

TESTIMONY OF DAVID TERRY, EXECUTIVE DIRECTOR, THE NATIONAL ASSOCIATION OF STATE ENERGY OFFICIALS, BEFORE THE SENATE ENERGY AND WATER DEVELOPMENT APPROPRIATIONS SUBCOMMITTEE IN SUPPORT OF FY'14 DEPARTMENT OF ENERGY FUNDING

May 9, 2013

Chairwoman Feinstein, Ranking Member Alexander, and members of the Subcommittee, I am David Terry, Executive Director of the National Association of State Energy Officials (NASEO). NASEO is submitting this testimony in support of funding for a variety of U.S. Department of Energy programs. Specifically, we are testifying in support of no less than \$57 million for the base, formula State Energy Program (SEP). We deeply appreciate your strong historic support for SEP. SEP is the most successful program supported by Congress and DOE in this area. This should be base program funding, with no competitive portion, which focuses primarily on DOE's internal priorities. SEP is focused on working with private business to help facilitate direct energy project development, where most of the resources are expended. SEP has set a standard for state-federal cooperation and matching funds to achieve critical federal and state energy goals. The base SEP funds are the critical linchpin to help states in building on these activities and expanding energy-related economic development, much as SEP has done for over 30 years. We also support the \$230 million level for the Weatherization Assistance Program (WAP). Led by Senators' Reed and Collins, forty Senators signed a "Dear Colleague" letter to you, supporting funding of \$57 million for SEP and \$230 million for WAP. These programs are successful and have a strong record of delivering savings to low-income Americans, homeowners, businesses, and industry. We also support the funding level provided in the FY'13 Budget Request for the Energy Information Administration (EIA) of \$116.4 million. EIA's state-by-state data is very helpful and has been improving. EIA funding is a critical piece of energy emergency preparedness and response, and there are significant EIA responsibilities under EISA. NASEO continues to support funding for a variety of critical buildings programs, including Building Codes Training and Assistance, Energy Star, and residential energy efficiency (including Building America) at least at the FY'12 level, and Building Codes at a \$15 million funding level. The industries program (renamed the Advanced Manufacturing program) should promote efficiency that maintains and grows U.S. manufacturing jobs through the CHP Clean Energy Application Centers, Industrial Assessment Centers, industrial efficiency best practices, and advanced manufacturing technologies. The current approach does not appropriately balance funding among these activities. State and industry input shows a need to increase funding that supports the technical needs of existing small and medium-sized manufacturers that can benefit from low-cost and nearer term efficiency technologies and opportunities. Further, there should be greater emphasis on leveraging combined efforts of the states and industry. NASEO also supports funding for the Office of Electricity Delivery and Energy Reliability (OE) at the level of the FY'13 Budget Request. Specific funding should be provided for the Division of Infrastructure Security and Energy Restoration of no less than \$18 million, which funds critical energy assurance activities that support state energy office – federal coordination and capabilities on energy emergency response. For example, these activities were crucial in dealing with Super Storm Sandy. We also strongly support OE's R&D and Operations and Analysis functions. We are also interested in working with this Subcommittee, Congress and the Administration on the proposed "Race to

the Top” initiative. However, the proposed “Race to the Top” should not supplant SEP or WAP funding.

Formula SEP funding provides a basis for states to implement practical energy projects with businesses and aids in sharing best practices among the states. These best practices allow states to leverage funding and get a great deal accomplished. These types of activities include energy financing programs, revolving loans, utility-based programs, energy service performance contracts, etc.

In January 2003 (and updated in 2005), Oak Ridge National Laboratory (ORNL) completed a study and concluded, “The impressive savings and emissions reductions numbers, ratios of savings to funding, and payback periods . . . indicate that the State Energy Program is operating effectively and is having a substantial positive impact on the nation’s energy situation.” ORNL found that \$1 in SEP funding yields: 1) \$7.22 in annual energy cost savings; 2) \$10.71 in leveraged funding from the states and private sector in 18 types of project areas; 3) annual energy savings of 47,593,409 million source BTUs; and 4) annual cost savings of \$333,623,619. Energy price volatility makes the program more essential as businesses and states work together to maintain our competitive edge.

