

**TESTIMONY OF PETER R. SMITH, PRESIDENT,  
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AND CHAIR, THE NATIONAL ASSOCIATION OF STATE ENERGY OFFICIALS  
BEFORE THE SENATE ENERGY AND WATER DEVELOPMENT  
APPROPRIATIONS SUBCOMMITTEE IN SUPPORT OF  
FY'07 DEPARTMENT OF ENERGY FUNDING  
April 26, 2006**

Mr. Chairman and members of the Subcommittee, I am Peter Smith of New York and Chair 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 programs. We are in the midst of an energy emergency and the programs described below help the American people respond. Specifically, we are testifying in support of no less than \$74 million for the State Energy Program (SEP). Forty members of the Senate have written to this Subcommittee supporting \$74 million in SEP funding for FY'07. The 20% cut in SEP in the FY'06 bill is devastating. SEP is the most successful program operated by DOE in this area. The Administration's proposed increase to \$50 million is an important first step. SEP is focused on direct energy project development, where most of the resources are expended. We also support \$275 million for the Weatherization Assistance Program (WAP). In addition, dramatic successes have been achieved through the State Energy Programs Special Projects (SEP Special Projects), which should receive at least funding of \$15.1 million, equal to the FY'06 level. The Administration has proposed no funds for this program in FY'07. SEP Special Projects has set a standard for state-federal cooperation and matching funds to achieve critical federal and state energy goals. These programs are successful and have a strong record of delivering savings to low-income Americans, homeowners, businesses, and industry. We also support increases of \$1.6 million above the President's budget request for the Energy Information Administration (EIA) of \$89.8 million for EIA's State Heating Oil and Propane Program, and to preserve EIA Forms 182, 856 and 767. EIA funding is a critical piece of energy emergency preparedness and response. NASEO continues to support funding for a variety of critical deployment programs, including Building Codes Training and Assistance (\$5.6 million), Rebuild America (\$3.8 million), Energy Star (\$5.9 million) and Clean Cities (\$7.9 million). NASEO supports funding for the Office of Electricity Delivery and Energy Reliability at least at the FY'06 request of \$161.9 million, with specific funding for the Division of Infrastructure Security and Energy Restoration of \$18 million, which funds critical energy assurance activities. We strongly support the R&D function, Operations and Analysis and Distributed Energy activities within this office. The industries program should be funded at a \$74.8 million level, equal to the FY'05 levels, to promote efficiency efforts and to maintain U.S. manufacturing jobs, especially in light of the loss of millions of these jobs in recent years. Proposed cuts in these programs are counter-productive and are detrimental to a balanced national energy policy.

Over the past four years, both oil and natural gas prices have been rising in response to international events, increased international and domestic use and the result of last year's hurricanes, etc. The \$3.00/gallon gasoline prices will be with us for some time. We also expect \$70 oil to continue for an extended period of time, with an expanded crisis situation as summer approaches. The state energy offices are in the forefront of energy emergency response, and this will be a challenge a year after 20% cut in SEP funding. In addition, we now have quantifiable

evidence of the success of the SEP program which demonstrates the unparalleled savings and return on investment to the federal taxpayer of SEP. Every state gets an SEP grant and all states and territories support the program.

In January 2003, Oak Ridge National Laboratory (ORNL) completed a study 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 has now updated that study and 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. The annual cost-effective emissions reductions associated with the energy savings are equally significant: (1) Carbon – 826,049 metric tons; (2) VOCs – 135.8 metric tons; (3) NOx – 6,211 metric tons; (4) fine particulate matter (PM10) – 160 metric tons; (5) SO2 – 8,491 metric tons; and (6) CO – 1,000 metric tons

**State Energy Program Special Projects and Other Deployment Programs:** SEP Special Projects provided matching grants to states to conduct innovative project development. It has been operated for the past ten years and has produced enormous results in every state in the United States. We support funding of at least the FY’05 funding level of \$15.1 million. The Administration has proposed no direct funding in FY’07 for SEP Special Projects. SEP Special Projects grants are awarded competitively and thus complement the SEP formula grant, with almost all the states submitting winning proposals in 2005. These projects have provided successes in virtually every congressional district. The other deployment programs, including Rebuild America, Building Codes Training and Assistance (which the Administration proposed to zero out), Clean Cities and Energy Star should receive funding of \$23.2 million. The Administration proposed eliminating the Gateway Deployment Program by name, and shifted resources to other activities.

**Industrial Energy Program:** A funding increase to a level of \$74.8 million for the Industrial Technologies Program (ITP) is warranted. This is a public-private partnership in which industry and the states work with the Department of Energy to jointly fund cutting edge research in the energy area. The results have been reduced energy consumption, reduced environmental impacts and increased competitive advantage of manufacturers (which is more than one-third of U.S. energy use). The states play a major role working with industry and DOE in the program to ensure economic development in our states and to try to ensure that domestic jobs are preserved.

