

**TESTIMONY OF WILLIAM E. (“DUB”) TAYLOR, DIRECTOR, TEXAS STATE
ENERGY CONSERVATION OFFICE AND CHAIR, THE NATIONAL ASSOCIATION
OF STATE ENERGY OFFICIALS, BEFORE THE HOUSE ENERGY AND WATER
DEVELOPMENT APPROPRIATIONS SUBCOMMITTEE IN SUPPORT OF
FY’09 DEPARTMENT OF ENERGY FUNDING
March 19, 2008**

Mr. Chairman and members of the Subcommittee, I am Dub Taylor of Texas 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. Specifically, we are testifying in support of no less than \$75 million for the State Energy Program (SEP). SEP is the most successful program operated by DOE in this area. Within a \$75 million funding level for SEP we would support the Administration’s proposed \$10 million competitive program, but we do not support such an effort at the proposed funding level of \$25 million for the core SEP activities and \$25 million for the competitive program. SEP is focused on direct energy project development, where most of the resources are expended. SEP has set a standard for state-federal cooperation and matching funds to achieve critical federal and state energy goals. We also support \$300 million for the Weatherization Assistance Program (WAP). These programs are successful and have a strong record of delivering savings to low-income Americans, homeowners, businesses, and industry. We also support an increase in the budget for the Energy Information Administration (EIA) to \$120 million, including an increase of \$600,000 for EIA’s State Heating Oil and Propane Program, in order to cover the added costs of increasing the frequency of information collection (to weekly), the addition of natural gas, and increasing the number of state participants. EIA’s new state-by-state data is very helpful. 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 (\$10 million), Rebuild America (\$5 million), Energy Star (\$10 million) and Clean Cities (Vehicle Technologies Deployment) (\$12.5 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 also strongly support the R&D function and Operations and Analysis function. 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. The Energy Independence and Security Act of 2007 (EISA) also has a number of exemplary provisions which should also receive funding, including the new commercial buildings initiative. EISA also reauthorized SEP (Section 531) and Weatherization (Section 411) through FY’2012. We remain concerned that a number of programs authorized in the Energy Policy Act of 2005 (EPACT 2005) have received no direct funding. Of special interest are sections 124, 125, 126, 128 and 140 of EPACT 2005.

Over the past seven years, both oil and natural gas prices have been rising in response to expanded Chinese and Indian use, other international events, increased domestic use, the falling dollar and the result of the 2005 hurricanes. We expect \$100 oil to continue for an extended period of time, with an expanded problem as summer approaches. Gasoline prices may spike to

\$4/gallon. Diesel prices are even higher. 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, the District of Columbia 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 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. The energy cost savings is much higher today, in light of higher prices. The report done by DOE’s Inspector General in April 2006 criticized DOE monitoring of SEP but affirmed that state actions were consistent with the applicable law and regulation. State monitoring and verification has confirmed SEP’s effectiveness.

State Energy Program Special Projects and Other Deployment Programs: Through FY’05, SEP Special Projects provided matching grants to states to conduct innovative project development. It had been operated for ten years and has produced significant results in every state in the United States. We support funding of DOE’s new, proposed SEP competitive program, but only above a minimum \$55 million SEP appropriation for the base SEP program. The states with lower populations are disadvantaged by this program.

EISA authorized a new Energy Efficiency and Conservation Block Grants program (section 541-548). We look forward to working with Congress and the Administration to make this program a reality. We hope start-up funding can be provided in FY’09. However, we remain concerned that a structure that requires DOE to review and process thousands of local government grant applications each year will be unworkable. With the elimination of the DOE/EERE Regional Offices, DOE contracting processes have become slower. There is now a more attenuated connection between state and local governments with DOE. We look forward to working with Congress, local governments and DOE to correct this situation. Joint planning needs to occur immediately. State energy offices have partnered with local governments for decades. This program should allow us to supplement and enhance those 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 DOE 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. State energy

offices are working effectively with DOE on the “Save Energy Now” campaign. Funding for distributed generation should be included above these amounts.

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

Arizona: The energy office is working closely with the Southwest Building Science Center on a variety of projects. Through the intervention of the state energy office and recent legislation, universities and other state facilities have reduced energy usage by 7 percent, with annual energy savings in the millions. A new \$2.5 million schools energy efficiency program was instituted in 2007. The State also trains facility managers and municipal officials. Since 2000, the energy office has worked to have 2000 affordable housing units built to energy efficiency standards each year, including six housing projects in 2007 in Phoenix alone.

