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Public Hearing on Energy Issues and Policies
State Regulation of Public Utilities Review Committee

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Now that we are facing volatile energy prices, the ever-increasing drain on our economy resulting from huge expenditures for external energy purchases, mounting energy security concerns, and heightened awareness of global warming and other environmental considerations, it is definitely time to take a fresh look at state energy policy and where South Carolina needs to go in the future.

I encourage this committee and all policy makers interested in the subject of state energy policy to take a broad approach and consider all aspects of energy, rather than focus entirely on the important energy category of electricity. Electricity is, of course, an extremely vital form of energy, but it is not the only important form.

Electricity accounts for about 25 percent of end-use energy use in South Carolina and about 33 percent of energy expenditures. Other important end-use energy sources for energy include gasoline and other petroleum-based transportation fuels, natural gas, propane, and biomass and other renewables used for both transportation and for other non-electric uses, such as process steam and heat. Similarly, energy conservation and efficiency not only encompass utility-operated programs, but also encompass transportation conservation and efficiency, as well as numerous aspects of non-transportation conservation and efficiency that are important and do not necessarily relate to electric utility programs, such as energy conservation and efficiency retrofits, energy, industrial energy efficiency programs, and energy efficient building standards, ratings and incentives, among others.

A fresh look at state energy policy is an excellent idea, but we are very fortunate to have a sound basis upon which to build. In 1991, when energy was not the front-burner issue that it is today, a far-sighted legislator from Beaufort, Representative Harriet Keyserling, decided that the state needed a long-range vision of where we need to go, and she decided to do something to achieve that vision. As Chair of the Joint Legislative Committee on Energy, she appointed a high-powered, bi-partisan South Carolina Energy Policy Panel to examine needs and make recommendations. Chaired by Bill Verity, a Beaufort resident who had previously served as U.S. Secretary of Commerce under President Ronald Reagan, the panel and its working committees met 65 times over a five-month period and issued a report that has stood the test of time surprisingly well. (A copy of the Report of the South Carolina Energy Policy Panel has been provided to staff.) Most

recommendations were enacted into law through the South Carolina Energy Conservation and Efficiency Act of 1992 (Act 449 of 1992).

The vision of the State Energy Policy enacted in 1992 was quite prescient. It said that South Carolina's energy policies should do the following:

- (a) ensure access to energy supplies at the lowest practical environmental and economic cost;
- (b) ensure long-term access to adequate, reliable energy supplies;
- (c) ensure that demand-side options are pursued wherever economically and environmentally practical;
- (d) encourage the development and use of indigenous, renewable energy resources;
- (e) ensure that basic energy needs of all citizens, including low income citizens, are met;
- (f) ensure that energy vulnerability to international events is minimized;
- (g) ensure that energy-related decisions promote the economic and environmental well-being of the State and maximize the ability of South Carolina to attract retirees, tourists, and industrial and service-related jobs;
- (h) ensure that short-term energy decisions do not conflict with long-range energy needs;
- (i) ensure that internal governmental energy use patterns are consistent with the State's long-range interests;
- (j) ensure that state government is organized appropriately to handle energy matters in the best public interest;
- (k) ensure that governmental energy-related tax, expenditure, and regulatory policies are appropriate, and, wherever possible, maximize the long-range benefits of competition.

Specific results of the 1992 legislation included the first statewide residential energy building code; creation of a professional, non-political state energy office; mandatory energy use and cost reporting by state agencies, colleges and universities and public school districts; used oil recycling; tax incentives for energy efficient manufactured housing; integrated resource planning by power generating utilities; demand-side management reporting by electricity distribution utilities; energy efficiency performance contracting by public entities; and much more. Since then, new statutes consistent with the State Energy Policy have strengthened the initial legislative results.

Now that we have worked with the legislative policy for 16 years, a broad-based, holistic update of state energy policy and related legislation is certainly due, but the foundation

developed through the far-sighted leadership and vision of Representative Keyserling and Secretary Verity has well stood the test of time.

We at the South Carolina Energy Office stand ready to help this committee and any other public policy group gather information and make recommendations related to energy production and use in South Carolina. The South Carolina Energy Office is a unit of the State Budget and Control Board, is non-regulatory, and has a staff of 15 individuals. Funding is derived entirely from federal sources and from fees charged at the Barnwell radioactive waste disposal facility.

