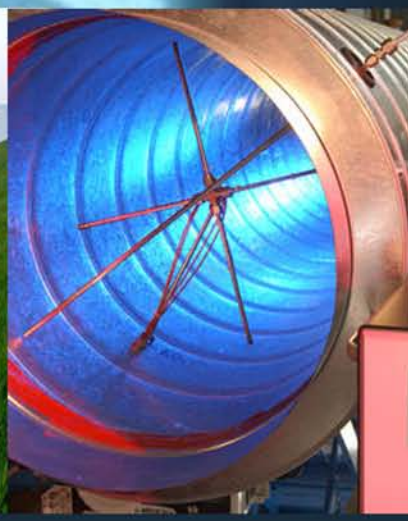
ANNUAL REPORT

Strategic Window of Opportunity



U.S. Department of Energy
State Energy Advisory Board

October 1, 2005 through September 30, 2006

What Is STEAB?

The State Energy Advisory Board (STEAB) is comprised of State energy directors, Weatherization directors, other state officials, representatives of state and local interests, and recognized exports in energy-related disciplines. The Board's statutory charge is to develop recommendations for the U.S. Department of Energy (DOE) and the U.S. Congress regarding initiation, design, implementation, and evaluation of federal energy efficiency and renewable energy programs and policies. STEAB maintains a close working relationship with DOE's Office of Energy Efficiency and Renewable Energy (EERE) and provides a conduit through which federal, state, and local voices can be heard at DOE and other offices of the federal government. STEAB also offers a forum for the exchange of ideas and information on energy issues and policies.

U. S. Department of Energy

State Energy Advisory Board (STEAB)

Annual Report

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1. Executive Summary

The past year saw a number of dramatic events, developments and trends threatening America's homeland security, energy security and economic well-being. Global and domestic energy demand continued to rise as known reserves diminished and supply risks increased due to war, terrorism, political instability, and natural disasters. These dynamics highlight the need for reducing America's dependence on foreign energy sources, mitigating the impact of increasingly scarce energy supplies on our economy and providing alternative energy sources in the event of major disruptions. This has given rise to increased awareness and an emerging consensus among political and industry leaders and private individuals that a strategic window of opportunity exists for coming together to define and facilitate an energy "plan B". This will necessitate, among other things, increased cooperation and collaboration between the Federal Government and the States to: (1) generate and promote new and innovative ideas, approaches, arrangements and mechanisms; and (2) to identify and implement specific technological and market solutions and best practices to capitalize on previous and current investments in alternative energy sources and more efficient applications.

In light of this challenge, the Board concentrated its attention on EERE's strategic programmatic and organizational goals and strengthened its engagement by meeting twice in Washington, reviewing EERE programs and holding discussions with key officials.

The Board met with the incoming Assistant Secretary for Energy Efficiency and Renewable Energy, Mr. Alexander A. (Andy) Karsner, to explore innovative approaches to commercializing emergent technologies through various visionary push and pull strategies. The board also met with the Deputy Assistant Secretaries for Technology Development and Business Administration, the Buildings, Industrial Technology, and Hydrogen Program Managers, and the Director of the Technology Advancement and Outreach Office (TAO). The Board also received a presentation from the EERE Project Management Center (PMC) on an earlier resolution to ensure the preservation of Regional Office functions as they are incorporated into the PMC.

As a result of these interactions, the board developed and submitted three resolutions providing recommendations for: (1) promoting and supporting the expansion of an alternative fuel vehicles refueling network; (2) simplifying and making information on emerging technologies not yet commercially offered more easily available; and (3) developing a framework for the creation of a national renewable energy credit trading system.

Additionally, in light of information that the Weatherization Assistance Program (WAP) may be under consideration for transfer to another Federal Agency, the Board submitted a resolution with rationale recommending that EERE retain the funding and oversight authority for that essential program.

The Board continued to enhance its own performance by instituting: (1) executive leadership meetings with EERE to identify important issues and challenges for full Board consideration; (2) discussions with EERE officials with highest priority programs and initiatives; (3) the use of resolutions as the primary instrument for providing input; (4) ad-hoc breakout groups to research and develop resolutions; (5) follow-up to ensure the resolutions have been acknowledged and acted upon; and (6) monthly conference call meetings to maintain continuity and momentum and bring timely closure to essential activities. These enhancements have enabled the Board to more fully engage EERE, provide more targeted and timely advice, and fulfill its mission requirements.

Finally, the Board implemented a major refreshment of its membership bringing in new expertise and perspectives with the appointment of seven new members. All of the new members hit the ground running, reinvigorating and enriching the dialogue.

