



National Association of
State Energy Officials

BEFORE THE
ENERGY SUBCOMMITTEE
OF THE
COMMITTEE ON ENERGY AND NATURAL RESOURCES
U.S. SENATE

Testimony of
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Texas State Energy Conservation Office
On behalf of
The National Association of State Energy Officials

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Chairman Franken and Ranking Member Risch, my name is William E. “Dub” Taylor, and I serve as the Director of the Texas State Energy Conservation Office. Today, I am testifying on behalf of the National Association of State Energy Officials (“NASEO”), where I serve as the Vice-Chairman. I formerly served as Chairman of NASEO. Our association includes all the 56 energy offices from the states, territories and the District of Columbia. Our objective is to operate programs and develop and implement policies that improve our nation’s energy position, and to diversify our energy portfolio. While the state energy offices are all in different places in state government, there are a common set of activities focused on energy and economic development, sensible energy efficiency and renewable energy policies, balanced portfolios and coordination with our peers.

I am pleased to be appearing before this Subcommittee to discuss the activities within my own state, but also actions around the United States, and finally how state actions in the energy arena can inform federal policy and legislation. I am very pleased to be appearing before you with my counterparts from Hawaii and Minnesota.

In my own state of Texas, we obviously have a large resource base in the oil and gas area. The shale revolution in my region, centered now on the Eagle Ford, has dramatically helped to improve our nation’s energy position. As part of our commitment to a diverse resource base, we have implemented policies to facilitate the development of our Clean Renewable Energy Zone (“CREZ”) transmission system upgrades, which has led to the multi-billion dollar development of wind resources in west Texas and high voltage electric transmission facilities to move those resources to the population centers further east. As the Subcommittee knows, our intrastate transmission system, ERCOT, is not regulated at FERC, but we believe our uniquely Texas system has been responding to changes in the energy marketplace. We certainly work closely with the large local governments in our state, such as Austin and San Antonio, which have helped expand renewable energy and energy efficiency opportunities.

I want to discuss a couple of programs in Texas in more detail. First, our LoanSTAR (“Loans to Save Taxes And Resources”) energy and water revolving loan program has operated for two decades and has provided hundreds of millions of dollars in low-cost financing to public facilities to implement energy and water efficiency improvements. This program has made a major difference in bringing the utility costs down for public facilities, thus allowing taxpayer dollars to be utilized for priority issues. We have hit our targets. The energy savings have exceeded the costs and there has never been a loan default. In addition to our own resources, we added funds from the American Recovery and Reinvestment Act (“ARRA”), and this made a significant difference, allowing us to greatly expand the program. In addition, local governments in Texas have begun to implement a Commercial and Industrial PACE program, which permits financing to be provided up-front, and energy efficiency improvements to be made by businesses, while keeping payments manageable. My office has been working closely with the local governments to ensure uniformity and avoid needless duplication of tasks. The results have been positive.

While we proud Texans like to think we are the biggest and the best, just last week the state energy officials met in Washington, D.C. for our winter meeting. The energy directors all share very good information and we love to “steal” ideas from each other for good programs and policies. Of course, the overlay of the difficult situation in the propane market was discussed, and we are hopeful that situation will begin to ease, both on price and supply. Interestingly, Energy Secretary Moniz spoke to our group and forcefully made the case that he wanted better and more expanded partnerships with state and local governments. He indicated that he wanted our ideas for the newly developing Quadrennial Energy Review (“QER”), and we will be working together to supply those ideas to the Secretary. Some of the critical issues we discussed at the meeting revolve around interdependencies of our energy systems, resiliency, energy policy and environmental connections and how the states and the federal government can coordinate more effectively. After his speech to NASEO, the Secretary headed to Texas for meetings to discuss new developments and see firsthand the advances made in clean energy technology deployment, smart grid, infrastructure enhancements and responsible development of energy resources. He said in many ways, Texas is a perfect example of an all-of-the-above energy strategy as it leads the country in oil, gas and wind energy production.

I also want to take the opportunity to discuss some of the actions taking place in other states. Obviously, you are also hearing today from Minnesota and Hawaii. We at NASEO attempt to work with the individual states and on a collective basis to provide good ideas and spread the successes.

We have seen a big increase in the development of comprehensive state energy plans. NASEO has studied state actions and shared best practices with all of our colleagues. For example, in Idaho the Governor’s Office of Energy Resources (the state energy office) coordinates energy planning with all state agencies, the Idaho PUC, legislatures, local elected officials and other stakeholders. Idaho has also participated in regional energy dialogues.

