

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'15 DEPARTMENT OF ENERGY FUNDING

May 7, 2014

Chair 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 \$63 million for the base, formula State Energy Program (SEP)**. SEP is the most successful program supported by Congress and DOE in this area. This should be base program funding that allows states to target their energy opportunities within program guidelines, with no DOE-directed 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-private 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). 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'15 Budget Request for the Energy Information Administration (EIA) of \$122.5 million. EIA's state-by-state data is very helpful and has been improving. The State Heating Oil and Propane Program (SHOPP) is critical and needs to expand. EIA funding is a critical piece of energy emergency preparedness and response, and there are significant EIA responsibilities under EISA. The severe propane issues this past winter reminds us how important the EIA data has become. With changing markets and increased price volatility, EIA needs are increasing. NASEO continues to support funding for a variety of critical buildings programs, including the Residential Building Integration Program at least at the FY'12 level, and the Building Energy Codes Program at a \$15 million funding level. NASEO also supports funding for the Office of Electricity Delivery and Energy Reliability (OE) above the level of the \$180 million FY'15 Budget Request. Specific funding should be provided for the Division of Infrastructure Security and Energy Restoration of no less than \$22.6 million, which funds critical energy assurance activities. This office was key to state and federal efforts in Superstorm Sandy response. Moreover, this office's actions were essential to enabling state and private efforts to mitigate the propane supply disruption in the Midwest and New England during the winter of 2013-14. We also strongly support the R&D function, cyber security, Operations and Analysis function, and the smart grid and related grid integration programs of OE. The Office of Energy Efficiency and Renewable Energy's Advanced Manufacturing program should be funded to promote efficiency efforts and to maintain US manufacturing jobs, though we are concerned that both advanced manufacturing technologies and deployment efforts to support existing manufacturing should be supported. In addition, the Clean Cities Program is an exceptional public-private partnership program operated by states, cities, and their partners, which is working with the market to diversify the nation's transportation system through transportation fuel infrastructure expansion in natural gas, electricity and other alternative fuels. We are also interested in working with this Subcommittee, Congress and the Administration on

the proposed “Energy Productivity Innovation Challenge (EPIC)/Race to the Top” initiative. However, the proposed EPIC should not supplant SEP funding.

Formula SEP funding provides a basis for states to share best practices among themselves. These best practices allow states to get a great deal accomplished. These types of activities include catalyzing a range of energy financing programs (e.g., revolving loans, utility-based programs, energy savings performance contracts) operated in partnership with the private sector; and public-private efforts to open new energy product and services markets in such areas as high performance buildings, advanced materials for manufacturing, and new grid technologies.

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:** Forty-one Alabama businesses are saving a total \$4.6 million annually in energy costs as a result of the AlabamaSAVES loan program, which the Alabama State Energy Office created using SEP funds. The program provides low-interest loans, in partnership with the private sector, to make energy-efficiency upgrades at business and non-profit facilities. The program has provided \$22.5 million in loans to date, such as the following: 1) Wise Alloys, with 1100 employees, will save approximately \$1.7 million a year in energy costs as a result of energy efficiency retrofits; and 2) Dixie Group in Roanoke - two loans totaling \$3.76 million for lighting, boiler and insulation upgrades and high-efficiency production equipment, which has decreased steam consumption by 70% and electricity use by 20%.

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: 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. California’s Clean Energy Business Financing Program (CEBFP) provides low-interest loans to clean energy manufacturing companies and is supported by SEP funds and the California Energy Commission.

Illinois: The Illinois Energy Office initiated the Innovative Energy Program in 2013 using SEP funds. The program provides financial and technical assistance for energy efficiency and renewable energy projects that incorporate advanced energy storage; offering rebates for geothermal heat pump installations in the residential and small commercial sectors; and

supporting a series of statewide electric vehicle education forums targeting municipal entities, private fleet owners, and others.

Iowa: In order to create economic value from all waste streams in Iowa, the Energy Office has undertaken a project to launch a economic analysis tool to evaluate waste-to-energy projects. Investors can input their data to receive a cost analysis to determine if their investment in waste-to-energy projects is financially sound and net positive. Over the last three years, Iowa has also successfully undertaken the Iowa B3 Benchmarking project and has benchmarked over 1,800 public buildings.

