

American Recovery and Reinvestment Act (Economic Stimulus Package)

Background

This year, President Barack Obama and Congress developed, passed and signed into law economic stimulus legislation known as the American Recovery and Reinvestment Act. The \$787 billion package of direct appropriations, tax provisions and policy changes was designed to give our economy a “boost” by spurring investment in infrastructure and creating new jobs as a result. While it could take months for much of the stimulus funding to be released, this fact sheet provides an overview of what is included in the package that may be of interest to public power utilities. In the coming weeks, APPA will be providing more information, including comprehensive summaries and seminars, on accessing the funding from the stimulus package.

Policy Changes

Decoupling

Section 410 of the bill states that in order for a state to receive State Energy Program funding, the applicable state regulatory authority must ensure that utility financial incentives will be aligned with helping customers use energy more efficiently and that the state will implement certain building code requirements. If a state decides not to do this, that state and entities within the state would not be eligible for this funding. If a state does move forward with this requirement, public power utilities in states where the Public Service Commission has ratemaking authority over the public power utility would be affected.

Western Area Power Administration Borrowing Authority

Section 402 of the bill gives the Western Area Power Administration (WAPA) new borrowing authority to construct, finance, facilitate, plan, operate, maintain and study new or upgraded transmission lines with at least one terminus in its service territory, and for the purpose of delivering or facilitating delivery of new renewable energy (the term “renewable” is not defined in this section). For repayment purposes, the new authority is separate and distinct from other existing transmission and power facilities owned by WAPA. In addition, each transmission project funded by the new authority is considered separate and distinct from existing WAPA facilities and from each other.

Bonneville Power Administration Borrowing Authority

Section 401 of the bill gives the Bonneville Power Administration (BPA) additional borrowing authority of \$3.25 billion to build, acquire and replace the transmission system in its service territory and to carry out its other duties under the Northwest Power Act. Note that this is not a policy change, but BPA must receive congressional authorization to raise the ceiling on its borrowing authority.

IP Enabled Protocol

In Section 405 (3)(F), the bill amends the Energy Independence and Security Act of 2007 by requiring any entity receiving financial assistance for a smart grid demonstration project to use “open protocols and standards (including Internet-based protocols and standards) if available and appropriate.” The language was amended to include the term “if available and appropriate” to address the fact that open protocols are not always appropriate.

Weatherization Assistance Program

Eligibility for the Weatherization Assistance Program was expanded in Section 407 so that a qualifying recipient’s household income must be at or below 200 percent of the poverty level instead of 150 percent at or below the poverty level. In addition, the “per dwelling” assistance level was changed from \$2,500 to \$6,500.

Prevailing Wage Requirements

Section 1601 subjects the additional \$1.6 allocation of Clean Renewable Energy Bonds, \$2.4 billion of Qualified Energy Conservation Bonds and \$10 billion of Recovery Zone Development Bonds to Davis Bacon and Related Acts prevailing wage requirements.

Summary of Major Appropriations of Interest to Public Power

Energy and Water	Amount Appropriated
Army Corps of Engineers—Operations and Maintenance	\$2 billion
Bureau of Reclamation	\$ 1 billion
Energy Efficiency and Renewable Energy Research Development, Demonstration and Deployment Recovery	\$2.5 billion
Weatherization Assistance	\$5 billion
Energy Efficiency & Conservation Block Grants—to assist local governments in implementing energy efficiency and conservation programs	\$3.2 billion
State Energy Program—provides grants to state energy offices for energy efficiency and renewable energy programs (conditioned on decoupling)	\$3.4 billion
Transportation Electrification	\$400 million
Advanced Battery Manufacturing—for grants for advanced battery and component manufacturing facilities	\$2 billion
Energy Efficiency Appliance Rebate Program and Energy Star	\$300 million
Smart Grid Investment—Electricity Delivery and Energy Reliability	\$4.5 billion
Fossil Energy Research and Development (includes \$1 billion for fossil energy research programs, \$800 million for Clean Coal Power Initiative (CCPI) Round 3 program, \$1.52 billion for industrial carbon capture and storage (CCS) demonstration projects, \$50 million for CCS site characterization, \$20 million for geologic sequestration training and research grants, \$10 million for administrative support)	\$3.4 billion
Temporary Loan Guarantee Program for Rapid Deployment of Renewable Energy and Electric Power Transmission Projects	\$500 million

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Energy and Water **Amount Appropriated**

