a large portion of which are defined as "small business customers," according to their energy consumption and/or the size of the facility. These DSM programs represent an immediate means of disseminating federal funding to small businesses to help them lower energy costs, which in turn will help them to return to profitability when the economy reopens.

Utilities generally collect DSM program funds directly from customers as a surcharge or as part of the rate base. Importantly, such efficiency programs typically are established in public forums through official administrative proceedings (e.g., by state regulators for investor-owned utilities) and are scrutinized and evaluated for cost-effectiveness, quality control, and progress toward meeting established goals. The funds are utilized in targeted customer programs to buy down the costs of energy efficiency upgrades in homes and in commercial, industrial, and institutional

facilities. Energy efficiency programs have proven to be the most cost-effective investment a utility can make for its ratepayers, even before including the economic, environmental, and health benefits created. DSM programs benefit all utility customers, whether they participate directly or not, by reducing demand on the energy system and thus avoiding costs for new generation, transmission, and/or distribution.

The energy efficiency industry represents one of the largest segments of the overall energy workforce in America, employing 2.38 million people. Last year energy efficiency delivered more new jobs – 54,000 – than any other segment of the energy industry. Investing federal funding through existing DSM programs not only can help to reemploy energy efficiency workers now furloughed or unemployed but also can support the job growth trend that the country has witnessed in the energy efficiency workforce for the past four consecutive years.

BENEFITS OF A SMALL BUSINESS ENERGY EFFICIENCY GRANT PROGRAM

- **Zero cost to small business participants.** SBEEG awards are to offset the small business customer's costs so that after DSM program administrator incentives are provided, the cost to the small business for products, projects, or services could be reduced to \$0.
- **Federal funds will flow immediately upon receipt.** DSM programs have an existing infrastructure of program administrators, implementers, and skilled local contractors, as well as marketing tools and experience, that will enable federal funds to be used by small businesses quickly and cost-effectively.
- **Federal funds are protected.** Utility programs have established unit pricing and competitively bid contract vehicles, therefore mitigating procurement delays and price gouging risks.
- **Federal funds will be leveraged.** Federal funding may be matched and/or exceeded by utility incentives for energy efficiency projects that already are available.
- **Federal funds will create new jobs.** Higher participation means faster program throughput, creating even more efficiency jobs than existed pre-COVID-19.
- **Guaranteed ROI.** High incentives increase participation rates dramatically. Field experience demonstrates that nine out of 10 facilities approached with energy efficiency opportunities will move forward, lowering customer acquisition costs, and therefore ensuring a greater percentage of funds flow directly to small businesses.
- **Fast action NOW.** In the near term, countless buildings are mostly vacant, meaning work can be conducted now, while adhering to social distancing guidelines and protocols that will protect workers.
- **Participation can be nationwide.** Eligible DSM programs exist in virtually every state across the U.S.
- **Positive quality of life impacts.** Improvements create better work environments and lower operating costs for small businesses, providing immediate and long-lasting benefits.
- **Mainstreaming of advanced building solutions.** Projects will consist of the latest energy-efficient lighting, HVAC, and refrigeration equipment, as well as create opportunities to scale electric heat pumps, building IOT devices, solar, storage, electric vehicle charging, and more.

PROGRAM STRUCTURE

Program Type: A grant program to be administered by the Secretary of Energy through the Building Technologies Office (BTO) within the Office of Energy Efficiency and Renewable Energy (EERE).

Eligible Entities: Investor-owned electric and natural gas utility companies, public power, rural electric cooperatives, non-utility organizations (including state government, contractors, non-profit organizations) operating in the U.S., its territories, and tribal nations that administer energy efficiency programs.