Just like our LoanSTAR program, almost 40 states have some form of energy financing programs. While most are revolving loan funds, we are beginning to see the development of so-called “Green Banks.” Connecticut has implemented such a “Green Bank” and they are focusing on commercial PACE activities. Connecticut used \$40 million to attract more than \$180 million in private investment. Mark Glick and the folks in Hawaii have a Green Bank that is developing solar energy programs. My colleagues in New York have announced the development and implementation of a new Green Bank, which is being capitalized up to \$1 billion. One interesting example is in Nebraska, where they have coordinated with the local banks and credit unions on a program that has operated for 24 years. The Nebraska Dollar and Energy Savings Loan Program has supported 28,100 projects for a total of \$301 million. The total defaults for that program over 24 years is less than \$110,000. This program involves a lot of private dollars, but also some funds from the oil overcharge refunds and ARRA. Another interesting example is in Kansas, where that state has utilized an energy service company model and they have implemented energy efficiency measures in over 76% of the state governmental buildings. The Energy Service Performance Contracting (“ESPC”) model is certainly being used across the country. A big focus on schools has helped in Idaho, where they completed 894 K-12 school building audits, followed by HVAC and control system tune-ups on 836 buildings and the installation of new energy

software in 91 buildings. The federal government's ESPC program has also been expanding, which is a positive development. Last year in Oklahoma, Governor Fallin announced a new effort to increase the energy efficiency in state buildings by 20% by 2020. We are seeing a big expansion in energy financing programs throughout the country, and these are successful when they are coupled with public education activities so businesses and consumers see the value of actions in this area. In Georgia, they have ramped up performance contracting from \$4.5 million to \$80 million, just for state facilities. They have also lowered loan rates for local efficiency projects at water facilities, wastewater plants and landfills.

In Tennessee the state energy office is working closely with the Tennessee Valley Authority in a integrated resource planning process. The state has also developed a large, new education and outreach initiative to businesses, homeowners and government to expand the use of energy efficiency and renewable energy.

In Alaska, they established a \$250 million Alaska Energy Efficiency Revolving Loan Fund in 2010. The fund is available to finance energy efficiency improvements on public facilities throughout the state. First, SEP funds were used to collect benchmarking data on approximately 1300 public facilities, plus an additional 100 university-owned buildings.

In Arizona, SEP funds have supported energy efficiency improvements in 33 school districts across the state. In addition, 57 small school districts are being helped to install solar photovoltaic systems.

In Michigan, over 25 loans and grants have been made through the Michigan Clean Energy Advanced Manufacturing program. One example has been the company that constructed a pilot scale biomass gasification center and an advanced manufacturing rapid prototyping center. They have also aggressively moved forward with an energy financing program.

In New Mexico, in November the utility commission approved a "whole home" energy efficiency program, as well as programs for low-income New Mexicans and home energy use reporting programs (\$22.5 million).

In North Dakota, they have worked hard to expand industrial energy efficiency activities in partnership with North Dakota State University. They have also dramatically expanded educational outreach to farmers in order to increase their energy efficiency.

In Ohio, they have also focused on implementation of an Energy Efficiency Program for Manufacturers ("EETM"), recognizing that reducing their costs keeps them more competitive.

In Louisiana, the state, working 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.

In South Dakota, they have implemented cost-effective energy efficiency projects in 55 state-owned building, totaling more than 7.4 million square feet of building space, saving substantial sums for taxpayers.

In Wisconsin they have implemented a statewide network of trained contractors to conduct energy use assessments and install energy efficiency products that help small business owners reduce their energy costs. They have developed a K-12 energy education program. They have also expanded a municipal alternative-fueled vehicles program.

What Can the Federal Government Do?