The Energy Office is required by state law to:

- (a) provide informational and technical assistance programs to assist with residential, commercial, governmental, industrial, and transportation conservation and efficiency and to encourage the use of renewable indigenous energy resources;
- (b) promote, in conjunction with the South Carolina Institute for Energy Studies, continued and expanded energy research and development programs geared toward the energy needs of the State;
- (c) evaluate and certify energy conservation products in cooperation with the South Carolina Energy Institute for Energy Studies;
- (d) in cooperation with appropriate entities, examine and consider the desirability and feasibility of mechanisms for tax incentives, low-interest loans, and other financing means for cost-effective energy conservation and efficiency and use of renewable and indigenous energy resources, and advocate their implementation when deemed appropriate;
- (e) work with the Public Service Commission and other groups to promote appropriate financial incentives for electric and gas utilities to maximize the use of cost-effective demand-side options in meeting future energy needs;
- (f) promote the adoption and use of energy efficient building codes and certification procedures for builders, heating and cooling specialists, and building inspectors;
- (g) promote energy efficiency in manufactured housing;
- (h) promote the use of less-polluting transportation fuels, public transportation and other transportation alternatives, higher mileage and less-polluting vehicles, and work with state and local entities through policy development, planning, and advocacy to encourage reduction in the need for vehicle travel;
- (i) ensure that state government agencies establish comprehensive energy efficiency plans and become models for energy efficiency in South Carolina, and assist the Department of Education in achieving energy efficiency in public schools;

(j) collect currently published and publicly available energy data and provide energy information clearinghouse functions, and conduct long-range energy planning;

(k) assist the Governor's Office and the General Assembly in assessing the public economic and environmental interest on issues related to energy production, transportation, and use and provide information on the public interest in appropriate forums;

(l) provide interpretation and certification for certain renewable energy tax incentives specified in state law; and

(m) administer various responsibilities related to the State-owned low-level radioactive waste disposal facility in Barnwell County.

The South Carolina Energy Office is entirely dependent upon federal funding sources to carry out its functions to study, plan and act on energy policies, and is required by federal funding sources to emphasize energy conservation and efficiency and renewable energy. Because of funding limitations, the Energy Office has focused heavily on assisting public agencies in saving taxpayer energy dollars and promoting renewable energy to bolster economic development, increase energy independence, and reduce energy-related pollution.

The Energy Office currently staffs, chairs, or provides a coordinating role for the South Carolina Solar Council, the South Carolina Biomass Council, the South Carolina Chapter of the U.S. Green Building Council, the Palmetto State Clean Fuels Coalition, the Association of South Carolina Energy Managers (ASCEM), the South Carolina Energy Services Coalition, the Wind Energy Farms Production Study Committee, and the Governor's Nuclear Advisory Council.

Among the other on-going project partners of the Energy Office are the South Carolina Hydrogen and Fuel Cell Coalition, the South Carolina Department of Agriculture, the South Carolina Research Authority, the South Carolina Institute for Energy Studies (located at Clemson), the Office of Regulatory Staff, the (industrial) Environmental Excellence Program, DHEC's Bureau of Air Quality, the City of Columbia's Climate Protection Action Council and similar local government efforts, MMO's Green Purchasing Initiative, the South Carolina Office of the U.S. Department of Housing and Urban Development, and the Greater Columbia Fuel Cell Challenge. On the regional and national level, the Energy Office is a member of the Southeastern Workforce Protection Committee, the Southeast Rebuild Collaborative, the Southern Energy Efficiency Center, and the National Association of State Energy Officials Board of Directors. The most important partner of the South Carolina Energy Office is the Office of Energy Efficiency and Renewable Energy of the U.S. Department of Energy.

Among the specific and unique functions of the Energy Office are:

- ◆ Energy Efficiency Services

- Energy use analyses and technical assistance
- Conservation financing through a revolving loan program
- Renewable energy financing
- Training

- ◆ Energy Resources, Policy and Planning
 - Legislative support for energy efficiency and renewables
 - Data reporting and forecasting
 - Promotion of energy efficient buildings
 - Support of renewable energy programs and activities, including assistance to entrepreneurs, marketers, and industrial users.
 - Staff support services for energy efficiency and renewable energy groups, such as for the South Carolina Solar Council, the South Carolina Biomass Council, the South Carolina Chapter of the U.S. Green Building Council, the Palmetto State Clean Fuels Coalition, Association of South Carolina Energy Managers (ASCEM), the Wind Energy Production Farms Study Committee, and the South Carolina Energy Services Coalition.

- ◆ Nuclear Waste
 - Manage State Budget and Control Board functions pertaining to sale, restriction and post-closure care of low level radioactive waste site in Barnwell County
 - Staff support to Governor's Nuclear Advisory Council

- ◆ Education and Information
 - Maintain Website with comprehensive information resources for the general public as well as specific professional and commercial interests
 - Respond to numerous inquiries related to energy with sound, unbiased information
 - Provide information to the general public at events, workshops, speaking engagements
 - Provide reliable, unbiased energy information for teachers and students