The Secretary of Energy  
Washington, DC 20585  

May 17, 2001  

Mr. Boris V. Yatskevich  
Minister of Natural Resources  
of the Russian Federation  
Moscow, Russia  

Dear Minister Yatskevich:

I am pleased to share with you the National Energy Policy Report of the National Energy Policy Development Group, chaired by Vice President Cheney, with recommendations to President Bush. Under President Bush's leadership, this comprehensive review of United States energy policy will serve as the point of departure for United States engagement on energy policy at home and abroad. We believe it represents a realistic assessment of the current state of U.S. energy policy and a framework for sustainable growth and development.

In the report, we recognize that U.S. national energy security depends on sufficient energy supplies at prices that support U.S. and global economic growth. Government energy policies that emphasize primary reliance on market forces have led to major energy security gains over the past two decades. Improvements in exploration and production technology, as well as the trend toward opening new areas around the globe for exploration and development, have yielded tangible and important dividends.

We recognize that as a leading producer and consumer nation, the United States cannot look at energy security in isolation from the rest of the world. In a global energy marketplace, U.S. national energy and economic security is directly linked to the adequate provision of energy supplies not only to our shores, but also to those of our trading partners. We place a high priority on strengthening our alliances and deepening our dialogue with major energy producers around the world and would like to work with you to ensure greater diversity in world energy production.

The United States supports a practical, market-based approach that encourages the adoption of more efficient technologies including natural gas, clean coal, nuclear, and renewable-energy technologies. Encouraging greater diversity of energy production, and as appropriate, transport facilities, within and among geographic regions is a worthwhile goal with obvious benefits to all market participants.
Let me close by reaffirming the commitment of the Bush Administration to the environment. The U.S. is a world leader in the development of clean energy technologies, and we are confident that we can encourage energy resource development while continuing to protect and enhance our environment.

I look forward to working with you to implement this Report as I believe it will benefit the citizens of all our nations.

Sincerely,

[Signature]
Spencer Abraham

Enclosure

28185

Obtained and made public by the Natural Resources Defense Council, May 2002
May 23, 2001

President George W. Bush
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear Mr. President:

We are writing in regard to the recently released report by the National Energy Policy Development Group, "National Energy Policy". As you know, this report encourages an increase in the use of nuclear power. Despite tremendous effort, however, our nation still has not developed a sound science and policy program to deal with the existing waste. Although the report recommends using the "best science to provide a deep geologic repository for nuclear waste," no nation, including the United States, has found a suitable geologic repository to safely isolate the waste.

As you know, we are deeply concerned about this issue, because the only site being considered for a proposed repository is at Yucca Mountain, Nevada. This site would be located approximately 90 miles from Las Vegas, the largest city in Nevada and one of the fastest growing cities in the United States. In addition to being home to more than 1.3 million Nevadans, Las Vegas and its neighboring communities draw more than 30 million visitors each year. Nevada communities rely on the water resources below Yucca Mountain for drinking water, livestock production, and other agriculture activities. Radiation contamination of this groundwater or the surrounding environment would create an unacceptable human health risk and would threaten the tourism and recreation-based economy, which provides jobs and important tax revenue to Nevada and its communities.

We are concerned that the report's recommendation for more nuclear power production will lead to additional pressure to move forward on Yucca Mountain, despite the known scientific and public policy shortcomings. Because of these concerns, we cannot support:

1. the relicensing of existing nuclear power plants or the licensing of new nuclear power plants; or
2. the reauthorization of the Price-Anderson Act, a controversial Department of Energy and nuclear power industry liability program.

The continued prosperity of our nation depends upon an evolution in the way our nation produces and uses energy. We cannot support, however, any initiatives that increase the possibility that Yucca Mountain will become the repository for the nation's nuclear waste.
are willing to work with you to address these problems and make this energy report a document that all Americans can support.

We appreciate your consideration of our concerns and look forward to hearing from you.

