



Apartment and Office Building Association
of Metropolitan Washington

ENERGY EFFICIENCY EDUCATION PROGRAM

SPECIAL REPORT FOR AOBA MEMBERS

- Federal Stimulus Funding
- State & Local Government Energy Programs
- Utility-Sponsored Programs



Federated with:



This document provides an overview of government and utility-sponsored energy efficiency, conservation and renewable energy programs and highlights funding sources of interest to AOBA members. In tracking Federal stimulus dollars, AOBA reviewed initiatives in Virginia, Maryland and the District of Columbia.

To assist us with this task and as part of AOBA's Energy Efficiency Education program, AOBA briefly retained K&L Gates, a law firm with Federal government expertise. We quickly learned, however, that most funding will flow through the states. Therefore, AOBA has retained a consultant, Keith Townsend, to focus his efforts on assisting members with these time-sensitive opportunities. Keith is an attorney specializing in utility issues who most recently was Assistant General Counsel for Pepco Holdings, and was previously Senior Counsel for Washington Gas. He may be reached at ktownsend@aoba-metro.org or by phone at 202.296.3390, ext. 768.

A WORK IN PROGRESS

Please note that details and funding about all programs continues to evolve. While some state and local programs have exhausted funding for their existing programs, many programs will likely be expanded through Federal stimulus dollars, subject to U.S. Department of Energy (DOE) approval. Members are encouraged to submit applications to programs of interest. Tax incentives and rebates are also available. **Pepco** expects to roll out its programs in DC and Maryland this summer (See details on page 6). **BG&E** has similar plans for Maryland. **Virginia Dominion Power** will file its energy conservation programs with state regulators this summer.

FEDERAL OVERVIEW: What We Have Learned...and What You Need to Know

Over the past few months, AOBA has focused efforts to:

- 1) understand the full scope of the “American Recovery and Reinvestment Act” (Federal stimulus dollars) allocated for energy efficiency and conservation, and
- 2) ensure that AOBA members have the maximum opportunity to take advantage of these funds.

The vast majority of Federal energy efficiency funding is being allocated to the states and localities through the DOE using a prescribed formula, *so the real potential for AOBA members is at the state level – not at the Federal level.*

U.S. DEPARTMENT OF ENERGY FUNDING

The DOE will distribute to local governments \$3.2 billion in Energy Efficiency and Conservation Block Grants for projects that reduce energy use and fossil fuel emissions and improve energy efficiency. This money may be used for energy audits, energy efficiency retrofits in residential and commercial buildings, and the development and implementation of more sustainable building codes. It will be distributed primarily at the city and county level.

The DOE will also distribute \$3.1 billion to states for their State Energy Programs to implement their own clean energy programs and projects. A \$5 billion Weatherization Assistance Program will help low-income Americans weatherize their homes to make them more energy efficient. For more information on these programs, visit www.eere.energy.gov/recovery/.

DOE will also provide grants and loans targeted for specific projects. The amount of Federal stimulus funding available, what projects are funded, and who is eligible to receive funding varies and is determined by DOE. For more information on these programs, including eligibility requirements, visit www.energy.gov/recovery/funding.htm and www.energy.gov/recovery/funding.htm.

HUD PROGRAMS RELEVANT TO MULTIFAMILY MEMBERS

The Department of Housing and Urban Development (HUD) is spending \$250 million for energy retrofits of privately owned, federally assisted housing and will work closely with DOE on the distribution of its energy efficiency and conservation programs. DOE and HUD have issued a memorandum of understanding to coordinate their efforts on home energy retrofits. For more information, download www.hud.gov/recovery/doemoucombined.pdf.

FEDERAL TAX CREDITS AVAILABLE

The Stimulus legislation extended a number of energy tax deductions, credits and state bond funding for green buildings. A **Federal tax credit extended through 2013 relates directly to energy efficient commercial buildings that allow taxpayers to deduct the cost of energy-efficient property installed in commercial buildings** (the term “commercial buildings” does not include multifamily properties). The amount deductible is up to \$1.80 per square foot of building floor area for buildings achieving a 50% energy savings target. The energy savings must be accomplished through energy and power cost reductions for the building’s heating, cooling, ventilation, hot water, and interior lighting systems. This bill extends the energy efficient commercial buildings deduction through Dec. 31, 2013. For more details on this and other tax breaks, visit www.energy.gov/additionaltaxbreaks.htm.

STATE AND LOCAL GOVERNMENT OVERVIEW: Finding Dollars for Green

The states and localities have enacted numerous incentives, tax credits, rebates, loans and exemptions in support of energy efficiency, conservation and renewable energy initiatives. Programs—such as weatherization and the installation of solar, geothermal equipment and energy system improvements—have been funded. These programs are administered by state energy offices with tax-based benefits received directly from the state or locality. Commercial and multifamily units are eligible recipients.

