

March 18, 2005

The Honorable David L. Hobson
Chairman
Subcommittee on Energy and Water Development
Committee on Appropriations
U.S. House of Representatives
2362- B Rayburn House Office Building
Washington, DC 20515-6020

Dear Mr. Chairman:

The Coalition of Northeastern Governors (CONEG) is pleased to provide this testimony to the House Subcommittee on Energy and Water Development regarding FY 2006 appropriations for Energy Conservation and Renewable Energy programs of the U.S. Department of Energy. The Governors recognize the difficult funding decisions which confront the Subcommittee this year and appreciate the Subcommittee's support for these programs.

At a time of rising energy prices and heightened attention to the security, reliability and efficiency of the nation's energy systems, we believe that modest federal investment in these programs provides substantial energy, economic and environmental returns to the nation. In recognition of the contribution which energy efficiency and conservation programs make to cost-effective energy strategies, the CONEG Governors request that funding for the State Energy Program be increased to \$50 million, and that funding for the Weatherization Assistance Program be increased to \$250 million in FY 2006. The Governors support the President's request that funding for the Northeast Home Heating Oil Reserve be provided at a level of \$7 million in FY 2006. The Governors also request that the Subcommittee provide \$5 million to continue the State and Regional Biomass Partnership that addresses outreach, education and deployment of renewable energy technologies.

Thank you for your consideration of this request.

Sincerely,

/o.s./
John E. Baldacci
Chairman
Governor of Maine

/o.s./
Donald L. Carcieri
Vice-Chairman
Governor of Rhode
Island

Attachment

**Statement of the Coalition of Northeastern Governors
to the Subcommittee on Energy and Water Development
Committee on Appropriations
United States House of Representatives
Regarding FY 2006 Appropriations for
the U.S. Department of Energy's
State Energy Program, Weatherization Assistance Program,
Northeast Home Heating Oil Reserve, and State and Regional Biomass Partnership
March 18, 2005**

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The Department of Energy's State Energy Program and Weatherization Assistance Program provide valuable opportunities for the states, industry, national laboratories and the U.S. Department of Energy to collaborate in moving energy efficiency and renewable energy research, technologies, practices and information to the public and into the marketplace. Administered by the 50 states, District of Columbia and territories, these programs are an efficient way to achieve national energy goals, as they tailor energy projects to specific community needs, economic and climate conditions.

State Energy Program: The State Energy Program (SEP) is the major state-federal partnership program for energy. It provides a vitally important part of total energy funding to state energy offices, allowing them to tailor the energy activities to fit the particular energy priorities and needs of each state. As the nation moves to enhance the security of its energy infrastructure, the energy emergency preparedness activities long provided by state energy offices take on heightened significance.

Increased SEP funding in FY 2006 will ensure that states can continue to rely upon state energy offices to serve as their essential energy emergency preparedness officials in providing this vital public security and safety function. As part of the nation's strategy for a balanced, reliable energy system, SEP also helps move energy efficiency and renewable energy technology into the marketplace. Through the SEP, states also assist schools, municipalities, businesses, residential customers and others in both the private and public sectors to incorporate the practices and technologies which help them manage their energy use wisely.

The modest federal funds provided to the SEP are an efficient federal investment, as they are leveraged by non-federal public and private sources. According to a study of the SEP done by the Oak Ridge National Laboratory at the request of U.S. Department of Energy, every dollar in SEP funding yields \$3.54 in "leveraged" funding from the state and private sectors, and results in \$7.23 in annual energy cost savings. This adds up to over \$256 million in annual energy costs savings. These savings estimates do not capture the valuable public benefits, such as energy emergency planning and preparedness, provided by SEP. In short, the Oak Ridge report concludes that the SEP, with its impressive savings and emissions reductions, ratios of savings to funding and payback periods, offers effective operations and a substantial positive impact on the nation's energy situation.

Weatherization Assistance Program: The Weatherization Assistance Program (WAP) helps low-income households better manage their ongoing energy use, thereby reducing the heating and cooling bills of the nation's most vulnerable citizens. According to the U.S. Department of Energy, low-income households spend 14 percent of their annual income on energy, compared to 3.5 percent for other households. The Weatherization Assistance Program strives to reduce the energy burden of low-income residents through such energy saving measures as the installation of insulation and energy-efficient lighting, and heating and cooling system tune-ups. These measures can result in energy savings as high as 30 percent.

Northeast Home Heating Oil Reserve: The nation's heightened emphasis on energy security places renewed importance on the Northeast Home Heating Oil Reserve. The Northeast, with its reliance upon imported fuels for both residential and commercial heating, is particularly vulnerable to the effects of supply disruptions and price volatility. The Reserve provides an important buffer to ensure that the states will have prompt access to immediate supplies in the event of a supply emergency.

State and Regional Biomass Partnership: Renewable energy plays an increasingly vital role in a strategy to meet the nation's near and longer-term energy needs. Some of the most promising renewable technologies use biomass to help lessen the nation's dependence on imported fossil fuels. The State and Regional Biomass Partnership (Partnership) is a primary link among state, private, and federal biomass activities, to provide outreach and education on biomass. It has been instrumental in building support for bioenergy project development and state support for biofuels and biobased products. For example, a recent study conducted for the U.S. Department of Energy showed that the Partnership has been directly responsible for \$25 million in private investment in biomass projects in the Northeast region in 2004. It is a recognized source of objective and reliable information on biomass. In 2004, over 130,000 hours of education

representing 2,500 individuals was carried out by the Partnership in the Northeast alone. The Partnership played a key role in a seamless transition to ethanol following the phase-out in New York and Connecticut of MTBE in gasoline. It is also a valued resource for states in their efforts to expand the use of biodiesel in transportation and heating oil and in promoting appropriate use of biomass for expanded electric power and combined heat and power applications. These biomass applications are important to the Northeast's near term goals to increase renewable energy use and in voluntary programs to reduce greenhouse gases.

In conclusion, we request that the Subcommittee increase funding for the State Energy Program to \$50 million and for the Weatherization Assistance Program to \$250 million; that it provide funding at the President's requested level of \$7 million for the Northeast Home Heating Oil Reserve, and that it provide \$5 million for the State and Regional Biomass Partnership in FY 2006. These programs have demonstrated their effectiveness in contributing to the nation's goals of environmentally sound energy management and improved economic productivity and energy security.

We thank the Subcommittee for this opportunity to share the views of the Coalition of Northeastern Governors, and we stand ready to provide you with any additional information on the importance of these programs to the Northeast.

Identical testimony was also provided to the Senate Subcommittee on Energy and Water Development.