Sincerely,

HARRY REID
U.S. Senator

JOHN ENSIGN
U.S. Senator

SHELLEY BERKLEY
Member of Congress

JIM GIBBONS
Member of Congress

Obtained and made public by the Natural Resources Defense Council, May 2002
The Real Estate Roundtable

May 23, 2001

President George W. Bush
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Re: National Energy Policy

Dear Mr. President:

I am writing on behalf of The Real Estate Roundtable to express our industry's gratitude and support for your ongoing efforts to establish and implement a forward-thinking national energy policy. The strength of the commercial and residential real estate sector of the economy — representing more than 25% of our nation's GDP — and our ability to accommodate the needs of America's families and businesses depends on a reliable, cost effective and environmentally sustainable supply of energy.

The Real Estate Roundtable is the organization where the leaders of the nation's top public and privately held real estate ownership, development, lending and management firms work together with leaders of major national real estate trade associations to jointly address key national policy issues relating to real estate and the overall economy. Collectively, Roundtable members hold portfolios containing over 2.5 billion square feet of developed property valued at more than $250 billion. Participating trade associations represent more than 1 million people involved in virtually every aspect of the real estate business.

In our view you, Vice President Cheney and the National Energy Policy Development Group have correctly built your policy prescriptions on a practical and realistic diagnosis of the current energy challenges that face the country. At the same time, you rightly ask the country to aspire to yet greater achievements in developing the technology and expertise necessary to advance the state of the art in the exploration, development, production and the efficient use of energy.

We applaud the Report's inclusion of a discussion regarding ways that improved energy efficiency in buildings can help advance the nation's energy goals. We agree with the Report's conclusion that "there are significant opportunities to improve the energy efficiency of buildings and homes through technologies and better practices." While the Report correctly points out real and perceived barriers to energy efficiency improvements in buildings, you should be aware that private sector leadership from within our industry, and an ongoing partnership with DOE and EPA, are pointing the way to practices and investments that can help overcome these obstacles.

1420 New York Avenue, NW • Suite 1100 • Washington, DC 20005 • Phone: 202-839-8400 • Fax: 202-839-8442 • www.rea.org

28188

Obtained and made public by the Natural Resources Defense Council, May 2002
President George W. Bush  
May 23, 2001  
Page 2

An important public-private collaboration highlighted in the Report is the highly successful energy star family of programs housed at the EPA and the Department of Energy. Our industry helped launch the Energy Star Building Label program and today over three-quarters of the largest office real estate investment trusts participate in the Energy Star Building Program. EPA has estimated that if all commercial buildings took the straightforward voluntary measures recommended by that program, the nation would save $130 billion in energy costs in just 15 years while also reducing air pollutants and emissions associated with the production of the energy.

We look forward to working with you, Secretary Abraham and Administrator Whitman to build on this existing partnership and recommit our industry to an ambitious industry-wide energy efficiency campaign. We also look forward to helping recommend and advance highly targeted and cost-effective incentives (through tax and other policy changes) to encourage a new generation of high-performance commercial and residential buildings. Finally, we believe there are opportunities to work with DOE, EPA, The Federal Energy Regulatory Commission and Congress to remove barriers to the increased use of on-site generation technologies.

In short, we believe your Report points the country in the right direction and that, in concert with the substantial expertise already established at DOE and EPA, our industry stands ready to help in this effort.

Sincerely,

Jeffrey D. DeBoer  
President and Chief Operating Officer

JDD/1k

cc: The Hon. Richard B. Cheney  
The Hon. Christine Todd Whitman  
The Hon. Spencer Abraham
May 23, 2001

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

Dear Mr. Secretary:

As you prepare to report to Congress on the status of crude oil and gasoline inventories and the effects of fuel price volatility, I want to share with you information we recently provided to all Members of Congress regarding the steps the U.S. oil and natural gas industry's 1.4 million employees continue to take to provide American consumers with reliable, affordable fuels. Despite their efforts, a number of factors continue to cause fluctuations in the price of gasoline and other fuels made from crude oil and natural gas. These factors include, but are not limited to, unscheduled refinery or transportation problems, seasonal gasoline specification changes, global crude oil price fluctuations, and unforeseen changes in gasoline demand.