UTILITY PROGRAM OVERVIEW: Expanded and New Programs Coming Soon

Maryland and the District of Columbia have also mandated energy efficiency and conservation programs to be administered through the utility companies. For example, utilities will provide programs specifically targeted for commercial and multifamily buildings with direct financial incentives or bill credits for energy efficiency, conservation and reductions in energy consumptions. These programs are separately funded through surcharges on customer accounts.

Expect Pepco to begin offering its programs in Maryland and DC in July/August of 2009. For specific program information, see **Beyond the Stimulus: Pepco’s Energy Efficiency Programs for DC and Maryland; PJM Demand Response Program** on page 6.

Virginia is expected to adopt energy efficiency and conservation programs with a filing by Dominion Virginia

Power expected this summer. While separate from the Federal stimulus-funded programs and tax incentives, these utility programs provide specific opportunities for AOBA members, and we will track these programs over the coming months.

AOBA'S NEXT STEPS: Connecting Members to Information and Contacts

AOBA is taking a comprehensive approach to this complex process, and we will continue to update members with the most relevant information available, and provide informational meetings for members on specific programs. Please stay tuned!

Note: To learn more details at the state level and at our utilities, AOBA staff members met with executives of the Virginia Department of Mines, Minerals and Energy, Maryland Department of Energy, District Department of the Environment, and Pepco. The following summarizes our findings from these meetings and discussions with other stakeholders regarding these important energy issues. If questions arise, please contact Keith Townsend, ktownsend@aoba-metro.org or Marie L. Tibor, mtibor@aoba-metro.org.

VIRGINIA

BOTTOM-LINE: The Virginia Department of Mines, Minerals, and Energy Division of Energy (DMME) will administer the Federal stimulus programs. AOBA is tracking the following:

FEDERAL STIMULUS FUNDING ALLOCATED TO VIRGINIA	
Weatherization	\$94,134,276
State Energy Program	\$70,001,000
Energy Efficiency & Conservation Block Grant Program	\$60,719,900
Science	\$75,000,000
Total	\$299,855,176

The Commonwealth of Virginia submitted its application to the U.S. Department of Energy for \$70 million in Federal stimulus funds for the State Energy Program. The state proposes to spend these funds in three program areas to be administered by DMME:

- \$32.14 million in grants or rebate incentives to stimulate purchases of renewable energy systems for residences, businesses and government facilities.
- \$15 million will be made available to households and businesses to support installation of solar and small wind power systems.
- \$20 million in three economic development incentives to support biomass, waste-to-energy renewable energy and energy efficiency products, services and projects

Specifics regarding the above three programs are available at www.dmme.virginia.gov. (Virginia American Recovery and Reinvestment Act)

VIRGINIA TAX INCENTIVES

Virginia tax incentives are offered by localities. For example, local jurisdictions may assess the property tax of energy efficient buildings at a reduced rate. Under this law, eligible energy-efficient buildings, not including the real property on which they are located, may be considered a separate class of property for local taxation purposes. Accordingly, the governing body of any county, city or town may, by ordinance, allow a special assessment of the property taxes for this class of property. An energy-efficient building is defined as any building that exceeds the energy efficiency standards of the Virginia Uniform Statewide Building Code by 30%; meets performance standards by Green Globes, LEED or Energy Star. For more information, visit www.dsireusa.org and click VA on the map.

Virginia allows any county, city or town to exempt or partially exempt solar energy equipment or recycling equipment from local property taxes. Residential, commercial or industrial property is eligible. The statute broadly defines solar energy equipment as any that is “designed and used primarily for the purpose of providing for the collection and use of incident solar energy for water heating, space heating or cooling or other application which would otherwise require a conventional source of energy.” Recycling equipment is defined as equipment which is “integral to the recycling process and for use primarily for the purpose of abating or preventing pollution of the atmosphere or waters.” Cities and counties currently offering an exemption include: Alexandria, Fairfax, Falls Church, Loudoun, and Prince William. For more information, visit www.dsireusa.org and click VA on the map.

MARYLAND

BOTTOM-LINE: For most programs, Federal stimulus dollars to Maryland will be administered by the Maryland Energy Office (“MEA”) with the Maryland Department of Housing and Community Development continuing to administer the state’s weatherization program. Low income residents of multi-family residential properties are eligible for weatherization funding. AOBA is tracking more details on the following:

FEDERAL STIMULUS FUNDING ALLOCATED TO MARYLAND

Weatherization	\$61,441,745
State Energy Program	\$51,772,000
Energy Efficiency & Conservation Block Grant Program	\$52,295,100
Total	\$165,508,845

MEA PROGRAMS

To avoid duplication of programs by state agencies and utilities, MEA is considering low-interest loans to be available for specific projects. Guidelines are to be developed, in concert with the utilities (and likely co-marketed with the utility programs).

