

**TESTIMONY OF DAVID TERRY, EXECUTIVE DIRECTOR, NATIONAL
ASSOCIATION OF STATE ENERGY OFFICIALS, BEFORE THE U.S. SENATE
SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT APPROPRIATIONS
IN SUPPORT OF FY'20 U.S. DEPARTMENT OF ENERGY FUNDING
APRIL 15, 2019**

Chairman 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); \$270 million for the Weatherization Assistance Program (WAP) (plus \$5 million technical assistance funding);** \$289 million for the Buildings Technologies Office including significant funding for technical assistance and training for building energy codes and appliance standards; a new cross-cutting program in the Strategic Programs account totaling \$5 million for state and local training for energy service performance contracting; strong support for the Clean Cities program (\$37.8 million); \$182.5 million for DOE-OE; and \$156.6 million for DOE-CESER including \$70 million for ISER. **The \$70 million SEP request is consistent with the SEP/WAP “Dear Colleague” letter, signed by 45 members (5 more than FY’19), you received on 3/29/19, led by Senator Collins and Senator Reed.**

SEP is the only federal energy program that allows the states to set priorities with both state and national energy goals in mind. 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 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. 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 and the Western Interstate Energy Board all called for continued and expanded funding for SEP. In addition, WAP is another example of a state-directed program with little federal interference. 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 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; addressing cybersecurity needs; 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 was to request that Congress stipulate that all SEP funds be provided through the base formula account, except for \$5 million for technical assistance funding. We were very pleased that DOE EERE Assistant Secretary Daniel Simmons agreed with this view and directed that the SEP Competitive Program be rolled into the base SEP formula account. NASEO also supports bill language directing that both SEP and WAP funds be distributed to the states within 60 days of enactment. NASEO is seeking \$70 million in SEP funding with report language from Congress encouraging enhanced 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 across electricity, natural gas, propane, and petroleum products. 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. 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. NASEO also supported the creation of the CESER office and recommends an increase for this activity to \$156.5 million which includes \$70 million for the Infrastructure Security and Energy Restoration (ISER) account in FY'20. In addition, it is critical to increase program direction funds to ensure an increase in DOE staff to manage and deliver these critical functions. Current staffing levels are not commensurate with the expanded resources associated with the creation of the nation's front-line energy system cyber and physical security office. We also urge more robust funding of \$17 million (up from \$7 million in FY'19) for Transmission Permitting and TA.

Below are a few examples of the states' utilization of SEP funding.

AL: SEP Funds Leveraged \$98 Million in Energy Savings Performance Contracts. In Alabama, the State Energy Office initiated an energy savings performance contract (ESPC) leveraging SEP funds to implement a 20-year lease-purchase agreement to implement \$98 million of energy upgrades. All energy efficient measures have been completed and the state has produced significant annual savings from the energy-efficient equipment. The project created an estimated 1,677 jobs during the nearly two-year installation period.

AK: SEP Funds Leveraged to Develop a Statewide C-PACE Program. In Alaska, the State Energy Office leveraged \$300,000 SEP dollars to develop a statewide approach to C-PACE. The approach will accelerate the C-PACE market through creation of uniform parameters, establishment of a statewide administrator, and provision of technical assistance to local governments. The state projects the use of C-PACE in Alaska to provide up to \$96 million in annual savings annually and retrofit over 100 million square feet in approximately 10,000 commercial buildings.

CA: SEP Funds Supported the Development of New Appliance Standards and Grid Resilience. In California, the State Energy Office utilized SEP funds to support the development and implementation of appliance and building standards. Activities SEP funds support include technical and engineering analyses, market assessments, active engagements with industry and other stakeholders, and stewardship of related rulemakings. Of note in 2018 was adoption of the nation-leading 2019 California Building Energy Efficiency Standards for nonresidential and residential buildings, which become effective on January 1, 2020. The 2019 Building Standards

encourage inclusion and seamless integration of features that support grid interactivity and resilience. Since 1980, the appliance and building standards have saved the California economy more than \$100 billion.

DE: \$269,720 in SEP Funds Helped Provide Energy Efficiency Rebates. In Delaware, the State Energy Office utilized SEP funds in operating the Green Energy Fund (GEF) and Energy Efficiency Investment Fund (EEIF). The GEF provides grant incentives to Delaware electric utility customers for the installation of solar photovoltaic systems, solar hot water heating systems, geothermal heat pumps, small wind applications, renewable energy fuel cells, and energy efficiency investments. From July 2017 through June 2018, the GEF provided 843 grants totaling about \$1.7 million in rebate incentives to customers, and the EEIF supported 186 projects with over \$3.2 million in grants allocated. This allowed for \$6.08 to be leveraged for each \$1 in grant money given.

