Kelliher, Joseph

From: Dana Contratto [dcontratto@msn.com]
Sent: Thursday, March 22, 2001 12:04 AM
To: Kelliher, Joseph
Subject: RE: national energy policy

Importance: High

Joe,

Of course, if I were King we would already have a national energy policy that would have kept California out of the mess in which it now finds itself. Also, I was pleased to see that the Secretary is now saying that OPEC pricing is the action of a cartel and not market forces -- he is certainly on the right track.

Now, to the point of your question, what to do about pipeline certification and pricing. Frankly, I do not recall much of the gas title that was basically dropped from the 92 EPAct. I do recall that much of what the pipelines wanted was on the pricing side, and not just market pricing, but "cost of service" as such, in my view, ridiculous things as replacement pricing, which is basically "profiteering" of the worst kind because it is with the government as "regulator," and market pricing for existing systems irrespective of the pipeline's market power. Anyway, enough bemoaning what the pipelines will seek.

As to certification or licensing, the process is both mature and daunting. There seems to be little that can be done in terms of reducing intervenors' rights (such as restricting intervention from competing fuels, like oil jobbers -- by the way, this notion once "had legs", but I would not pursue it for the simple reason that, while one could theoretically restrict the rights of such intervenors, the EIS process still requires the consideration of alternatives and that, perforce, brings in the alternative fuel issues anyway). There are some things around the edges that could be done, such as what FERC just proposed for California service -- that is, raising the dollar level for facilities built under blanket certificates, which helps in terms of adding compression. In short, I do think that the certificate process is seriously process constrained, but, absent suggestions that would be highly controversial, I do not see much procedurally that can be done in terms of really expediting it. (Remember the ill-fated Optional Expedited Certificate procedure -- basically saying that if the pipeline agrees to "take the economic risk" of the project, it could proceed much more rapidly.

Unfortunately, pipeline certificates come with rights of eminent domain and allowing such on an expedited basis is truly problematic, if not at the...
certificate stage itself, then when the pipeline goes to court to condemn property and is challenged on public benefit grounds.)

So, having said that, what can be done. Here are some ideas: First, while the process itself is constrained with environmental assessments and EISs, it seems to me that the government could do something to make sure that the process is not resource constrained. In other words, my guess is that more resources at FERC for some period of time -- perhaps outside contractors so as not to commit to higher staffing for the next century -- could expedite pipeline certificates substantially. Presently, my recollection is that FERC costs the government nothing -- that is, the fees and charges generated by FERC are sufficient to cover its costs of operations. Nonetheless, the idea is that if it takes two FERC staff people two weeks to review an application, four staff people should be able to do so in less time. Granted that this increase in FERC resources might cost the surplus some few tens of millions of dollars, it probably could have a significantly beneficial impact on the time it takes to complete a certificate application review.

Second, and in a similar vein, I do not think that FERC has the power to control other agencies that are necessary to process a pipeline certificate -- for example, the Corps of Engineers for water crossings or dredge and fill permits or DOI's Fish and Wildlife for endangered species determinations. I believe that one idea floated in the past was for FERC to be the central clearing agency. The problem is, what do you do when the agencies do not comply with FERC deadlines -- it is politically unacceptable to say, well, if you do not meet the deadline, whatever you are looking into will be deemed done and acceptable. So, again, this is another kind of process constraint that in my view can also be viewed as a resource constraint -- that is, if more money could be put into the process to rise (again, perhaps contracting out is the real answer) qualified people to get the job done in a more timely manner, it could in fact be done in a more timely manner. So, again, increase the resources as necessary to move pipeline certificate applications and related requirements of other agencies in a faster manner. Do not compromise the substance, just get it done quicker with more resources.

