February 23, 2001

The Honorable Spencer Abraham
Secretary of Energy
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Secretary Abraham:

Thank you for taking time to meet with me and my fellow CEO’s to discuss comprehensive energy legislation as well as environmental legislation for coal-fired power plants.

We look forward to working with you over the next few months to help create a much needed national energy strategy that properly balances both our environmental goals and our energy needs.

In this regard, I have enclosed a recent editorial piece that I wrote for the Indianapolis Star that discusses the importance of comprehensive environmental legislation in the context of establishing a national energy policy. It touches upon many of the points we discussed during our meeting. Also enclosed is a copy of our annual report for 2000.

Thanks again for your attention to these important issues.

Best,

[Signature]

Enclosures
Mr. Glenn English
Chief Executive Officer
National Rural Electric
Cooperative Association
4301 Wilson Boulevard
Arlington, VA 22203-1860

Dear Mr. English:

Thank you for your letter of congratulations. I appreciate your taking the time to write.

I look forward to serving the Bush Administration and the Nation as Secretary of Energy.

With best wishes.

Sincerely,

Spencer Abraham

Spencer Abraham

Printed with soy ink on recycled paper
Hello. My name is Steven Tzeferakos and I am an economist with Industry Canada HQ, (a federal government department here in Ottawa, Canada).

My director has requested that I begin to look into current and future U.S. energy policy developments, (at the moment, primarily in regards to the 'Cheney Energy Task Force' National Energy Policy Development Group which Mr. Abraham is a member of). There seems to be some material out there but I'm not quite sure how reliable some of it is. Would you be able to provide me with detailed information (reports/briefings) in regards to these initiatives, their aims, current progress/findings and related upcoming developments in this process?

Information on near term anticipated releases &/or upcoming meetings would be of use in ensuring that the Assistant Deputy Minister is up-to-date and doesn't miss anything over the next little while. (For example, I believe that in the near future there will be a House Energy Subcommittee hearing on National Energy Policy this Wednesday, and a 'Problems Report' issued by the Policy Development Group on March the 10th?) Do you have such information or know of the appropriate contacts who could help me in this matter? Your suggestions and assistance would be greatly appreciated.

Sincerely,

Steven A. Tzeferakos
NOTE TO THE HONORABLE SPENCER ABRAHAM AND ANDREW LUNDQUIST

FROM: J. Robinson West

RE: Comments and Suggestions for Bush/Cheney Energy Policy

Per our discussion, there are several basic concepts which should be kept in mind and underpin an energy program.

1. The current energy crisis took a long time to create and it will take a long time to solve.
2. The solutions should be based on market forces, which the Administration can facilitate.
3. The government already has a role in markets (access to land, taxation, environmental regulation, etc) so that the argument of "keeping government out of it" is nonsensical. The key question is what is the appropriate role for government? Doing nothing may simply reinforce existing distortions.
4. Diversity of supply equals security of supply.
5. The Bush Energy program cannot be seen as anti-environment.
6. Impacted local communities should receive some rewards, not just all of the risks, of energy developments.

Some specific thoughts include:

1. Create the position of Energy Infrastructure Coordinator (EIC) in the White House, with a specific purpose of expediting all elements of federal review and permitting for any project to be deemed of national energy significance. The basic concept would be to ensure that the federal government provides the minimum bureaucratic resistance, as appropriate, to energy projects. The EIC would have a network of energy coordinators in each relevant department and agency, and there would be specific deadlines and mechanisms to encourage accountability. It would also be useful for each state to name an appropriate official responsible to the Governor so that there would be a Federal-State partnership to expedite project development. A partial model for this role can be found in the Energy Mobilization Board legislation of 1980, which was draconian in its powers over the states. (See attached material)

2. Interstate electric transmission is a crucial issue. Federal eminent domain authority for natural gas pipelines do not apply to electricity. New approaches might include:
   A. New transmission lines needing federal siting assistance would be identified by FERC approved RTOs as part of their comprehensive resource planning process.
   B. Vest the federal power marketing agencies and federal entities such as TVA with new authority to construct such lines with limited ability to waive state and local need determinations, siting and permit requirements. Based on a valid RTO request, the Secretary of Energy would designate the appropriate federal entity to assume lead responsibility for line development.
C. By legislation, give federal eminent domain to IOUs to build RTO-approved projects.

