



National Association of
State Energy Officials

March 6, 2017

The Honorable Mick Mulvaney
Director, Office of Management and Budget
Eisenhower Executive Office Building
1650 Pennsylvania Avenue, NW
Washington, DC 20460

The Honorable Rick Perry
Secretary, U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Director Mulvaney and Secretary Perry:

On behalf of the governors' 56 State and Territory Energy Offices, the National Association of State Energy Officials (NASEO) respectfully requests your consideration of expanded funding for the U.S. State Energy Program (SEP) – *the only program administered by the U.S. Department of Energy (DOE) which provides funding directly to states to invest in energy priorities set by their governors.* SEP is the only direct state linkage with DOE's energy emergency, research, and analytical functions, and it is the primary mechanism for governors to plan for and mitigate energy emergencies. SEP is one of only two DOE programs specifically called out in the National Governors' Association Trump Administration transition recommendations which asks the Administration to, "*Continue and expand existing energy grant programs the states rely upon, particularly the Weatherization Assistance Program and the State Energy Program.*" Further, over the past several years, both the U.S. House and Senate have voted to strongly support SEP and Weatherization Assistance Program on a bipartisan basis.

We are aware of the extremely challenging budget priorities which must be addressed through the passback process between the Office of Management and Budget (OMB) and DOE regarding the Fiscal Year 2018 DOE budget. Governors' energy directors from across the nation have been meeting with the landing teams at DOE over the past two months to convey the importance of SEP in addressing the shared state-federal roles in energy emergency planning and response, as well as states' energy-related economic development work on behalf of their governors. The work of the states through SEP helps businesses leverage the results of federal research and development investments in every energy sector. It is important to note that for years, the views of the states have not been given priority in many DOE and OMB budget and program decisions, and the State-DOE relationship was narrowly defined within DOE. However, we are confident that the value of state relationships with DOE and SEP will benefit greatly from your leadership and understanding of the important role of states in guiding America's energy economy and security.

We recognize and respect that you must evaluate DOE and its expenditures, and we see many opportunities for reallocation of resources to higher-priority efforts such as SEP and WAP, as well as significant budget savings and streamlining of processes that must be achieved

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quickly to meet the President's important goals. We also recognize that there are entrenched interests within the Federal Government that do not appreciate or understand the role of the states in working with private sector energy firms to deliver true "all of the above" energy solutions sought by most of the nation's governors.

In support of making such changes at DOE, NASEO recommended to the DOE Transition Team establishing a State-Federal Task Force charged with identifying priority DOE programs, areas for substantial cost savings, and streamlining of specific regulations and processes which impede energy development by the states. For too long, the vital state-DOE relationship supported, in part, by SEP has been bridled in a narrow stovepipe within DOE's structure. Energy markets and thinking have evolved, and states and the private sector take a much broader view of energy solutions. Expanded SEP funding and an elevated relationship within DOE would deliver greater value for the states, DOE, and taxpayers.

We look forward to answering any questions you may have, and we would appreciate your consideration of facilitating a meeting with a small group of the governors' energy directors and your staffs in the coming weeks.

Best regards,

A handwritten signature in blue ink, appearing to read "D. Terry", with a stylized flourish at the end.

David Terry,
Executive Director, NASEO

cc: U.S. House of Representatives and U.S. Senate Appropriations Chairs and Ranking Members; Michael Catanzaro, Special Assistance to the President for Domestic Energy and Environmental Policy; State Energy Directors

U.S. State Energy Program Overview

U.S. State Energy Program (SEP)

SEP is the only cost-shared program administered by DOE that provides resources directly to the states for use in efficiency, renewable, and alternative energy demonstration activities.



The U.S. State Energy Program (SEP) is the only program administered by the U.S. Department of Energy (DOE) that provides cost-shared resources directly to the states for allocation by the governor-designated State Energy Office to support energy emergency planning and response, private sector energy innovation and demonstration, and state-driven electricity system planning, natural gas system enhancements, and infrastructure modernization, and supports state-directed energy efficiency and renewable energy programs and projects with the private sector and local governments.

- SEP Was last authorized by Congress at \$125 million and delivered by the 56 Governor-designated State and Territory Energy Offices through DOE
- SEP Allows each State to address energy priorities and opportunities while contributing to national energy goals
- SEP Is called-out, with WAP, in the National Governors Association 2017 recommendations to the Trump Administration as a top priority for continued and expanded funding
- SEP Provides DOE with a link to the states to ensure federal energy R&D investment are relevant to state energy policies and private energy markets which are guided primarily by the states
- SEP Provides the fundamental capability for states to design and carry out programs tailored to their citizens' needs and the energy goals developed by their governors
- SEP Ensures the capacity of the Governor's State Energy Offices to work with the Federal Government and private sector in planning for, responding to, and mitigating the impacts of energy supply emergencies arising from physical and cyber threats, weather, and market events

SEP's Economic Impact – According to an Oak Ridge National Laboratory study, \$50 million in SEP funds:

- Leverages \$585 million for energy related economic development
- Produces \$333 million in sustained, annual energy cost savings for families, businesses, and State and Local Governments

NASEO recommends SEP funding of \$70 million, including \$50 million in formula funds, with the remainder for energy emergency and cyber security preparedness and response. Additional funds for this critical state-federal partnership program could be repurposed from other lower-priority activities.

National Governors Association
Trump Administration Recommendations:
We the States (February 2017)

Energy

Governors have pioneered a wide array of innovative energy policies in their states and look forward to working with the Administration and Congress to identify new and innovative opportunities for partnership. As the Administration considers what energy policies it will embrace, governors ask that it:

- Consult with governors' offices at the earliest stages of energy policy development to help identify areas of mutual interest, discuss process and elevate engagement opportunities. States have been extremely successful in implementing energy policies that meet their specific needs and goals, and the administration should incorporate these methods into its national policy;
- **Continue and expand existing energy grant programs that states rely upon, particularly the Weatherization Assistance Programs and the State Energy Program;**
- Engage governors in a national conversation about our nation's future energy choices, including coal, nuclear, oil and gas, as well as renewables and energy efficiency, and the related impact of each on economic development, energy security and environmental sustainability. State officials are often the lead energy regulators and as such, are uniquely positioned to discuss the latest scientific and policy developments and address trade-offs;
- Elevate energy research and development initiatives in a manner that complements existing state initiatives to further expand and develop America's energy resources; and
- Ensure the federal government is efficiently investing in the timely and effective environmental cleanup of federal facilities sites and enhance the oversight and regulation partnership with the states.

<https://resources.nga.org/cms/wethestates>