

114TH CONGRESS  
1ST SESSION

# S. 1258

To require the Secretary of Energy to establish a distributed energy loan program and technical assistance and grant program, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

MAY 7, 2015

Mr. FRANKEN introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

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## A BILL

To require the Secretary of Energy to establish a distributed energy loan program and technical assistance and grant program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Local Energy Supply  
5 and Resiliency Act of 2015”.

6 **SEC. 2. DEFINITIONS.**

7 In this Act:

8 (1) COMBINED HEAT AND POWER SYSTEM.—

9 The term “combined heat and power system” means  
10 generation of electric energy and heat in a single, in-

1       tegrated system that meets the efficiency criteria in  
2       clauses (ii) and (iii) of section 48(c)(3)(A) of the In-  
3       ternal Revenue Code of 1986, under which heat that  
4       is conventionally rejected is recovered and used to  
5       meet thermal energy requirements.

6               (2) DEMAND RESPONSE.—The term “demand  
7       response” means changes in electric usage by elec-  
8       tric utility customers from the normal consumption  
9       patterns of the customers in response to—

10               (A) changes in the price of electricity over  
11       time; or

12               (B) incentive payments designed to induce  
13       lower electricity use at times of high wholesale  
14       market prices or when system reliability is jeop-  
15       ardized.

16               (3) DISTRIBUTED ENERGY.—The term “distrib-  
17       uted energy” means energy sources and systems  
18       that—

19               (A) produce electric or thermal energy  
20       close to the point of use using renewable energy  
21       resources or waste thermal energy;

22               (B) generate electricity using a combined  
23       heat and power system;

24               (C) distribute electricity in microgrids;

25               (D) store electric or thermal energy; or

1           (E) distribute thermal energy or transfer  
2           thermal energy to building heating and cooling  
3           systems through a district energy system.

4           (4) DISTRICT ENERGY SYSTEM.—The term  
5           “district energy system” means a system that pro-  
6           vides thermal energy to buildings and other energy  
7           consumers from 1 or more plants to individual build-  
8           ings to provide space heating, air conditioning, do-  
9           mestic hot water, industrial process energy, and  
10          other end uses.

11          (5) ISLANDING.—The term “islanding” means  
12          a distributed generator or energy storage device con-  
13          tinuing to power a location in the absence of electric  
14          power from the primary source.

15          (6) LOAN.—The term “loan” has the meaning  
16          given the term “direct loan” in section 502 of the  
17          Federal Credit Reform Act of 1990 (2 U.S.C. 661a).

18          (7) MICROGRID.—The term “microgrid” means  
19          an integrated energy system consisting of inter-  
20          connected loads and distributed energy resources, in-  
21          cluding generators and energy storage devices, with-  
22          in clearly defined electrical boundaries that—

23                  (A) acts as a single controllable entity with  
24                  respect to the grid; and

1 (B) can connect and disconnect from the  
2 grid to operate in both grid-connected mode  
3 and island mode.

4 (8) RENEWABLE ENERGY SOURCE.—The term  
5 “renewable energy source” includes—

6 (A) biomass;

7 (B) geothermal energy;

8 (C) hydropower;

9 (D) landfill gas;

10 (E) municipal solid waste;

11 (F) ocean (including tidal, wave, current,  
12 and thermal) energy;

13 (G) organic waste;

14 (H) photosynthetic processes;

15 (I) photovoltaic energy;

16 (J) solar energy; and

17 (K) wind.

18 (9) RENEWABLE THERMAL ENERGY.—The term  
19 “renewable thermal energy” means heating or cool-  
20 ing energy derived from a renewable energy re-  
21 source.

22 (10) SECRETARY.—The term “Secretary”  
23 means the Secretary of Energy.

24 (11) THERMAL ENERGY.—The term “thermal  
25 energy” means—

1 (A) heating energy in the form of hot  
2 water or steam that is used to provide space  
3 heating, domestic hot water, or process heat; or

4 (B) cooling energy in the form of chilled  
5 water, ice, or other media that is used to pro-  
6 vide air conditioning, or process cooling.