D. Require consolidation of federal-state (including multi-state) environmental review.

E. I would also urge that the Administration encourage merchant transmission lines to be built by investors who charge negotiated rates. Furthermore, since the investors would be at risk and thus have no market power at the inception of the project, there should be no "open season" forcing them to size the project against their commercial interests.

3. The "Balkanization" of electricity regulation among the states is a serious problem which must be resisted. I would propose the creation of a program which would collect data on electricity regulation regimes, evaluate them and make a recommendation for key elements which should be included in each state regulatory program. This process would be co-chaired by a governor, perhaps Tom Ridge of Pennsylvania and an energy industry executive such as Ken Lay of Enron. The idea would be to create a system of state regulations which is mutually compatible, but each state would be responsible for designing its own system. Furthermore, states would be incentivized to comply with the program by offering powerful incentives such as no FERC requirement that neighboring states interchange power, penalties for capacity shortages, reduced federal grants, etc.

4. Related to the above, the Administration should encourage a model consumer transparency statute for states to adopt that requires electric companies to break out separately the costs of fuel/purchased power and generation capacity (depreciation, O&M, overhead, transmission/distribution costs, and margin), etc.

5. I'd suggest that the FERC, the Attorney General and whatever appropriate authorities analyze any potential instance where IPP operators may have been keeping their capacity off-line for more than necessary maintenance. If it should be proven that the operators are "gaming" the system, there should be serious penalties such as loss of licenses.

6. Consider establishing a Sallie-Mae type quasi-government agency which would later be privatized, to create a web-based efficient and simple market in fuel oil/natural gas/gasoline/electricity hedging instruments that small and medium sized businesses, and perhaps even individuals, can use to minimize, or make predictable, their future energy costs. This would give the small consumer the tools and power to manage energy risk.

(Details to follow)

7. The issue of fuel specifications has become completely unmanageable with a multiplicity of differing state regulations on MTBE and oxygenates. We are creating artificial shortage through regulation. I would suggest creating a commission with several governors, oil industry executives, representatives of the scientific community and the agriculture community, as well as the Secretaries of Agriculture, Energy and EPA to develop a strategy for fuel specifications. Dave O'Reilly of Chevron and Clarence Cazalot of Marathon would be the two best industry chairmen to work with on this issue. The commission should have a short fuse (120 days) to study the issue and report back. Based on the commissions report, legislation would be introduced as necessary, federal regulations written consistent with it and hopefully state regulations as well. There should be clear incentives for the states to comply, such as withholding of some federal highway funds, since this is a critical transportation issue.

8. To encourage international exploration by US companies for increased diversity of supply, the Administration should A) set clear standards on sanctions (no unilateral sanctions and sunset provisions) and B) clarify the issue of foreign tax credits to avoid double taxation, substantially disadvantaging U.S. companies.
9. I would suggest tax incentives be kept to a minimum for the oil and gas industry with the exception of adjustments made to eliminate distortions caused by the existing tax code.

10. The natural energy market is North America including Canada, Mexico, Trinidad, Venezuela and Colombia. This could be particularly significant for the ENG business. To focus on Mexico alone is a mistake. If interested, we can help you design a regional strategy.

11. I believe that the Administration must put forward an energy program which is seen as constructive from an environmental standpoint as well. The Administration should present a different approach than Kyoto, with a carbon emissions program which includes coverage of China and India, emissions trading and the use of sinks. I urge that the Administration be creative and flexible, and be seen as sensitive and seeking market based solutions to this difficult issue, which cannot be ignored.

