

**TESTIMONY OF DAVID TERRY, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF STATE ENERGY OFFICIALS, BEFORE THE U.S. SENATE ENERGY AND WATER DEVELOPMENT APPROPRIATIONS SUBCOMMITTEE IN SUPPORT OF FY'19 U.S. DEPARTMENT OF ENERGY FUNDING – MARCH 30, 2018**

Chair 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); \$248 million for the Weatherization Assistance Program (plus PA funding of \$5 million technical assistance funding); \$289 million for the Buildings Technologies Office including building energy codes and appliance standards; strong support for the Clean Cities program (\$37.8 million); strong support for the Energy Information Administration; and \$285 million for the DOE-OE.

SEP is the only federal energy program that allows the states to set priorities with both state and national energy goals in mind, rather than responding to DOE's priorities. 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 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 is to request that Congress stipulate that all SEP funds be provided through the base formula account, except for \$5 million for technical assistance funding. 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 supports the creation of the CESER office and recommends an increase for this activity from \$75.8 million in FY’18 to \$100 million in FY’19. The infrastructure security and restoration account should increase from \$12 million to \$24 million, even with the funds provided in the FY’17 supplemental appropriations bill. We strongly recommend that regional energy emergency response exercises should be funded. We urge more robust funding of \$8 million (up from \$7.5 million in FY’17) for the Transmission Permitting and Technical Assistance account.

Finally, SEP is one of the only connections between billions of dollars spent on federal energy research and development by DOE *and* the energy priorities, policies, and market strategies set by states. A greater reliance by DOE on the states to ensure federal R&D meets real world conditions, state policy goals, and market gaps would maximize the impact of R&D funding. Below are a few examples of the states’ utilization of SEP funding.

**AL:** The Alabama State Energy Office initiated an energy savings performance contract program (ESPC) leveraging SEP funds to implement a 20-year lease-purchase agreement for \$98 million of energy upgrades, which has also produced 1,677 jobs.

**AK:** The Alaska Energy Authority (AEA) leverages SEP funds to support a number of energy such as energy efficiency, electric vehicles, and biomass/CHP renewable energy. In the last year AEA has used SEP funds to help support the development of Commercial Property Assessed Clean Energy Programs (C-PACE) programs in Alaska. The Alaska legislature passed C-PACE authorizing legislation and the larger municipalities in the state are interested in seeing this financing tool available for businesses and building owners in their communities.

**CA:** California used SEP funding last year to support the state’s appliance and building efficiency standards programs, including modernizing the California Energy Commission’s appliance efficiency database to improve accessibility and ease of use for manufacturers, retailers, and the public looking to compare the efficiency of appliances offered for sale in the state. SEP funds further supported a collaborative effort between the California Energy Commission, utilities, efficiency advocates, and the computer industry on new efficiency standards for computers and computer monitors, estimated to save California 2,332 gigawatt hours per year after all existing computers are replaced with ones that meet the new standards, and to save California consumers an estimated \$373 million annually on their utility bills.

**DE:** Delaware’s Division of Energy and Climate (State Energy Office) utilized \$270,000 in SEP funding to leverage state, utility and Regional Greenhouse Gas initiative (RGGI) funds for renewable and energy efficiency measures across the state. In particular the SEP grants funds support the Energy Efficiency investment Fund (EEIF), Energy Efficiency Industrial (E2I) and the Green Energy Program (GEP). The EEIF provides grant money to Delaware businesses, local governments, and non-profits to make facility upgrades that lower their energy use and cost. In State Fiscal Year 2017, 146 projects were supported with \$2,425,582.20 in grants

allocated. This amounted to 28,930,300 kwh avoided \$7.38 was leveraged for each \$1 in grant money given. The E2I Program was launched in 2017 and provides grants directed toward large industrial and commercial businesses. The GEP provides grants to homeowners, local businesses, fire departments, churches, and farmers to fund renewable energy systems. The GEP has provided grants for over 4,300 renewable energy projects. The success of the GEP has helped increase Delaware’s solar capacity from 8.6 MW in 2010 to over 82 MW in 2017.

**IL:** The Illinois State Energy Office utilized \$480,000 of SEP funds to help schools in the City of Rantoul install geothermal heating and cooling systems. The project significantly reduced the district’s energy usage and resulted in the hiring of approximately 145 local workers. The project will result in more than 118,000 therms of natural gas being saved.

**KY:** The Kentucky Energy Office utilizes SEP and other funding on a number of priority energy programs. For example, the office partners extensively with the energy savings performance contracting community. As a result, the ESPC market in Kentucky has surpassed \$1 billion in total sales— the second largest per capita market in the nation. A focused effort since 2012 on local government has spurred over \$70 million in ESPC investment by cities and counties across the state allowing them to not only reduce utility expenses, but allowing them to take care of much needed infrastructure investments in our local communities. In addition, the Kentucky Energy Office introduced a PEER early adopter program which focuses on certifying power system resilience. PEER recognizes industry leaders for improving efficiency, day-to-day reliability and overall resiliency when it comes to severe events, such as flooding and hurricanes.

