Testimony of James R. Powell

Statement of James R. Powell, Senior Policy Advisor, Southern States Energy Board, Norcross, Georgia, Before the Committee on Natural Resources Subcommittee on Insular Affairs and Subcommittee on Energy and Mineral Resources Joint Oversight Field Hearing. Topic: *"Charting a Clean Energy Future for the Insular Areas,"* April 12, 2008.

Madame Chairwoman, Mr. Chairman and members of these committees, thank you for this opportunity to testify on "Charting a Clean Energy Future for the Insular Areas." Mr. Nemeth would very much like to have been testifying today, but he had a previous commitment outside of the country and requested that I serve as his surrogate.

The Southern States Energy Board (SSEB) is a non-profit interstate compact organization created in 1960 and established under Public Laws 87-563 and 92-440. The Board's mission is to enhance economic development and the quality of life in the South through innovations in energy and environmental policies, programs and technologies. Sixteen southern states and two territories comprise the membership of SSEB: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, Texas, U.S. Virgin Islands, Virginia and West Virginia. Each jurisdiction is represented by the governor and a legislator from the House and Senate. Governor Joe Manchin of West Virginia currently serves as the chair. The U. S. Virgin Islands (USVI) is a member and Governor John deJongh is a member of the Executive Committee.

On December 23rd, 1992, Governor Alexander A. Farrelly, signed Executive Order Number 338-1992 authorizing the USVI to become a member of SSEB. Executive order Number 341-1993 was signed on November 12th, 1993 and then Executive Order 364-1995 was signed on November 16th, 1995 by Governor Roy Schneider.

SSEB was created by state law and consented to by Congress with a broad mandate to contribute to the economic and community well-being of the citizens of the southern region. The Board exercises this mandate through the creation of programs in the fields of energy and environmental policy research, development and implementation, science and technology exploration and related areas of concern. SSEB serves its members directly by providing timely assistance designed to develop effective energy and environmental policies and representing members before governmental agencies at all levels.

SSEB's long-term goals are to:

- perform essential services that provide direct scientific and technical assistance to state governments;
- develop, promote and recommend policies and programs on energy, environment and economics that encourage sustainable development;

- provide technical assistance to executive and legislative policy makers and the private sector in order to achieve synthesis of energy, environment and economic issues that ensure energy security and supply;
- facilitate the implementation of energy and environmental policies between federal, state and local governments and the private sector;
- sustain business development throughout the region by eliminating barriers to the use of efficient energy and environmental technologies; and
- support improved energy efficient technologies that pollute less and contribute to a clean global environment, and protect indigenous natural resources for future generations.

The USVI clearly has opportunities today to move forward in reducing dependence on foreign resources for its energy supply. Over the past ten years, SSEB has provided the USVI with funding to conduct numerous projects related to bioenergy. Most recently, SSEB funded work in the amount of $48,000 to assess the feasibility of collection and cleaning of the landfill biogas to insure the greatest possible use of available biogas resources in the territory.

As all the Nation moves forward, it is important to realize that the insular areas represent an important role and the USVI needs assistance from Congress to work toward a sustainable and clean energy future. Please refer to attachment A for comprehensive description of the work that SSEB with the U. S. Virgin Islands.

Energy Dilemma. The citizens of the Insular areas, including the USVI are currently experiencing some of the highest energy costs in our Nation, perhaps the world. For example, citizens in the USVI are currently paying around 35 cents per kilowatt hour for electricity while citizens in most of the Southeast region of the U. S. pay between 5 to 10 cents per kilowatt hour. Gasoline sells for around $4.15 per gallon on St. Thomas while the price per gallon in the metropolitan Atlanta, Georgia area is around $3.25. With the world price of oil hovering around $106 per barrel these high costs appear to be increasing. Citizens of the Insular areas are forced to spend a higher percentage of their disposable income on energy as compared to people in parts of the continental U. S. Accordingly, many of the citizens of the Insular areas are forced to make quality of life choices such as purchasing food and medicine or paying a utility bill.

Energy Policy Act and Insular Areas Energy Assessment Report. Section 251 of the Energy Policy Act of 2005 (EPACT) directed the Secretary of Interior, in consultation with the Secretary of Energy and the head of government of each insular area, to update insular area energy plans to reflect findings, with the goals of reducing energy imports by 2012, increasing energy conservation and energy efficiency, and maximizing the use of indigenous resources. The Insular Areas Energy Assessment Report was prepared by the Pacific Power Association for the Department of Interior and released in the summer of 2006. This report is a comprehensive assessment totaling 453 pages that contains numerous recommendations designed to reduce the Insular areas dependence on imported petroleum and to increase the use of renewable energy resources while improving energy

efficiency measures. This broad based assessment should be used as the basis for the Insular areas to develop a comprehensive energy strategy for the future.

