

**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'16 DEPARTMENT OF ENERGY FUNDING**

**April 6, 2015**

Chair Simpson, Ranking Member Kaptur 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 (DOE) programs. Specifically, we are testifying in support of no less than \$70 million for the U.S. State Energy Program (SEP). SEP is the most successful program supported by Congress and DOE in this area, as I will discuss later in my testimony. This request in support of SEP should be for the *base program formula funding* that allows states to set and target their energy opportunities, rather than utilizing DOE-directed competitive awards focused primarily on DOE's internal priorities. States utilize SEP funds to work with local businesses to help facilitate direct energy project development and demonstrations that leverage local resources, spur private investment, and create jobs. SEP has set the 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 build on these activities and expand energy-related economic development, much as SEP has done for over 30 years. We support not less than \$230 million for the Weatherization Assistance Program (WAP). Approximately half of the 56 State and Territory Energy Offices operate WAP and leverage private, utility, and other federal funds to deliver energy efficiency and cost savings to low income citizens. This program not only helps low-income homeowners, it stretches state, federal and private utility bill payment assistance funds by permanently lowering energy demand in weatherized homes. Both SEP and WAP are successful and have a strong record of delivering savings to homeowners, businesses, and industry. In addition, we support FY'16 funding for the following DOE offices and programs: \$131 for the U.S. Energy Information Administration; \$270 million for DOE Office of Electricity Delivery and Energy Reliability (DOE-OE); \$404 million for DOE's Office of Energy Efficiency and Renewable Energy's (EERE) Advanced Manufacturing program; \$264 million for DOE-EERE's Buildings Technologies Office; and \$49 million for DOE-EERE's Clean Cities Program.

EIA's state-by-state data is essential to a number of state and private energy efforts and has continuously improved over the years. For example, EIA's expertise is a critical piece of energy emergency preparedness and response, and there are significant EIA responsibilities under the Energy Independence and Security Act. In this area, states and companies utilize EIA data to prepare for and respond to energy supply disruptions, such as those associated with Super Storm Sandy. Also, EIA's operation of the State Heating Oil and Propane Program which partners with states and the private sector on the collection of weekly heating oil and propane prices during the heating season – an essential function during the 2013-2014 propane crisis.

NASEO strongly supports funding of \$270 million for DOE-OE. Within this amount, NASEO supports the request to provide \$63 million in energy reliability and assurance grants for state, local, and tribal governments to address grid modernization, enhance resiliency, and bolster energy assurance (energy emergency) planning, response, and training. In addition, funding should be provided to DOE-OE's Division of Infrastructure Security and Energy Restoration at

no less than \$14 million, which provides critical energy emergency preparedness and response activities. Moreover, this office's actions were essential to enabling state and private efforts to mitigate and avoid the threat to life, safety, and damaging economic impacts during the propane disruptions in the Midwest and New England during the winter of 2014-15. NASEO also strongly supports DOE-OE's R&D function, cyber security work, as well as the smart grid and grid integration activities of the National Electricity Delivery Division. NASEO also supports DOE-OE's innovative work under the Division of Energy Infrastructure Modeling and Analysis, which focuses on energy systems risk analysis predictive capability.

I would like to return to and expand upon our early statement in support of not less than \$70 million for the U.S. State Energy Program (SEP). This unique federal-state partnership program is the only DOE program that provides funding directly to the states to target unique local energy needs and opportunities and creates a support linkage with the private sector back to DOE's R&D activities. Formula SEP funding provides states with the flexible means to implement the state-directed programs that advance national energy technology and policy goals. Following are a few examples of sectors addressed by the states using SEP:

- Developing comprehensive state energy plans, on behalf of governors, which identify untapped local energy resources and energy efficiency opportunities, promote energy-related economic development, and open new energy technology markets for businesses;
- Assisting small- and medium-sized manufacturers in increasing energy efficiency to improve competitiveness and support business incubators;
- Incentivizing private-sector businesses to work with consumers (e.g., home energy efficiency measures) and local governments (e.g., public facilities retrofits) to implement energy efficiency measures that save money; and
- Establishing public-private energy efficiency financing programs (e.g., revolving loans, utility on-bill programs, energy savings performance contracting) that leverage private sector expertise and delivery capabilities. In every case, these financing programs are aimed at bridging market gaps and transitioning to private sector financing solutions that support new energy technologies areas such as high performance commercial and residential buildings, advanced materials, and grid and distributed energy technologies.

