

**TESTIMONY OF WILLIAM “DUB” TAYLOR, DIRECTOR,
TEXAS STATE ENERGY CONSERVATION OFFICE, BEFORE THE U.S. HOUSE
ENERGY AND WATER DEVELOPMENT APPROPRIATIONS SUBCOMMITTEE IN
SUPPORT OF FY’18 U.S. DEPARTMENT OF ENERGY FUNDING**

May 3, 2017

Chair Simpson, Ranking Member Kaptur and members of the Subcommittee, I am Dub Taylor, Director of the Texas State Energy Conservation Office, and I am testifying today on behalf of the National Association of State Energy Officials (NASEO) and our 56 governor-designated state and territory members. NASEO submits this testimony in support of funding for several U.S. Department of Energy (DOE) programs that are of great importance to the states. Specifically, we respectfully request \$70 million for the U.S. State Energy Program (SEP), \$230 million for the Weatherization Assistance Program, and expanded funding for the critical energy system modernization and energy emergency activities of DOE’s Office of Electricity Delivery and Energy Reliability.

First, SEP is the only federal energy program that allows the states to set priorities for the use of that funding. The underlying statute was amended in 1990 to provide governors with great flexibility in addressing each state’s unique circumstances. In Texas, as in other states, we are focused on the role of energy in the context of economic development. Our state’s *all of the above* approach to energy encourages competition which keeps energy prices low for consumers, and we want to keep it that way. SEP helps us target activities that directly address state and national energy goals, with sound oversight, but without unnecessary federal government direction or interference.

The Administration's *skinny budget* incorrectly asserts that eliminating both SEP and WAP would "reduce Federal intervention in state-level energy policy and implementation." Actually, SEP is a model state-federal partnership and is a good example of cooperative

federalism, which should be expanded. Earlier this year, the National Governors Association called out SEP and WAP as top energy funding priorities by specifically recommending to the Trump Administration to "continue and expand existing energy grant programs that states rely upon, particularly the Weatherization Assistance Program and State Energy Program." The reality is that of the approximately \$30 billion expended by DOE annually, the \$50 million in SEP funds is the only funding provided directly to the states to use on a wide range of energy priorities which the governors set. As authorized by Congress and administered by DOE, SEP provides discretion and deference to the governors within a broad statutory framework.

First and foremost, SEP is the most successful energy program supported by Congress. According to two Oak Ridge National Laboratory (ORNL) studies, SEP provides taxpayers with an exceptional value. ORNL found that \$50 million in SEP federal funding delivers \$535 million in private, state, and other non-federal leverage and \$360 million in sustained, annual energy cost savings for families, businesses, and state and local governments. The evaluation by ORNL of the states' work using SEP funds found that each dollar of federal SEP funds leverages \$10.71 of state and private funds and realizes \$7.22 in energy cost savings for citizens and businesses—a great value.

States set their priorities for use of SEP funds on activities such as planning for and responding to energy emergencies resulting from natural and man-made disasters; assisting small businesses and manufacturers in reducing energy costs to improve competitiveness and create jobs; aiding farms and rural homeowners in developing homegrown energy solutions to lower energy costs; and supporting local governments in retrofitting schools, police stations, and other public facilities to reduce utility bills paid by taxpayers.

In my own State of Texas, we leveraged \$293,000 in SEP funds to support clean energy technology startup companies, which have attracted \$7 million (24:1) in investments, created 86 jobs, and resulted in \$7.9 million (27:1) in economic impact. Other examples of how Texas has allocated SEP funding include the Texas Industries of the Future Program which has had great success in supporting chemical manufacturers and refiners to decrease the energy and water intensity of their Texas operations. And, we utilized SEP funds to support the City Efficiency Leadership Council and commercial Property Assessed Clean Energy (PACE) Training to encourage local building energy code adoption and compliance and local PACE financing program development. This public sector technical assistance effort resulted in 37 million square feet being assessed, and yielded significant energy and water savings opportunities with average paybacks of just five years. Each of these successes, and others, are possible using the flexible SEP formula funds which give our state, and other states, the ability to allocate funding to meet our top energy priorities and opportunities.

In Texas, SEP funds are also used to conduct energy and water assessments for public sector, taxpayer-supported facilities across the state. The energy and water saving projects that are identified can then be implemented under the LoanSTAR (Saving Taxes And Resources) revolving loan program, which offers low cost financing to K-12 schools, local governments and state agencies. This program has awarded almost 300 loans totaling \$375 million for projects that have saved borrowers \$523 million in utility costs – an average of 18.5% savings annually.

NASEO and the states strongly prefer that all SEP funds provided by Congress come to the states through the base formula account, rather than including DOE's diversion of a small portion of the funds for a competitive program. NASEO is seeking \$70 million in SEP funding with \$50 million in base formula appropriations, and the remainder 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 Office, lead energy emergency planning and response. This interdependent state-federal-private function is a hallmark of SEP and needs greater support given elevated threat levels and an increasingly complex energy system—grid, petroleum, natural gas. For example, in the most recent year for which we have data, up to 50 percent of the cyber-attacks in the United States were on energy infrastructure, with a significant portion of that being petroleum related.

Finally, SEP is one of the only meaningful connections between billions spent on federal energy research and development by DOE *and* the energy priorities, policies, and market strategies set by states. The states' exceptional stewardship of SEP funding is widely known and strongly supported.

In addition to SEP and WAP, NASEO supports FY' 18 funding for the following DOE offices and programs: \$289 million for DOE-EERE's Buildings Technologies Office (including building codes and appliance standards); the Clean Cities program within the Vehicle Technologies Office; and \$262 million for DOE Office of Electricity Delivery and Energy Reliability (DOE-OE). At DOE-OE, energy assurance, infrastructure security and energy restoration actions 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 natural disasters and man-made events. For example, resolution of the propane disruptions in the Midwest and New England during the winter of 2013-14, and the Colonial Pipeline ruptures in 2016 would have taken substantially longer and had an even greater impact on consumers and businesses without OE's leadership and partnership with the states and industry. We also suggest robust funding for the Energy Information Administration.

Formula SEP funding provides states a flexible means to implement state-directed actions. Beyond the successes in Texas, I am providing additional examples of the ways in which Idaho and Ohio leveraged and utilized SEP funding (NASEO's Executive Director, David Terry, is submitting written testimony with examples of activities from the other states represented on the Subcommittee):

Idaho: The Idaho Energy Office leveraged SEP funding to support the K-12 Energy Efficiency Project. Energy audits have been completed on 894 school buildings statewide. HVAC system tune-ups were also completed on the 894 school buildings across Idaho. Approximately \$5 million was spent performing the HVAC tune-ups with anticipated savings for Idaho districts of about 10 percent of their energy budgets. Savings from the tune-ups are estimated at between 84,102,248 and 269,507,285 kBtu per year. Tune-up dollar savings based on site energy are estimated between \$1,254,169 and \$3,924,603 annually.

Ohio: The Ohio Energy Office utilized SEP funding to support the Energy Efficiency Program for Manufacturers. The program is enabling hundreds of Ohio's manufacturers to realize cost savings and improve the efficiency of their operations; putting these companies in a better position with their global competitors. The program has invested more than \$24 million in Ohio's manufacturing sector to reduce energy usage for a combined annual savings of 1,112,109 million British Thermal Units (gas, oil, other) and 79,256 megawatt hours. These savings translate into a greenhouse gas emission reduction of 110,256 metric tons per year.

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