**LA:** The State Energy Office, in coordination with Entergy, has leveraged SEP and utility funds totaling \$14.7 million in 61 energy efficiency improvement projects that have resulted in \$30 million in annual fuel savings.

**ME:** The Maine Governor’s Energy Office and the Island Institute leveraged \$230,000 in SEP funds to support ‘Bridging the Rural Efficiency Gap’, an initiative to increase access to clean energy financing in remote communities burdened with high energy costs. With input from more than 100 project partners and stakeholders in Maine, Alaska, New Hampshire, and Vermont, the project team has documented unique barriers to energy efficiency in rural places and proven strategies to overcome them that will be shared regionally and nationally to help accelerate uptake of energy efficiency measures in rural homes. The project will result in the replication of at least four community-based outreach models from the four participating states, and the installation of at least 8,000 energy efficiency measures in rural homes, saving nearly \$400,000 annually.

**MT:** The Montana Energy Office, in coordination with the Montana Department of Commerce and leveraging SEP and EPA funding, is providing energy efficiency audits for Montana’s 49 “Critical Access Hospitals.” Using audit findings, finance packages will be developed to fund project improvements.

**NH:** The New Hampshire State Energy Office utilizes SEP funds for a range of energy programs and projects. A “retro-commissioning” analysis of the NH State Hospital resulted in many simple changes that were easy to implement and low cost. NH has completed energy efficiency projects in over 100 buildings, producing annual savings of \$800,000.

**NM:** The New Mexico State Energy Office used SEP funding to participate in the Energy Savings Performance Contracting process. Over the past 5-years, building energy audits were completed at 20 campuses covering 12.5 million square feet. The result is an overwhelming success with \$70 million invested in building infrastructure upgrades for 7 local governments

and 6 public schools and higher education facilities. The recurring impact of this work guarantees annual energy savings of over \$4.6 million.

**ND:** \$2.4 million from SEP was allocated to the energy efficiency rebate program to provide assistance through utility partners for high efficiency furnaces, air conditioners, lighting retrofits, thermal storage, and insulation packages. The rebate is unrelated to the state's ENERGY STAR Appliance Rebate, which rebated \$615,000 in five weeks.

**OR:** The Oregon State Energy Office used SEP funding to implement the Residential Energy Tax Credit Program (RETC). The goal of the RETC is to promote energy savings or energy displacement and market transformation by providing incentives that encourage the purchase of energy efficient and renewable energy devices for homes in Oregon. RETC helped save 129,180 million Btus, approved 21,365 tax credits for renewable energy and energy efficiency eligible systems, and leveraged SEP dollars with \$139.5 million in non-federal funding. The ratio of non-federal leveraged funds to SEP federal funds is \$100 to \$1.

**SC:** The South Carolina State Energy Office continues to use SEP funding to expand the Energy Efficiency Revolving Loan (EERL) fund. Loans are for commercial and industrial borrowers. One example of a borrower is Sportsman Boats, a 118,000-square-foot production facility located in Summerville SC, which manufactures offshore, in-shore, and center console model boats designed for saltwater enthusiasts. Using EERL, Sportsman Boats recently installed a 800-kilowatt rooftop solar array. This addition provides enough savings to allow the company to expand, adding 100 new quality jobs.

**TN:** Tennessee uses a portion of its SEP funds to support critical energy emergency functions in partnership with the federal government and private sector. For example, during a five-month span in 2015-16, three Colonial Pipeline incidents affected most of Tennessee's gasoline supply. The energy office's ability to collect confidential information from petroleum suppliers to assess the situation and coordinate with DOE and the Tennessee Emergency Management Agency to ensure mission critical and first responder fuel needs were met was essential to protecting public health and safety. In another example, many of Tennessee's 1,650 commercial poultry houses have limited access to natural gas and rely on propane to heat livestock housing. In the winters of 2014-2015, propane distribution issues occurred, and the state worked with the industry and DOE to ensure that farmers had access to propane. When early projections for Harvey and Irma tracked across Tennessee, the state activated energy office staff (ESF12) in the State Emergency Operations Center. The energy office worked with the private sector and surrounding states during the 2017 hurricane season to coordinate fuel availability for 13 health-related strike teams headed to Florida. Evacuations impacted Tennessee as well. The energy office worked with fuel industry partners to ensure supplies along heavily traveled interstate corridors were replenished.

**WA:** Washington uses a portion of its SEP funds to support energy emergency preparedness. In 2016, state officials engaged in both CLEAR Path IV and the Cascadia Rising federal energy emergency exercises, where state officials worked with the private sector, DOE, and others to respond to a simulated magnitude 9.0 earthquake and tsunami. The exercise brought focus to the need for a resilient grid, tested the state's responsibility for federal ESF-12, and identified improvements such as developing pre-disaster agreements with Oregon and Idaho. Washington also worked with Oregon to discuss the potential for stockpiling emergency electricity equipment to expedite power restoration and liquid fuel resilience during a prolonged power outage.

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