Section 252 of EPACT 2005 directed the Secretary of Energy, in consultation with the Secretary of the Interior to assess and report to Congress on projects with the greatest potential for reducing dependence on fossil fuels used to generate electricity, and to promote distributed energy, in the insular areas. DOE was authorized to provide technical and financial assistance, on a matching basis with local utilities, for feasibility studies and for implementation of projects the Secretary of Energy determines are feasible and appropriate. Funding is authorized at $500,000 per year for feasibility studies and $44 million per year for project implementation. Unfortunately, Congress has not provided funding for the implementation of this important EPACT provision and should act to do so in an expeditious manner. In a letter to Congress this month, the heads of government of some Insular areas have requested Congress to "fund feasibility studies of projects and strategies identified in the Assessment that would significantly reduce our dependence on imported fossil fuels, or provide needed distributed generation in remote insular areas. The economic future of our communities depends on our ability to reduce our reliance on costly fossil fuels by increasing the efficiency with which we use such fuels and by exploiting local renewable energy resources."

Comprehensive Energy Strategy. In August 2007, Governor John deJongh asked SSEB to assist in the development and implementation of a Comprehensive Energy Strategy that will be designed to increase the standard of living of the citizens of the Territory by assuring the long-term availability of affordable, secure supplies of energy. A secondary goal is to become a Caribbean and worldwide showcase for the development and use of renewable energy. The Insular Areas Energy Assessment Report has proven to be an important resource for the project team.

Integral to this direct service to the USVI is adequate funding to truly implement an effective comprehensive energy strategy that is sustainable for the future. As part of this service, SSEB works with Mr. Bevan Smith, Director of the VIEO and others as designated to establish clear, realistic goals. As a first step, the USVI has assessed current and future types, amounts and sources of energy imported into the Territory. Additionally, this work will assist in identifying the amount of energy used by various sectors, the cost of energy to the end users and to the extent possible an analysis of how this energy is being used within each sector (e.g. domestic hot water, diesel highway and off-highway use). The intent is also to project the types and amounts of energy that will be required over the next 20 to 30 years in the USVI. Important to implementing the strategy is identification of all potential energy options with a primary focus on renewable energy, energy efficiency and conservation. Once data is collected and analyzed the intent is that potential energy solutions will result in a number of options for implementation in the future. Of course, the implementation of energy plan requires resources and most likely, policy incentives to achieve success.

State Energy Program. DOE's State Energy Program (SEP) provides grants to states and territories for energy efficiency and renewable energy programs and projects. States

and territories use SEP grant funding to address their energy priorities and to adopt emerging renewable energy and energy efficiency technologies. SEP is the only federally funded program that provides financial and technical resources directly to the states and territories. With SEP funds and the resources leveraged by them, the state and territory energy offices develop and manage a variety of programs geared to increase energy efficiency, reduce energy use and costs, develop alternative energy and renewable energy sources, promote environmentally conscious economic development, and reduce reliance on imported oil. The program was funded at $36.6 million in FY 2006, $49.4 million for FY 2007 and at S44.5 million for FY2008. However, DOE plans to include on $33 million in the competitive allocations.

SEP funding allocations to states and territories are based on an antiquated formula that needs to be updated to reflect the current world energy and economic realities. The Insular areas receive only a minimal amount of SEP funding under the current allocation formula. For example, in FY 2007 the USVI received $259,000 in SEP funding while Texas received $2,782,000. In fact, the total Insular area SEP funding formula allocation for FY2007 was $974,000 vice $44,456,000 for the states and the District of Columbia.

The Insular areas need every opportunity available to improve energy efficiency, increase of use of renewable energy and to reduce our 100% dependence on imported fossil fuels.