Examples of Successful State Energy Program Activities: The states have implemented thousands of projects. We have previously supplied to Subcommittee staff examples of programs and projects implemented. Here are a few representative examples.

Alabama: In Alabama, SEP funds are used to support the purchase and installation of energy efficient equipment in K-12 schools. The energy improvements, including HVAC systems, lighting retrofits, insulation, window and energy management controls, have been implemented in approximately 120 schools and have generated cost-savings exceeding \$1 million a year.

Alaska: Alaska established the \$250 million Alaska Energy Efficiency Revolving Loan Fund in 2010. The fund is available to finance energy efficiency improvements for public facilities throughout the state. SEP funds were used to collect benchmarking data on about 1200 public facilities, plus approximately an additional 100 University and state-owned facilities, in order to identify high-energy using buildings.

California: The Clean Energy Business Financing Program for manufacturers has led to the deployment of critical energy projects and products. An energy retrofit program recently led to 2500 homeowners savings an average of 29% on utility bills. The Green Jobs Training grants have been awarded to 46 community colleges, which has helped train 8000 people. In one example, the RichmondBUILD pre-apprenticeship Construction Skills Academy worked with Contra Costa College to improve the curriculum and program graduates now have a 90% job placement rate. This state is improving energy efficiency in state-owned buildings through the State Property Revolving Loan Fund Program. This sustainable loan program is supporting energy upgrades in more than 60 buildings located throughout the state -- including energy retrofit projects in 18 California Highway Patrol Offices.

Illinois: Illinois uses SEP funds to promote the development of renewable energy and energy efficiency manufacturers and supply-chain businesses in the state. Since 2010, one of its programs, the Green Business Development Grant Program, has awarded grants to 25 Illinois

manufacturers that have expanded into the green technology sector by retrofitting their manufacturing processes.

Iowa: With approximately 2,500 wind turbines in the state of Iowa, and 3,670 megawatts of generation, it is ranked second nationally in wind-produced electricity. Iowa is also recognized as a national leader in manufacturing wind energy equipment and supplies, and over the past two years, SEP grants have been given to several organizations to continue to install wind turbines for education and generation purposes.

Kentucky: The Kentucky Department of Energy Development and Independence (DEDI) helps teams of designers, architects, and school administrators develop and construct, cost-effective zero-net energy capable schools. The energy use reductions and cost savings have been dramatic. The training and assistance efforts, accomplished through SEP funding, played a pivotal role in helping Kentucky pursue and achieve its market transformation goals, while simultaneously encouraging other states (e.g., VA, MD, NC) to identify similar opportunities.

Louisiana: In Louisiana, SEP funding helps support the popular Home Energy Rebate Option Program (HERO). The program offers a cash rebate for energy retrofits, as well as providing training, and quality control for the energy raters who certify efficiency projects. During the past two years, more than 1,100 existing homes were retrofitted, resulting in a 30 percent average increase in energy efficiency per home and nearly 47,000 MMBtu in total annual energy savings in all homes completed.

Maine: SEP funds supported Maine's Home Energy Savings Program which launched in 2010. To date, approximately 5,000 Mainers have conducted residential energy audits with more than 3,000 of these homeowners receiving rebates for whole-house energy upgrades. More than 100 licensed construction companies have been certified to participate in the program, which has resulted in excess of \$27 million worth of residential energy retrofit projects.

