

**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'20 U.S. DEPARTMENT OF ENERGY FUNDING
APRIL 1, 2019**

Chair Kaptur, Ranking Member Simpson, 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); \$270 million for the Weatherization Assistance Program (WAP) (plus \$5 million technical assistance funding)**; \$289 million for the Buildings Technologies Office including significant funding for technical assistance and training for building energy codes and appliance standards; a new cross-cutting program in the Strategic Programs account totaling \$5 million for state and local training for energy service performance contracting; strong support for the Clean Cities program (\$37.8 million); \$182.5 million for DOE-OE; and \$156.6 million for DOE-CESER including \$70 million for ISER. **The \$70 million SEP request and \$270 million WAP request is consistent with the “Dear Colleague” letter, signed by 137 members (30 more than FY’19), you received on 3/29/19, led by Mr. Tonko and Mr. McKinley.**

SEP is the only federal energy program that allows the states to set priorities with both state and national energy goals in mind. 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 and cybersecurity, advances clean energy and economic development, and supports meeting climate and environmental quality goals. 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 was to request that Congress stipulate that all SEP funds be provided through the base formula account, except for \$5 million for technical assistance funding. We were very pleased that DOE EERE Assistant Secretary Daniel Simmons agreed with this view and directed that the SEP Competitive Program be rolled into the base SEP formula account. NASEO also supports bill language directing that both SEP and WAP funds be distributed to the states within 60 days of enactment. 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 supported the creation of the CESER office and recommends an increase for this activity to \$156.5 million which includes \$70 million for the Infrastructure Security and Energy Restoration (ISER) account in FY’20. In addition, it is critical to increase program direction funds to ensure an increase in DOE staff to manage and deliver these critical functions. Current staffing levels are not commensurate with the expanded resources associated with the creation of the nation’s front-line energy system cyber and physical security office. We also urge more robust funding of \$17 million (up from \$7 million in FY’19) 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.

AZ: In Arizona, the State Energy Office directed SEP funds to support energy efficiency improvements in 33 school districts statewide. The School Energy Efficiency Program, administered in conjunction with the Arizona School Facility Board, provided grants covering up to 30 percent of project costs with the school district responsible for the remaining 70 percent either through a privately-financed energy savings performance contract (ESPC) or utilizing bonds. Under the program, Higley Unified School District implemented lighting, controls and Heating Ventilation Air Conditioning (HVAC) upgrades in four schools. In one of the schools the energy efficiency measures translated into annual savings of \$153,855 – nearly 30 percent of its utility bill.

CA: In California, the State Energy Office utilized SEP funds to support the development and implementation of appliance and building standards. Activities SEP funds support include technical and engineering analyses, market assessments, active engagements with industry and other stakeholders, and stewardship of related rulemakings. Of note in 2018 was adoption of the nation-leading 2019 California Building Energy Efficiency Standards for nonresidential and

residential buildings, which will become effective January 1, 2020. The 2019 Building Standards encourage inclusion and seamless integration of features that support grid interactivity and resilience. In the realm of appliance efficiency, CEC is currently developing standards for a number of device categories. Since 1980, the appliance and building standards have saved the California economy more than \$100 billion.

FL: In Florida, the State Energy Office used \$166,000 in SEP funds to provide Florida K-12 public schools with 244 energy education kits designed to develop teamwork, problem-solving abilities, and investigate environmental issues. These kits include materials, such as solar panels and electric motors, which provide opportunities for hands-on science, technology, engineering, and mathematics skills. An estimated 79,400 children around the state will be impacted by these kits. Due to the overwhelming popularity of this program, an additional 677 energy education kits worth \$495,000, as well as 11 Advanced Micro Grid Clean Energy Trainer (CET) Kits worth \$28,500, will be distributed in the Spring/Summer of 2019. Students can also simulate different load and weather profiles, requiring them to combine the individual energy components to different setups and match energy supply or demand.

ID: In Idaho, the State Energy Office leverages SEP funding to coordinate Idaho's energy planning and policy development. This includes support for energy emergency preparedness planning activities as well as educating rural communities about energy efficiency through the state's Government Leading by Example (GLBE) program. Energy-related emergency preparedness planning activities that Idaho participates in include updating Idaho's Energy Assurance Plan, development of a petroleum shortage response plan, and participation in all energy-related emergency preparedness planning meetings and tabletop exercises. Through the GLBE program, Idaho's energy office partners with rural counties and communities to reduce energy use in existing public buildings. By providing resources like energy audits and cost-share funding, the energy office helps local governments pursue energy efficient projects in order to demonstrate the importance and ease of energy efficiency to rural communities. Idaho's efforts help communities of all sizes across the state, but are especially helpful to small, rural communities that do not have the staff levels or resources of larger cities.

IN: In Indiana, the 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 and 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 demonstrate measurable improvements in energy efficiency, result in a reduction in energy demand, or implement an energy recycling process.

NY: In New York, the State Energy Office used SEP funds to support the development of the first-in-the-nation Offshore Wind Master Plan. This plan is serving as a comprehensive roadmap that both encourages the development of offshore wind in a responsible and cost-effective manner that is sensitive to environmental, maritime, economic, and social issues while also brings a new industry to the US by identifying and addressing barriers to market entry and pursuing strategies that will develop the resource at scale while aiming to lower costs. New York has established a goal of realizing 2,400 MW of offshore wind energy generation by 2030, and the Master Plan sets forth the strategy to reach that goal. SEP funding was instrumental in advancing the 20 studies that supported the Master Plan.

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: In Tennessee, the State Energy Office leverages SEP funding to configure and maintain a utility data management (UDM) software platform for all State-owned and operated facilities, representing more than ~103 million square feet across 72 state agencies and higher education campuses. The state will complete a utility consumption and cost baselining effort in Q2 2019 and anticipates addressing consumption reduction goals in the following fiscal year. Preliminary baseline data shows that the state's annual utility costs are ~\$197 million. The typical potential savings to be achieved from acting on baselines is ~10%. The UDM platform provides easy access to historical and ongoing utility data. Agencies and campuses now have a tool that will aid in the identification of high performing facilities and measures to improve the efficiency of their facilities and lower utility costs.

TX: In Texas, the State Energy Office supported continued operations of Clean Energy Business Incubators with \$330,000 of SEP funding. These incubators support clean energy technologies startup company development. These companies attracted \$5.2 million (16:1) in direct investments, an economic impact of \$10.6 million (32:1) to the state of Texas. 322 jobs were created throughout the State from this support. 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.

WA: In Washington, the State Energy Office has leveraged SEP funding to develop the technical standards, economic analysis, and participation in the Washington State Energy Code's (WSEC) 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. Overall, SEP funding has helped the state leverage more than \$1.4 million in non-Federal funds for a variety of programs.

WI: In Wisconsin, the State Energy Office implemented a grant program for manufacturers, municipalities, tribes, universities, K-12 school districts, and hospitals. The program will reduce energy consumption, increase the use of renewable energy and transportation technologies, bolster preparedness and resiliency in the energy system, and ensure that comprehensive energy planning is at the forefront of these efforts. In 2018, \$5 million was made available for the 31 successful applicants that leveraged Focus on Energy rate-payer funded incentive programs and an additional \$4.5 million in local and private investments.

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