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TESTIMONY

BEFORE THE

COMMITTEE ON ENERGY AND NATURAL RESOURCES

UNITED STATES SENATE

MARCH 11, 2010

PHILIP GIUDICE

COMMISSIONER

MASSACHUSETTS DEPARTMENT OF ENERGY RESOURCES

AND

CHAIR

NATIONAL ASSOCIATION OF STATE ENERGY OFFICIALS

ENERGY PROVISIONS OF A "JOBS BILL", INCLUDING
HOME STAR, BUILDING STAR, MANUFACTURED HOUSING
PROVISIONS AND INDUSTRIAL ENERGY EFFICIENCY ACTIVITIES

Mr. Chairman, my name is Philip Giudice and I am appearing today on behalf of the National Association of State Energy Officials (NASEO). I am Chair of NASEO and the Commissioner of the Massachusetts Department of Energy Resources, so I am proud to be here representing Massachusetts Governor Deval Patrick. Today, I am testifying on behalf of a variety of legislative provisions to encourage creation of jobs.

NASEO represents the energy offices in the states, territories and the District of Columbia. We provide an ability to shape policies and practices among all of the states to implement a balanced national energy policy. At the present time, the Association is proactively working with the states in ensuring that the energy portion of the stimulus funds directed to state activities is effectively put to work as quickly and productively as possible. We are also working to ensure that as we look to the future, we have established the basis for our transition to a clean energy economy.

Last week, my colleague Malcolm Woolf, who serves as NASEO's Vice-Chair and is Director of the Maryland Energy Administration, testified with respect to ARRA implementation. As Malcolm testified, the states have energetically committed, obligated and are spending the \$3.1 billion in ARRA funds under the State Energy Program (SEP). Over one-half of those funds are already committed, despite the delays caused by NEPA reviews, Davis-Bacon, Buy-American concerns and procurement issues. The \$5 billion provided to the Weatherization Assistance Program is projected to hit the target of projected homes consistent with the state goals. The \$3.2 billion in funds under the Energy Efficiency and Conservation Block Grant (EECBG) is moving forward for the 2,300 direct recipients, and the states are allocating their funds rapidly. The \$300 million Energy Star Appliance Rebate Program is planning to spend most of the funds by the end of the first quarter of this year. ARRA funds are having a direct impact on the economy and are producing real jobs. I am proud to say that, thanks to the leadership of Governor Patrick and his entire recovery team, my own state of Massachusetts is hard at work deploying stimulus funds to create jobs and deliver energy benefits. We are on track to have 97% of our SEP funds and the state portion of the EECBG funds under contract with recipients or in negotiations by the end of this month.

The proposals we are discussing today will help serve as an important bridge to a cleaner energy future and will create jobs very quickly. We know that our economy today wastes enormous amounts of energy. We are in the process of building a substantial track record of success with the stimulus funds to demonstrate how prudent investments in efficiency pay dividends for the economy in reducing energy waste. These jobs proposals will broaden and deepen our track record for success and will both raise awareness, as well as develop the delivery models to provide for increased energy efficiency. With the success of the energy stimulus investments and these jobs investments we will have a compelling basis for continuing this important work far into the future by leveraging private financing.

Home Star

NASEO supports the Home Star program and urges Congress to adopt the proposal, including the \$6 billion funding level. This initiative will put people to work and will move aggressively to improve the energy efficiency of our existing homes. The "prescriptive"

(Silver Star) proposal and the “performance-based” (Gold Star) proposal together constitute a short-term, first step to be implemented over a two-year period. This “first step” is significant as we prepare to hopefully implement a longer-term, state-based energy efficient buildings program included in both the energy bill passed by this Committee in June 2009 (S. 1462) and the “REEP” provision included in the House-passed energy and climate bill (H.R. 2454).

