

**TESTIMONY OF DAVID TERRY, EXECUTIVE DIRECTOR, NATIONAL  
ASSOCIATION OF STATE ENERGY OFFICIALS, BEFORE THE U.S. SENATE  
ENERGY AND WATER DEVELOPMENT APPROPRIATIONS SUBCOMMITTEE IN  
SUPPORT OF FY'18 U.S. DEPARTMENT OF ENERGY FUNDING – MAY 25, 2017**

Chair Alexander, Ranking Member Feinstein, and members of the Subcommittee, I am David Terry, Executive Director of the National Association of State Energy Officials (NASEO). I am testifying on behalf of our 56 governor-designated state and territory members. NASEO respectfully requests funding for the following U.S. Department of Energy (DOE) programs: \$70 million for the U.S. State Energy Program (SEP); \$230 million for the Weatherization Assistance Program; \$289 million for the Buildings Technologies Office including building energy codes and appliance standards; strong support for the Clean Cities program; strong support for the Energy Information Administration; and \$262 million for the Office of Electricity Delivery and Energy Reliability (DOE-OE).

SEP is the only federal energy program that allows the states to set priorities with both state and national energy goals in mind, rather than responding to DOE's priorities. The underlying SEP statute, amended in 1990, provides governors with extraordinary flexibility and reflects the states' *all of the above* approach to energy which keeps prices lower, addresses reliability requirements, advances economic development, and supports environmental quality. Flexible SEP funding allows states to strategically target activities to meet goals set by governors, as intended by Congress, without unnecessary federal government interference.

The Administration's *skinny budget* incorrectly asserted that eliminating SEP and WAP would "reduce Federal intervention in state-level energy policy and implementation." In fact, SEP is the only DOE administered program which embodies cooperative federalism and affords governors' control of allocating funds within very broad guidelines set by Congress. This year, the National Governors Association called out SEP and WAP as top energy funding priorities urging the Trump Administration to "*continue and expand ... the Weatherization Assistance Program and State Energy Program.*" Moreover, the Southern States Energy Board, led by governors Hutchinson (AR) and Adkins (KY); and the Western Interstate Energy Board led by the energy directors for governors Herbert (UT) and Sandoval (NV) all called for continued and expanded funding for SEP. In addition, WAP is another example of a state-directed program with little federal interference. Unfortunately, the President's full budget repeated the same errors.

As authorized by Congress and administered by DOE, SEP provides discretion and deference to the governors within a broad statutory framework supporting state and federal energy goals. According to two Oak Ridge National Laboratory (ORNL) studies, SEP provides taxpayers with an exceptional value. ORNL found that that each dollar of SEP funds used by the states leverages \$10.71 of state and private funds and realizes \$7.22 in energy cost savings for citizens and businesses. States set their priorities for use of SEP funds on activities such as planning for and responding to energy emergencies resulting from disasters; assisting small businesses to reduce energy costs to create jobs; aiding farms and rural homeowners to develop homegrown energy solutions; and supporting local governments in retrofitting schools, police stations, and other public facilities to reduce utility bills paid by taxpayers.

The overwhelming direction from the governors to state energy directors is to request that Congress stipulate all SEP funds be provided through the base formula account. NASEO is seeking \$70 million in SEP funding with \$50 million in base formula appropriations, with an additional amount targeted to enhance state-federal cooperation on energy emergency preparedness and response, including physical and cyber security of energy infrastructure. Governors, typically through the State Energy Directors, lead energy emergency planning. This interdependent state-federal-private function is a hallmark of SEP; it needs greater support given elevated threat levels and an increasingly complex energy system—grid, petroleum, natural gas, and other fuel production, distribution and use. In the most recent year for which we have data, 50 percent of U.S. cyber-attacks were on energy infrastructure, with a significant portion of that being petroleum related. At DOE-OE, energy assurance partnerships *with the states* are critical to enable state and private efforts to mitigate and avoid the threat to life, safety, and damaging economic impacts resulting from energy supply disruptions caused by disasters.

Finally, SEP is one of the only connections between billions of dollars spent on federal energy research and development by DOE *and* the energy priorities, policies, and market strategies set by states. A greater reliance by DOE on the states to ensure federal R&D meets real world conditions, state policy goals, and market gaps would maximize the impact of R&D funding. Below are a few examples of the states' utilization of SEP funding.

**Alabama:** The Alabama State Energy Office initiated an energy savings performance contract program (ESPC) leveraging SEP funds to implement a 20-year lease-purchase agreement for \$98 million of energy upgrades. All energy efficient measures have been completed and the state has produced significant annual savings from the new, reliable and energy-efficient equipment. In addition to the energy cost savings, the project created an estimated 1,677 jobs.

**Alaska:** The Alaska Energy Authority (AEA) leveraged SEP funds to implement a residential energy efficiency program. The Alaska Legislature provided \$350 million dollars to co-fund this program, which provides grants to homeowners for home energy audits. Based on the audit recommendations, homeowners can qualify for a direct cash rebate of up to \$10,000 for energy efficiency upgrades performed on their home. As of January 2015, improvements have been made to approximately 16,000 Alaska homes. The average homeowner spent \$11,681 and qualified for a rebate of \$6,889. On average, the improvements have resulted in annual energy savings of 34 percent, or cash savings of \$1,464.

**California:** The State utilized SEP funding to support the Municipal and Commercial Building Targeted Measure Retrofit program to aid local governments. The program has provided retrofit installations at over 7,400 project sites. These retrofits are estimated to realize over 85.8 GWh in electricity savings, 8.6 MW in demand reductions, and 950,000 therms in natural gas savings.