In 2005, Oak Ridge National Laboratory (ORNL) completed a second study of SEP 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 and the need for growth-oriented economic development makes SEP essential as businesses and states work together to maintain our competitive edge.

**Examples of Successful U.S. State Energy Program (SEP) Activities:** The states have implemented thousands of projects and programs through SEP, and here are a few examples:

**California:** SEP contributes substantially to a number of California's energy efficiency initiatives. The State Property Revolving Loan Fund Program supported energy upgrades in more than 60 buildings located throughout the state. The Municipal and Commercial Building Targeted Measure Retrofit (MCR) program has provided energy audits and energy efficiency

improvements at non-residential buildings in California. MCR installations at over 7,400 project sites in California are estimated to realize over 85.8 GWh in electricity savings, 8.6 MW in demand reductions, and 950,000 therms in natural gas savings.

**Idaho:** The Idaho Office of Energy Resources (OER) is working with rural cities and counties to save energy in existing public buildings. The seven approved applicants received energy audits on a total of 13 city/county buildings, and OER is working with the audit recipients to provide cost-share funding for implementation of the identified energy efficient measures.

**Indiana:** The state is focused on biofuels, and is working with the state universities to improve conversion efficiencies. They also operate an industrial grant program. They have helped 25 companies become more energy efficient.

**Kentucky:** The Kentucky Department of Energy Development and Independence helps teams of designers, architects, and school administrators develop and construct cost-effective, zero-net energy capable schools – Kentucky has the nation’s first three zero-net energy capable schools. The energy use reductions and cost savings are dramatic, and the training efforts, accomplished through SEP funding, played a pivotal role in Kentucky achieving its market transformation goals, while simultaneously encouraging other states (e.g., VA, MD, NC) to do the same.

**Mississippi:** The Mississippi Energy Office used SEP funds to support programs aimed at reducing energy consumption and costs in public buildings at the state and local levels. The office 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 public buildings program is financing energy-saving upgrades through energy savings performance contracts at 10 institutions. Under the program, 149 public buildings, totaling 3 million square feet of space, have been completed.

**Nebraska:** SEP funding supports the Nebraska Dollar and Energy Saving Loan Program—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 28,362 projects with low-interest loans, mainly in the residential sector, totaling more than \$317 million from the energy office and participation by 267 lenders at more than 906 locations throughout the state. Over 25 years, the program’s extraordinarily low write-off level is just \$150,158.

**New Jersey:** SEP funds have advanced five combined heat and power projects including a 9.5 MW cogeneration unit at the DSM Nutritional Products facility in Belvidere, two 7.65 MW facilities serving a hotel and two casinos in Atlantic City, 1.1 MW gas engine generator at Ocean City College, and a 4.6 MW cogeneration plant for the University Medical Center at Princeton. All totaled, nearly 35 MW of clean energy production has resulted from SEP funds.

**New York:** Utilizing SEP funding, the Port Jefferson School District implemented a lighting retrofit project in five schools across the district, installing 94 occupancy sensors and 1,361 energy efficient lamps and ballasts. An estimated 396,000 kWh and \$74,000 is saved each year. They have aggressively moved forward on energy financing programs.

**Ohio:** Using SEP funding, the Ohio Energy Office has established the Energy Efficiency Program for Manufacturers. This multi-phase energy efficiency program provides facilitation services and financial assistance to Ohio manufacturers to diagnose, plan, and implement cost-effective energy improvements. The program was developed to provide Ohio's manufacturers with a tool to reduce costs through implementation of identified energy measures.

**Tennessee:** The Tennessee State Energy Office oversees the state's contribution to the Pathway Lending Energy Efficiency Loan Program, a public-private \$50 million revolving loan fund established by the state, TVA, Pinnacle Bank, and Pathway Lending in 2010 to benefit businesses and industry. The state and other partners hope to expand the program to local governments and quasi-governmental entities by spring 2015.

**Washington:** The Washington Department of Commerce (the state energy office) selected a local company's plan for the Pasco area canal for funding from SEP. A grant in the amount of \$898,175 was awarded to the project developers, Green Energy Today, of Kennewick, Washington. The grant is one of thirty-six grants funded through the Energy Efficiency and Renewable Energy Grant and Loan Program offered by the Department's State Energy Office.

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