Weatherization Assistance Program. Under current Statue, the Insular areas do not participate in the DOE's Weatherization Assistance Program (WAP). The reasons why the Insular areas were not included when the program began in 1976 is akin to folklore. However, if the Insular areas were included in the program and received a funding allocation under the current formula it would likely be a small amount. In fact, some would question if the funding would be adequate to even operate an Insular area WAP. The formula used to allocate WAP funding is antiquated and needs to be updated to reflect the current world energy and economic realities. Legislation is required to include the Insular areas in WAP. Congress should consider including the Insular areas in the WAP and direct DOE to update the allocation formula to include criteria such as current energy costs, demographics and climate, Congress should also require DOE to provide a minimum allocation of at least $2 million to the Insular areas. This amount funding would ensure the operation of a meaningful and robust program.

DOE did not request any funding for the WAP in the FY2009 budget request. This reduces heating and cooling costs for low-income families, particularly for the elderly, people with disabilities, and children, by improving the energy efficiency of their homes while ensuring their health and safety. It is essential that Congress fully fund this critical energy assistance program at the FY2008 amount of $227.2 million.

Territorial Energy Offices. The Territorial Energy Offices are an important part of equation in the Insular areas quest to reduce their dependence on imported petroleum and to establish a clean energy economy. The energy policies and programs of the Territorial Energy Offices are vital to ensuring economic growth, increased energy efficiency and an increased reliance on clean renewable energy sources. These offices have become

experts on researching, demonstrating and deploying emerging clean energy technologies.

Under the leadership of Mr. Bevan Smith, Director, the VIEO has grown into an award winning organization that manages a multitude of meaningful energy efficiency and renewable energy programs that directly benefit the citizens of the USVI. Some of these popular programs are: building energy program, discretionary grants, energy rebates, and solar energy. In addition, the VIEO holds a number of education outreach events throughout the year that are designed to increase the awareness of the general public on energy efficiency and renewable energy programs and practices. Also, Mr. Smith was instrumental in bringing the best practice of net metering to the USVI. He worked in a collaborative manner with the utility and the Public Services Commission to develop and implement a successful program. At the request of Governor deJongh and the concurrence of the Senate, the VIEO was recently relocated from the Department of Planning and Natural Resources to the Office of the Governor. This important organizational relocation sends a strong message to the Insular areas that the Governor is keenly interested in USVI energy issues.

Hawaii Clean Energy Initiative. According to a DOE press release dated January 28, 2008, DOE and Hawaii joined in a Memorandum of Understanding (MOU) establishing the Hawaii Clean Energy Initiative (HCEI), a long-term partnership designed to transform Hawaii's energy system to one that utilizes renewable energy and energy efficient technologies for a significant portion of its energy needs. The partnership aims to put Hawaii on a path to supply 70% of its energy needs using clean energy by 2030, which could reduce 72% of Hawaii's current crude oil consumption. While a specific amount of funding was not identified, DOE committed to the provision of technical and policy expertise and capabilities to help demonstrate reliable, affordable and clean energy technologies in Hawaii.

DOE agreed to immediately engage experts in clean energy technology development to help Hawaii to launch several projects with public and private sector partners that target early opportunities and critical needs for Hawaii's transition to a clean energy economy, including:

- Designing cost-effective approaches for the exclusive use of renewable energy on smaller islands;
- Designing systems to improve stability of electric grids operating with variable generating sources, such as wind power plants on the islands of Hawaii and Maui;
- Minimizing energy use while maximizing energy efficiency and renewable energy technologies at new large military housing developments;
- Expanding Hawaii's capability to use locally grown crops and byproducts for producing fuel and electricity; and
- Assisting in the development of comprehensive energy regulatory and policy frameworks for promoting clean energy technology use.

The HCEI is the type of attention and dedication that the Insular areas desperately need to help reduce their dependence on imported petroleum and to establish a clean energy

economy. Congress should inquire as to why Hawaii was selected non-competitively for this initiative and why the Insular areas were not provided an opportunity to compete. Congress should require DOE to engage the Insular areas with an effort similar to HCEI. The same amount of attention and resources should also be provided to the Insular areas.

Conclusion. SSEB is proud of the strong relationship we have enjoyed with the USVI for over 16 years. We are committed to doing everything within our ability to help the USVI attain a stronger economy and improve the quality of life for its citizens. As mentioned previously, we are working closely with Mr. Bevan Smith, Director of the VIEO. We commend Mr. Smith for his outstanding accomplishments with limited resources. We thank the committee for asking us to participate in this hearing. We believe with Congresswoman Christiansen's leadership equitable opportunities will enable the Insular areas to work toward a sustainable clean energy future that will strengthen the USVI's economy and improve the quality of life for all future generations.