Finally, the norm for gas transmission operating pressures in the U.S. is around 1000 psi. In other parts of the world, pipelines are operating at higher pressures -- the Bolivia-Brazil line is 1400 psi. With higher pressures, more gas moves. Obviously, some pipelines could not handle such higher pressures, but new pipelines could be built to move more gas at such higher pressures. This is an idea I would take up with INGAA, also with the obvious first order being safety.
As mentioned above, rates, that is money and returns on equity, are central to incentives. To my mind, rolled in pricing is problematic from the outset unless there are truly system benefits that are fairly evenly spread in terms of better service or lower rates. Incremental pricing in my mind should, however, be the order of the day -- that is, those who use the incremental capacity created by the project or system enhancement pay for it. The good thing about this is that it quells complaints by existing customer, which can kill projects. Another interesting pricing idea is to allow market rates on new projects where there are more than one competing pipeline for the customers and where the pipeline does not possess market power -- obviously, it is quite difficult for a pipeline to possess market power when it is trying to enter a new market. The downside to this from an existing customer perspective is, how do we know that the pipeline will really be able to operate at such prices -- that is, what happens when it fails and tries to put the cost on other customers or tries to increase rates to cover its higher cost of capital for having a large failed project.

Having said this, I still believe that negotiated, market rates on new projects would greatly enhance the pipelines' incentives to build new projects. The customers are usually large and sophisticated and do not need government protection from the hands of market power because the pipeline just does not have market power in these circumstances where it is trying to build new facilities to serve new customers. The key, to me, is to require the pipeline to bear the risk of failure on such projects.

So, there you have it. The best of my quick thinking at the moment recognizing that I am also on vacation in St. Lucia at the moment. I will be back next week and be able to discuss this or other items further with you if you want. By the way, as to ANGTS, I have not reviewed it for some time. However, anything done in 1976 probably should be revisited to see if it is still viable. Sorry I do not have more at this time to offer on that subject.

Good luck.

Dana

-----Original Message-----
From: Kelliher, Joseph [mailto:Joseph.Kelliher@hq.doe.gov]
Sent: Sunday, March 16, 2002 5:44 PM
To: 'Dana Contracto'
Subject: national energy policy
MEMO

TO: Joe Kelliher
FROM: Cathy Tripodi
DATE: 4/1/01
RE: BASIC OVERVIEW OF US REFINERY CAPACITY

Obtained and made public by the Natural Resources Defense Council, March/April 2002
### Table A11. Petroleum Supply and Disposition Balance

(Million Barrels per Day, Unless Otherwise Noted)

<table>
<thead>
<tr>
<th>Supply and Disposition</th>
<th>Reference Case</th>
<th>Annual Growth 1999-2020 (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude Oil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Crude Production</td>
<td>6.2%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Alaska</td>
<td>1.1%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Lower 48 States</td>
<td>5.0%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Net Imports</td>
<td>8.6%</td>
<td>8.6%</td>
</tr>
<tr>
<td>Gross Imports</td>
<td>6.7%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Exports</td>
<td>0.1%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Other Crude Supply</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total Crude Supply</td>
<td>14.3%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Natural Gas Plant Liquids</td>
<td>1.7%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Other Inputs</td>
<td>0.3%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Refinery Processing Gain</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Net Product Imports</td>
<td>1.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Gross Refined Product Imports</td>
<td>1.2%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Unleaded Gasoline Imports</td>
<td>0.3%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Ethane imports</td>
<td>0.1%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total Product Import</td>
<td>0.3%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Total Primary Supply</td>
<td>19.0%</td>
<td>19.4%</td>
</tr>
<tr>
<td>Refined Petroleum Products Supplied</td>
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<td></td>
</tr>
<tr>
<td>Motor Gasoline</td>
<td>2.2%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Jet Fuel</td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Distillate Fuels</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Kerosene</td>
<td>1.3%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Diesel</td>
<td>4.1%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Total</td>
<td>19.2%</td>
<td>19.6%</td>
</tr>
<tr>
<td>Refined Petroleum Products Supplied, Nonfuel and Commercial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel Shipment</td>
<td>1.1%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Tar Product</td>
<td>2.6%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Epoxy Resin</td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Total</td>
<td>4.7%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Discrepancy</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>World Oil Price (1999 dollars per barrel)</td>
<td>17.7%</td>
<td>17.7%</td>
</tr>
<tr>
<td>Import Price of Product Supplied</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Net Liquids for Imported Crude Oil and Petroleum Products ( Million 1999 dollars)</td>
<td>34.3%</td>
<td>34.3%</td>
</tr>
<tr>
<td>Domestic Crude Oil Distillation Capacity ( Million)</td>
<td>15.0%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Capacity Utilization Rate (percent)</td>
<td>54.4%</td>
<td>53.0%</td>
</tr>
</tbody>
</table>