Program Funding Request: \$6.0 billion

Program Duration: 2 years

Program Purposes:

- Benefit small businesses, including those in underserved communities, by paying the small business portion of investments in energy efficiency projects;
- Leverage and secure non-federal investments already in place through the eligible entities;
- Increase energy efficiency in U.S. small businesses to reduce energy costs, and modernize their facilities to increase their competitiveness;
- Rebuild the U.S. economy by permanently lowering operating costs to small businesses;
- Reinvigorate the energy efficiency workforce, the largest segment of the U.S. energy industry;
- Increase participation of small business concerns and entities in underserved and rural markets, including veterans and members of the military community, small business concerns owned and controlled by socially and economically disadvantaged individuals, women, and businesses in operation for less than two years;
- Reduce all utility customer energy bills by reducing overall energy demand;
- Improve the resilience, reliability, and flexibility of the grid by lowering peak demand, overall consumption, and through load shifting;
- Increase comfort and human productivity within small business facilities; and
- Reduce CO₂ and other emissions.

Grantee Requirements:

- Participants must offer electric or natural gas Demand Side Management (DSM) programs for small nonresidential customers in the U.S., its territories, or its tribal nations.
- Participants must utilize federal funding through a qualified DSM program that serves small business customers with energy efficiency upgrades.
- Participants with existing qualified DSM programs must certify that the incentive levels and services provided to each participating small business through such programs using non-federal funds will be at or above the levels offered in February 2020.
- Participants without existing qualified DSM programs must certify that incentives and services provided using non-federal funds will represent at least 35% of the costs of providing energy efficiency upgrades and services to participating small business customers.
- Participants must identify strategies in place and/or to be put in place to include small businesses in underserved and rural markets, including veterans and members of the military community, small business concerns owned and controlled by socially and economically disadvantaged individuals, women, and businesses in operation for less than two years.

Limitations on Funds:

- No eligible entity may receive more than \$100 million in funding.
- Funds can be used only for DSM programs that serve small business customers.
- All federal funds, beyond those allowed for utility program administration and marketing, must be used to the benefit of the participating small business customers, including but not limited to: direct install and rebate programs, on-bill project financing, digital customer engagement activities, and energy use assessments.
- Funds may be applied to existing demand-side programs, including but not limited to: those that incentivize traditional energy efficiency measures (e.g. lighting, HVAC), distributed energy resources, and heat pumps or other beneficial electrification technologies.
- Awardees must comply with Title VI requirements against discrimination in all contracting and hiring sourced by federal funding, including procedures, criteria, or methods of administration (such as contractor or subcontractor eligibility requirements) that appear neutral but have a discriminatory effect on individuals because of their race, color, or national origin.

Guidelines to the U.S. Department of Energy (DOE) in Administering the Program:

- For purposes of this program, “small business” is any entity that is eligible for participation in each participating program administrator’s small business and/or small non-residential account DSM program. Participation would be limited to businesses with annual electric demand less than 300 kilowatts (kW) and annual natural gas consumption less than 150,000 therms.
- DOE shall announce the program and issue applications for participation within 30 days of enactment.
- DOE shall review and select grant recipients within 30 days of receipt of an application until all funds are expended. To the extent practicable, DOE shall achieve the following through the grant program: 1) geographic diversity; 2) participation by investor-owned utilities, public power, rural electric cooperatives, and third-party program administrators; and 3) selection of DSM programs that prioritize small business concerns and entities in underserved and rural markets, including veterans and members of the military community, small business concerns owned and controlled by socially and economically disadvantaged individuals (as defined in the Small Business Act (15 U.S.C. 637(a)(4)), women, and businesses in operation for less than two years.
- DOE shall select an independent evaluator (a national laboratory or other qualified institution) to assess the outcomes of the various projects selected for funding under this program including actual energy (kWh, kW, and therms) saved and cost savings realized based on changes in consumption at the customer meter; jobs created; additional investment leveraged by the federal funding; and environmental and societal impacts.. Utilities accepting funding shall be required to share data to validate these impacts. To the extent practicable, the evaluator will accept and rely upon the findings of utility DSM program independent evaluators to lessen administrative burdens on the utilities.
- DOE will report on the program to Congress annually.
- DOE shall establish program guidelines that will ensure that the intent of the law is fully realized and that taxpayer funds are spent wisely.