Arkansas: This energy office has focused on industrial energy strategies, a new LED traffic signals program, promotion of alternative fuels, Energy Star promotions, upgrades in the energy code and renewable energy technology development. The energy office began implementing a new \$2.4 million energy efficiency effort with utilities on January 1, 2008.

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 (including major 2008 upgrades), developed a school energy efficiency financing program (including \$100 million for high performance schools), and 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. California’s greenhouse gas mitigation plans and a new solar initiative are moving forward.

Idaho: A new program focus is on high performance commercial and institutional buildings. An aggressive energy efficiency financing program has produced more than 2,500 loans, totaling over \$16 million, resulting in significant energy savings. The agricultural energy program has focused on reducing irrigation costs and usage to improve agricultural productivity and reduce operating costs. The State has initiated a new industrial program and conducted 36 assessments thus far.

Indiana: In 2007 and 2008, \$2.7 million in energy-related grants have been issued, leveraged into \$21 million in programs. Indiana has been focusing on a grant program for alternative energy systems, including energy efficiency, biofuels and renewable energy. An extensive loan program for energy efficiency in public schools has been very successful. The state energy office has also been working on energy and economic development programs. A new tax credit for Energy Star appliances has recently been established.

Massachusetts: Thus far, the State has provided over \$8 million in loans to produce energy efficiency residential retrofits. The energy office has also instituted energy efficiency upgrades in public housing. The state recently negotiated a doubling of the natural gas utility energy

efficiency program to \$25 million annually. A variety of new activities are being considered by the legislature.

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 \$93 million, 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, with a significant incremental increase to \$20 million in investments in 2008 alone. A new revolving loan for biodiesel has also been initiated. The energy office and the air agency have developed a program to set-aside NOx allowances for energy efficiency and renewable energy.

Montana: The State is now providing a \$500 tax credit for Energy Star homes. A separate state energy conservation tax credit has been providing over \$5 million annually. Expansion of state buildings energy efficiency programs have also been instituted.

New York: SEP has been utilized for a variety of purposes including: (1) the FlexTech program (helping businesses on reducing energy consumption and applying new technology), which has found that for \$1 of federal funds, \$17 in capital investment and \$5 in annual energy savings has been achieved; (2) new agricultural energy program incentives (\$1.7 million annually); and (3) \$125 million in private financing for energy capital improvements that has achieved enormous savings. The state energy office has implemented a multi-family building energy efficiency program, \$8 million in industrial energy efficiency improvements, has increased appliance standards and is promoting high performance lighting.

Ohio: The Ohio Office of Energy Efficiency has operated innovative building retrofit programs in colleges, universities, public housing and governmental facilities. Measures have been completed in over 19 million square feet, producing \$15.5 million in annual energy savings and investments of \$59 million. New programs have been instituted for biomass, landfill gas, solar and wind projects. The \$1.3 million in DOE funds matched \$26 million in non-federal funds for projects. The State has also provided builder/operator training certification, initiated smart energy building practices, installed solar energy on schools, promoted bio-energy programs, initiated a Fuel Cell Awareness program, promoted wind power and actively promoted Energy Star partnerships in the consumer, commercial and industrial sectors, etc. 26 industrial energy efficiency projects were implemented in 2007.

Pennsylvania: The state energy office has been supporting wind power development, with 179 megawatts of wind capacity installed. Since 2003, \$5.1 million in SEP funds have supported energy projects in solar, wind, biomass, liquefied gas, etc., matching \$66 million in private funds and \$21 million in state funds. Since 2004, \$32 million in grants and loans for 81 clean energy projects have been issued, leveraging \$362 million in private investment and helping to provide 1930 temporary and permanent jobs.

Tennessee: A local government energy efficiency program provided \$3.5 million for 36 schools and local governments in 2006-07. A small business energy efficiency loan program has provided \$13.3 million, producing \$26 million in energy savings with an economic impact of

\$113 million. A new alternative fuels strategy has been instituted with \$37 million in direct state funding.

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 \$224 million through energy efficiency projects. In another example, the State promoted the use of "sleep" software for computers, which is now used on 136,000 school computers, saving 42 million kWh and reducing energy costs by \$3 million annually. This is part of a broader energy efficiency program that has helped 3500 schools and local governments thus far. 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.

Wisconsin: The State created the new Office of Energy Independence. The statewide energy efficiency program provides \$69 million each year. The energy office has also developed model wind energy ordinances to expand wind development. The State is expanding the use of alternative fuels, with a dramatic expansion in E85 and biodiesel infrastructure, and a new agreement with the other Midwestern Governors on an alternative fuels strategy.