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Reference Case Forecast

Source: Energy Information Administration, Annual Energy Outlook 2001

DOE008-0788

Obtained and made public by the Natural Resources Defense Council, March/April 2002
Figure A3. Petroleum Administration for Defense Districts

Source: Energy Information Administration, Office of Integrated Analysis and Forecasting.
Cathy, here is more material on MTBE and ethanol.

Tom
Yikes. I do not mean to be demanding maybe they have something — THANK YOU, is this what you refer to as boutique fuels?
Kelliher, Joseph

From: Anderson, Margot
Sent: Saturday, March 24, 2001 11:04 AM
To: Kelliher, Joseph
Subject: FW: NPRA Recommendations on National Energy Policy

Did I send this to you? PO guys took a look at the NPRA recommendations.

-----Original Message-----
From: Breed, William
Sent: Friday, March 23, 2001 5:05 PM
To: Anderson, Margot
Cc: McNutt, Barry
Subject: RE: NPRA Recommendations on National Energy Policy

After talking with Barry, here are some comments:
Bill,

Can you ask your crack staff if any of these policy recommendations from NPRA have merit?

Margot

-----Original Message-----
From: Kelliher, Joseph
Sent: Friday, March 23, 2001 9:04 AM
To: Anderson, Margot
Subject: NPRA Recommendations on National Energy Policy

Joe Kelliher: Attached is a short document which includes NPRA's current thinking as to what changes in national energy policy are needed to help the refining sector.

I would like specifically to highlight three:

One. We believe that the Administration is missing an important opportunity to improve energy policy by not addressing the onroad diesel sulfur rule. This rule will have a greater adverse supply impact than any other in the next five years and should be reviewed. Instead of requiring essentially 100% of onroad diesel output to be reduced from 500 ppm to 15 ppm sulfur by mid-2006, at a cost of $8 billion, the Administration could move the
William Breed  
Acting Director, Office of Energy Efficiency, Alternative Fuels, and Oil Analysis (PO-22)  
202-586-4763

-----Original Message-----
From: Anderson, Margot  
Sent: Friday, March 23, 2001 11:58 AM  
To: Breed, William  
Subject: FW: NPRA Recommendations on National Energy Policy

Bill,  

Can you ask your crack staff if any of these policy recommendations from NPRA have merit?  

Margot

-----Original Message-----
From: Kellinher, Joseph  
Sent: Friday, March 23, 2001 9:04 AM  
To: Anderson, Margot  
Subject: NPRA Recommendations on National Energy Policy

-----Original Message-----
From: Slaughter, Bob  
Sent: Thursday, March 22, 2001 3:52 PM  
To: Kellinher, Joseph  
Cc: Anthony, Betty; Sternfels, Urvan  
Subject: NPRA Recommendations on National Energy Policy

Joe Kellinher: Attached is a short document which includes NPRA's current thinking as to what changes in national energy policy are needed to help the refining sector.

I would like specifically to highlight three:

One. We believe that the Administration is missing an important opportunity to improve energy policy by not addressing the onroad diesel sulfur rule. This rule will have a greater adverse supply impact than any other in the next five years and should be reviewed. Instead of requiring essentially 100% of onroad diesel output to be reduced from 500 ppm to 15 ppm sulfur by mid-2006, at a cost of $8 billion, the Administration could move the
required supply date back to 2008-9 and provide a reduction in the
diesel excise tax for 15ppm sulfur diesel sold in advance of the 2008 date.
This could provide all the necessary supply for new trucks which need the
diesel in 2006-7 (probably only 5% of demand). There are no environmental
benefits from using the new diesel in old truck engines, so the program in its
current form constitutes massive waste, since those trucks aren't a
sufficient force in the market until 2008 at the earliest. This change will help prevent loss of diesel supply and refinery closures which will
take place under the rule in its current form. The overall benefits of the
program are not reduced. We would like to talk with you more on this.