**EIA:** Additional funding is required to preserve EIA Forms 182, 856 and 767. The funding is only \$1 million per year. The Domestic Crude Oil Report (182) and Foreign Crude Oil Report (856) are not reliably available elsewhere, and tracks our importation and distribution of oil. As we are facing increased international tensions, there could never be a worse time to eliminate these forms. The 767 form tracks central station generation emissions, critical to state regulatory programs. The State Heating Oil, Natural Gas and Propane Program requires \$600,000 for adequate sampling.

**Examples of Successful State Energy Program Activities:** The states have implemented thousands of projects. Here are a few representative examples.

**California:** The California Energy Commission has operated energy programs in virtually every sector of the economy. The State has upgraded residential and non-residential building codes, developed a school energy efficiency financing program, industrial partnerships in the food and waste industry, instituted a new replacement program for school buses utilizing the newest natural gas, advanced diesel and hybrid technologies. The buildings program has reduced consumption by enormous amounts over the past few years, through alternative financing programs and outreach.

**Hawaii:** The State is considering comprehensive energy legislation at the present time. A comprehensive program of energy efficiency for commercial and residential buildings has saved \$9.3 million annually. The State recently moved forward with energy code revisions projected to save tens of millions of dollars. The Hawaii “Green Business Program” saves \$175 in water, energy and waste minimization for every \$1 in SEP funds invested.

**Idaho:** In Idaho the State has rated homes utilizing the Energy Star tools and signed-up 77 new builders to participate in the program. An aggressive energy efficiency financing program has produced 2,428 loans, totaling \$15.8 million for significant energy savings. The agricultural energy program has focused on reducing irrigation costs and usage to improve agricultural productivity and costs.

**Kentucky:** The programs supported by SEP have assisted in construction of high energy performance K-12 schools, developed \$45 million in energy savings performance contracts, and funded energy efficiency and renewable energy projects at universities and local governments.

**Missouri:** The energy office in Missouri has been operating a low-interest energy efficiency loan program for school districts, colleges, universities and local governments. Thus far, public entities have saved more than \$72 million each year, with more than 400 projects. The state energy office has also worked with the Public Utility Commission and the utilities within the State to get \$20 million invested in residential and commercial energy efficiency programs. A new revolving loan for biodiesel has also been initiated.

**Mississippi:** The State operates an energy investment loan program targeted to schools, hospitals and manufacturers. Mississippi has been very active in the Energy Star program and has been attempting to conduct post-Katrina reconstruction in an energy efficient manner.

**Montana:** The State has issued over \$7.5 million in bonds to fund 60 energy efficiency projects in State buildings. The savings pay for themselves very quickly. The State has also upgraded building energy codes and instituted 44 projects impacting over 2 million square feet of building space, with non-federal leverage of \$11.5 million.

**Nevada:** The State has focused on energy code training and technical assistance to ensure that new housing construction is conducted in an energy efficient manner, as well as a large expansion in renewable energy programs.

**New Mexico:** With new state legislation, the state energy office is supporting and expanding renewable energy usage, tax incentives for hybrid vehicles, school energy efficiency programs, technical assistance to the wind industry and expansion of geothermal resources. The State has arranged approximately 40 energy performance contracts with annual energy savings in the millions. There has also been an expansion in the use of ethanol and biofuels.

**North Dakota:** The state energy office is supporting programs for ethanol and biodiesel promotion. The State has also funded energy efficiency programs for local builders, schools and for lower income households.

**Texas:** The Texas Energy Office's Loan Star program has long produced great success by reducing building energy consumption and taxpayers' energy costs through efficient operation of public buildings. This saved taxpayers more than \$172 million through energy efficiency projects. Over the next 20 years, Texas estimates that the program will save taxpayers \$500 million. In another example, the State promoted the use of "sleep" software for computers, which is now used on 105,000 school computers, saving 33 million kWh and reducing energy costs by \$2 million annually. The State has initiated the Texas Emissions Reduction Plan/Texas Energy Partnership in 41 urban counties to reduce emissions through cost-effective energy efficiency projects.

**Utah:** SEP funds have been utilized to support solar and wind programs, as well as implementation of a stronger energy building code. The State has also supported local government energy efficiency.

**Washington:** The state energy agency works with the Northwest Energy Efficiency Alliance to target \$20 million in funding for energy efficiency and renewable energy projects. The State is also closely involved in energy emergency preparedness and response. The Resource Efficiency Managers Program, supported by SEP, conducts on-site training for energy savings. For example, working with Ft. Lewis and Puget Sound naval facilities, the program has saved over \$2.5 million.

**West Virginia:** The energy office has focused on industrial energy savings, including identified savings of \$2.4 million in 2005 alone. Energy projects in the industrial sector have totaled \$29 million during the past 9 years. The State has also supported dramatic expansion of renewable energy programs and is projecting \$3 million in school energy cost savings each year through energy efficiency programs.