Through MEA, Maryland offers a number of tax incentives, grants and loans to promote the use of renewable energy and energy efficient systems. These programs include:

- **BioHeat Tax Credit** that provides for a \$0.03/gallon tax credit up to \$500 for individuals and corporations that purchase Bio-Heating Oil for space and water heating;
- **Solar Energy Systems** with a maximum grant of \$10,000 and **Solar Hot Water** systems with the lesser of \$2,500 or 30 percent of the total installed cost;
- **Geothermal Heat Pump Grant** with a maximum grant of \$10,000;
- **Windswept Grant Program** will help offset a portion of the cost of small scale wind energy projects. A limited number of grants are available to Marylanders to install eligible wind energy systems of at least 1 kW for residential properties and 1.5 kW for non-residential properties. Grant amounts are \$2500/kW for a maximum grant amount of \$10,000; and
- **Lawton Loans** provides approximately \$1.5 million in funding for new projects each fiscal year to local

governments, nonprofits, and businesses to reduce their operating expenses by identifying and installing energy conservation improvements. Projects considered for funding can include those that: save energy and have a simple payback of seven years or less. All costs necessary for implementing an energy conservation project may be considered for funding, including the technical assessment, reasonable fees for special services, plans and specifications, and actual construction costs. The current average interest rate is approximately 3%. Up to 40% of each year’s allocation, or approximately \$600,000, is available per loan. The interest rate is negotiated by individual loan and is guaranteed to be below market rate.

According to MEA, these programs are currently accepting new applicants which are being waitlisted, with MEA expecting to increase funding of these programs through Federal stimulus funds. Project funding is on a first- come, first-served basis. For more information on these programs, visit www.energy.maryland.gov.

Maryland also provides exemption from property taxes for some or all of the value of solar energy and geothermal heating, cooling and hot water systems installed in multi-family and commercial properties. The amount to be excluded from a structure’s real property tax assessment varies, based on whether the solar or geothermal equipment is in place of, or is in addition to, a conventional system. For more information contact Henry Sikorski, Maryland Department of Assessments and Taxation, Real Property Valuation Division, at 410.767.1199 or by email at hsikorski@dat.state.md.us.

Montgomery County, MD provides a high performance building tax credit and rebates on the purchase of clean energy from renewable sources. For more information, visit www.dsireusa.org and click MD on the map.

UTILITY PROGRAMS – MARYLAND

Under the EmPower Maryland Energy Efficiency Act of 2008, the Maryland Public Service Commission approved several utility company-sponsored programs, among those proposed by the utilities, relevant to AOBA members. **These programs are targeted to achieve energy reductions (for all customer classes) of at least 5% by the end of 2011 and 10% by the end of 2015**, compared to 2007 energy consumption. In addition, each utility is required to develop programs to reduce demand for electricity by a targeted reduction in peak electricity demand of at least 5% by the end of 2011, 10% by the end of 2013, and 15% by the end

of 2015, compared to usage in the electric company's service territory in 2007. Funded through a surcharge on customer bills, these approved programs will be administered by a third party contractor. BG&E has selected ICF and Pepco is in the process of selecting a contractor. For more information about BG&E's incentive programs for businesses, including online applications, visit www.bgesmartenergy.com/business.html and click "Energy Solutions for Business."

Each utility is also required to develop a General Awareness Campaign for their service territory to educate consumers about the benefits of energy efficiency and conservation with the intent of influencing consumers to make decisions that reduce their energy consumption. The Commission has approved utility awareness campaign budgets totaling \$5.97

million annually, with BG&E's budget of \$2.5 million and Pepco's budget of \$1.3 million. The utilities are expected to launch these programs beginning July/August of 2009.



DISTRICT OF COLUMBIA

BOTTOM-LINE: Stimulus dollars may provide additional opportunity for members from the DC government, beyond weatherization funds available to multifamily members with low-income residents. Also, there is potential opportunity from Pepco's expanded energy efficiency and demand management programs, once they are implemented. AOBA is tracking the following:

FEDERAL STIMULUS FUNDING ALLOCATED TO THE DISTRICT OF COLUMBIA

Weatherization	\$8,089,022
State Energy Program	\$22,022,000
Energy Efficiency & Conservation Block Grant Program	\$9,593,500
Total	\$39,704,522

DDOE PROGRAMS

The District Department of the Environment Energy Office (DDOE) operates the weatherization program. According to DDOE, stimulus dollars are capped at \$6,500 per renter and eligibility is based upon the federal poverty level. Also, for a building to qualify, the owner must certify the number of residents in the building and that 66% of these residents meet the federal income guidelines.