Over the past year, refiners have worked at record levels to produce all fuels. As of May 18:

- Year-to-date total inputs into the nation's 152 refineries have increased 2.9 percent from the same period last year;
- Refineries nationwide have run at 91.6 percent of capacity year-to-date, over 2 percentage points higher than during the same period last year;
- In the most recent week, capacity utilization measured 95.2 percent, over 3 percentage points higher than at this time last year and the highest level so far in 2001;
- Crude oil inventories are more than 21 million barrels above year-ago levels at 326 million barrels;
- Year-to-date production of distillate fuels (heating oil and diesel fuel) has risen 4.4 percent from the same period last year; and
- Year-to-date production of residual fuel (used in electricity generation) has risen 24.1 percent from the same period last year.

During the week of May 18, production of gasoline reached a time-of-year record for the sixth week in a row as refiners continued to maximize production in advance of the summer driving season. Inventories of gasoline rose 1.2 million barrels for the week and remained about one percent above last year’s level. The transition from winter grade to summer grade RFG, requiring the near emptying of storage tanks to handle the more stringent specifications of the summer blend, has affected inventories in the past. In the most recent week, nationwide RFG inventories were 8 percent below this time last year. Low inventories, coupled with a year-to-date demand increase of 2.4 percent (through April) and an output decline of almost 1 percent have contributed to the recent gasoline price volatility.
The Honorable Spencer Abraham  
May 24, 2001  
Page Two

The "balkanization" of the fuel market brought about through regulatory compliance greatly reduces refining and supply flexibility. Reduced flexibility means that relatively minor disruptions and downtime for maintenance can have a much more disruptive impact on the market. Given this reduced flexibility, we still remain vulnerable to price spikes.

Our industry will continue to do its utmost to serve its customers and satisfy the expected continued high demand for gasoline this summer in all regions of the country. We are also urging consumers to find ways to use gasoline more wisely and efficiently. Through our website (www.api.org) and other means, we have suggested different ways to achieve this. We strongly believe that conservation is a 'today' response. We can do our part by using energy wisely. This provides us time for the longer-term solutions to kick in. Our industry is a leader in "voluntarily developing 21st century technologies that save energy in producing the fuels needed to grow the American economy. We're doing our part. For instance, for every dollar of gross domestic product, we use nearly 53 percent less petroleum and natural gas than we did in the early 1970s.

Nonetheless, we recognize that until a national energy strategy is implemented that addresses the long term adequacy of supply and our energy infrastructure, we will continue to operate with such thin capacity margins that periodic episodes of volatility in prices are likely to continue. As part of our efforts to help consumers better understand the current energy situation, we have recently inaugurated a 2001 Summer Driving Season site on our Internet site. You may be interested to learn that it provides several links to your department's website.

DOE is also working to improve communications. It has worked closely with the National Association of State Energy Officials to improve information dissemination and coordination of activities in periods such as the Heating Oil situation in 2000.

We also stand ready to work with you and the Administration on international matters that directly affected our energy security. We are pleased that President has directed you and the Secretaries of State and Commerce to continue supporting American energy firms competing in markets abroad and sectoral trade initiatives to expand investment and trade in energy-related goods and services. We would encourage the Department of Energy to be directly involved in the President's directive to the Secretaries of State, Treasury and Commerce to conduct a comprehensive review of sanctions and their effect on our energy security. We believe that U.S. unilateral economic sanctions work to the detriment of our energy security and trade. Finding a suitable mechanism for encouraging global supply growth and U.S. participation in that growth without sacrificing foreign policy goals is perhaps the greatest challenge faced by the U.S. in developing its new national energy policy.

We stand ready to help contribute to a national energy plan that recognizes our nation's continued growing demand for all forms of energy, while ensuring the quality of the environment. If you have any questions, please contact me. Thank you.

Sincerely,

Red Cavaney
Ideal Electric Holding Company

Michael M. Vuicic
President and Chief Executive Officer

May 23, 2001

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

Dear Mr. Secretary:

Your excellent article in the Wall Street Journal on Friday, January 18, 2001, brought to my attention your main concern with the reduction of our dependance on the foreign supply of oil and gas. It should also include the security of the remaining domestic manufacturers of electric generators, motors and other equipment required by the new National Energy Plan proposed by Vice-President Dick Cheney and announced last week in Minneapolis, MN by President George W. Bush.

