

TESTIMONY OF DAVID TERRY, EXECUTIVE DIRECTOR, THE NATIONAL ASSOCIATION OF STATE ENERGY OFFICIALS, BEFORE THE U.S. HOUSE ENERGY AND WATER DEVELOPMENT APPROPRIATIONS SUBCOMMITTEE IN SUPPORT OF FY'17 DEPARTMENT OF ENERGY FUNDING

March 14, 2016

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 not less than \$70 million for the U.S. State Energy Program (SEP). SEP is the most successful program supported by Congress and DOE. This request in support of SEP should be for the *base program formula funding* that allows states to set and target their energy opportunities, within program guidelines, 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. For over 35 years, SEP has set the standard for state-federal-private cooperation and matching funds to achieve critical federal and state energy goals. We also support \$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 associated cost savings to low-income citizens. Both SEP and WAP have a strong record of delivering savings to homeowners, businesses, and industry. In addition to SEP and WAP, we support FY'17 funding for the following DOE offices and programs: \$289 million for DOE-EERE's Buildings Technologies Office and \$469 million for DOE-EERE's Vehicle Technologies Office with strong support for the Outreach, Deployment and Analysis activities and the Clean Cities program. We strongly support \$131 million for the U.S. Energy Information Administration, and \$262 million for DOE Office of Electricity Delivery and Energy Reliability (DOE-OE). Within the DOE-OE account, NASEO stresses the importance of \$6.5 million for the National Electricity Delivery program; \$15 million for the State Energy Assurance pilot program; \$17.5 million for Infrastructure Security and Energy Restoration program; \$15 million for the State Distribution-Level Reform program; and strong support for the grid modernization and cybersecurity functions of DOE-OE.

With regard to NASEO support for funding of DOE-OE, we want to stress the importance of this office's Energy Assurance and Infrastructure Security and Energy Restoration actions. This work is essential to enabling state and private efforts to mitigate and avoid the threat to life, safety, and damaging economic impacts resulting from energy supply disruptions caused by natural disasters and man-made events. For example, resolution of the propane disruptions in the Midwest and New England during the winter of 2013-14 would have taken substantially longer and had an even greater impact on consumers and businesses without OE's leadership and partnership with the states and industry. NASEO strongly supports the request to provide \$15 million for a state-federal-private energy assurance pilot program aimed at modernizing energy emergency preparedness planning, mitigation and response. This pilot program will reinvigorate an integrated federal-state-private approach to energy assurance planning and speed the restoration of all energy supplies – electricity, natural gas, petroleum

products – following an emergency. This ensures a more rapid return to normal economic activity and diminishes the health and safety risks to citizens’ following major storms or man-made disasters. NASEO also supports DOE-OE’s risk analysis and cybersecurity work.

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. 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, was essential in responding to the 2013-2014 propane crisis and avoiding even more serious health, safety, and economic impacts.

I would like to return to and expand upon NASEO’s support for funding of not less than \$70 million for SEP. This unique federal-state partnership program has a history of success, and is the only DOE program that provides funding directly to the states to target unique local needs and opportunities. Formula SEP funding provides states a flexible means to implement state-directed actions such as:

- Developing comprehensive state energy plans, on behalf of governors, which identify untapped local energy resources, leverage advances in energy technologies and services, expand private sector energy efficiency opportunities, promote energy-related economic development, and open new energy 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 facility retrofits) to implement energy efficiency measures that save money; and
- Establishing public-private energy 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 technology markets in such areas as grid modernization, high performance buildings, advanced materials for manufacturing, and new transportation 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. In 2015, another study of the program found similar energy and cost savings.

Examples of Successful U.S. State Energy Program Activities:

California: SEP contributes substantially to a number of energy efficiency initiatives in California. The State Property Revolving Loan Fund Program is supporting 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 State Energy Office leveraged SEP funding to support the K-12 Energy Efficiency Project. Energy audits have been completed on 894 school buildings statewide. HVAC system tune-ups were also completed on the 894 school buildings across Idaho. Approximately \$5 million was spent performing the HVAC tune-ups with anticipated savings for Idaho districts of about 10 percent of their energy budgets. Savings from the tune-ups are estimated at between 84,102,248 and 269,507,285 kBtu per year. Tune-up dollar savings based on site energy are estimated between \$1,254,169 and \$3,924,603 annually.