Through DDOE, the District government provides for a maximum of \$33,000 for the installation of solar and wind turbine equipment as part of its renewable energy program. Projects may include but are not limited to the installation of systems on single and multi-family dwellings, as well as commercial and institutional buildings. This \$2 million annual program is oversubscribed, but *the District is still receiving applications online and will seek additional funding from the 2009 Federal stimulus dollars to fund additional projects.* For more information, visit www.dsireusa.org and click DC on the map.

UTILITY PROGRAMS – DC

The Clean and Affordable Energy Act of 2008 authorized the DC Public Service Commission to approve energy efficiency programs that were proposed by Pepco in 2007. An annual budget of \$6 million per year for three years (2009, 2010, and 2011) was authorized and approved for Pepco's energy efficiency and conservation programs, expected to rollout in July/August. Pepco intends to use the same third party contractor to administer its programs in DC and Maryland. Pepco has budgeted \$420,000 for its DC customer information campaign on the benefits of energy efficiency and conservation for FY 2009.

Continued on page 6 >>

BEYOND THE STIMULUS: Pepco's Energy Efficiency Programs for DC and Maryland; PJM Demand Response Program

Pepco proposed a number of energy efficiency and conservation programs in their "BluePrint for the Future" filings in DC and Maryland. The DC Public Service Commission approved Pepco spending \$6 million annually for 2009, 2010 and 2011 for four nonresidential programs and one residential program. Pepco's programs, to be operated by a third party contractor, are provided in response to DC's Clean and Affordable Energy Act of 2008. The Maryland Public Service Commission approved the same four nonresidential energy efficiency and conservation programs submitted by Pepco as adopted in DC (BG&E has similar programs approved by the Commission) in response to the EmPower Maryland Act of 2008. These programs are projected to be available by July/August of 2009 *and are in addition to state and local programs funded through the Federal stimulus dollars*. Pepco customers will receive direct payments or bill for the following:

- ▶ **Prescriptive Rebate Program** includes energy-efficient lighting products, vending machine controls, motors and variable frequency drives.
- ▶ **Heating, Ventilation and Air-Conditioning Program** includes financial incentives for the purchase of energy-efficient air conditioning and heat pump equipment and high efficiency control options installed with the new equipment.
- ▶ **Custom Incentive Program** promotes cost-effective energy efficiency measures customized to the specific needs of a business customer. Financial assistance will be provided for new equipment, facility modernization and industrial process improvement. Comprehensive audits and technical assistance will also be provided.
- ▶ **Building Commissioning and Operations & Maintenance Program** seeks to improve how facilities are operated and maintained. The program will offer technical and financial assistance to identify and implement low cost tune-ups and adjustments that improve the efficiency of building operating systems. This program will also include a strong education component to promote the value of commissioning and training.

The Maryland Commission approved Pepco's residential energy efficiency programs that includes Energy Star lighting and appliances provided through markdowns and rebates, energy audits, residential HVAC, and a program targeting low and moderate income customers receiving a maximum of \$5,000 for energy efficient window air conditioners,

refrigerators, and window replacements. According to Pepco, owners of multi-family properties have opportunities to participate in the residential and non-residential programs approved. Stay tuned for more information.

MEA has also expressed interest in establishing a multi-family energy efficiency program funded through Federal stimulus dollars. Stay tuned for more information.

The Maryland Commission also approved Pepco's **Non-residential Internet Demand Reduction Platform** for large commercial customers. This program is intended to motivate owners of large commercial facilities to reduce energy usage during peak demand for energy. Customers will receive hourly, daily or monthly data on their consumption (depending on existing metering) and cost for energy through Pepco's Internet Platform. This information will permit the customer to make rational choices on curtailing the use of energy during periods of high energy costs. According to Pepco, this program will be launched in summer 2010. **Stay tuned for more developments on Pepco's programs as they become available.**

PJM DEMAND RESPONSE PROGRAM

In DC, Maryland, and Virginia, a demand response program is available. PJM coordinates the distribution of wholesale electricity for our region. **Approximately 6,000 commercial and 45,000 small commercial and residential properties participate in PJM's demand response program.** PJM will request participating customers to reduce energy consumption when demand for electricity is high in order to meet demand requirements throughout the region. In return, PJM makes payments to participants.

For example, a commercial customer with a 500,000 square foot office building earned \$20,000 for reducing energy consumption over five days during a single summer.

For more information, contact your electric utility provider, or visit:

- ▶ www1.eere.energy.gov/femp/program/utility/utilityman_em_dc.html (DC)
- ▶ www1.eere.energy.gov/femp/program/utility/utilityman_em_md.html (MD)
- ▶ www1.eere.energy.gov/femp/program/utility/utilityman_em_va.html (VA)