2. Background and Challenge

The FY 2006 reporting period, October 1, 2005 through September 30, 2006, saw a number of dramatic events, developments and trends threatening America's homeland security, energy security, and economic well-being. Global and domestic energy demands continue to rise as known reserves diminishing, and supply risks increase due to war, terrorism, political instability, and natural disasters. These highlight the need for reducing America's dependence on foreign energy sources, mitigating the impact of increasingly scarce energy supplies on our economy and providing alternative energy sources to mitigate the risk of major disruptions. With highly volatile oil, natural gas and electricity prices, and a greatly increased political instability in key energy producing regions, a consensus is emerging among political and industry leaders and private individuals that the time is ripe and a strategic window of opportunity exists for coming together to define and facilitate an energy "plan B." This will necessitate, among other things, increased cooperation and collaboration between the Federal Government and the States to: 1) generate and promote new and innovative ideas, approaches, arrangements, and mechanisms; and 2) identify and implement specific technological and market solutions and best practices to capitalize on previous and current investments in alternative energy sources and more efficient applications.

3. Summary of Activities

During this reporting period, the Board focused its attention almost exclusively on the strategic programmatic and organizational goals and initiatives of the Department of Energy's (DOE) Office of Energy Efficiency and Renewable Energy (EERE). To stay current and provide proactive insights and recommendations, the Board intensified its engagement with EERE and strengthened the dialogue with an agenda that included two three-day meetings in Washington, reviewing EERE programs and holding discussions with key officials. Further, the Executive Committee met with the incoming Assistant Secretary of EERE (ASEE), Mr. Alexander A. (Andy) Karsner, on two separate occasions to discuss ways that the STEAB can provide better support and recommendations to EERE.

FY 2006 Meeting Locations and Agenda Topics

Dates	Location	Organizations Visited	Primary Agenda Topics
November 16-18, 2005	Washington, DC		EPAct 2005; EERE Technology Development Programs (Industrial and Building Technologies); EERE organizational issues (Regional Offices consolidation); and Technology Advancement and Outreach initiatives
July 25-27, 2006	Washington, DC		EERE Market Transformation; EERE Technology Development Programs (Hydrogen Fuel Cells, Solar, and Building Technologies); and the EERE Project Management Center

a. November 2005 Meeting

In November 2005, the Board met in Washington, DC. The meeting kicked off with discussions with EERE executive leaders regarding the rationale and status of several organizational initiatives, particularly the pending consolidation, centralization, and possible redirection of EERE's Field resources. Specifically, the Board addressed the planned transfer of functions and resources from six geographically positioned sites to two offices in the Golden Field Office, Golden, CO, and the National Energy Technology Laboratory, Morgantown, WV/Pittsburgh, PA with the intent of integrating these resources into the EERE Project Management Center (PMC). The Board reiterated its STEAB Resolution 05-01 position, recommending that key functions and relationships from the six Regional Offices be preserved.

EERE's new office of Technology Advancement and Outreach (TAO) presented the latest on EERE's Communications and Outreach Programs and Initiatives. At the programmatic level, presentations were given by the Program Managers of the EERE Industrial Technologies and Buildings Programs. Additionally, the Board met with the EERE Deputy Assistant Secretaries for Technology Development (DAS/TD) and Business Administration (DAS/BA) to capture their views on the requirements and implications of the Energy Policy Act of 2005 as they relate to EERE's mission and programs. A wide ranging discussion ensued in which, the DASs asked the Board to explore ways to improve communication with EERE. As a result the Board has been able to strengthen its engagement with EERE by instituting: (1) STEAB Executive Committee meetings with the EERE leadership team prior to STEAB meetings to identify current high-level issues for STEAB to address as well as to close the loop on previous deliberations; and (2) the use of STEAB resolutions to formally articulate, submit and track its recommendations.

The table on the following page shows the current STEAB priority strategic focus areas:

STEAB Strategic Focus Area	STEAB Expected Outcome in Alignment with EERE Strategic Goals
Energy Efficiency and Related Policy Support	▪ Improved communications and awareness working with Energy Efficiency and Renewable Energy (EERE) ▪ Improved deployment strategies and tactics ▪ Improved technology transfer from research and development to deployment ▪ Implementation of the Energy Policy Act of 2005
Liaison between the States and EERE's Project Management Center	▪ Formalized effective communications and working alliances ▪ Authentically engaged collaboration across EERE and with its partners
Enable STEAB to be an effective source of information, ideas and directional advice to EERE Effectiveness	Improved operation and programming of EERE functions to better serve States and local entities in the following areas: -- Serve as liaison and ombudsman on behalf of State and local entities to EERE -- Provide EERE with program implementation guidance based on local experience -- Provide States and local entities with guidance in understanding EERE policies -- Obtain information from EERE on program goals and operational priorities in a manner that enables STEAB to provide timely advice to EERE

b. STEAB Membership

In April 2006, the Board implemented a major refreshment of its membership, which brought new expertise and perspectives. Seven new members (36%), including four from State Energy Offices, two from Weatherization Assistance Programs and one Special Government Employee with expertise in Electric and Natural Gas Utilities, were appointed to the Board. With the three new appointments from the prior year, the Board has turned over more than half of its membership in an eighteen-month timeframe. This has infused the Board with new blood with fresh perspectives and ideas. This was borne out in the July meeting where all of the new members hit the ground running and reinvigorated the dialogue. This is especially significant in light of a change of leadership in EERE, which has challenged the Board to be visionary and innovative and engage in out-of-the-box thinking. Additionally with this membership refreshment, the Board has achieved a much better balance of geographic, programmatic, and functional representation. Also, to allow for more orderly transitions in the future, the terms of the members have been adjusted to rotate more evenly — where no more than seven members rotate annually.