12. The federal government, including the U.S. military, has substantial land which could be used to site energy projects (power generation, refineries, etc.). This should include surplus land, as well as unneeded or excess land on operating government sites. The government is holding land it doesn't need.

13. Incentives should be offered to local communities, not just the states, to encourage energy project developments. For example, coastal communities should receive some of the bonus and royalties from offshore lease sales. Currently, communities bear the risks but get no direct benefits, thus having no incentives to support energy development.

I hope that some of the above suggestions are useful. We would be happy to expand on them further should there be interest. Also, as I mentioned, we can help pull together policy documents or speeches if you need some support.

I look forward to hearing from you.
THE ENERGY MOBILIZATION BOARD

As a central element in his strategy for restoring national energy security, President Carter has proposed establishment of an Energy Mobilization Board in the Executive Office of the President. Modeled on the War Production Board of World War II, the EMB will, in the President's words, "...slash through red tape and bureaucratic obstacles and set absolute deadlines for actions at the Federal, State and local levels."

The Permitting Maze

Without an effective EMB, the President's import reduction goals cannot be met. Federal, State, and local regulation has become so complex that, for example, a geothermal power plant on the West Coast could involve at least 25 agencies, 12 public hearing requirements, multiple environmental impact statement requirements, and 12 potential opportunities for judicial challenge. Other major energy facilities, such as oil refineries and synthetic fuel plants would face similar projects. To clear these labyrinths and bring a plant on line could take at least a decade, and this could increase if a project is controversial. At this rate, it could be well past 1990 before substantial new energy capacity can be generated from alternative fuel sources.

- The Sohio Example -- Indeed, already, major projects have foundered simply because of the time, uncertainty, and resultant costs inherent in the approval process. In March of this year, for example, Sohio announced the abandonment of its five year, $50 million effort to secure the more than 700 permits necessary to revamp an existing pipeline from California to Texas to carry California and Alaskan crude oil to midwestern and eastern markets.

A Systematic Solution: The Energy Mobilization Board

Comprehensive new legislation is needed to assure that critically needed energy facilities receive prompt and priority attention from permitting agencies at each level of government. Prompt decisions -- whether yea or nay -- are essential to effective implementation of energy policy.

- Purpose of the Board -- The EMB will meet this need. Its purpose is simple: to designate critical, nonnuclear energy facilities and, for each of them, to convert disparate, disconnected proceedings and requirements into a single, coordinated decision process, expedited as much as possible, without
altering the substantive Federal, State, or local standards pertinent to securing the requisite permits.

The Board would be responsible for designating proposed energy facilities as critical to achieving national import reduction goals, and then to fix and enforce a schedule for the completion of permit decision-making on the designated facilities. No more than 75 projects could be designated at any one time.

Under the President's proposal, the Board would include three members appointed by the President and confirmed by the Senate, each serving at the pleasure of the President. One member would be designated Chairman by the President.

**Authorities Needed for Fast-Track Permit Decisions**

The President's proposal gives the EMB five basic authorities. Each of these is essential to creating a "fast-track" mechanism which is both effective in streamlining the permitting process, and balanced in maintaining applicable substantive law and minimizing changes in governing procedures. It is crucial that Congress give the Board the legal tools it needs to do the job; otherwise, the EMB could become another bureaucratic layer, and even compound the problem it is supposed to solve.

The five key features of the President's proposal are:

--- The EMB should have authority to establish a project decision schedule, binding on Federal, State, and local permitting agencies, for projects it designates as critical to the Nation's import reduction targets.

--- The EMB should have authority to waive, modify, or consolidate procedural requirements, including environmental impact statements, where such steps can be taken without curtailing adequate consideration of legally pertinent issues and without cutting off opportunity for participation by interested persons.

--- The EMB should have authority to enforce its schedule, by substituting itself for an agency
which fails to meet applicable deadlines, and making the agency's decision itself -- in accordance with applicable substantive law. If, however, a Federal, State or local agency reaches its decision on time, the EMB has no authority to overrule or change that decision.

