

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’10 DEPARTMENT OF ENERGY FUNDING

April 3, 2009

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 \$125 million for the State Energy Program (SEP), which is equal to the authorization. SEP is the most successful program operated by DOE in this area. This should be base program funding, with no competitive portion. 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 \$145 million, including an increase for EIA’s State Heating Oil and Propane Program, in order to cover the added costs of increasing the frequency of information collection, 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, and there are significant new EIA responsibilities under the Energy Independence Security Act of 2007 (“EISA”). EIA conducted a study of their capabilities and resources under Section 805 of EISA, and this study supports increased funding. NASEO continues to support funding for a variety of critical buildings programs, including Building Codes Training and Assistance, Energy Star, the commercial buildings initiative, residential energy efficiency and Building America, at a level of \$175 million in FY’10. NASEO also supports base funding (in addition to any Congressionally-directed projects) for the Office of Electricity Delivery and Energy Reliability (“OE”), at least at the FY’06 request of \$161.9 million. Specific funding should be provided for the Division of Infrastructure Security and Energy Restoration of no less than \$18 million, which funds critical energy assurance activities. We also strongly support the R&D function and Operations and Analysis function within OE. The industries program should be funded at a \$150 million level 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. Additionally funding should be provided to support Sections 451 and 453 of EISA, relating to combined heat and power and other waste heat recovery programs.

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.

Stimulus Funding Implementation

We want to thank the Subcommittee for the tremendous support provided in the stimulus package for a variety of state and local funding initiatives, including \$3.1 billion for the State Energy Program, \$5 billion for the Weatherization Program, \$3.2 billion for the Energy Efficiency and Conservation Block Grant and \$300 million for the Energy Star appliance rebate program, etc. We want to personally thank the Chairman and the staff for such hard work in developing the energy portions of the package.

This is a major task. We are working closely with the Department of Energy's Office of Weatherization and Intergovernmental Programs (Gil Sperling), Matt Rogers in the DOE Secretary's office, NETL and Golden, to implement these programs as quickly as possible. We have had virtually weekly calls with all the state energy officials to address implementation questions. We have also had a series of regional conference calls among the states. NASEO is cooperating with the other state and local organizations to share best practices and provide information to officials at all levels of government in order to more effectively coordinate this effort. We are convinced these funds will help engineer major positive changes in the U.S. economy and as the economy rebounds this will help create "Green Jobs" and major energy improvements that will improve all sectors of the economy.

NASEO believes it is important to maintain base levels of appropriations for critical programs, such as SEP and Weatherization, in order to avoid a huge increase in the stimulus package and then for the programs to diminish rapidly after 2-3 years.

Industrial Energy Program: A funding increase to a level of \$150 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 and specific funding for Sections 451 (including the Clean Energy Applications Centers) and 453 of EISA is critical and should be included above the \$150 million proposal.

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 multi-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 over 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 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 over \$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.

Colorado: The State has focused on implementing new energy legislation. They have dramatically increased the use of renewable energy, woody biomass, and alternative fuels. The Poudre School District recently received the first LEED for schools certification in the Country. The State has also been a leader in promoting Energy Star for new homes.

Idaho: A program focus is on high performance commercial and institutional buildings. An aggressive energy efficiency financing program has produced thousands of 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 dozens of 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 was also 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. The Governor and Legislature collaborated on

significant new energy legislation in 2008. The State has also instituted a new “Green Communities” program.

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. NYSERDA (the state energy agency) 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. The New York Em-Power Program and Home Performance with Energy Star has been a big success, with significant market penetration.

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 approximately 20 million square feet of building space, producing \$15.5 million in annual energy savings and investments of over \$60 million. New programs have been instituted for biomass, landfill gas, solar and wind projects. Through 2007, 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 significant wind capacity installed. Since 2003, SEP funds have supported energy projects in solar, wind, biomass, liquefied gas, etc., matching over \$70 million in private funds and over \$20 million in state funds. Since 2004, tens of millions of dollars in grants and loans for clean energy projects have been issued, leveraging approximately \$400 million in private investment and helping to provide over 2000 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 well over \$200 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 a new Office of Energy Independence. Prior to the provisions of stimulus funds, the statewide energy efficiency program had provided \$69 million each year. The energy office has also developed model wind energy ordinances to expand wind development. The State is focused on significant 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.