c. July 2006 Meeting

The Board typically holds one meeting each year in Washington and the remaining one or two meetings at DOE National Laboratory sites. Breaking with this tradition, the Board held its second FY05 meeting again in Washington on July 25-27, 2006. Most notably, this meeting featured a dynamic, two-way dialogue with the Assistant Secretary for EERE, Mr. Alexander A. Karsner, who shared his philosophy and broad agenda. Secretary Karsner expressed eagerness to assist the Board in engaging in new, different, and creative thinking. He said that technology deployment has always been high among his values and that he envisioned a market transformation or deployment where a half century's worth of DOE Research and Devel-

opment technologies is harvested. He also said that he believes DOE needs to redefine leadership from a top-down hierarchical approach to one emphasizing partnership among Federal, State and local entities and that State Energy Offices could serve as "energy embassies" in light of the recent EERE Regional Offices consolidation. Secretary Karsner elaborated on a number of the potential elements of an aggressive effort to commercialize new technologies. These included: (1) creation of a national currency of renewable energy credits; (2) developing private capital/private sector investments; (3) offering financial incentives; (4) developing loan guarantee programs; and (5) establishing venture capital relationships. He also felt that homeland security could be enhanced through renewable energy as a means of displacing back-up power. He went on to say that we could expand well beyond the smart economics of ENERGY STAR to institutionalize the importance of energy efficiency through a "Victory Project" initiative which would seek to gain recognition of energy efficiency as a moral imperative. The Board was very receptive to Secretary Karsner's ideas and promised to provide input to further EERE's and the Board's strategic aims.

The Board also met with Mr. David Rodgers, Acting DAS/TD, former Program Manager for the Building Technologies Program. He clarified the term "market transformation," which involves generating new mechanisms (e.g., financial, institutional, and personal) that will allow EERE technologies to penetrate and capture substantially larger market shares. He also characterized the Victory Project as a marketing strategy and cited the Energy Independence campaign as both a moral imperative and a means of achieving national security.

Mr. James Ferguson of the EERE PMC briefed the Board on the status of the consolidation of Regional Office functions and resources into the PMC. He addressed STEAB Resolution 05-01 and each of the functions that the Board had identified as essential. It was clear that EERE had taken the Board's recommendations seriously and had taken action to preserve all of the functions with the exception of maintaining sub-regional identity and continuing as a regional deployment channel. Further, the consolidation remained a work in process. The Board will maintain its focus on this issue until implementation is complete.

At the July meeting, the Board also received presentations on the status of the EERE Project Management Center and the following programs:

- EERE Hydrogen, Fuel Cells and Infrastructure Technologies Program
- EERE Solar Energies Technologies Program
- EERE Industrial Technologies Program
- EERE Buildings Technologies

Mr. Bob Adams, Director of Weatherization Services for the National Association for State and Community Services (NASCSP), addressed the Board to discuss WAP's benefits and successes. He mentioned that both the DOE and the WAP have investments in one another, and as a national organization, the NASCSP wants to resist any potential legislation that would relocate the WAP to any agency other than DOE.

d. STEAB Actions and Accomplishments

The Board discussed the WAP issue and elected to adopt a resolution that will update and elaborate on the continued STEAB support for DOE's maintaining funding and oversight of the program. The resolution was drafted and approved unanimously by the Board (See Appendix E) on the WAP issue.

Drawing upon Secretary Karsner's and Mr. Rodger's inputs as well as the Project Management Center and Program presentations, the Board identified the following broad topics for potential STEAB contributions consistent with the STEAB Strategic Direction:

- Commercialization of DOE R&D
- State and local leadership with DOE facilitation
- Institutionalization of energy efficiency
- Homeland security = energy security

The Board deliberated and reached consensus on five recommendations:

- Develop recommendations to DOE to simplify and make information easily available on the emerging technologies which are not yet commercially available.
- Identify better ways of identifying and disseminating best practices for promoting alternative fuel vehicles and related infrastructure.
- Determine appropriate roles for EERE to develop a framework for a uniform trading system for renewable energy and energy efficiency credits.
- Attempt to market energy efficiency as a way of life:
  - ENERGY STAR / Project Victory /Energy Independence Campaign—moral imperative for energy efficiency
  - DOE/EPA collaboration
  - Stretch goal for residential construction
- Recommend appropriate processes and alliances to address energy security utilizing renewables and distributed generation from national to local levels:
  - SEP energy emergency plans
  - Interagency alliances/policy changes
  - State, regional, public and private partnerships
  - Funding initiatives

For each recommendation, a small volunteer task force was then assigned to research and draft a STEAB resolution. At the end of the reporting period, three additional resolutions had been drafted and two were under development. The draft resolutions were disseminated to the full Board for review and comment. Written comments were submitted, considered and incorporated as appropriate. To expedite the process, the members met several times via conference calls to discuss and take action on the final drafts. All of the resolutions were approved unanimously by the Board and forwarded to ASEE for consideration, feedback and/or follow-up action. Final resolutions are in Appendix E.