Decline in demand for the past decade has greatly reduced our domestic capability to manufacture products that would support this National Energy Plan. The recent increased demand is presently supplied mostly by the foreign electric generator and motor companies. Domestically, beside giant GE, there are only a limited number of surviving manufacturers of those products, including our two small independent operations. From United Technology Carrier Corporation in 1986, we have acquired in a management buyout Ideal Electric Company founded 1903 in Mansfield, Ohio and two years ago we acquired Electric Machinery Company, Inc. founded in 1891 in Minneapolis, Minnesota from Dresser Rand of Haliburton Company. We have 500 employees with USWA Local 8530 in Ohio and IUE Local 1140 in Minnesota representing the hourly employees. Our electric generators up to 120 MW are used with the diesel engines, gas, as well as steam turbines in the co-generation and hydroelectric projects. Our electric motors up to 150,000 HP are used for gas pipeline and petrochemical compressors and other industrial applications. Enclosed are some products brochures illustrating applications of our products. We export more than one third of our electric generators and motors and have received in 1994 Ohio Governors “E” award for excellence in export.

At present, both of our operations are in a difficult financial situation with our commercial lenders due to the aggressive penetration in our domestic market of the large foreign companies. Some government limited financial guaranties would greatly improve the survival of our two strategically important domestic independent electric generator and motor manufacturing operations. The U.S. Department of Energy should seriously consider to urgently establish, under the new National Energy Plan, a limited financial guarantee program, similar to the U.S. Department of Agriculture Business and Industry rural communities or the Small Business Administration programs.
The Honorable Spencer Abraham  
May 23, 2001  
Page 2  

One of our two operations, Electric Machinery Company Inc., would immediately benefit from having a U.S. Department of Energy limited guarantee of the $13.0 million line of credit with the National City Bank in Cleveland, Ohio. Ideal Electric Company's $12.0 million line of credit with the Huntington National Bank in Columbus, Ohio has been recently refinanced with Bank One in Cincinnati, Ohio with the personal guarantees of owners/managers.

I would appreciate an opportunity to meet with you or your appropriate associates to discuss possibilities for such U.S. Department of Energy limited financial guarantee program.

Sincerely,

[Signature]

Enclosures

cc:    Mr. Dick Cheney, The Vice-President of the United States  
       Mr. George Voinovich, United States Senator - Ohio  
       Mr. Michael DeWine, United States Senator - Ohio  
       Mr. Paul David Wellstone, United States Senator - Minnesota  
       Mr. Mark Dayton, United States Senator - Minnesota  
       Mr. Michael G. Oxley, United States Representative - Ohio  
       Mr. Martin O. Sabo, United States Representative - Minnesota  
       Mr. Leo Gerard, President, USWA, AFL-CIO-CLC  
       Mr. Edward L. Fire, President, IUE - CWQ
May 24, 2001

The Honorable Spencer Abraham
Secretary, Department of Energy
1000 Independence Avenue SW
Washington, DC 20202

Dear Secretary Abraham:

Please find enclosed a copy of energy principles endorsed by an ad-hoc group of energy consumers, as distinct from energy producers, consisting of: American Chemistry Council, American Forest and Paper Association, American Iron and Steel Institute, American Portland Cement Alliance, Electricity Consumers Research Council, Gypsum Association, and Process Gas Consumers Group.

They were shared with the White House earlier this month. If you have any questions or would like to discuss them further, I am certain that representatives of the respective groups would be happy to meet with you at your convenience.

Sincerely,

Richard C. Creighton
President

Attachments: Energy Consumer Issues
Letter to Kirk Blalock
ENERGY CONSUMERS ISSUES
May 3, 2001

- Encourage the use of diverse types of fuel: oil, gas, coal, nuclear, renewable and alternative energy (such as: solar, wind, geothermal, tires, waste, and hydropower).

- Promote the development of robust electricity and natural gas markets to mitigate market power abuse by directing DOJ, FTC, SEC, and FERC to modify, identify, and remedy anti-competitive behavior.

- Expedite and broaden access to federal lands for exploration and production of gas, oil, coal and geothermal energy.

- Streamline the regulatory process at FERC, BLM, DOI, EPA, and DOC to encourage expeditious natural gas pipeline certification and construction commensurate with health and environmental protection.

- Maintain ability of end users to connect directly to interstate natural gas pipelines on a non-discriminatory basis.

