

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

APRIL 13, 2018

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). 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 \$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 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 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.

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 (CEC) 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 CEC, 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.

FL: In 2016, the Florida Department of Agriculture and Consumer Services Office of Energy (FDACS OOE) provided Florida K-12 public schools with 244 energy education kits designed to develop teamwork, problem-solving abilities and to investigate environmental issues. The Energy Curricula and Learning kits are designed to complement the *Solar Matters* (Grades K-2, 3-5, and 6-8) and *Understanding Solar Energy* (9-12) activity units developed by the Florida Solar Energy Center. The curricula units are aligned with the current science standards which focus on science, technology, engineering and math (STEM). An estimated 79,400 children around the state will be impacted by these kits. Due to the popularity of the Energy Education Kits, the FDACS OOE is preparing to release eleven Advanced Micro Grid Clean Energy Trainer Kits (CET Kits) to Florida school districts on a competitive basis. The kits increase school resources to support STEM education.

ID: The Idaho 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 at between \$1,254,169 and \$3,924,603 annually.

IN: The State used SEP funds to promote Combined Heat and Power (CHP) systems at manufacturing facilities, including grants totaling millions of dollars, with significant savings. Indiana also is a leader in energy emergency planning and response. The Indiana Energy Director testified before the House Energy Subcommittee on this subject on March 14th.

NE: The Nebraska Dollar and Energy Saving Loan Program works with Nebraska lenders (banks, credit unions, saving institutions) to install energy efficiency, renewable energy, alternative fuels and waste minimization for individuals, businesses, and local governments. For the period between 1990 – 2017: 1) \$341 million in improvements; 2) \$297 million loaned; 3) \$166 million Energy Office share; 4) \$175 million leveraged from lenders and borrowers; 5) 28,400 loans; 6) 29,020 projects; and 7) 58,810 energy efficiency measures.

NY: SEP helps to prepare and protect New Yorkers from energy disruptions during and after emergency situations in the State. SEP helps NYSERDA work with other state partners in disaster preparedness planning to address disaster prevention, response and recovery, and actions that comprise the State's Comprehensive Emergency Management Plan and technical guidance. A component of this is the New York State Energy Emergency Plan, which NYSERDA holds responsibility to maintain. This plan includes response protocols for both utility services as well as delivered fuels, and ensures the engagement of the energy office, utility regulator, emergency response office, and transportation to coordinate effective response activities. As the energy office, NYSERDA's role primarily centers on liquid fuels (including gasoline and heating oil), emergency planning, and response activities. Integral to these activities is the Fuel NY Initiative, which advances resilience activities on both supply side, through the states fuel reserves, and the demand side, through the retail gasoline station back-up generator program. NYSERDA also holds responsibilities for the monitoring and responding to emergency situations at nuclear power plants, participating in emergency planning exercises, and monitoring generation and management of low-level radioactive waste. All these activities are supported by the SEP.

OH: The Ohio Development Services Agency provides a wide range of services to support energy savings and competitive advantage in the state's manufacturing sector. Through its Energy Efficiency Program funded with SEP, the State provides energy specialists to industrial and manufacturing facilities and works with facility owners to develop an energy plan and install energy cost-saving measures. In 2017, the program leveraged \$264,317 in combination with \$350,000 in SEP funds to conduct 24 audits and achieve an estimated annual utility savings of \$502,608 for industrial and manufacturing facilities that are key to the state's economic vitality. The state offers a parallel program for commercial and public-purpose facilities (e.g., offices, hospitals, schools) to conduct audits. During 2017 the program achieved an estimated

\$7.8 million in annual utility savings resulting from a one-time investment of \$2.5 million comprised of non-federal funds and SEP funds.

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.

TX: The Texas State Energy Conservation Office (SECO) supports a range of successful Texas Commercial PACE (CPACE) programs – an innovative energy efficacy financing program for commercial building retrofits – being implemented by local governments. SECO chaired the CPACE technical standards working group which created rules, procedures, and methodologies that municipalities use in implementing C-PACE. SECO also supports a key economic development tool to catalyze energy technology business start-ups through the Clean Energy Incubator program. SECO supports two incubators, the University of Texas at Austin and Texas A&M Engineering Experiment Station. These incubators work directly with energy startups and a broad base of stakeholders to support job, opportunity, and wealth creation through entrepreneurship. Among the latest start-ups to join one of the incubators is a firm called ICON which just completed the “3D Printing” of a home in 48 hours. New building technologies like these may one day revolutionize construction and would greatly reduce energy waste and demand on natural resources. In addition, the Texas LoanStar program has implemented energy efficiency retrofits of over \$400 million.

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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