Innovative Technology Loan Guarantee Program (for renewable technologies and transmission technologies)	\$6 billion
DOE Office of Science	\$1.6 billion
Western Area Power Administration Borrowing Authority	\$3.25 billion
Bonneville Power Administration Borrowing Authority	\$3.25 billion

Commerce Justice Science

National Telecommunications and Information Administration for the Broadband Technologies Opportunity Program	\$4.7 billion
DTV converter box coupon program	\$650 million

Labor, Health and Human Services

Repair, Renovation and Construction for Schools Including Energy Efficiency (K-12 and Higher Education Facilities)	\$9.75 billion
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Agriculture

Rural Utilities Service Rural Broadband Development	\$2.5 billion
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Transportation, Housing and Urban Development

Energy Efficiency for Low-Income Housing	\$250 million
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Financial Services and General Government

Federal Buildings Energy Efficiency	\$4.5 billion
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Summary of Tax Measures of Interest to Public Power

Measure	Description
Clean Renewable Energy Bonds (CREBs)	\$1.6 billion in additional allocation for new CREBs
Qualified Energy Conservation Bonds	\$2.4 billion to finance state, municipal and tribal government programs and initiatives designed to reduce greenhouse gas emissions. Clarifies that qualified energy conservation bonds may be issued to make loans and grants for capital expenditures to implement green community programs. Also clarifies that qualified energy conservation bonds may be used for programs in which utilities provide ratepayers with energy-efficient property and recoup the costs of that property over an extended period of time.
Taxable Bond Option	Would provide state or local governments the option of issuing a tax credit bond instead of a tax-exempt governmental obligation bond. Would allow the state or local government to elect to receive a direct payment from the federal government equal to the subsidy that would have otherwise been delivered through the federal tax credit for bonds issued in 2009 and 2010.
Energy Efficiency Improvements to Existing Homes	Extends through 2010 the tax credits for improvements to energy-efficient existing homes. Increases the limit from 10% to 30% and eliminates the property-by-property dollar caps replacing them with an aggregate \$1500 cap on all property qualifying.
Recovery Zone Bonds	Creates a new category of tax credit bonds and an additional allocation of private activity bonds for investment in economic recovery zones. Each state would receive a share of the national allocation based on that state's job losses in 2008 as a percentage of national job losses. That allocation would be sub-allocated to municipalities. Authorizes \$10 billion in development bonds and \$15 billion in facility bonds.
De minimis safe harbor exception for tax-exempt interest expense for financial institutions	Under current law, financial institutions are not allowed to take a deduction for the portion of their interest expense that is allocable to such institution's investments in tax-exempt municipal bonds. In determining the portion of interest expense that is allocable to investments in tax-exempt municipal bonds, the bill would exclude investments in tax-exempt municipal bonds issued during 2009 and 2010 to the extent that these investments constitute less than two percent (2%) of the average adjusted bases of all of the assets of the financial institution
Modification of small issuer exception to tax-exempt interest expense allocation rules for financial institutions.	Raises definition of "qualified small issuer" from an issuer that issues no more than \$10 million in tax-exempt obligations in a year to \$30 million when determining whether a tax-exempt obligation issued in 2009 and 2010 qualifies for the small issuer exception.

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Eliminates AMT on Private Activity Bonds	Would exclude all private activity bonds from the alternative minimum tax if the bond is issued in 2009 or 2010.
Repeal of Subsidized Energy Financing	Under current law the investment tax credit (ITC) must be reduced if the property qualifying for the ITC is also financed with industrial development bonds or through any other federal, state, or local subsidized financing program. The bill would repeal the limitation on the ITC to allow businesses and individuals to qualify for the full amount of the ITC even if the property is financed with industrial development bonds or any other subsidized energy financing.
Three Percent Withholding on Government Contractors	For payments made after December 31, 2010, current law requires withholding at a three percent rate on certain payments to persons providing property or services made by federal, state, and local governments. The withholding is required regardless of whether the government entity making the payment is the recipient of the property or services (those with less than \$100 million in annual expenditures for property or services are exempt). Numerous government entities and taxpayers have raised concerns about the application of this provision. The bill would delay for one year the implementation of the provision.
Removal of Dollar Limitations on Energy Credits	Under current law, businesses are allowed to claim a 30% tax credit for qualified small wind energy property (capped at \$4,000). Individuals are allowed to claim a 30% tax credit for qualified solar water heating property (capped at \$2,000), small wind energy property (capped at \$500 per kilowatt of capacity up to \$4,000), and geothermal heat pumps (capped at \$2,000). The bill would repeal the individual dollar caps. All would be eligible for an uncapped 30 percent.