**TESTIMONY OF DAVID TERRY, EXECUTIVE DIRECTOR, THE NATIONAL ASSOCIATION OF STATE ENERGY OFFICIALS, BEFORE THE HOUSE ENERGY AND WATER DEVELOPMENT APPROPRIATIONS SUBCOMMITTEE IN SUPPORT OF FY’15 DEPARTMENT OF ENERGY FUNDING**

**April 11, 2014**

 Chairman Simpson 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 Building Codes Training and Assistance, Energy Star, and residential energy efficiency at least at the FY’12 level, and Building Codes 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 Super Storm 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 service 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.

**Arizona:** SEP funds are supporting energy efficiency improvements in 33 school districts statewide. The School Energy Efficiency Program, administered in conjunction with the Arizona School Facility Board, provides grants covering up to 30 percent of a project's cost with the school district responsible for the remaining 70 percent either through an energy performance contract or using bond funds. SEP funds are also being utilized to support the Small School District Solar Program. To date, the program has awarded grants to 57 small school districts for the installation of photovoltaic systems.

**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. Included among a number of the loan recipients was the Fremont-based Solaria Corporation. They installed new equipment in 2011 and created over 75 full-time jobs, in addition to an estimated annual production of solar panels that in turn generates approximately 11.3 megawatt-hours of clean electricity and reduces CO2 by nearly 4,000 tons per year.

**Georgia:** Georgia has ramped up performance contracting from $4.5 million to $80 million, just for state facilities. The state has provided a combination of energy audits and energy projects in almost 2,000 state buildings with projected savings of more than $11 million per year.

They have also lowered loan rates for local efficiency projects at water facilities, wastewater plants and landfills.

**Idaho:** With SEP funding and the success of a K-12 pilot, the Idaho Office of Energy Resources (OER) moved forward with the K-12 Energy Efficiency project. This project began with energy audits on 894 K-12 school buildings throughout Idaho; continued with HVAC and control system tune-ups on 836 of the buildings resulting in an estimated yearly energy savings of up to $3.9 million dollars; and Energy Expert Software was installed in 91 schools, with 15 of those schools receiving educational kiosks for energy efficiency education. The state has been very active in training for building energy codes. The OER has also been working with the utilities on integrated resource planning.

**Indiana:** One program funded under the SEP program in Indiana is the Conserving Hoosier Industrial Power (CHIP) Grant, which provides grants to fund energy efficiency upgrades in commercial and industrial facilities throughout the state. Since 2010, 25 companies have been awarded SEP funds under this program to become more energy efficient. Projects include the implementation of energy-saving measures such as new lighting, variable frequency drives, boiler and HVAC upgrades, and energy management systems.

**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, 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 and nearly 47,000 MMbtu in total annual energy savings in all homes completed.

**Mississippi**: The Mississippi Energy Division has used SEP funds to support several programs aimed at reducing energy consumption and costs in public buildings at the state and local levels. The Energy Division partnered with the Mississippi Department of Finance and Administration to implement a "Lead by Example" program which to date has conducted 278 building audits. The audits’ findings estimate annual energy savings of 110,771,028 kilowatt-hours (kWh) is possible through energy efficiency measures. 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.

**Nebraska:** Administered by the Nebraska Energy Office (NEO), the Dollar and Energy Saving Loan Program is a revolving loan fund that reduces the interest rate for energy-related projects meeting minimum efficiency standards. Active since 1990, it is one of the longest standing and highest volume energy efficiency loan programs in the country. To date, the program has financed 28,100 projects with low-interest loans, mainly in the residential sector, totaling more than $301 million from the energy office and participation by 265 lenders at more than 900 locations throughout the state. Over 24 years, the program’s extraordinarily low default level is just $106,000.

**New York:** Over the past four years, the New York State Energy and Research Development Authority (NYSERDA) has supported the development and installation of nearly 250 clean energy projects, using a mix of funding, including SEP. These projects are helping public and non-profit entities reduce energy costs by an estimated $22 million annually. Among the projects are 152 energy efficiency grants that have resulted in building energy retrofits in 193 buildings. In addition, 2,340 streetlights were replaced with energy-efficient streetlights utilizing grant funding. Another 85 grants were awarded under the renewable energy grant program for photovoltaic projects. NYSERDA is also operating a number of utility, on-bill recovery financing programs and they have established a $1billion “Green Bank.”

**Ohio:** Ohio’s Energy Efficiency Program for Manufacturers (EEPM) is a multi-phase energy efficiency program using SEP funding that provides facilitation services and financial assistance to Ohio manufacturers to evaluate, plan, and implement cost-effective energy improvements at their facilities. The program was developed to provide Ohio’s manufacturers with a tool to reduce costs through implementation of energy measures identified in the diagnostic process. They are now over-subscribed on their manufacturing loan program.

**Pennsylvania**: Pennsylvania has joined other states in promoting alternative fuels. Pennsylvania has contributed $20 million in incremental cost incentives for the purchase or retrofit of heavy duty natural gas vehicles. They have also deployed charging stations at all the rest stops on the Pennsylvania Turnpike. Whether utilizing ethanol, biodiesel, natural gas or electric vehicles, the states are pushing to diversify the fuels used within the transportation sector.

**Tennessee:** Using SEP funding, the Tennessee Solar Institute (TSI) is a center of excellence partnering with the University of Tennessee (UT) and Oak Ridge National Laboratory, focusing on industry partnerships to improve the affordability and efficiency of solar products. TSI also serves as a crossroads for a wide-range of solar-related activities, including the Solar Installation and Innovation Grant programs. A total of 236 grants have been awarded to date and over $40 million dollars of private funds have been leveraged. The grant programs have added approximately 6.5 MW of solar power to the grid.

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