

**TESTIMONY OF DAVID TERRY, EXECUTIVE DIRECTOR,
NATIONAL ASSOCIATION OF STATE ENERGY OFFICIALS,
BEFORE THE U.S. HOUSE ENERGY SUBCOMMITTEE OF THE
COMMITTEE ON ENERGY AND COMMERCE IN SUPPORT OF
ENERGY EMERGENCY PLANNING, RESPONSE AND MITIGATION ACTIONS AND
THE U.S. STATE ENERGY PROGRAM**

JUNE 14, 2017

Chairman Upton, Ranking Member Rush, 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. We appreciate the Subcommittee’s interest in the important issue of energy emergency planning, response, and mitigation, as well as the U.S. State Energy Program (SEP). Energy emergency actions are *interdependent* state-federal-private functions aimed at protecting the health, safety and economic vitality of the public. Funding from SEP is essential in most states’ actions in this critical area.

Each year, there are localized energy supply disruptions typically resulting from weather events or accidents which the energy industry and state and local officials do an extraordinary job of addressing. However, more significant disruptions to energy supplies – electricity, natural gas, coal, petroleum products, propane – resulting from hurricanes, flooding, earthquakes, and man-made events such as attempted cyber-attacks or terrorism, require far greater attention and more resources. For example, according to the National Oceanic and Atmospheric Administration, there have been more than 50 weather-related disasters over the past 10 years that each exceeded \$1 billion in cost. Historic weather and non-weather energy supply disruption events such as Super Storm Sandy in 2012, the propane crisis in the winter of 2014-2015, and last year’s three Colonial Pipeline events all required state-federal-industry mobilization to lessen the serious life, health, and economic impacts on citizens across entire regions of the nation. In the case of the Colonial Pipeline accidents, state energy officials in Alabama, Georgia, North Carolina, Tennessee, and other southeastern states worked with the U.S. Department of Energy (DOE), Office of Electricity Delivery and Energy Reliability (DOE-OE) and the petroleum industry to

ensure gasoline was provided for critical functions, as well as normal commerce. However, attendant price spikes caused by the disruption negatively impacted many consumers. Similarly, the well documented propane emergency of 2014-2015 required a sustained level of emergency response as the states, DOE, and the propane industry worked to ensure that propane for heating of homes and livestock facilities could be allocated and delivered. It was a very serious situation made better by the exceptional response of the states, DOE, and propane industry.

During a serious energy emergency, neither the Federal Government, nor state governments, nor the private sector can resolve these situations alone. Federal and state legal and operational authorities associated with energy emergency response require coordinated, and clearly delineated actions to minimize threats to public health and safety, and to restore communities to normal economic activity. Further, the federal emergency response architecture established by Congress and carried out by the U.S. Department of Homeland Security with other federal agencies recognizes the critical need for direct engagement among federal, state, and local authorities in each infrastructure sector. The U.S. Department of Energy has the federal lead for Emergency Support Function 12 – Energy (ESF12). The governors’ state energy offices generally lead (or have a substantial role in) the ESF12 function at the state level, and these offices are the key state actor in planning for and responding to a variety of energy emergencies across all fuel types and energy producers and distribution channels. Public utility commissions often also have critical ESF12 roles, and NASEO and the state energy offices coordinate closely with National Association of Regulatory Utility Commissioners (NARUC) and their members.

State-federal cooperation on energy emergency planning and response is critical to effectively address both physical energy security and cyber security. In fact, within the past year, NASEO executed a new agreement with the DOE Secretary and our sister organization NARUC (DOE-State MOU – <http://naseo.org/Data/Sites/1/eeac-agreement-and-terms-of-reference-final-february-2016---no-signatures.pdf>). We have also participated in important energy emergency exercises led by DOE, such as Cascadia Rising, which focused on earthquake related energy emergencies, and Liberty Eclipse, which was cyber-focused. These exercises must continue, especially given changes in personnel at the federal level, state level and private sector. Cooperation and communications developed during planning and exercises is essential to ensuring interdependent authorities (e.g., waiver of driver hours) across the federal government and states are carried out in a streamlined fashion during emergency events.

Mitigation of future energy supply disruption risks and resulting energy emergencies is as important as planning. States work with the private sector to reduce energy system risks and avoid or lessen their impact on health, safety and the economy. State energy officials utilize SEP funds to plan for and respond to emergencies, as well as to mitigate the impact of future events. For example, states use SEP and state funds to work with the private sector to advance resilient and fortified energy infrastructure (e.g., pipelines, substations, petroleum storage facilities); promote high-performance buildings with on-site power options (e.g., Combined Heat and Power integrated with renewables) for mission critical facilities (e.g., police, fire, hospitals, water treatment); promote the use of alternative fuel vehicles (e.g., propane, electric, natural gas) to diversify fueling for first responder and larger vehicle fleets; advance cost-effective distributed energy resources for homeowners and small businesses; and promote practical building energy

codes that reduce energy load in commercial and residential facilities. SEP was designed by Congress to provide states with the flexibility to address these and other opportunities as directed by their governors within DOE’s oversight parameters for this longstanding state-federal program.

