

FAQs: SMALL BUSINESS ENERGY EFFICIENCY GRANT (SBEEG)

What is the Small Business Energy Efficiency Grant program (SBEEG)?

The Small Business Energy Efficiency Grant program is designed to rapidly deliver federal funds to small businesses to help them recover from the economic shutdown by immediately and permanently lowering monthly operating costs through energy efficiency upgrades. Grants would be made to utilities and third parties that administer Demand Side Management (DSM) programs to supplement funding that they offer to small businesses so that **energy efficiency upgrades can be made at zero cost to the small business, schools, or public facilities that participate.**

Are Schools or Public Facilities eligible to participate in the grant program?

Depending upon size, yes. Many smaller public buildings, including K-12 schools, would qualify for grants under their utility's nonresidential "direct install" program. While [each utility sets](#) limits on what qualifies as a "small public facility" or "small nonresidential" customer class, typically based upon square footage or monthly/annual electricity or natural gas consumption, the only limitation under the SBEEG program would be the 300 kW/150,000 therm cap.

What is demand-side management (DSM)?

All activities or programs undertaken by any load-serving entities and customers, to achieve a reduction in demand, including the amount and timing of electricity use ([NERC](#)); includes demand response, brief curtailment, or broad, shallow, and less immediate programs such as the promotion of energy efficient equipment in residential and commercial sectors ([EIA](#)).

Why use utility DSM programs as delivery model rather than an existing or new federal program?

Three-quarters of the utilities in the U.S. administer \$8.3 billion annually in DSM programs in nearly every state, meaning federal funding would be highly leveraged and available nationwide. The programs are scrutinized carefully by governing bodies and have proven to be cost-effective and highly impactful. DSM programs have an established infrastructure of energy service providers, contractors, electricians, and other skilled and unskilled workers that can ensure that federal funding moves quickly into the market, avoiding the time delays that plagued many of the 2009 ARRA stimulus programs. Importantly, DSM programs support a significant number of the 1.3 million jobs in energy efficiency that are related to construction, energy services, electricians, HVAC workers, and many other skilled and unskilled workers. Infusing DSM programs with federal funding will help to bring back jobs lost from the shuttering of these programs and would create new jobs as well.

How much funding is being sought and over what period of time?

The SBEEG program would be funded at \$6 billion, to be authorized for use by DSM program administrators (PAs), over a two-year period. The two-year window would provide utilities with the flexibility to ramp up construction and renovation activity when safety protocols are in effect, but would emphasize the need for rapid delivery of DMS projects.

Who administers the program?

Grants for the SBEEG program would be awarded on a rolling basis by the U.S. Department of Energy (DOE). DOE would formally establish any eligibility criteria, application requirements, and implementation guidance not included in the enabling statute. DOE would collect information on the use of the funding from the grantees and would report regularly to the Congress. The grants would be administered by local qualifying PAs, including investor-owned utilities (IOUs), publicly owned utilities, rural electric cooperatives (RECs), and third-party providers that offer, or elect to offer after enactment, DSM for nonresidential customers who consume less than 300 kW average monthly electric peak demand, or less than 150,000 therms of natural gas.

Who is eligible to apply for grants and how much is available per grant?

Electric and natural gas utilities of all types, including IOUs, publicly owned utilities, and RECs that have established DSM programs for small nonresidential customers would be eligible for federal grants, as would third-party program administrators in states or jurisdictions that authorize such programs in lieu of utility administration. Grants would be capped at \$100 million for use to offset the small nonresidential customer share of project costs to zero.

What about utilities that don't currently have DSM programs for small businesses?

Utilities that do not have active DSM programs for small commercial/nonresidential customers are eligible to apply for grants if they propose to establish such a program and demonstrate the ability to use the federal funds sought within two years of receipt of the grant. Such utilities would also have to certify that they will provide incentives to leverage federal funding requested.

Who administers DSM programs?

Nearly three-quarters (74%) of U.S. electric and natural gas utilities currently administer DSM programs overseen by state regulatory commissions (IOUs) or dedicated boards (in the case of public power). Where utilities do not operate as direct PAs, states have authorized administration by third parties (e.g., DC Sustainable Energy Utility (DCSEU)). The SBEEG program would make no changes to local governance of DSM programs.

What are the total annual budgets for DSM programs in the U.S. currently?

According to the Consortium for Energy Efficiency (CEE), U.S. electric and natural gas utilities invested \$8.3 billion into DSM programs in 2018, including \$7.7 billion from ratepayer funds. Utility investments in ratepayer-funded programs resulted in 28,944 GWh of gross incremental electric savings and over 449 million therms of gas savings in 2017.

What is the average percentage of DSM funding to C&I programs that include small business customers?

Utility DSM programs vary from entity to entity on such a large degree that programs targeting smaller nonresidential customers account for widely disparate investment levels. What is clear is that the small commercial/nonresidential customer class is underserved in the best of times, with **participation rates 33% lower** than participation in similar programs for all business types. Despite small businesses accounting for up to 50% of a utility's load, small customers realize participation rates in DSM programs below 2%, such as 1.4% of eligible electric customers in the case of this Massachusetts **SBDI program** (2012). Energy savings from small businesses are also disproportionately low compared to usage, such as this report of small commercial customers using 50% of the electricity in a service territory but accounting for **just 7%** of energy savings.

