STATEMENT
OF
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SUBCOMMITTEE ON INDIAN AND INSULAR AFFAIRS

REGARDING "ENERGIZING THE TERRITORIES: PROMOTING AFFORDABLE AND RELIABLE ENERGY SOURCES FOR THE U.S. INSULAR AREAS"

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Chair Hageman, Ranking Member Leger Fernández, and members of the Subcommittee on Indian and Insular Affairs, thank you for the opportunity to testify on affordable and reliable energy sources in the U.S. Insular Areas. I am the Director of the Office of Insular Affairs (OIA) at the U.S. Department of the Interior, the office responsible for administering the Federal government's relationship with the territories of American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), Guam, and the United States Virgin Islands (USVI) (collectively, the territories). Access to affordable and reliable energy is of the utmost importance to the territories as it directly impacts their economic development and quality of life.

Overview of Energy Needs in the U.S. Territories

The territories face unique energy challenges due to their remote geographies. Residents and businesses in the territories pay an average of 2.4 times more per kilowatt hour than the U.S. average. This disparity is largely due to the cost of importing fuels to support baseload generation capacity and the territories' inability to achieve economies of scale by participating in larger interconnected grids. The territories are heavily dependent on imported fossil fuels to support baseload energy generation. For the three Pacific territories, refined petroleum fuel is imported from Asia (primarily Singapore, South Korea, Japan, Malaysia) and for the USVI, petroleum and liquid petroleum gas (LPG) is provided from sources abroad.

When considering median household incomes, residents in the territories spend a higher proportion of their income on energy costs, resulting in more than double the energy burden compared to the average U.S. household.

Access to reliable and affordable energy in the territories not only impacts residents directly today but also has a significant impact on future economic growth and development opportunities. The high cost of energy poses challenges for the private sector to maintain operations in the territories.

Utilities in the territories are affected by fluctuations in fuel prices resulting in significant impacts on the provision of goods and services to businesses and residents in the territories.

Energy reliability impacts every sector in the territories—from healthcare to education and private industry to transportation. Antiquated and vulnerable infrastructure is consistently tested by the energy demands of local communities and adverse weather events, which are becoming more severe and more frequent. Unfortunately, the result is that power disruptions are now considered a regular part of life in many communities in our territories.

While utility providers work to upgrade their infrastructure to meet these challenges, they often lack the resources necessary to make the large-scale investments required to modernize and harden their infrastructure. To improve energy reliability, the territorial utilities have used Power Purchase Agreements (PPAs) with private companies to expand generation capacity. While PPAs can be a useful tool, they do not solve underlying generation capacity and operational issues.

Over the last decade, the territories have made some strides to improve their energy security. With Federal partners, they have worked to harden energy infrastructure, especially in the wake of destructive hurricanes and typhoons. Additionally, the territories have diversified their energy generation by adopting renewable technologies (mostly solar and net metering) to supplement baseload energy infrastructure and thereby decrease reliance on shipments of imported fossil fuels. Renewable power generation now accounts for 3 percent of total power generated in both American Samoa and the USVI, 11 percent in the CNMI, and 17 percent in Guam. A little over a decade ago, virtually all energy production in the territories was dependent on fossil fuels.

OIA Support for Energy Needs in the U.S. Territories

OIA has a long-standing history of supporting the territories with increasing access to reliable and affordable energy. Public Law 109-58, enacted in 2005, directed the Secretary of the Interior to draft long-term energy plans for the insular areas, with the objectives of reducing their reliance on energy imports, increasing energy conservation and energy efficiency, and using native energy sources. In 2010, OIA entered into an interagency agreement with the Department of Energy's National Renewable Energy Lab (NREL) to help the Pacific territories increase energy independence and security. This agreement led to an in-depth analysis of the energy situation in each territory and culminated in the creation of energy plans that included both short-term energy action plans and long-term strategic energy plans published in 2013.

Public Law 113-235 directs the Department of the Interior to establish a team of experts to develop energy action plans for the territories and assist with their implementation. In 2022, OIA entered into a new interagency agreement with NREL to provide technical support to OIA and the territories to continue efforts to improve energy security and resiliency, reduce energy costs, and diversify energy sources.

OIA provides funding to the territories to support energy security through the Energizing Insular Communities (EIC) grant program. The EIC program began in 2011 to assist territories as they implement energy strategies to reduce the cost of electricity, which was three times the national average at the time. The EIC program funding averaged $3.7 million a year between fiscal years (FY) 2011 and 2020. Since then, this Administration has requested, and Congress has appropriated, increases to the funding level to its current level at around $15 million in FY 2024. While the program funding available is small relative to the energy infrastructure needs of the territories, its targeted investments do help move the territories towards meeting their energy goals.

OIA requires EIC grant proposals to be tied to each territory's energy plan, which reflects their self-determined energy goals. Local government entities, independent public authorities, and educational institutions in the territories are all eligible to apply for funds under this competitive program. With $15.5 million available for the four territories in FY 2023, the EIC program received $33.7 million in applications. Of the applications received, $3.2 million proposed grid studies and planning projects; $18.5 million proposed renewable power generation, storage, and transmission projects; and $12 million proposed demand side management projects. Of that, OIA awarded $3 million for grid studies and planning projects, $5.1 million for solar power generation and storage projects, and $7.4 million for demand side management projects.

The EIC program is open to proposals involving all forms of power generation, including improvements related to conventional sources of power generation such as oil or natural gas as identified in local energy plans. While replacement of old, inefficient diesel fuel generators from the 1970's and 1980's would improve territorial energy efficiency and security, these replacements are often not within the scope of the current EIC program funding level. For example, one new 80-megawatt generator would cost approximately $94 million, while the program funding level is approximately $15 million. Additionally, more efficient conventional generators may not always provide the cheapest electricity rates, as rates for imported fuel would be subject to global fluctuations in price and supply.

Beyond the EIC program, OIA also coordinates with our interagency partners to help identify and provide support to the territories for energy-related projects and plans. For example, the Inflation Reduction Act revised the Outer Continental Shelf Lands Act to allow for offshore wind energy leasing of the submerged lands within the U.S. exclusive economic zone adjacent to American Samoa, CNMI, Guam, the USVI, and the Commonwealth of Puerto Rico. Further, the Act directed the Secretary of the Interior to investigate the feasibility of offshore wind leasing in the territories. The Bureau of Ocean Energy Management has started to engage with territorial governors regarding potential offshore wind energy development for Puerto Rico, Guam, and the USVI.

The Administration is committed to energy projects that promote energy security in the territories as well as projects that support a sustainable energy future through investments in renewable energy development. Chair Hageman, Ranking Member Leger Fernández, it is a pleasure to

appear before your Subcommittee to discuss affordable and reliable energy in the territories. Thank you.