-- For all decisions on projects designated as critical, judicial challenges should be consolidated in one Federal Court of Appeals in which the project is located and in one proceeding after the permitting process is complete, unless the EMB determines that an earlier individual suit is necessary to expedite the process or assure fairness.

-- Once the necessary approvals are secured and construction has commenced, the EMB would be able to waive or modify new or changed substantive requirements, if waiver or modification is necessary to ensure timely and cost-effective completion. The waiver authority may be exercised only on a case-by-case basis and is subject to Presidential veto.

The need to give the President a Board with the authority outlined above is widely recognized. Without it, the program to provide our basic domestic energy needs will be unnecessarily delayed by the current permit process. With an effective EMB, the Nation can move decisively on projects which are vital to our national security.
IV. THE ENERGY MOBILIZATION BOARD

The Administration has already acted under existing authority to reduce delays in the permitting of critical energy facilities. These actions already taken include:

- Procedures for setting decision schedules for critical energy facilities were established in April 1979 under the direction of the Office of Management and Budget.

- Regulations reforming and streamlining requirements of the National Environmental Policy Act (NEPA) were issued by the Council on Environmental Quality in November 1978.

- A Cabinet-level Energy Coordinating Committee chaired by the Secretary of Energy was established by Executive Order in September 1978.

In order to meet the 1990 targets for oil import reduction, however, substantial additional authority is needed to accelerate the development of the domestic energy production capacity. The President will submit legislation to Congress to create an Energy Mobilization Board (EMB). The EMB will have three members and will be located within the Executive Office of the President. EMB members will serve at the pleasure of the President and will be confirmed by the Senate.

The Board will be authorized to designate certain non-nuclear facilities as critical to achieving the nation's import reduction goals and to establish binding schedules for federal, state, and local decision-making with respect to those projects. Judicial review of EMB decisions will take place in the Court of Appeals for the Circuit in which the facility is located on an expedited basis.

If a federal, state or local agency fails to act within the specified time frame, the Board will be empowered to make the decision in place of the agency, applying the appropriate federal, state or local law. The Board also will have the authority to waive procedural requirements of federal, state, or local laws in order to expedite the development and construction of a critical energy facility. To avoid delays once construction has begun, the Board could also waive the application of new substantive or procedural requirements of law which come into effect after the construction of a project has commenced. These waivers would be granted on a case by case basis. Any EMB exercise of its waiver authority would be subject to Presidential veto.
The United States has an estimated reserve of over 10 billion barrels of heavy oil, a highly viscous, almost tar-like crude which must be heated to be produced. Much of this reserve is in California. Heavy oils are more expensive than conventional crude oil sources both to produce and to refine, though a range of good quality refined products can be produced from this source.

The President is directing the Department of Energy to decontrol heavy oil immediately. Heavy oil also would be exempt from the Windfall Profits Tax, thus allowing it to receive the full world oil price. In addition to this price incentive, the Department of Energy will take steps to assure that natural gas will be available for the production of heavy oil within current environmental constraints.

With these actions it is estimated that 500,000 B/D can be produced from this source by 1990. This initiative will have relatively little budget impact, since little heavy oil would be produced if this source were covered by the Windfall Profits Tax. While the costs of producing heavy oil varies depending on site-specific reservoir features and recovery techniques used, the Administration estimates significant recovery at or just above the current world oil price. Heavy oil production is not included within the scope of the corporation, since it is basically an extension of existing oil production technology, since the location of reserves is relatively well defined, and since decontrol and the tax exemption are sufficient incentives for its production.
VI. UNCONVENTIONAL GAS INITIATIVES

Recognizing the extremely large potential gas resources in the U.S. that exist in unconventional formations, such as tight sands, devonian shale, geopressurized methane and coal seams, the President has proposed the following initiatives, in addition to activities which the Energy Security Corporation can take, which will significantly accelerate large scale production of these reserves:

- The President, through the Department of Energy will seek action from the Federal Energy Regulatory Commission (FERC) to establish a special incentive price for natural gas from tight sands comparable to the deregulated oil price. Although the Natural Gas Policy Act deregulated other sources of unconventional gas, tight sands were not included.