4. Conclusion

In summary, as a result of the Board's recent efforts to reestablish strategic focus, expand the dialogue to strengthen its engagement with EERE, and commit itself to a disciplined communication approach emphasizing the development and transmittal of STEAB resolutions, the Board has provided EERE timely and cogent input to help shape its strategic initiatives in a time of great need and opportunity. STEAB stands by to provide additional advice and counsel as these recommendations begin to evolve into EERE policy and initiatives.

5. In Memoriam

The Board mourns the passing of one of its members, Dr. Larry Turner, who was a passenger on board Comair Flight 5191 that crashed on August, 27, 2006 in Lexington, KY. Dr. Turner was an active participant and significant contributor who brought valuable knowledge and insights from the academic community and agricultural extension service to bear on virtually all of the Board's topics and issues. His colleagues enjoyed working with him and will miss him greatly. His service will be remembered.

Appendix A. Legislative Charge of the State Energy Advisory Board

The State Energy Advisory Board was established by Public Law 101-440 (The State Energy Efficiency Programs Improvement Act of 1990) to advise DOE on the operation of its Federal grant programs. The Board also advises on the energy efficiency and renewable energy program in general and on DOE's effort relating to research and market deployment of energy efficiency and renewable energy technologies.

The specific responsibilities of the Board, as mandated by statute, are:

l. To make recommendations to the Assistant Secretary for EERE with respect to:

   a. The energy efficiency goals and objectives within the Federal grant programs; and

   b. Programmatic and administrative policies designed to stimulate and improve Federal grant program effectiveness.

2. To serve as a liaison between Federal and State Governments on energy efficiency and renewable energy resource programs.

3. To encourage the transfer of R&D results from activities carried out by the Federal Government with respect to energy efficiency and renewable energy technologies.

4. To submit an annual report to the Secretary of Energy and the Congress concerning the Board's activities for the prior fiscal year.

Appendix B. Board Membership

The State Energy Advisory Board consists of 18-21 members appointed by the Secretary of Energy. Membership regulations are outlined in Public Law 101-440, Section 365(g)(1)(A) as follows: At least eight of the members for the Board shall be persons who serve as directors of the State agency, or a division of such agency, responsible for developing State energy conservation plans pursuant to Section 362. At least four members shall be directors of State or local low-income weatherization assistance programs. Other members shall be appointed from persons who have experience in energy efficiency or renewable energy programs from the private sector, consumer interest groups, utilities, public utility commissions, educational institutions, financial institutions, local government energy program, or research institutions. A majority of the members of the Board shall be state employees.

The following is a membership listing of the State Energy Advisory Board, as well as DOE contacts and contract staff support.

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Appendix C. State Energy Advisory Board (STEAB) Strategic Direction

Legislative Mission and Responsibilities

The State Energy Advisory Board was established by Public Law 101-440 (The State Energy Efficiency Programs Improvement Act of 1990) to advise the U.S. Department of Energy and the Congress on the operation of its federal grant programs. The Board also advises on energy efficiency and renewable energy programs in general and on the efforts of the Department relating to research and market deployment of energy efficiency and renewable energy technologies.

The specific responsibilities of the Board, as mandated by statute, are:

- Make recommendations to the Assistant Secretary for the Office of Energy Efficiency and Renewable Energy (EERE) regarding energy efficiency goals and objectives and programmatic and administrative policies designed to stimulate and improve federal grant program effectiveness;
- Serve as a liaison between Federal and State Governments on energy efficiency and renewable energy resource programs;
- Encourage the transfer of research and development results from activities carried out by the Federal Government with respect to energy efficiency and renewable energy technologies; and
- Submit an annual report to the Secretary of Energy and the Congress concerning the Board's activities for the prior fiscal year.

Proactive Thrust

The STEAB is developing a long–range, proactive approach, and will develop, maintain and periodically update a Strategic Direction and plan to guide its activities, as well as determine its structural, organizational, and operational approach. The Board is committed to making the Strategic Direction and planning central to carrying out its mission. The Board will adjust the process as necessary to continue to obtain desired high priority and relevant planning outputs, effective follow-up, and documentation of outcomes. General parameters for identifying and addressing STEAB strategic focus areas follow. STEAB's actions will focus on:

- Crosscutting EERE programs.
- Long-term planning.
- Proactive information, advice, analysis and recommendations.
- High-priority issues that are based on documented need and relevance (two to three at a time).
- EERE programmatic and organizational issues.

Strategic Focus

As noted previously, the legislative mandate of STEAB is to advise DOE on the operation of its federal grant programs encompassing energy efficiency and renewable energy in general, and on the efforts of the Department relating to research and market deployment of energy efficiency and renewable energy technologies. In August of 2005 at a meeting in Golden, Colorado, the Board conducted a planning session to identify strategic focus areas and to prioritize those areas for future work. These areas were chosen on the basis of the idea that the focus areas of the Board's efforts would be evaluated on an on-going basis and re-assessed at least on an annual basis. A wide range of topics was discussed, including the broad areas of energy efficiency, renewable energy, and several sub-topics of each, along with the areas of linkage and liaison between the States and EERE's Project Management Centers (PMCs), along with the overall effectiveness of STEAB. The Board decided to focus on three major areas in the immediate future.

