



American Recovery and Reinvestment Act of 2009 Overview February 15, 2009

The final Economic Stimulus bill that passed the House and Senate on February 13, 2009 contains several provisions that will benefit member natural gas utilities and their customers. Importantly, AGA and our allies successfully persuaded conferees to include a provision that will encourage states to decouple utility rates, allow utilities to earn a profit on energy efficiency, and modernize building codes. In addition, our work with a broad coalition won significant funding for programs that will benefit our members and customers, including over \$20 billion for weatherization, energy efficiency, and modernized green building codes. This will ultimately help members and their customers achieve the carbon reduction and energy efficiency goals that will be required in upcoming climate change legislation and regulations. President Obama is expected to sign the American Recovery and Reinvestment Act of 2009 (ARRA) into law in Denver on Tuesday February 17, 2009.

ARRA will do the following:

- **Extend Bonus Depreciation for Distribution and Transmission Lines until 12/31/2009:** 50 percent depreciation deduction in the first year with remaining basis is depreciated over the life of the asset;
- **Weatherization:** Expand federal funding for the Weatherization Assistance Program from current level of \$227 million to **\$5 billion**;
- **State Energy Efficiency Programs and Grants:** Provide **\$ 3.1 billion** for state energy efficiency programs and **\$3.2 billion** for state energy conservation block grants;
- **Rate Decoupling & Modernized Building Codes:** Condition access to \$3.1 billion for state energy efficiency funding to states in which the governor gives written notice to the Department of Energy (DOE) *“that the governor has obtained necessary assurances that the each of the following will occur:”*
 1. *“The applicable State regulatory authority will seek to implement, in appropriate proceedings for each electric and gas utility... a general policy that ensures that utility financial incentives are aligned with helping their customers use energy more efficiently and that provide timely cost recovery and a timely earnings opportunity for utilities associated with cost-effective measurable and verifiable efficiency savings;”*
 2. The state or local governments will adopt modern building codes; and
 3. The state will, to the extent practicable, prioritize the grants to expand existing energy efficiency programs funded by the state or through utility rates;
- **Appliance Replacement Rebates:** Provide **\$300 million** for consumer rebates for replacing old appliances with efficient Energy STAR appliances;
- **Tax Credit for Appliances & Weatherization:** Increase the 10% tax credit to 30% for individuals on the aggregate costs of weatherization and efficient appliance purchases, extend the credit through 2010, and increase the cap to **\$1,500**; and
- **Rebates or Tax Credits for Geothermal, Microturbines, CHP, Fuel Cells:** Provide an option to elect either a tax credit or a rebate for investments in solar, small wind, fuel cells geothermal, combined heat and power, microturbines and fuel cells.

Preliminary Stimulus Bill Implementation Initiatives

The stimulus bill provides opportunities and challenges for AGA members. Below is a preliminary list of initiatives AGA can be or is involved in to help the membership:

Weatherization and Energy Efficiency

AGA will organize forums and serve as an information clearinghouse for members interested in accessing federal funding for weatherization and energy efficiency. It will be important to translate current best practices for working with state and local governments, as well as non-profit groups, in building collaborative organizations to administer these funds to the maximum benefit of natural gas utility customers. State and regional energy associations will be invited to participate.

Building Energy Codes and Standards

The legislation also directs significant funds to Department of Energy to expedite the updating of energy efficiency standards for appliances. AGA will actively advocate cost-effective appliance and energy efficiency standards, including the upgrading of appliance and equipment codes and standards to recognize innovative products and applications while minimizing barriers for approval.

Excavation Damage

It is anticipated that the onslaught in construction activity could increase the likelihood of excavation damage to underground facilities. AGA is presently working with PHMSA and Common Ground Alliance on designing a stakeholder campaign to ensure that there is adequate coordination and cooperation between state DOTs, contractors, and utilities so as to ensure that all are reminded about the 811 call before you dig requirement.

Cost Recovery for Pipeline Relocation Requests

It is also anticipated that there will be a significant increase in pipeline relocation requests as a result of the massive infrastructure development and enhancement programs funded by the plan. There is currently a federal law governing the repayment of such relocation reimbursement, however it is dependent on state implementation. Therefore, there is a national crazy-quilt pattern for reimbursement of natural gas utilities for these costs. AGA sent a letter to Congress raising the awareness of this issue. AGA will also facilitate best practices exchanges between members and help identify strategies to effectively advocate state legislative office(s).