



RECOVERY ACT FUNDING AND STATE SUCCESS STORIES

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I am pleased to be here today on behalf of the National Association of State Energy Officials (NASEO) to discuss the exciting activities that we have expanded with funds through the American Recovery and Reinvestment Act (ARRA). Massachusetts has been working aggressively in the energy area for decades, and Governor Patrick recently announced new steps that we believe will make Massachusetts the most energy-efficient state in the United States. I want to make sure I emphasize the exciting work occurring in the all the states, especially with additional resources provided through ARRA. Today, I am joined here by two of my fellow energy directors: Roya Stanley of Iowa and Janet Streff of Minnesota. We hope to give you a sense of the activities taking place in the states. Mark Wolfe, Executive Director of the National Energy Assistance Directors Association, will also discuss the critical activities being undertaken through the Low-Income Home Energy Assistance Program (LIHEAP).

As a frame of reference: ARRA provided \$3.1 billion to states through the State Energy Program (SEP), \$5 billion for the Weatherization Assistance Program (WAP) and \$300 million for an Energy Star Appliance Rebate Program; \$3.2 billion was also provided for the Energy Efficiency and Conservation Block Grant (with funds mostly to cities, counties and towns). Roya and I will focus on SEP, EECBG and the Appliance Rebates Program. Janet will focus on Weatherization. NASEO's sister agency, representing the State Weatherization Directors, the National Association for State Community Services Programs (NASCS), is also here with us today and our colleagues would be happy to answer questions.

We are here in Washington, D.C. for the NASEO Winter Meeting. The state energy directors have been sharing success stories and good ideas this week. Innovation in the energy area has been coming from the states, and the ARRA funds have been a huge additional incentive for helping the public, especially to promote energy efficiency and renewable energy activities. We have also been working very closely with the Department of Energy to ensure that these funds are spent wisely and creatively. The ramp-up has been considerable and we appreciate the cooperation we have received.

For examples of good programs from all the states please go to the NASEO.org website.

FY'11 Budget Request

Before I discuss some of the programs we have undertaken in Massachusetts, I want to discuss the President's FY'11 Budget Request in the energy area. While we recognize that the ARRA funds were a huge increase for SEP and WAP, and provided new starts for EECBG and the Appliance Rebates Program, it is very critical that you and the public at large understand that it is only a down-payment on changes necessary to not only help the general public, but in order to really move our economy into the 21st century. We are competing with other countries to create a Green Economy and Green Jobs. It is critical that we nurture these industries here in our country or we will lose out to foreign competition. Future budgets and legislative responses to climate change and our energy problems must recognize that this is a long-term commitment, not something that should receive a 1-2 year funding bump and then disappear. Unfortunately, our Nation's energy policy history is littered with short-term decisions

and reversals, without that long-term commitment. We must not allow that to happen here and now. Energy Secretary Chu has expressed this same sentiment and we support that approach.

The President's proposal for SEP funding in FY'11 is \$75 million (FY'10 appropriations are \$50 million, including \$25 million in competitive funds). We support funding at the authorized level of \$125 million, without a set-aside for competitive grants between the states. This base funding is critical to move the states forward and SEP helps all sectors of the economy.

Janet will discuss the WAP budget which was increased from \$210 million to \$300 million in FY'11, including a \$30 million "innovation" fund. The \$30 million innovation fund was included within the \$210 million FY'10 funding level as well. This separate fund should certainly not come from the \$300 million base appropriation.

Again, for both SEP and WAP we must look beyond the ARRA funds to long-term commitments to address the needs of all Americans.

Mark Wolfe, the Executive Director of the National Energy Assistance Directors Association (NEADA) will discuss LIHEAP funding, but the state groups support a \$7.6 billion funding level, up from \$5.1 billion in FY'10. In addition, for FY'10 we support supplemental LIHEAP funding of \$2.5 billion. The needs of the public are greater, with high unemployment and arrearages increasing on bills. The FY'11 Budget Request includes a base of \$3.3 billion (\$2.5 billion by formula and \$790 million for emergency funding), with an additional \$2 billion to be allocated under a trigger mechanism.

NASEO continues to support increased funding for the EPA Energy Star Program. These efforts have been very successful and have been underfunded for a number of years. EPA has partnered with the states, local governments, utilities, businesses of all types, etc., in order to promote cost-effective energy efficiency projects. Activities such as Home Performance with Energy Star have been very successful. The Request in FY'11 is \$55.5 million, an increase from the FY'10 level of \$50.7 million. NASEO continues to support a robust \$100 million funding level for this program.

