

August 24, 2022

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

Dear Secretary Granholm,

The bipartisan *Infrastructure, Investment, and Jobs Act (IIJA)*, Congressional appropriations for the important work of the U.S. Department of Energy (DOE), and the *Inflation Reduction Act (IRA)* present historic opportunities for continued cooperation and coordination between DOE and the states. Now more than ever, joint state-DOE actions will enable the private sector to modernize America's energy infrastructure, improve energy security for the United States and our allies, deliver on transmission expansion, electrify the transportation and building sectors, and make significant progress on addressing energy equity and climate change. On behalf of the 56 governor-designated State, Territory, and District of Columbia Energy Offices, the National Association of State Energy Officials (NASEO) offers the following recommendations to speed progress in achieving our shared goals in these important energy areas.

- 1. Release All IIJA SEP Funds to the States.** Nine months ago, the IIJA was signed into law providing, among many other important investments, \$500 million for the U.S. State Energy Program (SEP). The states will use these funds to do much of the planning for IIJA investments in the electric grid, energy security, electric vehicle charging infrastructure, as well as critical infrastructure such as schools, hydrogen, and carbon transport and utilization. We urge DOE to release the entire \$500 million to the states and not retain any amount of these critical planning funds for DOE-directed technical assistance or for distribution over a period of years. Opting for state direction over the funds, as Congress intended, enables states to procure assistance from DOE's National Laboratories, local universities and colleges (including minority-serving institutions), and other experts if they so choose, in line with their unique state goals and needs and the statutory requirements of the program.

In addition, Section 40109 of the IIJA states, *"There is authorized to be appropriated to carry out this part \$500,000,000 for the period of fiscal years 2022 through 2026 . . . Amounts made available under paragraph one shall be distributed to the States in accordance with the applicable distribution formula in effect on January 1, 2021."* Division J of the IIJA further directs DOE as follows, *". . . of the amount provided under this heading in this Act \$500,000,000 shall be for carrying out activities for the State Energy Program."* This direction is in contrast with most other DOE IIJA programs (e.g., grid resilience, building energy codes, revolving loans), under Division J which list specific, incremental funding for each fiscal year covered by IIJA. Congress recognized

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states would need the entire amount of SEP funding for planning and other activities aimed at maximizing the impact of all IJIA energy activities, and for that reason did not place a constraint on DOE to allocate the funds incrementally over five years. With that in mind, NASEO urges DOE to release the entire \$500,000,000 in SEP funds *via* formula allocation to the states in a lump sum as soon as possible.