Indiana: The Indiana State Energy Office utilized SEP funding to help companies identify and make energy efficiency upgrades. The Indiana Conserving Hoosier Industrial Power (CHIP) program provided \$2.2 million in grants to commercial or industrial facilities. Eleven companies in Indiana were selected through a competitive process to receive grants ranging from \$52,000 to \$400,000. In order to be considered for a CHIP grant, the proposed project had to be located in Indiana, and demonstrate measurable improvements in energy efficiency, result in a reduction in energy demand, or implement an energy recycling process.

Kentucky: The Kentucky Department of Energy Development and Independence, working with the Kentucky School Boards Association (KSBA) School Energy Managers Project, leveraged SEP funding for a \$4.4 million three-year project that supports 40 energy managers providing services to 81 of Kentucky's 173 K-12 public school districts. KSBA reports more than \$50 million in avoided utility costs between 2010 and 2015 have been redirected into school budgets.

Nebraska: The Nebraska State Energy Office leveraged SEP funding to expand the Dollar and Energy Saving Loan Program. The 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 28,362 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: The New Jersey State Energy Office utilized SEP funding to provide grants to seven energy projects ranging in size from a \$63,000 boiler retrofit project at Rutgers University, to an \$8.5 million landfill solar project with the New Jersey Meadowlands Commission. The grant program was designed to provide funding to state departments, agencies, authorities, colleges and universities that use innovative renewable or energy efficiency technologies or

innovative applications for renewable energy applications and energy efficiency projects. The New Jersey Institute of Technology (NJIT) is one example of New Jersey's state universities taking advantage of SEP funds. Upon final completion, the implemented measures will reduce building facilities management cost by approximately 75 percent, will reduce electric energy use by approximately 50 percent and will reduce the total building fossil energy use by approximately 40 percent through efficiency improvements and renewable energy generation.

New York: The New York State Energy Office partnered with the Wayne Finger Lakes (WFL) Board of Cooperative Educational Services (BOCES) to install a 50kW Solar Electric System on the roof of an Early Childhood Education Building. With an annual production estimated at 55,640kWh, the system is expected to reduce electric consumption at the site by 43 percent. Funded by a \$326,511 SEP grant, the WFL is moving forward with a project that otherwise would not have happened.(SEP) distributed in New York State by the NYSERDA, the WFL is moving forward with a project that otherwise would not have happened.

Ohio: The Ohio State Energy Office utilized SEP funding to support the Energy Efficiency Program for Manufacturers. The program is enabling hundreds of Ohio's manufacturers to realize cost savings and improve the efficiency of their operations; putting these companies in a better position with their global competitors. To date, the program has invested more than \$24 million in Ohio's manufacturing sector to reduce energy usage for a combined annual savings of 1,112,109 million British Thermal Units (gas, oil, other) and 79,256 megawatt hours. These savings translate into a greenhouse gas emission reduction of 110,256 metric tons per year.

Tennessee: The Tennessee State Energy Office leveraged SEP funding to provide assistance to local governments, K-12 schools, and public housing authorities to drive demand for energy efficiency investments. The goal is to serve at least 10 local governments and 8 public housing authorities, driving demand for energy improvements of \$20 million.

Texas: The Texas State Energy Office used \$239,000 in SEP funding to create clean energy business incubators. The funds supported clean energy technology startup companies, which attracted \$7 million (24:1) in investments, created 86 jobs, and resulted in \$7.9 million (27:1) in economic impact. Since 2001, the successful Texas Industries of the Future Program has had great success in supporting manufacturers to decrease the energy and water intensity of their Texas operations. The City Efficiency Leadership Council and Property Assessed Clean Energy (PACE) Training provides targeted assistance and outreach to Texas cities, specifically related to building energy code adoption and compliance.

Washington: The Washington State Energy Office has leveraged SEP funding to develop the technical standards, economic analysis, and participation in the Washington State Energy Code's technical advisory group. The first two code cycles have resulted in an 18-25 percent reduction in energy use and are anticipated to save \$380 million in annual energy savings by 2030.

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