- Should the FERC fail to act on this request, the Administration will seek an amendment to the Natural Gas Policy Act to deregulate such gas.

- In order to accelerate more rapidly the production of these resources, a 50.50/mcf tax credit is proposed for all unconventional gas production. The tax credit will phase out at a world oil price equivalent of $28 per barrel.

- The Energy Security Corporation is authorized to provide assistance for development of unconventional gas reserves if it determines that additional incentives are needed to meet 1990 targets. Unconventional gas producers receiving assistance from the Corporation would not, however, be eligible for the 50¢/mcf tax credit.

Production resulting from these incentives is estimated at 1 tcf to 2 tcf, or .5 to 1 MMB/D oil equivalent.

The major sources of unconventional gas are:

- Tight or low permeability gas basins in the Rocky Mountains region.

- Devonian shales of the Appalachian Basin.

- Methane from coal seams.

- Methane from geopressurized aquifers in the Gulf of Mexico.
The technology involved in the recovery of gas from
tight sands and Devonian shale expands natural fractures
in the gas holding formations. Methods of recovery include
explosive and hydraulic fracturing and the drilling of
deviated wells. Even now these sources make a significant
contribution to domestic production (which totals about
20 TCF) of about 1 TCF per year. Although production
efforts appear to be accelerating, particularly in the
Western tight gas sands basins, uncertainty about deregula-
tion of tight gas production and the inability of certain
potential users to enter into long term gas supply contracts
constrain expanded exploration and production. In general,
development of these reserves was discouraged by natural gas
pricing policies in effect prior to the enactment of the
Natural Gas Policy Act.

Although estimates of the potential production of
gas from the Gulf of Mexico varies, most
experts agree that at least 150 to 220 trillion cubic feet
(TCF) of additional gas could be recovered from these sources
at costs between $15 to $30 per barrel of oil equivalent.
The recoverable resource could prove to be much larger. The
technology for producing this gas requires further develop-
ment.
<table>
<thead>
<tr>
<th>TO:</th>
<th>FROM:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robin Johnston</td>
<td>Brandi Miller</td>
</tr>
<tr>
<td>COMPANY:</td>
<td></td>
</tr>
<tr>
<td>Secretary of Energy Spence Abraham</td>
<td></td>
</tr>
<tr>
<td>DATE:</td>
<td>02/26/2001</td>
</tr>
<tr>
<td>FAX NUMBER:</td>
<td>202-586-7573</td>
</tr>
<tr>
<td>TOTAL NO. OF PAGES INCLUDING COVER:</td>
<td>1</td>
</tr>
<tr>
<td>PHONE NUMBER:</td>
<td>202-586-5534</td>
</tr>
<tr>
<td>RE:</td>
<td>Scheduling Meeting Times</td>
</tr>
<tr>
<td></td>
<td>616-324-3390 (phone)</td>
</tr>
<tr>
<td></td>
<td>616-324-3584 (fax)</td>
</tr>
</tbody>
</table>

□ URGENT □ FOR REVIEW □ PLEASE COMMENT X PLEASE REPLY □ PLEASE RECYCLE

NOTES/COMMENTS:
Robin,
I would like to schedule a meeting with the Secretary of Energy, Spence Abraham together with C. John Miller from Miller Energy, Inc. and Bill Myler Sr. from Muskegon Development Company. The purpose of this meeting is to discuss the Energy Policy. They will be in Washington D.C. on March 13 and would like to meet between the times of 2:30 pm and the latest time to schedule a meeting. Please call and advise if you can arrange a meeting during these times.

Thanks
Dear Mr. Pettis:

The House Interior Appropriations Committee will hold a hearing at 10:00 a.m. on Thursday, March 29, 2001, on the need for, and the suggested content of, a balanced National energy policy. The hearing will take place in Room B-308 of the Rayburn House Office Building. Because of your expertise in the energy area, I am inviting you to be a witness at the hearing.