7 (12) WASTE THERMAL ENERGY.—The term  
8 “waste thermal energy” means energy that—

9 (A) is contained in—

10 (i) exhaust gases, exhaust steam, con-  
11 denser water, jacket cooling heat, or lubri-  
12 cating oil in power generation systems;

13 (ii) exhaust heat, hot liquids, or flared  
14 gas from any industrial process;

15 (iii) waste gas or industrial tail gas  
16 that would otherwise be flared, incinerated,  
17 or vented;

18 (iv) a pressure drop in any gas, ex-  
19 cluding any pressure drop to a condenser  
20 that subsequently vents the resulting heat;

21 (v) condenser water from chilled water  
22 or refrigeration plants; or

23 (vi) any other form of waste energy,  
24 as determined by the Secretary; and

1 (B)(i) in the case of an existing facility, is  
2 not being used; or

3 (ii) in the case of a new facility, is not con-  
4 ventionally used in comparable systems.

5 **SEC. 3. DISTRIBUTED ENERGY LOAN PROGRAM.**

6 (a) LOAN PROGRAM.—

7 (1) IN GENERAL.—Subject to the provisions of  
8 this subsection and subsections (b) and (c), the Sec-  
9 retary shall establish a program to provide to eligible  
10 entities—

11 (A) loans for the deployment of distributed  
12 energy systems in a specific project; and

13 (B) loans to provide funding for programs  
14 to finance the deployment of multiple distrib-  
15 uted energy systems through a revolving loan  
16 fund, credit enhancement program, or other fi-  
17 nancial assistance program.

18 (2) ELIGIBILITY.—Entities eligible to receive a  
19 loan under paragraph (1) include—

20 (A) a State, territory, or possession of the  
21 United States;

22 (B) a State energy office;

23 (C) a tribal organization (as defined in sec-  
24 tion 4 of the Indian Self-Determination and  
25 Education Assistance Act (25 U.S.C. 450b));

1 (D) an institution of higher education (as  
2 defined in section 101 of the Higher Education  
3 Act of 1965 (20 U.S.C. 1001)); and

4 (E) an electric utility, including—

5 (i) a rural electric cooperative;

6 (ii) a municipally owned electric util-  
7 ity; and

8 (iii) an investor-owned utility.

9 (3) SELECTION REQUIREMENTS.—In selecting  
10 eligible entities to receive loans under this section,  
11 the Secretary shall, to the maximum extent prac-  
12 ticable, ensure—

13 (A) regional diversity among eligible enti-  
14 ties to receive loans under this section, includ-  
15 ing participation by rural States and small  
16 States; and

17 (B) that specific projects selected for  
18 loans—

19 (i) expand on the existing technology  
20 deployment program of the Department of  
21 Energy; and

22 (ii) are designed to achieve 1 or more  
23 of the objectives described in paragraph  
24 (4).

1           (4) OBJECTIVES.—Each deployment selected  
2 for a loan under paragraph (1) shall include 1 or  
3 more of the following objectives:

4           (A) Improved security and resiliency of en-  
5 ergy supply in the event of disruptions caused  
6 by extreme weather events, grid equipment or  
7 software failure, or terrorist acts.

8           (B) Implementation of distributed energy  
9 in order to increase use of local renewable en-  
10 ergy resources and waste thermal energy  
11 sources.

12           (C) Enhanced feasibility of microgrids, de-  
13 mand response, or islanding;

14           (D) Enhanced management of peak loads  
15 for consumers and the grid.

16           (E) Enhanced reliability in rural areas, in-  
17 cluding high energy cost rural areas.

18           (5) RESTRICTION ON USE OF FUNDS.—Any eli-  
19 gible entity that receives a loan under paragraph (1)  
20 may only use the loan to fund programs relating to  
21 the deployment of distributed energy systems.

22           (b) LOAN TERMS AND CONDITIONS.—

23           (1) TERMS AND CONDITIONS.—Notwithstanding  
24 any other provision of law, in providing a loan under  
25 this section, the Secretary shall provide the loan on



1 such terms and conditions as the Secretary deter-  
2 mines, after consultation with the Secretary of the  
3 Treasury, in accordance with this section.