Mississippi: In Mississippi, an SEP grant program provides incentives to public and private entities to help deploy commercially available renewable energy technologies in 17 projects across the state. Twelve of the 17 projects involve photovoltaics (PV). Eight PV projects, representing 359.9 kW of renewable generation, have been completed, and four others are underway. One of the ongoing projects is at Twin Creeks Technologies' manufacturing facility in Senatobia, allowing the company to install a 60kW rooftop solar array at its photovoltaic production facility. This project, along with all others benefiting from the grant program, were completed in 2012. Their public buildings program is helping to finance energy-saving upgrades through performance contracting in 10 public institutions. The participating public sector partners include the Biloxi School District, Cleveland School District, Desoto County, Jefferson County, Lawrence County School District, Mississippi State Hospital, Monroe County School District, Claiborne County, Alcorn County School District and Hollandale School District. Under the program, 149 public buildings, representing more than 3 million square feet of space, have been completed.

Montana: Montana's Alternative Energy Revolving Loan Program (AERLP) was created using a variety of funding sources, including SEP funds. AERLP provides a financing option to Montana homeowners, small businesses, non-profits and government entities to install alternative energy systems. Funds are paid back to the program over time and loaned out again and again, extending the funding benefits for years. Loans are capped at \$40,000 and carry a 3.5 percent interest rate (rate adjusted annually) with terms of up to 15 years.

New Jersey: Among the programs funded in New Jersey through SEP, are a Combined Heat and Power (CHP) grant, a grant for energy projects in public buildings, a residential energy

efficiency retrofit program, and a financing program for residential solar. The Energy Efficiency through Clean CHP program provides grants for CHP production at existing facilities of large commercial and industrial customers. All totaled, nearly 35 MW of clean energy production has resulted from this SEP-funded grant program.

New Mexico: Among New Mexico's recent energy efficiency successes using SEP funding is a traffic light project launched in 2009 and completed in 2010. In partnership with the New Mexico Department of Transportation, this project used SEP funding to convert 355 traffic signals in 33 communities around the state from incandescent lamps to light-emitting diode (LED) lamps. After one year in operation, the LED traffic signals program has resulted in a 75 percent energy savings and 67 percent cost savings.

North Dakota: In North Dakota, industrial energy efficiency activities supported through SEP funding include the North Dakota State University (NDSU) Agricultural Energy Efficiency program, a grant to support utility rebates and grants for municipal utilities to upgrade their municipal utility systems. NDSU is using SEP funding to conduct workshops on energy-conserving farming practices. To date, nearly 45 workshops have been held with over 850 participants attending.

South Carolina: During the past two years a public building energy retrofit program in South Carolina, using SEP funds, has resulted in energy efficiency improvements in 579 buildings statewide. The buildings represent nearly 21 million square feet of public building space and include 32 two- and four-year colleges, 22 state agencies and 85 school districts. All measures funded through the program's grants and loans have a minimum return on investment of at least 2.5 to 1 in energy costs savings.

South Dakota: Over the past few years, South Dakota used an SEP grant for the Office of the State Engineer to conduct an energy audit of all state-owned buildings. The audit covered more than 14 million square feet of buildings statewide and projected a potential annual energy savings to South Dakota taxpayers of more than 200,000 mWh, or about \$145,000. Cost-effective projects have been carried out in 55 buildings, totaling 7.4 million square feet of space.

Tennessee: The state used \$15 million in funding to launch an energy efficiency loan program in partnership with Pinnacle Bank, TVA and others. \$35 million in private sector funds was leveraged. Businesses received loans for energy efficiency and renewable energy improvements paid for through energy use reductions. During the most recent quarter, projects included LED lighting in Bristol, high efficiency water heaters in Knoxville and 3 major industrial energy efficiency projects in Lexington, Chattanooga and Athens. Another partnership between the state, the University of Tennessee and Oak Ridge National Laboratory led to 236 grants and over \$40 million in private sector leverage for energy projects.

Washington: SEP funding was used for a renewable energy and energy efficiency financing program. The loans, loan guarantees, and grants from this program are encouraging a number of innovative energy technologies. By the end of 2012, more than 30 projects were completed under this program, with more on the way.

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