

**TESTIMONY OF DAVID TERRY, EXECUTIVE DIRECTOR, THE NATIONAL
ASSOCIATION OF STATE ENERGY OFFICIALS, BEFORE THE HOUSE ENERGY
AND WATER DEVELOPMENT APPROPRIATIONS SUBCOMMITTEE IN SUPPORT
OF FY'14 DEPARTMENT OF ENERGY FUNDING**

March 29, 2013

Chairman Frelinghuysen and members of the Subcommittee, I am David Terry, Executive Director 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 \$50 million for the base, formula State Energy Program (SEP). SEP is the most successful program supported by Congress and DOE in this area. This should be base program funding, with no competitive portion, which focuses primarily on DOE's internal priorities. SEP is focused on working with private business to help facilitate 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. The base SEP funds are the critical linchpin to help states in building on these activities and expanding energy-related economic development, much as SEP has done for 30 years. We also support the \$210 million level 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 the funding level provided in the FY'13 Budget Request for the Energy Information Administration (EIA) of \$116.4 million. EIA's state-by-state data is very helpful and has been improving. EIA funding is a critical piece of energy emergency preparedness and response, and there are significant EIA responsibilities under EISA. NASEO continues to support funding for a variety of critical buildings programs, including Building Codes Training and Assistance, Energy Star, and residential energy efficiency at least at the FY'12 level, and Building Codes at a \$15 million funding level. NASEO also supports funding for the Office of Electricity Delivery and Energy Reliability ("OE") at the level of the FY'13 Budget Request. 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. This office was very helpful in Super Storm Sandy response. We also strongly support the R&D function and Operations and Analysis function within OE. The industries program (now renamed the Advanced Manufacturing program) should be funded to promote efficiency efforts and to maintain US manufacturing jobs, though we are concerned that both "new" industries and traditional manufacturing should be supported. We are also interested in working with this Subcommittee, Congress and the Administration on the proposed "Race to the Top" initiative. We look forward to reviewing the details, when available. However, the proposed "Race to the Top" should not supplant SEP funding.

Formula SEP funding provides a basis for states to share best practices among themselves. These best practices (even without stimulus funds) allow states to get a great deal accomplished. These types of activities include energy financing programs, revolving loans, utility-based programs, energy service performance contracts, etc.

In January 2003 (and updated in 2005), 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 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. Energy price volatility makes the program more essential as businesses and states work together to maintain our competitive edge.

Stimulus Funding Implementation

We have been working closely with DOE to close-out the ARRA programs as quickly as possible, after successful implementation. NASEO is sharing best practices and providing information to officials at all levels of government in order to more effectively coordinate this effort. We are convinced that these funds helped assist the private sector to implement major positive changes in the U.S. economy 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 decrease in funding after a rapid stimulus increase.

Examples of Successful State Energy Program Activities: The states have implemented thousands of projects. We have previously supplied to Subcommittee staff examples of programs and projects implemented. Here are a few representative examples.

Arizona: SEP funds are supporting energy efficiency improvements in 33 school districts statewide. The School Energy Efficiency Program, administered in conjunction with the Arizona School Facility Board, provides grants covering up to 30 percent of a project's cost with the school district responsible for the remaining 70 percent either through an energy performance contract or using bond funds. SEP funds are also being utilized to support the Small School District Solar Program. To date, the program has awarded grants to 57 small school districts for the installation of photovoltaic systems.

California: This state is improving energy efficiency in state-owned buildings through the State Property Revolving Loan Fund Program. This sustainable loan program is supporting energy upgrades in more than 60 buildings located throughout the state -- including energy retrofit projects in 18 California Highway Patrol Offices. California's Clean Energy Business Financing Program (CEBFP) provides low-interest loans to clean energy manufacturing companies and is supported by SEP funds and the California Energy Commission. Included among a number of the loan recipients was the Fremont-based Solaria Corporation. They installed new equipment in 2011 and created over 75 full-time jobs, in addition to an estimated annual production of solar panels that in turn generate approximately 11.3 megawatt-hours of clean electricity and reduce CO2 by nearly 4,000 tons per year.

Idaho: With SEP funding and the success of a K-12 pilot, the Idaho Office of Energy Resources (OER) moved forward with the K-12 Energy Efficiency project. This project began with energy audits on 894, K-12 school buildings throughout Idaho; continued with HVAC and control system tune-ups on 836 of the buildings resulting in an estimated yearly energy savings of up to \$3.9 million dollars; and Energy Expert Software was installed in 91 schools, with 15 of those schools receiving educational kiosks for energy efficiency education.

Indiana: One program funded under the SEP program in Indiana is the Conserving Hoosier Industrial Power (CHIP) Grant, which provides grants to fund energy efficiency upgrades in

commercial and industrial facilities throughout the state. Since 2010, 25 companies have been awarded SEP funds under this program to become more energy efficient. Projects include the implementation of energy-saving measures such as new lighting, variable frequency drives, boiler and HVAC upgrades, and energy management systems.

Kansas: They have implemented an extensive energy savings performance contracting program that has provided energy efficiency upgrades to over 76% of state buildings.