4 (2) SPECIFIC APPROPRIATION.—No loan shall  
5 be made unless an appropriation for the full amount  
6 of the loan has been specifically provided for that  
7 purpose.

8 (3) REPAYMENT.—No loan shall be made un-  
9 less the Secretary determines that there is reason-  
10 able prospect of repayment of the principal and in-  
11 terest by the borrower of the loan.

12 (4) INTEREST RATE.—A loan provided under  
13 this section shall bear interest at a fixed rate that  
14 is equal or approximately equal, in the determination  
15 of the Secretary, to the interest rate for Treasury  
16 securities of comparable maturity.

17 (5) TERM.—The term of the loan shall require  
18 full repayment over a period not to exceed the lesser  
19 of—

20 (A) 20 years; or

21 (B) 90 percent of the projected useful life  
22 of the physical asset to be financed by the loan  
23 (as determined by the Secretary).

24 (6) USE OF PAYMENTS.—Payments of principal  
25 and interest on the loan shall—

1 (A) be retained by the Secretary to support  
2 energy research and development activities; and

3 (B) remain available until expended, sub-  
4 ject to such conditions as are contained in an-  
5 nual appropriations Acts.

6 (7) NO PENALTY ON EARLY REPAYMENT.—The  
7 Secretary may not assess any penalty for early re-  
8 payment of a loan provided under this section.

9 (8) RETURN OF UNUSED PORTION.—In order to  
10 receive a loan under this section, an eligible entity  
11 shall agree to return to the general fund of the  
12 Treasury any portion of the loan amount that is un-  
13 used by the eligible entity within a reasonable period  
14 of time after the date of the disbursement of the  
15 loan, as determined by the Secretary.

16 (9) COMPARABLE WAGE RATES.—Each laborer  
17 and mechanic employed by a contractor or subcon-  
18 tractor in performance of construction work fi-  
19 nanced, in whole or in part, by the loan shall be paid  
20 wages at rates not less than the rates prevailing on  
21 similar construction in the locality as determined by  
22 the Secretary of Labor in accordance with sub-  
23 chapter IV of chapter 31 of title 40, United States  
24 Code.

1 (c) RULES AND PROCEDURES; DISBURSEMENT OF  
2 LOANS.—

3 (1) RULES AND PROCEDURES.—Not later than  
4 180 days after the date of enactment of this Act, the  
5 Secretary shall adopt rules and procedures for car-  
6 rying out the loan program under subsection (a).

7 (2) DISBURSEMENT OF LOANS.—Not later than  
8 1 year after the date on which the rules and proce-  
9 dures under paragraph (1) are established, the Sec-  
10 retary shall disburse the initial loans provided under  
11 this section.

12 (d) REPORTS.—Not later than 2 years after the date  
13 of receipt of the loan, and annually thereafter for the term  
14 of the loan, an eligible entity that receives a loan under  
15 this section shall submit to the Secretary a report describ-  
16 ing the performance of each program and activity carried  
17 out using the loan, including itemized loan performance  
18 data.

19 (e) AUTHORIZATION OF APPROPRIATIONS.—There  
20 are authorized to be appropriated to carry out this section  
21 such sums as are necessary.

22 **SEC. 4. TECHNICAL ASSISTANCE AND GRANT PROGRAM.**

23 (a) ESTABLISHMENT.—

1           (1) IN GENERAL.—The Secretary shall establish  
2 a technical assistance and grant program (referred  
3 to in this section as the “program”)—

4           (A) to disseminate information and provide  
5 technical assistance directly to eligible entities  
6 so the eligible entities can identify, evaluate,  
7 plan, and design distributed energy systems;  
8 and

9           (B) to make grants to eligible entities so  
10 that the eligible entities may contract to obtain  
11 technical assistance to identify, evaluate, plan,  
12 and design distributed energy systems.