I plan to start the hearing with a brief outline of the latest Annual Energy Outlook forecast by the Energy Information Administration. After that, there will be a panel of three experts. Each panelist is asked to talk about what our National energy strategy should include and why past policies may have been less than rousing successes. Finally, there will be questions from members of the Committee and, hopefully, a lively exchange of ideas among the panelists and Committee members.

I ask that each panelist make opening remarks of about 10 or 15 minutes so that we will have ample time for questions and discussion after all the panelists have spoken. I anticipate that the hearing will last no longer than three hours.

We ask that you send us a copy of any prepared statement that you would like included in the hearing record by March 23, 2001. You can email your statements to Loretta.Beaumont@mail.house.gov and, if you have any questions about the hearing, Loretta can be reached at (202) 225-3081. If you choose to send your statement by regular mail, the address is:
House Interior Appropriations Subcommittee
Attention: Loretta Beaumont
B-308 Rayburn HOB
Washington, DC 20515

Larry Pettis
Acting Administrator
Energy Information Administration
1000 Independence Avenue, SW E1-1
Washington, DC 20585
February 27, 2001
Larry Pettis
Page Two

Thank you for your participation. I look forward to hearing your views on this critical issue.

Sincerely,

Joe Skeen
Chairman
Subcommittee on Interior and Related Agencies

Identical letters sent to The Honorable Henson Moore, The Honorable Philip Sharp, and Red Cavaney

27793
March 1, 2001

MEMORANDUM TO VICE PRESIDENT DICK CHENEY

FROM: HALEY BARBOUR

RE: BUSH-CHENEY ENERGY POLICY & CO₂

For the eight years of the Clinton Administration environmental policy prevailed over energy policy, to such an extent that Governor Bush said in the campaign that there was no energy policy in the Clinton-Gore Administration.

The country has serious energy problems; some parts of the country have an energy crisis. The Bush-Cheney Administration has publicly recognized the severity of the energy problems, and a task force has been set up to address the problem, headed by you, the Vice President.

A moment of truth is arriving in the form of a decision whether this Administration's policy will be to regulate and/or tax CO₂ as a pollutant. The question is whether environmental policy still prevails over energy policy with Bush-Cheney, as it did with Clinton-Gore. Demurring on the issue of whether the CO₂ idea is eco-extremism, we must ask, do environmental initiatives, which would greatly exacerbate the energy problems, trump good energy policy, which the country has lacked for eight years?

Clinton-Gore policies meant less energy and more expensive energy. Most Americans thought Bush-Cheney would mean more energy and more affordable energy.

cc: Andy Card
    Director Mitch Daniels
    Karl Rove
    Josh Bolten
    Larry Lindsey
Memorandum to Vice President Dick Cheney
March 1, 2001
Page Two

cc: Nick Calio
    Secretary Don Evans
    Secretary Spencer Abraham
    Secretary Gale Norton
    Andrew Lundquist
    Lezlee Westine
March 5, 2001

Secretary of Energy Spencer Abraham
US Department of Energy
1000 Independence Ave SW
Washington, D.C. 20585

Dear Mr. Secretary:

Thank you for inviting me to attend your swearing in ceremony, it was a most impressive time. A long time employee for the Department of Energy who was in front of me for the photo-op said this was the 4th swearing in ceremony he had witnessed and commented that he felt that there were as many people at yours as the other 3 combined. It was particularly nice to see so many of your family and Michigan friends represented.

I also enjoyed the opportunity of spending a few moments with former Secretary of Energy James Schlesinger and Admiral Watkins, as I had the opportunity of working with both of them during their service as Secretary of Energy.

I wanted to thank you and Jane for including me at the dinner at the Monocle.

As I indicated to you in our brief conversation, I would like to be of service to you in any way that I can help. Joe McMonigle and I had a very brief conversation and I advised him I intend to be in Washington D.C. on March 13 & 14 and would be glad to discuss any opportunities of service with him. I will await his reply.