Focus areas selected

The Board, in congruence with the legislative mission and EERE strategic goals, will focus time, energy, and activities in the following three strategic focus areas:

- Energy Efficiency and Related Policy Support;
- Liaison between the States and EERE's Project Management Centers; and
- STEAB Effectiveness.

Approach

Each of the strategic focus areas will be guided by expected outcomes and measurable performance indicators with benchmarks to judge progress. These performance indicators and benchmarks will enable STEAB to demonstrate benefit to the U.S. Congress, the Assistant Secretary for the Office of Energy Efficiency and Renewable Energy (EERE), and document value to the U.S. Department of Energy and to the States. Progress toward meeting the goals in each area will be documented in the Annual Report, and re-evaluation of appropriate focus areas will occur on at least an annual basis, or more often as determined by the Board. The detailed approach in addressing these strategic focus areas is as follows:

I. Strategic Focus – Energy Efficiency and Related Policy Support

EERE Strategic Goals

- Increase the viability and deployment of energy efficiency and renewable energy technologies.
- Dramatically reduce, or even end, dependence on foreign oil.
- Increase the reliability and efficiency of electricity generation, delivery and use.
- Spur the creation of domestic bioindustry.

STEAB Expected Outcome in Alignment with EERE Strategic Goals – STEAB actions will lead to:

- Increased effectiveness of the energy efficiency programs through:
  - Improved communications and awareness working with Energy Efficiency and Renewable Energy (EERE).

- Improved deployment strategies and tactics.
- Improved technology transfer from research and development to deployment.
- Implementation of the Energy Policy Act of 2005 (EPACT 2005).

Performance Indicators – STEAB will measure:

- Number of recommended strategies and tactics that make improvements in deployment of the Energy Efficiency programs.
- Number of recommended strategies and tactics implemented by EERE through follow-up reports to STEAB.

Benchmarks – STEAB will track:

- Documented working relationships between States and National Laboratories.
- Documented working relationships between States and EERE's PMC sites.
- Documented use of technology transfer among and between partners.
- Documented success in implementation of EPACT 2005.
- Documented success in strengthening visibility of deployment.
- Documented success in deployment effectiveness among and between units and partners within EERE.

II. Strategic Focus – Liaison between the States and EERE's Project Management Center

EERE Strategic Goals

- Reduce the burden of energy cost on the disadvantaged.
- Lead by example through government's own actions.
- Increase the energy efficiency of buildings and appliances.
- Increase the energy efficiency of industry.
- Change the way EERE does business.

STEAB Expected Outcomes in Alignment with EERE Strategic Goals – STEAB actions will lead to:

- Formalized effective communications and working alliances.
- Authentically engaged collaboration across EERE and with its partners.

Performance Indicators – STEAB will measure:

- Number of new collaborations or alliances reporting a new successful working relationship through follow-up reports to STEAB.
- Level of satisfaction reported by EERE units through follow-up reports to STEAB.

Benchmarks – STEAB will track:

- Documented improved communications between States and the appropriate PMC site.
- Documented improved working relationships between States and the appropriate PMC site.

- Documented collaborative efforts between and among EERE national, regional, state and National Lab partners.

III. Strategic Focus – Enable STEAB to be an effective source of information, ideas and directional advice to EERE

EERE Strategic Goals

- Increase the viability and deployment of energy efficiency and renewable energy technologies.
- Change the way EERE does business.

STEAB Expected Outcome in Alignment with EERE Strategic Goals – STEAB actions will lead to:

- Improved operation and programming of EERE functions to better serve States and local entities in the following areas.
  - Serve as liaison and ombudsman on behalf of State and local entities to EERE.
  - Provide EERE with program implementation guidance based on local experience.
  - Provide States and local entities with guidance in understanding EERE policies.
  - Obtain information from EERE on program goals and operational priorities in a manner that enables STEAB to provide timely advice to EERE.

Performance Indicators – STEAB will measure:

- Number of operational changes recommended that enhance implementation of programming.
- Number of program changes recommended that enhance deployment effectiveness with States and partners.
- Number of recommended changes implemented by EERE through follow-up reports to STEAB.

Benchmarks – STEAB will track:

- Documentation of improved understanding of changes proposed.
- Documentation of improved operational methods for implementing changes.
- Documented matrix of communication systems to strengthen programming and deployment.

(Updated: 8/17/06)

Appendix

STEAB Strategic Planning Process

The STEAB Strategic Planning Process is a facilitated group activity, conducted in plenary session on a periodic and/or as required basis, to ensure the Board is addressing strategic considerations within the scope of its Charter and that are relevant to the current economic, technological and political situation. The unit of analysis is the "focus area", which may be broad or narrow depending upon criticality of need and availability of STEAB resources. Focus areas will be identified, described and prioritized; and a vital few, perhaps two or three, will be selected for STEAB action.