13           (2) TECHNICAL ASSISTANCE.—The technical  
14 assistance described in paragraph (1) shall include  
15 assistance with 1 or more of the following activities  
16 relating to distributed energy systems:

17           (A) Identification of opportunities to use  
18 distributed energy systems.

19           (B) Assessment of technical and economic  
20 characteristics.

21           (C) Utility interconnection.

22           (D) Permitting and siting issues.

23           (E) Business planning and financial anal-  
24 ysis.

25           (F) Engineering design.

1           (3) INFORMATION DISSEMINATION.—The infor-  
2           mation disseminated under paragraph (1)(A) shall  
3           include—

4                   (A) information relating to the topics de-  
5                   scribed in paragraph (2), including case studies  
6                   of successful examples;

7                   (B) computer software and databases for  
8                   assessment, design, and operation and mainte-  
9                   nance of distributed energy systems; and

10                  (C) public databases that track the oper-  
11                  ation and deployment of existing and planned  
12                  distributed energy systems.

13           (b) ELIGIBILITY.—Any nonprofit or for-profit entity  
14           shall be eligible to receive technical assistance and grants  
15           under the program.

16           (c) APPLICATIONS.—

17                   (1) IN GENERAL.—An eligible entity desiring  
18                   technical assistance or grants under the program  
19                   shall submit to the Secretary an application at such  
20                   time, in such manner, and containing such informa-  
21                   tion as the Secretary may require.

22                   (2) APPLICATION PROCESS.—The Secretary  
23                   shall seek applications for technical assistance and  
24                   grants under the program—

25                           (A) on a competitive basis; and

1 (B) on a periodic basis, but not less fre-  
2 quently than once every 12 months.

3 (3) PRIORITIES.—In selecting eligible entities  
4 for technical assistance and grants under the pro-  
5 gram, the Secretary shall give priority to eligible en-  
6 tities with projects that have the greatest potential  
7 for—

8 (A) facilitating the use of renewable energy  
9 resources;

10 (B) strengthening the reliability and resil-  
11 iency of energy infrastructure to the impact of  
12 extreme weather events, power grid failures,  
13 and interruptions in supply of fossil fuels;

14 (C) improving the feasibility of microgrids  
15 or islanding, particularly in rural areas, includ-  
16 ing high energy cost rural areas;

17 (D) minimizing environmental impact, in-  
18 cluding regulated air pollutants and greenhouse  
19 gas emissions; and

20 (E) maximizing local job creation.

21 (d) GRANTS.—On application by an eligible entity,  
22 the Secretary may award grants to the eligible entity to  
23 provide funds to cover not more than—

24 (1) 100 percent of the costs of the initial as-  
25 sessment to identify opportunities;

1           (2) 75 percent of the cost of feasibility studies  
2 to assess the potential for the implementation;

3           (3) 60 percent of the cost of guidance on over-  
4 coming barriers to implementation, including finan-  
5 cial, contracting, siting, and permitting issues; and

6           (4) 45 percent of the cost of detailed engineer-  
7 ing.

8 (e) RULES AND PROCEDURES.—

9           (1) RULES.—Not later than 180 days after the  
10 date of enactment of this Act, the Secretary shall  
11 adopt rules and procedures for carrying out the pro-  
12 gram.

13           (2) GRANTS.—Not later than 120 days after  
14 the date of issuance of the rules and procedures for  
15 the program, the Secretary shall issue grants under  
16 this Act.

17 (f) REPORTS.—The Secretary shall submit to Con-  
18 gress and make available to the public—

19           (1) not less frequently than once every 2 years,  
20 a report describing the performance of the program  
21 under this section, including a synthesis and analysis  
22 of the information provided in the reports submitted  
23 to the Secretary under section 2(c); and

24           (2) on termination of the program under this  
25 section, an assessment of the success of, and edu-

1 cation provided by, the measures carried out by eli-  
2 gible entities during the term of the program.

3 (g) AUTHORIZATION OF APPROPRIATIONS.—There is  
4 authorized to be appropriated to carry out this section  
5 \$250,000,000 for the period of fiscal years 2016 through  
6 2020, to remain available until expended.

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