Again, I want to congratulate you on this new position and I wish for you a very successful and happy term of office.

Sincerely,

John Miller

C. John Miller

CJM/bmm
Dear Secretary Abraham:

First and foremost, on behalf of the 2,900 employees of Rouge Steel Company, I would like to congratulate you on your appointment to lead the Department of Energy. Please accept our best wishes for success in one of the more challenging and important cabinet assignments.

As you are aware, the domestic steel industry is in a crisis of major proportions. Eleven domestic steel producers have been in bankruptcy over the past two years and some industry analysts are predicting that 50% of our Country’s integrated steel making capacity could be in bankruptcy by Easter. While much of the blame for this calamity has been focussed on the recent historic levels of illegally dumped and unfairly traded imports, rocketing energy prices have seriously exacerbated the problem – so much so that the current run up in natural gas prices has seriously threatened Rouge Steel Company and the livelihoods of our 2,900 employees and their families.

Rouge Steel requires an extraordinary amount of natural gas to fuel its blast furnaces, Hot Strip Mill reheating furnaces and Finishing Operation annealing furnaces. In 1999, the Company paid an average of $2.86 per MCF for natural gas. By late 2000, natural gas spot market prices rocketed to over $9.00 per MCF, bringing the average for the year to about $6.50 per MCF. Every $1.00 per MCF increase in the average annual cost of natural gas increases Rouge Steel’s operating costs by $20 million per year and there is no corresponding opportunity for recovery through higher steel prices. To compound the problem, unabated natural gas costs are beginning to find their way into the costs of electricity, since the only significant expansion of power generation capacity in the U.S. in recent years has been in natural gas fueled power plants.

Since June 1999, electricity prices have been anything but stable. Southeastern Michigan is a rapidly expanding region of the Great Lakes area and the demand for power is simply outstripping the supply. From a steel industry perspective, the only affordable electricity in Southeastern Michigan is offered on an “interruptible” basis and interruptible power has resulted in the shutdown of some our key manufacturing processes during summer periods of high demand. Local utilities are then forced to wheel in power from other states during the peak demand periods at outrageous premiums.
Rouge Steel has not stood idly by. In fact, we joined with Ford Motor Company in a requirements supply agreement with CMS Energy, who agreed to construct a new $400 million co-generation power plant adjacent to the Rouge Complex in Dearborn, Michigan. Construction plans were already underway when the Rouge Complex Powerhouse (jointly owned by Ford and Rouge Steel) was tragically idled on February 1, 1999 by an explosion and fire. Notwithstanding our commitment to secure competitively priced power, we continue under siege by the public utilities - now in the form of "stranded costs" or "retail operating access" charges. Detroit Edison, the local public utility, has been granted the authority by the Michigan Public Service Commission, to assess a 20% premium charge on the power delivered from a source other than Detroit Edison, despite the fact that Detroit Edison has demonstrated that it cannot meet our demands for reliable and competitively priced power.

Energy and international trade are critical policy issues facing the Bush Administration and Administration leadership and direction on these issues will have a profound impact on the domestic integrated steel industry and our Country's economic well being in the months and years ahead. Frankly, without the Administration's support, raw steel production in the U.S. will continue to decline as investment in blast furnaces will no longer make financial sense. Is the United States prepared to rely on China, Brazil and third world countries for its semi-finished steel in times of national emergency or crisis? Is our country willing to sacrifice thousands and thousands of good paying U.S. jobs to maintain a model for global trade to which few other countries are willing to abide?

After eight years of inaction by the Clinton Administration, the United States desperately needs an energy policy that encourages the exploration and expanded production of energy to meet the appetite of our growing economy. What Rouge Steel needs is (i) a stable and affordable supply of natural gas, and (ii) a reliable and competitive supply of electricity.