How is "small business" or "small nonresidential" customer class defined?

Utilities determine customer classes in accordance with jurisdictional regulatory boards, typically grouped by similar characteristics or usage patterns (EIA). SBEEG allows grant recipients to use their individual small business customer class determinations so long as such customers have an average monthly peak demand below 300 kW and/or 150,000 therms. Small nonresidential customers can include small businesses, public facilities, and schools under a certain size.

Why target small businesses for the SBEEG program?

Small businesses are a hard-to-reach segment of the nonresidential customer class considered to be "commercial customers." Although small businesses in aggregate can account for up to 40-50% of a utility's load, the participation rate in ratepayer-funded utility DSM programs can be as low as 2%, due to several barriers. Small businesses often do not have appropriate information or staff dedicated to energy management; further, and most importantly, they have limited access to credit or immediate capital presenting a significant barrier to participation that increases as the costs to the customer for the efficiency upgrade increase. Experience shows that the higher the incentive to the small business, the greater the participation rate.

Why would utilities want to participate?

The SBEEG program would provide supplemental funding for the small business programs which would increase participation rates, resulting in lowered program administration costs per kWh saved, thus making the programs more cost effective. The program also provides an opportunity for utilities to improve the economic viability and competitiveness of their small business customers in their communities; improvements that will be critical as small businesses try to recover from the economic crisis caused by COVID-19. And, increasingly, utilities are accountable to states and local governments for delivering energy savings and related GHG reductions across their portfolios due to

state and local climate and sustainability commitments. Further, reduced demand can offset the need for costly infrastructure investments while increasing reliability and resilience of service.

What does the utility pay?

The federal grant is intended to supplement, not supplant incentives utilities provide to lower the small business costs for energy efficiency to zero. Typical DSM programs for small commercial customers offer to cover between 35–65% of project costs, with the small business customer providing the remainder. Federal funds would be used to cover the cost that otherwise would be borne by the small business customer so that the cost to small business participants is zero.

What does the small business or school pay?

Small businesses that participate in the SBEEG program would pay zero (\$0), with their share of project costs that otherwise would be required to receive the utility service or incentive to be provided by federal stimulus funding. Zero-cost would apply to any application fees, design and implementation costs, consultation, technical assistance, and delivery costs. Utility and energy service companies anecdotally relay that program participation can increase to up to 90% of eligible customers when incentives are increased to cover the participant's share of project costs.

Why not deliver funding through an existing federal program?

Utility DSM programs exist, although at the state and local level. While the federal grant program would require a new federal authorization, it serves only to flow federal funding to utilities and third-party PAs that have *existing DSM programs* for small nonresidential customers, including schools and small businesses. These programs have an entire infrastructure for delivery of energy efficiency to small business already in place, assuring that federal funding can flow quickly into the market. Further, utility DSM programs are already well vetted by public utility commissions and public power boards of authority that ensure cost-effectiveness, quality assurance, and evaluation, measurement, and verification of programs. Using DSM programs which are so highly scrutinized will ensure that federal funds are used wisely and to the benefit of small businesses.

Why not simply reauthorize the Energy Efficiency and Conservation Block Grant Program (EECBGP)?

While energy efficiency has a proven track record as an economic engine capable of creating jobs, saving costs, and improving economic competitiveness, previous stimulus programs (including the Energy Efficiency and Conservation Block Grant and Smart Grid Investment Grant programs established by EISA 2007 and funded under ARRA 2009) faced complications and inefficiencies that slowed project delivery at the sub-Federal level. The SBEEG would apply lessons learned, avoiding delays by utilizing existing utility infrastructure and vetted delivery mechanisms to quickly get workers back in action delivering projects and further building a project pipeline that will have significant ripple effects beyond the small business or utility.

Why not "LIHEAP for Small Businesses?"

While the Low-Income Home Energy Assistance Program (LIHEAP) delivers valuable services including energy efficiency to those residential customers that are disproportionately burdened by high energy costs, the bulk of funding merely provides utility payments, which neither addresses the cause of energy waste nor incentivizes reductions in energy consumption for the building owner or tenant. In the case of nonresidential customers such as small businesses, creating a separate grant or loan program (with federal forgiveness) to pay utility bills for small businesses could deliver financial support and serve public policy needs in the short term, but such a solution would result in high utility bills for small businesses long into the future. Investing in energy efficiency (e.g., through SBEEG), on the other hand, lowers ongoing operating costs for businesses so that savings can be invested in additional workforce and wages, increased professional development and training of staff, increased product offerings or inventory, or modernization of facilities.

Sources: Energy Information Administration ([EIA](#)), North American Electric Reliability Corporation ([NERC](#)). See also, Regulatory Assistance Project (RAP), *Electricity Regulation in the United States (2016)*; and Consortium for Energy Efficiency (CEE), *2018 State of the Efficiency Program Industry (2019)*.