Kentucky: The Kentucky Department of Energy Development and Independence (DEDI) helps teams of designers, architects, and school administrators develop and construct, cost-effective zero-net energy capable schools. The energy use reductions and cost savings have been dramatic. The training and assistance efforts, accomplished through SEP funding, played a pivotal role in helping Kentucky pursue and achieve its market transformation goals, while simultaneously encouraging other states (e.g., VA, MD, NC) to identify similar opportunities.

Louisiana: In Louisiana, SEP funding helps support the popular Home Energy Rebate Option Program (HERO). The program offers a cash rebate for energy retrofits, as well as providing training, and quality control for the energy raters who certify efficiency projects. During the past two years, more than 1,100 existing homes were retrofitted, resulting in a 30 percent average increase in energy efficiency per home and nearly 47,000 MMBtu in total annual energy savings in all homes completed.

Mississippi: In Mississippi, an SEP grant program provides incentives to public and private entities to help deploy commercially available renewable energy technologies in 17 projects across the state. Twelve of the 17 projects involve photovoltaics (PV). Eight PV projects, representing 359.9 kW of renewable generation, have been completed, and four others are underway. One of the ongoing projects is at Twin Creeks Technologies' manufacturing facility in Senatobia, allowing the company to install a 60kW rooftop solar array at its photovoltaic production facility. This project, along with all others benefiting from the grant program, were completed in 2012. Their public buildings program is helping to finance energy-saving upgrades through performance contracting in 10 public institutions. The participating public sector partners include the Biloxi School District, Cleveland School District, Desoto County, Jefferson County, Lawrence County School District, Mississippi State Hospital, Monroe County School District, Claiborne County, Alcorn County School District and Hollandale School District. Under the program, 149 public buildings, representing more than 3 million square feet of space, have been completed.

Nebraska: Administered by the Nebraska Energy Office (NEO), the Dollar and Energy Saving Loan Program is a revolving loan fund that reduces the interest rate for energy-related projects meeting minimum efficiency standards. Active since 1990, it is one of the longest standing and highest volume energy efficiency loan programs in the country. Its current total loan pool is approximately \$37 million and as of June 2012, the program has financed 27,553 projects, a majority of which were in the residential market. Currently, more than 265 lenders, operating in over 900 locations across the state, are eligible to offer Dollar and Energy Saving loans. Over 22 years, the program's extraordinarily low default rate cost the state just \$106,000 on over \$241 million in loans.

New Jersey: Among the programs funded in New Jersey through SEP, are a Combined Heat and Power (CHP) grant, a grant for energy projects in public buildings, a residential energy efficiency retrofit program, and a financing program for residential solar. The Energy Efficiency through Clean CHP program provides grants for CHP production at existing facilities of large

commercial and industrial customers. All totaled, nearly 35 MW of clean energy production has resulted from this SEP-funded grant program.

New York: Over the past three years, the New York State Energy and Research Development Authority (NYSERDA) has supported the development and installation of nearly 250 clean energy projects, using a mix of funding, including SEP. These projects are helping public and non-profit entities reduce energy costs by an estimated \$22 million annually. Among the projects are 152 energy efficiency grants that have resulted in building energy retrofits in 193 buildings. In addition 2,340 streetlights were replaced with energy-efficient streetlights utilizing grant funding. Another 85 grants were awarded under the renewable energy grant program for photovoltaic projects. NYSERDA is also operating a number of utility, on-bill recovery financing programs and they are working to establish a \$1 billion "Green Bank."

Ohio: Ohio's Energy Efficiency Program for Manufacturers (EEPM) is a multi-phase energy efficiency program using SEP funding that provides facilitation services and financial assistance to Ohio manufacturers to evaluate, plan, and implement cost-effective energy improvements at their facilities. The program was developed to provide Ohio's manufacturers with a tool to reduce costs through implementation of energy measures identified in the diagnostic process.

Pennsylvania: In Pennsylvania, the Green Energy Works' solar grants, funded in part by SEP, are supporting seven solar projects, totaling nearly 6 MW. Among the projects completed in 2011 was a 1.5 MW photovoltaic system on a parking garage at Merck's Upper Gwynedd Campus in North Wales. The project is providing 14 percent of the electricity for Merck's marketing headquarters and will help the company meet its goal of reducing greenhouse gas emissions by 10 percent by 2015.

Tennessee: Using SEP funding, the Tennessee Solar Institute (TSI) is a center of excellence partnering the University of Tennessee (UT) and Oak Ridge National Laboratory, focusing on industry partnerships to improve the affordability and efficiency of solar products. TSI also serves as a crossroads for a wide-range of solar-related activities, including the Solar Installation and Innovation Grant programs. A total of 236 grants have been awarded to date and over \$40 million dollars of private funds have been leveraged. The grant programs have added approximately 6.5 MW of solar power to the grid.

Texas: The Texas State Energy Conservation Office (SECO) operates the nation's largest and longest running revolving energy loan fund--the Texas LoanSTAR (loans to Save Taxes And Resources) Program. The Texas Energy Office initiated the program in 1988 and since its inception, more than 200 loans, totaling nearly \$300 million, have achieved total cumulative energy savings of almost \$300 million. The average payback for a LoanSTAR loan is approximately six years. SECO also launched another loan program in 2009 using SEP funds, the Building Efficiency Retrofit Program. Like LoanSTAR, the Retrofit Program provides loans for energy efficiency and retrofit activities on government-owned buildings and facilities.