Process Steps

Step 1. Board uses brainstorming or a similar technique to identify potential focus areas in three categories:
- Programmatic
- Organizational
- Current Issues

Step 2. The Board discusses potential focus areas for definition, clarification, advantages and disadvantages, opportunities and barriers or constraints.

Step 3. The Board uses a consensus technique to reach agreement on priority ranking of identified topics.

Step 4. The Board decides on the number of highest ranking items to address simultaneously (usually 2-3) based on criticality and availability of resources.

Step 5. The Board further defines each selected focus area in terms of its importance, significant considerations and expected impacts.

Step 6. The Board identifies necessary actions and addresses the selected focus areas.

Step 7. The Board's decisions for each focus area are recorded in minutes of the meeting.

Step 8. Action assignees take appropriate actions, e.g., conduct fact finding, draft resolutions, prepare to meet with Government officials to provide advice and recommendations, etc. Proposed actions are reviewed by the Board prior to implementation unless otherwise agreed.

Step 9. At each meeting, the Board will review the actions and outcomes of each focus area to determine which to continue, with or without redirection, and which to close.

Step 10. The Board decides whether sufficient resources and criticality exist to select, further define, assign and initiate action on the next highest ranking potential focus area.

Step 11. For the new area(s) selected, the Board repeats items 4-6.

Step 12. The Board conducts a one-day group strategic planning session every other year, or sooner if changes in the economic, technological and/or political situation warrant.

(Updated: 8/17/06)

Appendix D. FY 2004/2005 Travel Expenditure Report

In accordance with Section 365(g)(1)(B)(I)(7) &(8) of Public Law 101-440, which requires a reporting of federal reimbursement of Board members' expenses (including travel expenses) incurred in the performance of their duties, the following accounting is provided:

For FY 2006, travel expenses of $48,168.57 were incurred and reimbursed for State Energy Advisory Board meetings.*

** Estimate based on number, location and duration of meetings, number of attendees, average cost of airfare and local travel, and per diem rates. Actual expense data not available.*

Appendix E. STEAB Resolutions

September 07, 2006

Honorable Alexander A. Karsner
Assistant Secretary
Office of Energy Efficiency & Renewable Energy
U.S. Department of Energy
EE-1 / Forrestal Building
1000 Independence Ave., S.W.
Washington, DC 20585-1290

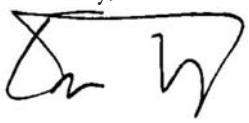
Dear Mr. Karsner,

On behalf of the STEAB Board, I am submitting to you the following STEAB Board Resolutions for your review and consideration: 06-01, Weatherization Assistance Program Resolution; 06-02, Alternative Vehicles and Infrastructure Resolution; 06-03, Emerging Technologies Resolution; and 06-04, Uniform Trading System Resolution.

The Members of the STEAB have unanimously adopted each of the fore mentioned resolutions. Each resolution represents various recommendations that the STEAB has developed that will assist the Department of Energy's Office of Energy Efficiency and Renewable Energy in recognizing and meeting important energy, economic, and environmental issues and needs, while preserving the means to meet the needs of future generations of Americans. We, as a Board, are pleased to present these resolutions to you and your Office.

If you have any questions regarding any of these resolutions, or would like to discuss them in further detail, you may contact me at (512) 463-1931 or via e-mail dub.taylor@cpa.state.tx.us.

Sincerely,



William "Dub" Taylor

Chairman, State Energy Advisory Board

Enclosures: STEAB Resolutions 06-01; 06-02; 06-03; and 06-04

cc: Tobin Harvey, Senior Advisor to the Assistant Secretary for EERE
Gary Burch, DOE's Designated Federal Officer
STEAB Executive Committee

U.S. DEPARTMENT OF ENERGY
STATE ENERGY ADVISORY BOARD
Resolution 06-01

BACKGROUND

The Weatherization Assistance Program (WAP) is funded and managed through the U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy. The WAP was created in 1976 to assist low-income families who lacked resources to invest in energy efficiency. WAP is operated in all 50 states and the District of Columbia, and works with Native American tribes. The funds provided are used to improve the energy efficiency of low-income dwellings using advanced, cost-effective building science. The energy conservation resulting from the efforts of state and local agencies helps our country reduce its dependency on foreign oil and decrease the cost of energy for families in need while improving their health and safety.

ISSUE

Movement of the Weatherization Assistance Program from the U.S. Department of Energy to the U.S. Department of Health and Human Services.

RECOMMENDATION

Members of the State Energy Advisory Board (STEAB) recommend that the U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy (EERE), retain the funding and oversight authority for the Weatherization Assistance Program and that the Department manage and implement the Program consistent with its statutory obligations.

RATIONALE

The Weatherization Program as it exists today is a technically advanced and effective energy efficiency program. In order for this focus to continue it is critical that the oversight and delivery of weatherization programs be within an agency whose focal point is on energy. It is important to draw the distinction and recognize the difference of mission between the Low Income Home Energy Assistance Program administered by the U.S. Department of Health and Human Services and the Weatherization Program delivered by the Department of Energy. While the programs share the common objective of making energy more affordable for low-income families they go about achieving this goal in completely different ways.