SEP contains a required energy emergency planning function, which was added in a 1990 amendment. This provision requires submission of state energy emergency plans to DOE (42 USC 6323(e)). However, changes in energy flows, increasing control of energy-related systems by nonregulated entities, and the threats to energy infrastructure and end-use systems (both physical and cyber security) have created a need for elevating energy emergency planning and mitigation actions. Prioritizing and modernizing SEP’s energy emergency planning requirement is an important and timely step in the face of increased risks and increased critical infrastructure interdependencies among petroleum, natural gas, electricity, water, and telecommunications. As such, NASEO supports changes in the energy emergency provision of the statute to modernize the energy emergency plans in ways that more systematically address both cyber security and physical security and the risks they now present to our states and the nation.

NASEO has worked with DOE and individual states (e.g., FL, GA, IN, ME, MI, MN, NE, OK, TN, WI) over a number of years to improve energy emergency planning and mitigation actions, and we have analyzed states’ plans to identify best practices and key provisions. Through this work, we have developed NASEO’s *Five Core Energy Emergency Plan Elements*, which we believe should be considered in states’ plans and should be a part of any congressional action in this area. State emergency plans should:

- a) Address key areas (e.g., cyber security, liquid and delivered fuels, workforce development, and coordination with both regulated and nonregulated electricity providers). Detailed narrative of state’s energy profile and interdependencies as well as the geography and demographics of the energy infrastructure;
- b) Include a detailed risk assessment of energy infrastructure, threats, hazards, economic and human consequences, and vulnerabilities and cross-sector interdependencies;
- c) Provide a detailed risk mitigation plan on how the state will enhance energy infrastructure reliability, diversify fuels, reduce energy waste (e.g., energy efficiency), and improve the resiliency of energy supply, distribution, and end-use;
- d) Offer detailed plans to respond to all hazards, including events that impact petroleum products, regulated and nonregulated utilities, and delivered fuel providers, cyber-attacks, physical attacks, natural disasters, and catastrophic events; and
- e) Address multi-state and regional coordination efforts associated with planning, response, and mitigation.

As the Subcommittee addresses the importance of state energy emergency plans and interdependent state-federal authorities and functions, we recommend using the above criteria in the legislation as the foundation of prioritizing both DOE and state actions on planning, and retaining the longstanding flexibility of SEP that allows governors to direct state actions particularly with regard to emergency mitigation and energy-related economic development. Energy emergencies will continue to occur, and responses must be coordinated and effective. DOE’s Office of Electricity Delivery and Energy Reliability leads DOE’s energy emergency

response efforts and has done an exceptional job of assisting NASEO and the states. The DOE Office of Energy Policy and Systems Analysis, as well as the U.S. Energy Information Administration, provide essential energy emergency support functions, and DOE's Weatherization and Intergovernmental Programs Office has been responsive to state needs and extremely effective in the overall administration of SEP.

NASEO strongly supports the reauthorization bill for SEP and the Weatherization Assistance Program (WAP) introduced by Congressman Tonko (NY), including the specific reauthorization for appropriations for both programs. Funding for these programs is crucial, and we appreciate the bipartisan support that Congress has shown in appropriating funds.

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.

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); the Governors Wind and Solar Energy Coalition led by governors Raimondo (RI) and Brownback (KS); 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.

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; 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 states is to request that Congress stipulate all SEP funds be provided through the base formula account. NASEO is seeking \$70 million in SEP funding for FY'18 with \$50 million in base formula appropriations, with an additional amount targeted to enhance state-federal cooperation on energy emergency planning and preparedness, including the physical and cyber security of energy infrastructure (Please see NASEO's FY'18 testimony – <http://www.naseo.org/Data/Sites/1/2017-house-energy-and-water-final-testimony-of-dub-taylor.pdf>). Consistent with the proposed authorizing legislation, we support \$90 million per year for SEP.

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.

Funding for SEP is crucial to modernizing energy emergency planning and ensuring this interdependent state-federal function meets today’s threat environment. Without expanded funding and maximization of SEP formula funding from DOE, these requirements would be inappropriate. The state-DOE energy assurance partnership is critical in operationalizing 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 and man-made disasters.

NASEO also continues to support the Strategic Petroleum Reserve (SPR), and regional heating oil and gasoline reserves. The provisions of the FAST Act should help modernize the SPR.

Conclusion

Thank you for the opportunity to testify.

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