The Subcommittee has asked NASEO to provide our thinking on what the federal government can do to work with the states and to learn from experiences within the states. First of all, NASEO has been very pleased with the increased level of cooperation we are seeing from Secretary Moniz, the new EPSA Office led by Melanie Kenderdine, Pat Hoffman and the Office of Electricity Delivery and Energy Reliability ("OE"), David Danielson and the Energy Efficiency and Renewable Energy Office, Adam Sieminski at EIA and the Congressional and Intergovernmental Affairs Office. Coordination on energy emergencies through OE and EPSA has continued, and has been necessary in light of this winter's propane issues and the aftermath of Superstorm Sandy in the northeast. The extraordinary technical and analytical expertise of OE, combined with state energy offices' energy emergency planning, mitigation and response efforts, is our nation's first line of defense in limiting the health and safety impacts of energy supply emergencies – big and small – that happen every year from weather, cyber, and other market disruptions. Importantly, more rapid restoration of liquid fuel, natural gas, and electricity services also means a faster return to normal economic activity, which makes a real difference in communities across the country every year. Increasingly, energy supply disruptions are impacted by interdependencies among energy infrastructure (electric, gasoline, diesel) and other market sectors (e.g., rail, water, cyber, food supplies). The state-federal-private energy emergency and interdependencies efforts led by DOE and the states need your support and increased attention with regard to the great value they deliver to consumers and businesses and their relevance to the nation's economic and energy security. The states also continue to work with EPA on the voluntary Energy Star programs. We are working with HUD and DOE on manufactured housing standards and we certainly support efforts to incorporate energy costs in the appraisal process, both administratively at FHA and through legislation, such as the Bennet/Isakson bill (the "SAVE" Act). The "Tenant Star" bill (H.R. 2126) that recently passed the House Energy and Commerce Committee is another example of good legislation that would help address the split incentives between building owners and lessees. Now that the Congress has passed and the President has signed the new multi-year Farm bill (H.R. 2642), there is a real opportunity to expand such important programs as the Rural Energy for America Program ("REAP"), contained in the Energy Title, which would provide \$50 million per year in mandatory funding for energy programs for farmers, ranchers and rural small businesses. The \$889 million in mandatory funding in

the Energy Title supports a variety of activities. In addition, the financing program for rural electric cooperatives – the Energy Efficiency and Loan Conservation Program – based on a South Carolina model would permit RUS to support up to \$250 million in these zero-interest loans. NASEO believes these are all positive steps.

Continued and expanded funding for the State Energy Program (“SEP”) (\$50 million in FY’14) and the Weatherization Assistance Program (\$174 million in FY’14) is the first order of business. These programs are a critical element of a state-federal partnership. As you move towards FY’15, we hope the appropriations process will continue to recognize the import of these programs. The most recent national laboratory study of SEP showed that for every federal dollar invested, almost \$11 is leveraged from non-federal sources and over \$7 is saved where energy efficiency programs are involved. Senators’ Coons, Collins and Reed have proposed a bipartisan bill (S. 1213) to reauthorize SEP and Weatherization. This bill has reduced authorization levels from past statutes, recognizes the flexibility provided through SEP and would update the Weatherization Program to move towards enhanced quality assurance and to permit the development of an innovation program which should allow volunteer organizations (such as Habitat for Humanity and Rebuilding Together) to expand their role. NASEO strongly endorses S. 1213, and we had hoped that it could have been included in the Shaheen-Portman bill (S. 1392). Congress and the Administration can also help beyond the basic reauthorization by ensuring that the entire SEP appropriation of \$50 million go for the basic, formula allocation. Other proposals, as set forth below, could be used for competitive funding. A competitive allocation should not come out of the basic formula appropriation.

NASEO also believes that passage of the Energy Productivity Innovation Challenge (“EPIC”), originally introduced as S. 1209 by Senators’ Warner, Manchin, Tester and Schatz, would be another opportunity for state-federal cooperation. The bill would challenge states to develop new ideas and strategies for developing energy savings and improving energy productivity. An estimate by my fellow panelist at ACEEE assumed that \$8.40 in energy savings would be returned for every dollar invested. This would be a voluntary initiative that would allow states to lead the way.

NASEO also supports the Sanders, Wyden, Murkowski, Residential Energy Savings Act (“RESA”), introduced as S. 1200. This bill would provide specific support in the residential sector, by enabling people to borrow money at reasonable rates, improve the energy efficiency of their homes and pay back the loans. The U.S. Treasury would provide funds to states who would loan the money out and eventually the Treasury would be paid back. Again, it is voluntary and flexible and would directly help residential consumers.

These three bills: a) reauthorization of SEP and WAP, with a new innovation fund and quality assurance provisions; b) EPIC; and c) RESA, would all complement the proposals contained in Shaheen-Portman (S. 1392) and the McKinley/Welch (H.R. 1616) bill in the House, which NASEO supports. In addition, Chairman Franken’s bills on building benchmarking (S. 1206) and the Local Energy Supply and Resiliency Act (S. 1205), that would encourage waste heat recovery systems, are both common sense actions.

We would be happy to respond to any questions. Thank you for the opportunity to testify.