2. **Expedite a Determination Regarding SEP's Core Planning and Demonstration Functions.** DOE should take immediate steps to designate SEP funds as not being subject to the *Buy American Section 70914* of the IJIA because states use virtually all SEP funds for energy planning, technology demonstrations, energy incentives and assistance for businesses and consumers, and not for energy "infrastructure" as described in Section 70914. NASEO and all of our members strongly support Buy American requirements under Section 70914 as intended for physical infrastructure (e.g., iron, steel). However, because SEP funds as authorized by Congress are generally not used to purchase meaningful quantities of physical infrastructure products, NASEO encourages DOE to remove unnecessary paperwork and process burdens resulting from a one-size-fits-all approach to Section 70914. This will enable states to maximize the use of their SEP funds for core functions such as State Energy Security Planning, electric transmission and distribution planning, and support for innovative private-sector energy solutions.
3. **Include State Energy Offices as Eligible for Electric Transmission Siting Grants Under IRA.** The historic energy investments and actions set forth under the IRA include *Section 50102 Grants to Facilitate the Siting of Interstate Electricity Transmission Lines*. We urge DOE to include State Energy Offices as eligible entities for grants and assistance under IRA Section 50102 part "(1)" and "(2)". In particular, the energy-related economic development expertise and leadership of State Energy Offices make the part "(2)" Economic Development grants especially important to advancing transmission siting activities. Moreover, under the IJIA, the SEP reauthorization adds electric transmission and distribution planning as a mandatory function, which most State Energy Offices were already addressing prior to its passage – demonstrating the strong track record of expertise and knowledge-building in this area. Finally, many State Energy Offices (for instance, the California Energy Commission) are among those with energy-related siting authority. A clear message from DOE designating State Energy Offices as among the eligible state entities for the IRA Section 50102 grants will be important to the success of DOE and state efforts. We also commend DOE's Office of Electricity and the Grid Deployment Office staff and leadership for their rapid work on the Section 40101(d) grid resilience formula funding for the states. Based on NASEO's tracking, the overwhelming majority of the nation's governors have designated the State Energy Offices to lead and implement the 40101(d) funds.
4. **Expand Support for State Energy Security Planning, Risk Analysis, and Resilience.** Over the past five years, the State Energy Offices and DOE have significantly advanced collaborative actions to address energy emergency planning, risk analysis, response, and resilience activities. The leadership of DOE's Office of Cybersecurity, Energy Security, and Emergency Response (CESER) on a wide range of electric grid, fuels, and critical infrastructure interdependencies has enhanced State Energy Office efforts – we commend DOE on these actions. CESER's continued coordination of various DOE and other federal agency risk analysis, threat assessment, planning, mitigation, and response actions is essential to both leveraging state and private-sector efforts and maximizing the efficiency of collective federal and state actions. Even as we engage with CESER to help navigate the significant grid-related reliability and threat concerns this summer, we must accelerate efforts to address potential distillate, natural gas, and grid concerns that are likely to emerge this winter-heating and crop-drying season – particularly in the Northeast and Midwest. We have already begun holding leadership-level planning calls with CESER and encourage preparations for a broader DOE response, coordinated by CESER, if weather and energy supplies require further action. We urge DOE to expand its support for states' "all hazards" energy

security, risk analysis, and resilience activities across all energy sectors and mission critical end-use categories.

5. **Engage with States on Hope for Homes and High-Efficiency Homes.** For a decade, State Energy Offices, NASEO, and a wide range of private sector partners have worked to advance the *Section 50121 Home Energy Performance-Based, Whole-House Rebates*, and more recently the *Section 50122 High Efficiency Electric Homes Rebate Program*. This week, NASEO launched the State Residential Efficiency and Beneficial Electrification Task Force as a mechanism for states to develop these important programs that will be funded through SEP for State Energy Office implementation. This new task force will be co-led by State Energy Directors from California, Florida, Minnesota, New York, and Maine, with engagement by all interested states, and advisory input from key private-sector organizations. We invite and encourage DOE to designate two representatives to participate in the task force as a means to both expedite development of program parameters and ensure guidance developed by DOE reflects the great diversity among states, the variation of residential housing stock, and the unique energy and economic circumstances of each state.

6. **Leverage DOE and State Expertise Under IRA.** The historic energy investments and actions set forth under the IRA require states to engage with DOE on a range of topics (e.g., electric-related siting, building energy codes, solar, storage). States have made clear they value direct engagement with applied research program staff in various DOE technology offices because of their expertise and the linkage between applied research and nearly all state energy actions. As DOE considers allocation of IRA funds, we recommend relevant DOE programs (e.g., OE-Grid Research, EERE-Buildings) that Congress expanded through the IRA continue to lead or co-lead those activities. Leveraging existing state-DOE technology office partnerships and expertise, enhanced with IRA funds, will deliver results more rapidly.

We appreciate the tremendous efforts of DOE leadership, and in particular, DOE program staff that have made every effort to advance an historic number of programs and funding. We must work together to increase the speed of implementation of these and other energy programs while maximizing their benefit for taxpayers. NASEO and the State Energy Offices across the nation look forward to our continued partnership with DOE and achieving our shared goals for all Americans as rapidly as possible.

Best regards,



David Terry
Executive Director, NASEO

*CC: State Energy Directors, Kathleen Hogan, Henry McKoy, Puesh Kumar,
Alejandro Moreno, Carolyn Snyder*