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. During the period from FY'09 to FY'12 the Energy Utilization Index (EUI) of K-12 public schools statewide dropped from 64 kBtu/sq.ft./yr to a 58 kBtu/sq.ft./yr; a remarkable achievement in only three years. The program proved to be so successful that two utilities, LG&E and KU, are providing partial funding for school energy managers in their service territories as part of the utilities' Demand Side Management program. In FY 12/13 Kentucky's K-12 public schools spent \$134 million on energy in buildings but had avoided costs that totaled some \$15 million.

Louisiana: In Louisiana, the state energy office in coordination with Entergy has invested \$14.7 million in 61 energy efficiency improvements that has resulted in \$30 million in annual fuel savings. The SEP program has also supported their Home Energy Rebate Option Program (HERO), which has resulted in over 1,100 home retrofits and a 30% average increase in energy efficiency per home.

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: The Mississippi Energy Office is utilizing SEP funds to support programs aimed at reducing energy consumption and costs in public buildings. One example is the Woolfolk State Office Building in downtown Jackson, MS. A 15-story office complex, housing more than 10 state agencies, the Woolfolk Building operates with a total of 60 air handling units (AHUs). An energy consumption report showed that all AHUs were operating 24 hours per day, 7 days a week, despite the building being unoccupied at night and on weekends. Override thermostats were installed on each floor so that only areas needing HVAC could be selected for operation after normal hours. The project cost was \$5,200 with savings of \$96,000 per year.

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 3.25 percent interest rate (rate adjusted annually) with terms of up to 15 years.

New Hampshire: Since 2005, the state has reduced energy usage per square foot by 20%, and reduced fossil fuel usage by 24%, resulting in real savings to the taxpayers of New Hampshire and meaningful reductions in reliance on imported energy. The State Energy Office utilizes SEP funding to provide ongoing training on building management and energy system commissioning

for state facility managers to ensure that energy savings are maintained over the life of state buildings.

New Mexico: New Mexico has used SEP funding for management of the Renewable Energy Production Tax Credit (REPTC) program that supports renewable energy successes and that has incentivized the potential new development of 1,508 MW in wind and 29 MW in solar, which would create approximately \$3 billion in construction activity for rural communities. The New Mexico State Energy Office is supporting utility-scale wind, biomass, and solar projects which, in turn, assist utility companies in meeting the Renewable Portfolio Standard. Currently, there are 774 megawatts (MW) of wind and 160 MW of solar operating in New Mexico, which have created approximately \$2 billion in construction activity over the past ten years and provided approximately 10 percent of electricity retail sales in New Mexico from investor-owned utilities.

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: The South Carolina Energy Office (SCEO) administers the ConserFund Loan Program, designed to provide funding for energy efficiency retrofits and renewable energy or alternative transportation projects for government or non-profit entities. In FY 2014, SCEO closed eight ConserFund loans with a total expected savings of \$12,421,112. Over the life of the program, they have provided 64 loans for a total projected lifetime savings of \$69,909,914.

South Dakota: The South Dakota Energy Office (used SEP funds to support energy efficiency retrofits applications in a variety of public facilities. For example, funding was recently used to replace old inefficient HVAC motors with new energy efficient motors and variable speed drives. To date, 85 motors are scheduled to be replaced with significant savings projected. The State Energy Office also provides zero interest loans to South Dakota's K-12 public schools for energy efficiency projects.

Tennessee: The Tennessee Energy Education Initiative (TEEI) was launched by the Tennessee State Energy Office, using SEP funds, to provide education to consumers, businesses, and state and local agencies on a variety of energy efficiency and renewable energy options. The initiative is developing curriculum for Evaluation, Measurement, & Verification and Energy Efficiency through Behavioral Change workshops that will initially target state and local government agencies. To date, 2,837 persons have attended the sessions. In addition, SEP funds are utilized to engage in the Tennessee Valley Authority's Integrated Resource Planning Process to help ensure cost-effective energy efficiency and renewable energy options are considered.

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.

Contact Information: NASEO Executive Director (dterry@naseo.org) (phone 703-299-8800)(Fax 703-299-6208) (2107 Wilson Boulevard, Suite 850, Arlington, VA 22201). Jeff Genzer, NASEO Counsel (jcg@dwgp.com)(202-467-6370).