Two. The EPA's enforcement campaign against U.S. refineries should be
halted and reexamined. As you know, it is impossible to build new refineries, so the industry has had to add capacity at existing sites in an
attempt to maintain an adequate supply of products for consumers in the past
twenty years. Even at that, the industry has been able to keep U.S. capacity only flat over the past decade, so new demand has been met by increased imports of refined products. The Browner EPA launched an extensive
and coordinated campaign against the industry, alleging that capacity additions during the past twenty years were not appropriately permitted. This despite the fact that refinery improvements were made with the knowledge of both state and federal environmental agencies and in keeping
with permitting requirements as they were understood at that time. The EPA
recent section 114 requests, in effect blanket subpoenas, to most
refiners, and many are now facing notices of violation and legal action.
A few have settled because they believe that it is easier to pay a fine, sign
a consent decree and move forward than resist. All this comes at a time when federal and state authorities have urged the industry to continue
its herculean efforts to produce product all-out to avoid shortages. EPA's actions are really nothing more than an attempt to discredit the industry and collect tribute in the form of fines in order to allow refiners to get
on with their business. We believe that everyone in the industry should obey the law, and we believe that they do, often under difficult circumstances. But this activity goes far beyond the pale of reasonable enforcement activity and should cease.

Three. The Unocal patents, recently upheld by a federal court of appeals in a
decision that the Supreme Court let stand, provide no real benefit to the
industry or consumers. The huge royalties granted by a California District
Court-- 5.3/4 cents/gallon--are far in excess of the cost of even the reformulated gasoline program and may well cost consumers over $200 million
per year when implemented. The existence of the patents will increase the
cost of gasoline, reduce supply, and eliminate all of the incentive for
overcompliance with environmental regulations. The patent will also make it
ever harder to use ethanol in gasoline where ozone problems exist during the
summer months (e.g. Chicago and Milwaukee). The Administration should study this issue and take steps to put any royalty collections on hold. Otherwise, this situation will affect Midwestern and East Coast gasoline supplies adversely this summer, as it did last year.

The rest of our thinking is attached. Thank you for your call yesterday.
I'm available to discuss these matters with you at any time.

Bob Slaughter
NPRA 202.457.0480 x 152; home

<<natenergypul2.doc>>
Tripodi, Cathy

From: Kelliher, Joseph
Sent: Tuesday, July 03, 2001 5:15 PM
To: Tripodi, Cathy
Subject: FW: hydro licensing for principal's meeting

Predecisional: draft NEP recommendation

---Original Message---
From: Anderson, Margot
Sent: Wednesday, April 11, 2001 9:43 AM
To: Kelliher, Joseph; Kolevar, Kevin
Cc: Mansueti, Lawrence; Carrier, Paul
Subject: hydro licensing for principal's meeting

hydro talking points
NEP.wpd

Joe and Kevin,

Margot
Predecisional: draft NEP recommendations

Will this do?

Energy Efficiency
talking points...
Joe,

Just got to look at this. I was out of the office yesterday and this morning at a conference. Please let me know your reaction, and where this stands.
Jean

-----Original Message-----
From: Kelliher, Joseph
Sent: Sunday, April 29, 2001 5:05 PM
To: Vernet, Jean; Anderson, Margot
Subject: NSR

Sorry for the delay. What is your reaction to this? Looks pretty weak to me. Please advise. Thanks.

-----Original Message-----
From: Schmidt.Lorie@epamail.epa.gov
Sent: Tuesday, April 24, 2001 12:08 PM
To: Kelliher, Joseph
Cc: Stevens, Beverley
Subject: MEPD Recommendations

Joe

I believe that Tom and Rob will want to talk to you about this again --
I think we are trying to set up something for Wednesday or Thursday.