There is a long history of successful, collaborative efforts between the local agencies, states, national labs, and the EERE Office of Weatherization and Intergovernmental Programs that have resulted in significant energy savings and deployment of new technologies. Additionally there is a logical connection between the energy efficiency measures that are delivered through the Weatherization Assistance Program, the research that is supported by DOE and the identified priority of EERE to transform the market by deployment of energy efficiency technologies. It has been stated that Weatherization is a “market ready” product and therefore no longer needs the assistance of EERE research and development to reach market penetration. This is not true because there is no ready market for Weatherization beyond the federally assisted program; the market sector identified and served by the Weatherization Program can not afford the services if not provided free by the federal government.

A continued subsidy for this market sector is required and DOE is the most likely place for this subsidy to occur since the primary focus of the Program is energy efficiency in residential housing – not the social aspects of individual families or energy affordability issues with respect to income. DOE is the only federal office concerned with energy efficiency in housing and remains the best place for Weatherization to access new technologies for deployment in the residential sector.

As demonstrated by the following facts, the Weatherization Program has the proven ability to deliver savings via energy efficiency technologies to millions of low-income households who would otherwise have little or no ability to invest in energy efficiency.

WEATHERIZATION FACTS

- Since the inception of the WAP, over 5.6 million homes have been weatherized with DOE funds. This year, a minimum of 93,408 homes will be weatherized with DOE funds.
- An average of 30.5 million MBtu of energy is saved as a result of weatherization. This equates to a 23% reduction in primary heating fuel use.
- Low-income families will save an average of $358 in reduced first-year energy costs, at current prices.
- Reducing energy demand decreases the environmental impacts of energy production. Weatherization mitigates approximately .23 metric tons of carbon per year in a home heated primarily with natural gas. This translates into nearly one metric ton (.85) of carbon dioxide emissions avoided. For homes heated by electricity, the savings are even higher: weatherization reduces .475 metric tons of carbon annually. Weatherization also reduces emissions of methane and nitrous oxide.
- Weatherization creates non-energy benefits as well, including the following quantifiable benefits: increased property value, reduced incidence of fire, reduced arrearages, federal taxes generated from employment, income generated from indirect employment, avoided costs of unemployment benefits, environmental externalities
- Taken together, for every $1 invested in the Program, Weatherization returns $2.69 in energy and non-energy related benefits.
- Weatherization measures reduce national energy demand by the equivalent of 18 million barrels of oil per year.

Given this long history of successful program performance, STEAB urges the Department to review its responsibilities for program management and shape its administration of the Program so that it not only continues to be an effective public/private partnership, as currently recognized by the Congress, the Bush Administration, and governors across the nation, but also increases its successes at achieving its mission of providing energy efficient homes for low-income households while helping the country reduce its dependence on foreign oil.

Final Adopted unanimously by STEAB members on August 31, 2006

U.S. DEPARTMENT OF ENERGY
STATE ENERGY ADVISORY BOARD
Resolution 06-02

BACKGROUND

U.S. dependence on imported petroleum for the liquid transportation fuel supply has resulted in price and supply volatility that poses a threat to the U.S. economy and energy security. The goal of displacing petroleum with alternative fuels is one element of a national energy strategy that is only now beginning to take shape. The priorities for such a strategy are clear: 1) encourage increased production of alternative fuels both now and into the future; 2) assist markets to adopt alternative fuels and alternative fuels technologies; 3) invest in research and development at our laboratories and academic institutions; and 4) develop the infrastructure to both transport feedstocks and distribute fuels to the marketplace.

ISSUE

While current policies have resulted in an impressive number of flexible fuel vehicles available for purchase by public and private fleets and individual Americans — and these policies have stimulated the essential expansion of U.S. alternative fuel production — the nation's refueling infrastructure has not yet developed sufficiently to service these policy accomplishments.

RECOMMENDATIONS

Members of the State Energy Advisory Board (STEAB) recommend the U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy (EERE), facilitate recognition of the increasing availability of flexible fuel vehicles, and promote and support expansion of the necessary alternative fuels refueling network by focusing on three primary tasks:

- Turn to State Energy Offices (SEO) and Non-governmental Organizations (NGO) (e.g. National Ethanol Vehicle Coalition, Clean Cities Coalitions, etc.) that have been conducting similar programs successfully since the mid-1990s; leverage their resources and experience to identify and disseminate alternative fuel vehicle information to consumers and fleets;
- Support and partner with States in the development and implementation of innovative policies and legislation that encourage infrastructure development.
- Support and facilitate the capabilities of States and NGOs in order to implement and to rapidly and most effectively expand the U.S. alternative fuel refueling network.

Final Adopted unanimously by STEAB members on August 31, 2006

U.S. DEPARTMENT OF ENERGY
STATE ENERGY ADVISORY BOARD
Resolution 06-03

BACKGROUND

With record high energy prices, energy trade imbalance and related national security concerns, new energy efficient and renewable energy technologies are needed in the marketplace today. We believe the recommendations below will assist the U.S. Department of Energy's Office of Energy Efficiency and Renewable Energy (EERE) more rapidly harvest the fruits of its technology research and development investments and accelerate market acceptance of these technologies.