The state role in Home Star includes managing the necessary quality assurance activities, promoting use of financing programs to expand the reach of Home Star and finally to serve as Rebate Aggregators in certain jurisdictions. Language is also contained in the legislative draft that strives to ensure that existing state-based energy efficient building retrofit programs are not compromised and will move forward toward their already-established goals without delay, interruption, or complication. Under ARRA, approximately \$800 million in new residential energy efficiency retrofit programs are being implemented under SEP and EECBG. These programs are expanding existing, established programs, that are already being deployed in states like Massachusetts, New York, Oregon, California, Wisconsin, and elsewhere. It is important that any final legislation in this area maintain the highest energy efficiency levels possible - of the type contained in the present draft of the bill.

In my own state of Massachusetts we have been running comprehensive home retrofit programs for three decades, and are at this very moment in the process of expanding them three-fold. After a comprehensive stakeholder planning process led by my office over the last 18 months, our efficiency program administrators (primarily the investor-owned utilities) developed three-year, statewide energy efficiency programs that have received the endorsement of key stakeholders, including the Associated Industries of Massachusetts, our state Attorney General’s ratepayer advocate office, environmental organizations and others. The plan will deliver nearly \$6 billion in benefits to all energy customer classes, save more than 30,000 GWh and nearly 900 million therms of natural gas and reduce GHGs by about 15 million tons. These programs reflect the combined efforts of thirteen different efficiency program administrators who have agreed to integrate efficiency delivery across service territories and across fuel sources (combining electric and gas savings wherever appropriate) in order to deliver comprehensive and coordinated building improvements that are targeted to meet customer needs. Approximately 40% of the funding is focused on residential efficiency, and the bulk of that is in building retrofits.

In addition we are aggressively pursuing adoption of strong energy codes including an optional “stretch” code that cities and towns can adopt; a funded training program for local code inspectors to enhance code compliance; a robust zero net energy building program in state government and for the private sector; a GHG review requirement for major development projects which is improving the quality of buildings at the design stage; and many other steps to promote building energy performance improvements.

It is critical that the Home Star program be carefully tailored to ensure that it maximizes benefits to taxpayers and energy customers by requiring integration and coordination with existing comprehensive state programs. Anything less risks disrupting the progress that states are already making to achieve the employment, energy and climate goals we all share.

DOE and the rebate aggregators must coordinate with these comprehensive state programs. We certainly do not want consumers facing confusing offerings.

In addition, three changes are necessary to this legislative draft. First of all, we feel strongly that for purposes of NEPA and Buy-American, the Home Star program should be treated in the same manner as the Weatherization Assistance Program. As Malcolm Woolf testified last week, the federal and state governments have learned a great deal through the implementation of ARRA. One thing we learned is that further delay is not acceptable. Home Star is a residential energy efficiency retrofit programs: Weatherization is a residential energy efficiency retrofit program. Home Star should be treated in the same manner for purposes of these important statutes.

Second, again in order to avoid delay, a waiver provision should be built into the statute in order to permit minor changes in state programs implemented under Home Star to be implemented quickly.

Third, it is critical that the Home Star program be coordinated with the Section 25C residential existing homes energy efficiency tax credit, so that Congress can ensure the ongoing viability of this tax credit while advancing this new rebate which will benefit many more homeowners and provide immediate job growth. The rebate levels in the draft bill need to be increased in light of the treatment of the 25C tax credit under this legislation.

Building Star Energy Efficiency Rebate Act of 2010

NASEO also strongly supports Senator Merkley's (along with Senators' Brown (OH), Cardin, Pryor, Sanders and Stabenow) Building STAR legislation; a program to offer rebates to the owners of commercial and multi-family buildings for efficiency improvements. The Building STAR rebates are modeled on successful programs that states, such as Massachusetts, have created to offer energy efficiency rebates to commercial building owners. This gives me confidence that Building STAR would work and immediately spur new projects and new jobs. Delivering the rebates will be simple and straightforward, because many commercial building owners and contractors are already very familiar with how to select and implement such efficiency measures and apply such rebates.