You have a unique opportunity to shape the future direction of our Country and impact in a positive fashion the jobs, families and communities that depend on a viable and prosperous domestic steel industry and economy. If I can be of any assistance whatsoever, please don't hesitate to contact me directly.

Sincerely,

Carl L. Valdiserri
The Secretary of Energy  
Washington, DC 20585  
March 14, 2001  
2001-005412

Mr. J. Robinson West  
Chairman  
Petroleum Finance Company  
1300 Connecticut Avenue, NW  
Suite 800  
Washington, DC 20036

Dear Robin:

Thank you for sending your comments and suggestions regarding the Bush/Cheney Energy Policy. You have presented many thoughtful and useful insights.

As a member of the National Energy Policy Development Group established by President Bush, I am committed to the development of a national energy policy. I appreciate your efforts to provide assistance, and I look forward to your continued thoughts and support.

With best wishes.

Sincerely,

Spencer Abraham
RESOLUTION NO. 01-1130

A RESOLUTION TO REQUEST UNITED STATES SENATORS FRED THOMPSON, BILL FRIST AND UNITED STATES CONGRESSMAN BART GORDON, THE U. S. DEPARTMENT OF ENERGY SECRETARY, SPENCER ABRAHAM AND THE U. S. SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES TO FORMALLY INVESTIGATE AND TAKE APPROPRIATE ACTION TO REMEDY THE NATIONAL ENERGY CRISIS AND HIGH WHOLESALE COST OF NATURAL GAS

WHEREAS, natural gas is an essential end-use fuel that heats the homes, schools and businesses in our community, and it is also an essential source fuel that provides the energy for many industrial processes including electric generation; and

WHEREAS, in the past, policy makers failed to (1) adopt a path towards adopting a sound energy policy that ensures both reasonable prices and a stable supply of natural gas, and (2) take the necessary actions to avoid placing American citizens in another cycle of "boom and bust" that will deprive them of this essential fuel; and

WHEREAS, in the past, policy makers were reluctant to investigate why this competitive market did not work and placed consumers and producers at the end of a pendulum that was swinging between price extremes; and

WHEREAS, the price spike at the natural gas wellhead that is causing natural gas prices to increase is substantially above what United States natural gas producers themselves say is sufficient to explore, drill, and deliver natural gas supplies to the various states, including Tennessee; and

WHEREAS, the recent consolidation among the major oil/gas producers, as well as other segments of the industry, gives rise to concerns that exorbitantly high prices are the result of a market led conspiracy; and

WHEREAS, the natural gas NYMEX contract is one of the most popular speculative commodity vehicles today, but speculation in natural gas prices may be fueling price volatility, if not price manipulation; and

WHEREAS, natural gas is the source fuel for 90% of the electric generation scheduled to come on-line over the next twenty years and could threaten natural gas supply and prices for those consumers that use natural gas as a primary fuel; and

WHEREAS, such exorbitantly high natural gas prices are having an adverse impact on the disposable income of American citizens in the various states, affecting many Americans' livelihoods, safety, and well being, and causing many of them to choose between staying warm, staying fed, or staying well; and

27800
WHEREAS, the only fair conclusion at this time appears to be that the natural gas supply market place is dysfunctional and needs attention at the national level.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LEBANON, TENNESSEE THAT:

Section 1. Those national authorities named herein take immediate appropriate action to conduct a formal investigation, and remedy the cause of exorbitantly high natural gas prices which have had a profound adverse economic impact on the citizens of the various American states.

Section 2. Those national authorities named herein take immediate appropriate action to formulate a long-term national energy policy that results in reliable, cost-effective and secure energy for our citizens.

Section 3. This Resolution shall take effect immediately from and after its adoption, the public welfare requiring the same.

Attest:

[Signatures]

Commissioner of Finance

Mayor

Approved as to form:

[Signatures]

Peggy J. Williams

City Clerk


DON W. FOX, Mayor
City of Lebanon
200 Castle Heights Avenue North
Suite 100
Lebanon, TN 37087

Obtained and made public by the Natural Resources Defense Council, May 2002