ISSUE

Researchers are not marketers; therefore many market-ready, but esoteric technologies may exist in national laboratories and within EERE program areas. To bridge the technology commercialization "valley of death," demonstration and early utilization are critical for launching a technology up the success curve. This begins with information dissemination and awareness, followed by strategic technology transfer.

RECOMMENDATION

To simplify and make information easily available on the emerging technologies that are not yet commercially offered, members of the State Energy Advisory Board (STEAB) recommend to EERE the following strategies:

- Create a working matrix that captures all near-commercial technologies developed at DOE labs, as well as other technologies supported by EERE programs
- Develop a central EERE information bank on all market-ready technologies
- For information dissemination, leverage local, state and national organizational networks including, but not limited to those listed in Appendix A
- Task the Project Management Center (PMC) to coordinate information between and among the EERE Programs, the National Laboratories, the States and other entities on these technologies.

In addition, to ensure continuous improvement and feedback, STEAB strongly encourages EERE to engage the STEAB board members as these strategies are pursued.

Appendix A

Listing of local, state and national organizational networks for information dissemination:

Energy Efficiency and Renewable Energy Trade Associations

- National Association of Energy Services Companies (NAESCO)
- Energy Services Coalition (ESC)
- American Wind Energy Association (AWEA)
- American Solar Energy Society (ASES)
- National Association of State Energy Officials (NASEO)
- National Association for State Community Services Programs (NASCSP)
- National Community Action Foundation (NCAF)
- Alliance to Save Energy (ASE)
- American Council for an Energy Efficiency Economy (ACEEE)

Regional Energy Efficiency Partnerships

- Midwest Energy Efficiency Alliance (MEEA)
- Northeast Energy Efficiency Partnership (NEEP)
- Northwest Energy Efficiency Council (NEEC)
- Northwest Energy Efficiency Alliance (NEEA)
- Southeast Energy Efficiency Alliance (SEEA)
- Southwest Energy Efficiency Partnership (SWEEP)

University Science and Technology Commercialization Programs

- University of Texas IC2 Institute, Master of Science Program in Commercialization of Science and Technology
- University of Washington Business School, Center for Innovation and Entrepreneurship (CIE)
- University of Maryland, University College, Master of Science in Technology Management
- North Carolina State University, Technology Education and Commercialization Program, HiTec Turning Technology into Business

Final adopted unanimously by STEAB members on August 31, 2006

U.S. DEPARTMENT OF ENERGY
STATE ENERGY ADVISORY BOARD
Resolution 06-04

BACKGROUND

The expansion of renewable electric supplies is being driven by consumer demand, competitive pricing, and state policies such as the Renewable Portfolio Standards (RPS) program. Political favor is being driven by heightened concerns in global climate change, escalating prices in traditional power generation and geopolitical energy security. The positions of traditional energy sector stakeholders continue to evolve to one of advocacy and acceptance.

Energy conservation also continues to become more imminent as existing generation and infrastructure is strained. The same climate, geopolitical and price concerns affecting renewable energy are also influencing greater demand for conservation.

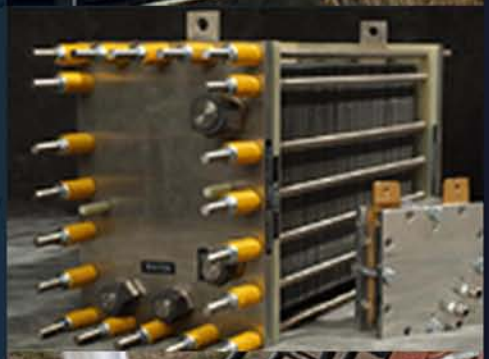
ISSUE

As the U. S. Department of Energy's Office of Energy Efficiency and Renewable Energy (EERE) provides national leadership in the expansion of renewable energy resources while respecting state regulatory sovereignty, EERE must still serve as a moderator in order to facilitate national uniformity. There also exists a need to enable utilities under portfolio mandates to acquire those resources at the lowest possible cost. The formation of a national renewable energy credit trading system would allow mandated utilities to acquire credits rather than invest the capital in renewable generation facilities or buy renewable electricity on the market. A national energy conservation trading system could also achieve a similar objective — allowing a utility to acquire conservation at the lowest cost.

RECOMMENDATION

Members of the State Energy Advisory Board (STEAB) recommend that the EERE develop a national framework for the creation of a national renewable energy credit trading system that will enable and allow utilities and private industry, as well as state and local governments, the ability to acquire energy credits in addition to or in lieu of investing capital in renewable generation facilities, or purchasing high-cost renewable energy resources and supplies from the marketplace. In addition to entities that increase or implement renewable energy use, the STEAB recommends this proposed system include such entities that practice energy conservation and efficiency as well.

Final Adopted unanimously by STEAB members on August 31, 2006



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