**Delaware:** The Delaware State Energy Office utilized \$500,000 in SEP funding, for a new program to provide rebates for energy efficient heating and cooling systems and efficient lighting. Delaware has more than 290,000 central air conditioning systems throughout the state. Through this program, homeowners could collectively save enough energy to provide electrical power needs for over 18,000 homes and save more than \$30 million per year by upgrading to ENERGY STAR® cooling systems.

**Illinois:** The Illinois State Energy Office utilized \$480,000 of SEP funds to help schools in the City of Rantoul install geothermal heating and cooling systems. The project significantly reduced the district's energy usage and resulted in the hiring of approximately 145 local workers. The project will result in more than 118,000 therms of natural gas being saved.

**Kentucky:** The Kentucky Department of Energy Development and Independence, working with the Kentucky School Boards Association (KSBA)-School Energy Managers Project (SEMP), leveraged SEP funding to support a \$4.4 million project over a three-year period. SEMP supports 40 energy managers providing services to 81 of Kentucky's 173 K-12 public school districts. KSBA reports more than \$50 million in avoided utility costs between 2010 and 2015 have been redirected back into school budgets.

**Louisiana:** The State Energy Office, in coordination with Entergy, has leveraged SEP and utility funds totaling \$14.7 million in 61 energy efficiency improvement projects that have resulted in \$30 million in annual fuel savings.

**Maine:** The Maine State Energy Office leveraged \$4.5 million in SEP funds to support a pilot project geared toward achieving energy efficiency investments in the multi-family sector. The pilot operated for nearly three years and focused on buildings with 5-20 units. Over 3,500 units were benchmarked, and 1,800 were successfully retrofitted. On average, 26 percent energy savings were realized. The pilot is now a self-sustaining program.

**Mississippi:** SEP funds were utilized to support several programs aimed at reducing energy consumption and costs in public buildings. The Energy Division helped implement a "Lead by Example" program which has conducted 278 building audits. Under the program, 149 public buildings, representing more than 3 million square feet of space, have been completed.

**Montana:** The State Energy Office, in coordination with the governor, launched a SMART Schools Challenge to encourage schools to develop programs to increase energy and resource efficiency. The program is a huge success, and in its inaugural year, 46 schools participated, producing \$100,000 in energy cost avoidance and 31 tons of waste diversion.

**New Hampshire:** The New Hampshire State Energy Office utilizes SEP funds for a diverse range of important energy programs and projects. One example is the support of a "retro-commissioning" analysis of the New Hampshire State Hospital, which resulted in many simple changes that were easy to implement and low cost. To date, New Hampshire has completed energy efficiency projects in over 100 buildings, producing annual savings of \$800,000.

**New Mexico:** The New Mexico State Energy Office used SEP funding to support the installation of solar photovoltaic (PV) systems in 15 school districts around the state. Each school system received up to \$300,000 to install a 50-kilowatt grid-tied PV system that generates significant electrical power for the school and community, saves money and energy for each school district, and provides educational opportunities about renewable energy for local students and the surrounding community. The installation of these 15 PV systems also helps generate jobs for local suppliers, installers and manufacturers of PV equipment.

**North Dakota:** \$2.4 million from SEP was allocated to the energy efficiency rebate program to provide assistance through utility partners for high efficiency furnaces, air conditioners, lighting retrofits, thermal storage, and insulation packages. The rebate is unrelated to the state's ENERGY STAR Appliance Rebate, which rebated \$615,000 in five weeks. The State Energy Office also provided \$8,000 in SEP funding to North Dakota State University Extension to hold 17 energy efficient grain drying and storage seminars and webinars that reached 1,070 people.

**Oregon:** The Oregon State Energy Office used SEP funding to implement the Residential Energy Tax Credit Program (RETC). The goal of the RETC is to promote energy savings or energy displacement and market transformation by providing incentives that encourage the purchase of energy efficient and renewable energy devices for homes in Oregon. RETC helped save 129,180 million Btus, approved 21,365 tax credits for renewable energy and energy efficiency eligible systems, and leveraged SEP dollars with \$139.5 million in non-federal funding. The ratio of non-federal leveraged funds to SEP federal funds is \$100 to \$1.

**South Carolina:** The South Carolina State Energy Office used SEP funding to expand the Energy Efficiency Revolving Loan fund, which was started with an infusion of approximately \$1.5 million. Loans are for commercial and industrial borrowers. One example of a borrower is Love Chevrolet, a large family-owned car dealership that was provided a loan of \$230,000 to convert both parking lot and interior lighting to high efficiency LEDs.

**Tennessee:** The State uses a portion of its SEP funds to support critical energy emergency (*or energy assurance*) functions in partnership with the federal government and private sector. For example, within the past year, three Colonial Pipeline incidents affected most of Tennessee's gasoline supply. The energy office's ability to collect confidential information from petroleum suppliers to assess the situation and coordinate with DOE and the Tennessee Emergency Management Agency to ensure mission critical and first responder fuel needs were met was essential to protecting public health and safety. In another example, many of the Tennessee's 1,650 commercial poultry houses have limited access to natural gas and rely on propane to heat livestock housing. In the winters of 2014-2015, propane distribution issues occurred, and the state worked with the industry and DOE to ensure that farmers had access to propane.

**Washington:** The State uses a portion of its SEP funds to support energy emergency preparedness. For example, last year, state officials engaged in the Cascadia Rising energy emergency exercise, where state officials worked with the private sector, DOE, and others to respond to a simulated magnitude 9.0 earthquake and tsunami. The exercise brought focus to the need for a resilient grid, tested the state's responsibility for federal Emergency Support Function 12, and identified improvements such as developing pre-disaster agreements with Oregon and Idaho.

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