I didn't catch Jean's last name, so could you please forward this to her?

Thanks,

Lorie Schmidt
564-1661

(See attached file: nsr rec 4-24.wpd)
Kelliher, Joseph

From: Michael McCabe  
Sent: Monday, March 12, 2001 5:50 PM  
To: Kelliher, Joseph 
Cc: Haspel, Abe  
Subject: RE: Appliance Standards

Abe Haspel asked that I send you the following answers to your questions on appliance standards. It reflects Mark Friedrichs input.

Michael J. McCabe  
Acting Chief of Staff  
Energy Efficiency and Renewable Energy  
(202) 586-9155

Obtained and made public by the Natural Resources Defense Council, March/April 2002
Subject: Consumer Information Comment Form

From: [Name]
Sent: Friday, February 09, 2001 6:46 PM
To: Secretary, The
Subject: Energy Task Force

NAME: [Name]
SUBJECT: Energy Task Force
ZIP: 36549

SUBJECT: Consumer Information Comment Form
STATE: AL
TOPIC: Other
SUBMIT: Send Comments
CONTACT: email
COUNTRY: USA
MESSAGE: Please convey my displeasure to the Energy Task Force (Cheney, etc) in there even being the slightest consideration to "waive federal environmental protection laws" to assist California in their need for new power plants. I understand that governor Gray Davis has requested the Bush/Cheney administration to consider. They have plants that can generate the power and those companies opted to NOT put in the retrofits needed to update their machinery and systems. They either run at only peak times or sold
Subject: The
From: Mond, February 05, 2001 3:15 PM
To: Secretary, The
Subject: Consumer Information Comment Form

SUBJECT: VP Energy Task Force
ZIP: 19082
CITY: PA
STATE: PA
TOPIC: Other
SUBMIT: Send Comments
CONTACT: email
COUNTRY: US
MESSAGE: Dear Friends, My name is Rob McMonagle. I am a Ph.D. student in the Political Science Department at Temple University...and a former employee at both the RNC (1994) and for Congressman Robert F. Smith, Ret. (R-OR). My dissertation topic concerns America's failed energy policy during the 1990s. I am trying to reach someone at the Vice President's Energy Task Force. Would you kindly forward me that information? In addition, are you aware of any DOE programs that can help to fund my dissertation research?
Secretary, The

From: 
Sent: Thursday, January 17, 2002 10:38 AM
To: the.secretary@hq.doe.gov
Subject: investigate energy task force

Dear Mr. Secretary:

I am writing to ask that you act to make the Bush-Cheney Energy Task Force meetings public information as required by law.

The Energy Task Force meetings were held in secret mostly with people who would benefit financially from the exploitation of our natural resources. The American people have a right to know who formulated the energy policy and what their logic was in focusing on dwindling dangerous old style technology rather than pushing for clean renewable energy sources.

Particularly in light of the Enron debacle whose officials were part of the specially selected secret participants should this information be provided to all Americans. There are at least 17 provisions in the bill which benefit Enron. The information from the meetings might provide some insight as to why these decisions were made and should be public information.

I ask for your support in making this information available to investigative committees, the GAO, and the true government of this country, the American citizen.

Sincerely,

Chat with friends online, try MSN Messenger: Click Here <http://go.msn.com/bal/hmtag1_enti_EN.asp>
Secretary: 

From: 

Send: 

To: Secretary, The 

Subject: Policy 

FROM: 

NAME: SUBJEC: Policy 

ZIP: 80207 

CITY: Denver 

PARM: TO:the_secretary@hq.doe.gov 

STATE: CO 

TOPIC: Energy Task Force 

SUBMIT: Send Comments 

CONTACT: email 

COUNTRY: USA 

MESSAGE: Dear Reader—Could you please provide me with a list of the names and occupations of those individuals serving on the Energy Task Force with the Vice President and the Secretary of Energy. If the list exists somewhere on the Internet, just provide me with the website address. Many thanks very much for your help. Sincerely 

MAILADER,