IL: \$140,700 in SEP Funds to Increase Energy Efficiency through Energy Code Training and Support. In Illinois, the State Energy Office utilized \$140,700 of SEP funds to help residential and commercial buildings become more energy efficient through Energy Code training and support. Since January 1, 2018, their Energy Code Training Program has been increasing awareness and encouraging compliance with the Illinois Energy Conservation Code to improve the energy efficiency of new construction and renovation in Illinois.

KY: SEP Funds Leveraged More than \$4.4 Million for the School Energy Managers Projects (SEMP). In Kentucky, the State Energy Office, 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 provides energy management services to Kentucky's school districts and has established a statewide energy management infrastructure focusing on intelligent energy choices for new and existing public schools. Currently, there are 40 energy managers providing services to 81 of Kentucky's 173 K-12 public school districts. \$50 million has been saved in avoided utility costs between 2010 and 2015.

LA: \$22 Million of SEP Funds Used for Statewide Energy Efficiency Improvements. In Louisiana, the State Energy Office has invested over \$22 million from its Revolving Loan Fund to finance over \$52 million in energy efficiency improvements. Loans have been awarded in 21 parishes affecting approximately 2 million citizens. Projects include wastewater plant equipment upgrades, street lighting, chiller replacements, and other improvements to parish governments, schools, universities, and hospitals.

ME: Invested \$4.5 Million of SEP Funds to Achieve Greater Energy Efficiency in the Multi-Family Sector. In Maine, the State Energy Office, in partnership with the Island Institute and a team of experts from other rural states, leveraged \$232,000 in SEP funds to assess the existence of a rural efficiency gap in the oil-dependent states of Alaska, Maine, New Hampshire, and Vermont. The project team also developed and documented replicable program models and strategies that 'bridge' this gap, thereby allowing residents in these rural, cold climate communities to lower their energy costs.

MS: SEP Funds Utilized for Industrial Energy Efficiency Program will Save \$2.9 Million in Energy Costs. In Mississippi, the State Energy Office is utilizing SEP formula funds to launch a new grant program aimed at improving the energy efficiency in the manufacturing sector. The grants were made available in October 2018 and nine projects have been selected as finalists. The five-year impact of these projects will result in a cumulative \$2.9M in energy cost savings. Approximately \$415,000 in SEP funds will result in \$1.99 million worth of energy efficiency projects.

MT: SEP Supported the Launch of the SMART Schools Challenge in 46 Schools Throughout the State. In Montana, the State Energy Office, in coordination with the governor, launched a SMART Schools Challenge to encourage K-12 public 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, 31 tons of waste diversion, and 135 tons of carbon offset through recycling.

NH: Used SEP Funds to Retrofit a State Hospital, Resulting in \$14,800 in Annual Energy Savings. In New Hampshire, the State Energy Office utilizes SEP funds for a diverse range of important energy programs and projects. One example is the support of a “retrocommissioning” analysis of the New Hampshire State Hospital, which resulted in many simple changes that were easy to implement and low cost, and resulted in significant savings. To date, New Hampshire has completed energy efficiency projects in over 100 buildings, producing annual savings of \$800,000.

NM: SEP Funds Leveraged to Support the Administration of GESPC Program. In New Mexico, the State Energy Office used SEP funding to support the implementation and management of the state’s Guaranteed Energy Savings Performance Contracting (GESPC) program and is required to review and certify the investment grade audits developed for potential projects to determine if the savings calculations are accurate and reasonable to be eligible for funding. Guidelines were established for the oversight and review of these programs that resulted in state entities investing \$117 million in energy efficiency and renewable energy infrastructure improvements and savings of \$6.5 million per year in energy costs.

ND: SEP Funding Supported Energy Efficiency Training for 1,070 Workers. In North Dakota, the State Energy Office provided SEP funding to hold 17 energy efficient grain drying and storage seminars and webinars that reached 1,070 people.

SC: SEP Funds Utilized for Energy Projects in the State and Local Government Sectors. In South Carolina, the State Energy Office used SEP funding through the ConserFund Loan program to implement a suite of energy retrofits and install a roof top solar photovoltaic array on the Town Hall in Saluda, South Carolina. To date, the 36 MWh of electricity produced by the system has generated approximately \$8,000 in additional revenue for the town.

TN: SEP Funds Used to Maintain Utility Data Management Software Platform. In Tennessee, the State Energy Office leverages SEP funding to configure and maintain a utility data management (UDM) software platform for all State-owned and operated facilities, representing more than ~103 million square feet across 72 state agencies and higher education campuses. The state will complete a utility consumption and cost baselining effort in Q2 2019. Preliminary baseline data shows that the state’s annual utility costs are ~\$197 million. The typical potential savings to be achieved from acting on baselines is ~10%.

WA: SEP Funds Leveraged \$1.4 Million for Energy Efficiency Programs. In Washington, the State Energy Office has leveraged SEP funding to develop the technical standards, economic analysis, and participation in the Washington State Energy Code’s (WSEC) technical advisory group. The first two code cycles have resulted in an 18-25 percent reduction in energy use and are anticipated to save \$380 million in annual energy savings by 2030.

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