Overall, the Energy Efficiency and Renewable Energy Budget Request would increase to \$2.355 billion in FY'11, up from \$2.242 billion in FY'10.

The buildings energy efficiency program would increase from \$222 million to \$231 million in FY'11. In this area, we have been working to increase building energy efficiency codes at the state and local levels, including training, compliance and enforcement. \$10 million is provided in the FY'11 Budget for this activity, which is insufficient. The House-passed climate and energy bill would provide .5% of all allowances for this function, which would provide a consistent funding source in the hundreds of millions for state and local governments. With buildings accounting for approximately 40% of our greenhouse gas emissions, we must commit substantially greater resources to building energy codes. In the buildings area we would also support an increase to at least \$50 million, rather than \$39 million for commercial buildings activities provided in FY'10 and included in the FY'11 Budget

Request. Again, our approach to energy efficiency in commercial buildings must involve long-term changes and partnerships.

Industrial energy efficiency programs would increase from \$96 million to \$100 million in FY' 11. Again, this is inadequate for the substantial task of retooling our manufacturing base, increasing process efficiency and becoming more competitive. A number of states are utilizing ARRA funds under SEP for manufacturing energy efficiency efforts.

The Federal Energy Management Program (FEMP) would increase from \$32 million to \$42 million. The President issued an important executive order in the fall of 2009 and just a few days ago announced a dramatic effort to reduce greenhouse gas emissions from federal facilities, an effort which would save billions of dollars in energy costs over the next decade.

The biomass program would remain at \$220 million in FY' 11, the same as FY' 10. Solar programs would increase from \$247 million in FY' 10 to \$302 million in FY' 11. Wind programs would increase to \$123 million from \$80 million in FY' 10. Geothermal energy activities would increase to \$55 million from \$44 million in FY' 10.

Energy programs for vehicle technologies would increase to \$325 million from \$311 million in FY' 10.

We also strongly support increases in the Energy Information Administration Budget to at least the \$129 million funding level contained in the President's request, up from \$111 million in FY' 10.

The Office of Electricity Delivery and Energy Reliability at DOE would receive an increase from \$172 million to \$186 million in FY' 11. Again, this is inadequate for the significant responsibilities of this office. This office has substantial new responsibilities in the areas of smart grid, electricity transmission, etc. In particular, the infrastructure security and energy restoration budget is highly inadequate at a level of \$6.2 million. The energy assurance budget should certainly increase. We work very hard to enhance our energy emergency preparedness, and this is simply not receiving sufficient attention in this budget. In addition, we look forward to the early confirmation of Patricia Hoffman to lead this office on a permanent basis.

Jobs Bill

I also want to take this opportunity to discuss certain energy proposals that are being considered in a possible Jobs Bill. NASEO supports the President's proposal for a Home Star residential energy efficiency retrofits program based on rebates to consumers. The Administration and Congress are working hard on a Jobs Bill, and this program would be a very high priority. It provides us an historic opportunity to address the needs of homeowners; especially middle class homeowners. If you could save hundreds of dollars each year on energy costs, that is money that can go straight into the economy. Energy efficient building retrofits is a real jobs producer. Approximately 30 states have a variety of energy efficient home retrofit programs, and they are producing real results for homeowners and taxpayers. This is a great

opportunity for states, retailers, local governments, utilities and others to work together to get money quickly into the economy and reduce energy costs for homeowners. A very broad coalition has come together to support this Home Star effort.

We also support efforts to address needs in the manufacturing sector, similar to the IMPACT bill primarily sponsored by Senator Brown. Again, this is critical to help maintain and expand manufacturing in this Country. There are similar efforts to promote a Building Star program that would provide an expanded commercial buildings tax deduction as well as funding for commercial and multi-family buildings. We also support these efforts.

Massachusetts Programs

Massachusetts continues to move quickly to implement several ARRA energy programs. We received approval from US DOE to proceed on our EECBG, SEP, and Appliance Rebate program in September, November, and December respectively, after working through several challenging issues related to a number of Recovery Act terms and conditions, particularly NEPA review (the requirement that Federal funds are reviewed under the National Environmental Policy Act). Within the few short months since receiving approval, approximately 15% of all funds are fully contracted or “obligated” and putting people to work in the economy. An additional 70% are committed to Requests for Proposals at various stages of evaluation and will be contracted this quarter.