The economic opportunity in the commercial building sector is great. Nearly 2 million people have lost high-skilled, non-residential construction jobs since the beginning of the economic downturn - an unemployment rate of 24.7%, or nearly 2.5 times the national average. Nationally, commercial buildings consume 46% of energy, and, as recent job data indicate, unemployment is high in the construction industry.

But commercial building owners, most of whom understand the great benefits of energy efficiency to their buildings, often are unable to conduct energy efficiency retrofits or upgrades, due to a variety of market barriers, including tight credit markets, low property values, and confusing landlord-tenant issues on energy bills.

If Building STAR is fully funded at \$6 billion, consumers would save \$3.3 billion per year on their energy bills, more than 190,000 new jobs would be created, and the equivalent of nearly 4 million cars worth of carbon dioxide emission would be avoided by the end of 2011. Building STAR will put highly-skilled people in the badly-hit construction industry back to work conducting energy efficiency retrofits and help turn the economic tide. It would help the small construction businesses – 91% of construction firms have fewer than 20 employees. Building STAR would help create manufacturing jobs (e.g., for windows, lighting, and so on), construction jobs and more in every state across the nation.

Building STAR is a package of rebates for energy efficient equipment, materials and building services designed to meet the unique needs of the commercial and multi-family residential building sector. It is the product of a broad coalition of more than 80 unions, contractor groups, manufacturers, financial services companies, consumer groups, distributors, technical experts and efficiency advocates that would hit the ground running to deliver new work, new jobs and significant energy savings in the short run.

Rebates are offered for twenty different activities, including improving the building envelope, installing more efficient lighting, high efficiency HVAC and other equipment as well as performing audits, commissioning, and training. In general, the rebates are designed to cover 20% to 33% of the installed cost of each measure. That means that each dollar of public investment in rebates spurs \$2 to \$3 of private sector investment.

The need is great. In January alone, a worker from the specialty trades sector filed an initial unemployment claim every four minutes. An overwhelming majority; 91%, of the commercial contractors that employed this workforce are small businesses that are now severely under-utilized and in trouble. The story is the same in the manufacturing sector, which has also lost about 2 million jobs over the last two years.

Energy-Efficient Manufactured Housing Act of 2009 (S. 1320)

NASEO also supports Senator Tester's proposal to address the urgent need to replace pre-1976 manufactured housing with Energy Star manufactured housing. There are over 2 million of these pre-1976 manufactured housing units in use in the United States today. Prior to 1976 there were no effective energy efficiency standards for these homes. In many areas, low-income and elderly Americans (especially in rural areas) live in these manufactured housing units. They tend to use far more energy than the average home because of little insulation or other energy savings measures. Targeting homeowners with a minimum of \$7,500 per home in the form of a rebate or down payment assistance will help move this critical effort forward. This program should be especially helpful in rural areas.

Industrial Energy Efficiency Programs

Investments to improve industrial energy efficiency pays multiple dividends. It improves our manufacturers' global competitiveness which helps to improve our trade balance, slows jobs lost in manufacturing, enables our economy to be somewhat less dependent on just consumer spending for its health and both creates jobs in implementing these efficiency projects

as well as reducing emissions. Under ARRA, my state like virtually all others was widely over-subscribed when we issued RFPs for certain kinds of projects, including industrial energy efficiency projects. In addition, at the federal level, funds were provided at DOE's discretion for industrial energy efficiency activities such as plant retrofits and modernization to promote industrial energy efficiency. This protects these manufacturers from fuel price volatility and increases competitiveness. These federal funds were also sufficient to fund only a small fraction of submitted proposals. We have project plans on the shelf from industrial facilities across Massachusetts who tell us they are ready to move forward in the next few months with efficiency investments if they could get access to additional support. We think that \$4 billion should be allocated for this program, pursuant to subtitle D of title IV of the Energy Independence and Security Act of 2007 (EISA)(42 U.S.C. 17111 et. seq.). Over ten states utilized ARRA funds directly for manufacturing retooling to promote energy efficiency. This makes sense from an energy perspective as well as a global competitiveness perspective.

Thank you for the opportunity to testify today.