Massachusetts and the other states have done a tremendous job pivoting with the help of DOE from the initial program guidance having a 3-year period of performance to the later impetus to have all funds put to work in weeks and months. States are obligating funds at an accelerated pace getting work underway in the economy, while maintaining the innovative and long-term focus of their programs. It is important to note funds *obligated* is a better measure of Recovery Act funds *at work* in the economy than the currently reported funds *expended*, which often happens as work is *completed*.

With that, I’d like to tell you about some of the impressive accomplishments in Massachusetts to date and examples of what’s to come.

State Energy Program

Solar Stimulus

In January, Massachusetts completed the largest purchase of solar photovoltaic energy systems in the state’s history, with 12 projects at water and wastewater facilities around the state totaling 4 megawatts. The program was an excellent example of partnership across agencies and levels of government, with the state energy office providing substantial technical assistance to municipalities using SEP funds from DOE and the solar projects themselves funded through an EPA program. State agencies have issued 5 additional Requests for Proposals (RFP) for over 40 additional projects totaling an additional 4 megawatts. Contracts will be signed in March and April and work will begin shortly thereafter. In addition to the state government’s

solar projects, funds from the Recovery Act have enabled a new round of the state's popular Commonwealth Solar rebate program. In the first hour that the program was open for business, applications for \$4 million in rebates of 50% of the total amount available were submitted. These incentives will result in approximately 4-5 additional megawatts of solar capacity. In total, the Recovery Act will increase the state's solar capacity by over 30%.

Leading By Example

As part of our recently announced effort to capture substantial savings from current energy spending in public buildings around the state, the state is deploying an Enterprise Energy Management System (EEMS) for state facilities and is accelerating a pipeline of building energy efficiency projects. A contract for the EEMS will be awarded for the first 20 million square feet of building space in March. In addition, an SEP grant has provided the project management resources to our buildings agency to accelerate a \$238 million pipeline of energy projects, with several RFPs currently at various stages of issuance, evaluation, and award and others to come every quarter this year and next. These projects will be *financed* with bonds, with the future energy savings used to meet debt service.

High Performance Buildings Program

In addition to the state government's energy efficiency projects, the Commonwealth launched a \$15 million competitive High Performance Buildings Grant Program to demonstrate broadly applicable solutions that improve building energy performance. 116 proposals were submitted requesting a total of over \$250 million. Awards will be announced in March.

Energy Efficiency and Conservation Block Grant

We are in the process of evaluating and awarding \$12.2 million in grants to municipalities under 35,000 in population for energy efficiency and renewable energy projects. All awards will be made this quarter. Examples of the exciting projects include:

- \$130,000 for air sealing, insulation, weather stripping, and heat recovery ventilation systems in a town hall and gym which are currently underutilized due to climate discomfort. Increased utilization of the spaces will increase program fee incomes and support ongoing building utilities and maintenance, and contribute to revitalizing the downtown area.
- \$150,000 to support a power purchase agreement for a 100 kW ground-mounted PV system along a major highway to provide energy to a new water treatment facility and supply system currently under construction.
- \$300,000 for a regional application from multiple towns to support a 38kW PV system on Regional High School. The PV system with its data acquisition system will be built into the science and computer curriculums for the school.

In addition to the grant program for communities under 35,000, Massachusetts is funding innovative initiatives for all Massachusetts communities:

- Building Code training on the newly adopted International Energy Conservation Code (IECC) 2009 offered state-wide, with the first session attended by the maximum 80 students. Training also encompasses the optional “Stretch Code” that Massachusetts has developed.
- MassEnergyInsight is a web-based tool for all 351 municipalities that provides communities with comprehensive electricity, natural gas, oil and gasoline usage information and helps target energy efficiency investments.
- The Owner’s Agent Technical Assistance program provides the services of consultants to aid communities in the negotiation and project management of energy projects.

Appliance Rebate Program

Massachusetts will launch its \$6 million ARRA appliance rebate program in March. Since we have a robust state appliance rebate program that provides \$6 million per year in rebates, we were able to build on the state’s existing infrastructure. The Massachusetts program is a great example of how Federal funds can be coordinated and integrated into existing state programs to provide a boost to energy efficiency efforts without causing consumer confusion.