- Maintain Public Utility Regulatory Policies Act (PURPA) provisions that address the purchase and sale of power between utilities and qualified facilities.

- Empower FERC with the ability to require all transmission facilities within a region to participate in a Regional Transmission Organization (RTO) to prevent undue discrimination, remedy market power, or as a generic condition to mergers or grants of market pricing authority. Such RTOs should be independent organizations that are of appropriate scope and configuration to mitigate dominance by individual participants.

- Minimize or eliminate environmental permitting hurdles including the New Source Review program for all affected facilities.

- For interstate electricity transmission facilities, empower FERC with authority over siting and direct FERC to establish a streamlined permitting process. Additionally, allow unrestricted sales to the grid.

- Encourage increased energy efficiency and technology through competitive market forces and appropriate incentives.

These principles are endorsed by the following organizations: American Chemistry Council, American Forest and Paper Association, American Iron and Steel Institute, American Portland Cement Alliance, Electricity Consumers Resource Council (ELCON), Gypsum Association, and Process Gas Consumers Group.
Dear Secretary Abraham:

Sam and I so enjoyed seeing you again last week. We very much value our friendship with you, and we are so proud of the extraordinary role you are now playing in securing and shaping America’s scientific, national security and economic future. If you need anything from either of us at any time, please do not hesitate for a moment to call. We stand ready to help you any way we can.

Spence, we have known since April 6 that you will not be able to join us at the White House and address the dozens of women state lawmakers and more than 100 Native American governors, presidents, chairpersons and other top elected leaders participating in NFWL’s Networking Day this year. And we were just informed that you won’t be able to join us at the National Press Club for our June 1 luncheon.

We are working with your Intergovernmental team to set up a briefing on the Administration’s energy plan for legislators and tribal leaders on May 31 at DOE. We would still love to have you join us any time from May 31 to Sunday June 3. We can reconstruct our agenda around yours on very short notice. Spence, I think it is so important that top officials of the new Administration interface with and get their message heard by as many women state legislators and tribal leaders as possible at this key juncture.

Also, if your staff could distribute to your staff, your White House Liaison John McCutcheon and his Special Assistant Josh Hutchison, and as many DOE officials as you consider wise the attached invitation to our reception on Friday evening, June 1, we will do all we can to make them feel welcome and help them meet key leaders there.
Among those present during our conference are Jicarilla Apache Chairwoman Claudia Muniz. As you no doubt know, the Jicarillas own one of the world's largest supplies of natural gas. This is the caliber of leader interested in hearing DOE's message and sharing theirs.

Spence, please know that Sam and I think of you every day, and we both wish you the very best of good fortune in your new leadership role. We look forward to helping you this way and every other way we can in the months and years ahead.

Sincerely,

Robin Read
President & CEO
National Foundation for Women Legislators
National Congress of American Indians
Women's Business Network and
Campaigns & Elections Magazine

Invite you to attend

The Women and Tribal Leaders’ Reception

An Extraordinary Networking Opportunity among . . .

Bush Administration officials and staff
Congressional staff
Women state lawmakers
Elected Native American leaders
Campaign experts and political consultants

6:00 to 8:00 p.m.
Friday, June 1, 2001
The Ballroom
Washington Marriott
1221 22nd Street N.W.

872-1500 (hotel)
337-3565 (NFWL offices)

If you are definitely attending, call us at NFWL and let us know.
Last-minute RSVPs are welcome.

WOMEN LEGISLATORS: THE POWER TO MAKE A DIFFERENCE
The Foundation qualifies as a tax-exempt organization under 501(c)(3) of the Internal Revenue Code, Tax ID number 52-1480785

28198
May 25, 2001

The Honorable Spencer Abraham
Secretary of Energy
Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Dear Mr. Secretary:

We have written to you previously about the importance of legislation to create a mandatory system of electric reliability rules. We commend the National Energy Policy Development Group for recognizing the need for enforceable reliability standards. As the National Energy Policy observes, there is broad agreement that reliability standards should be enforced by a self-regulating organization subject to Federal Energy Regulatory Commission (FERC) oversight.

We are particularly encouraged that the National Energy Policy Development Group has acknowledged the importance of legislative action on reliability, through its recommendation that you, working with FERC, develop legislation providing for the enforcement of reliability rules by an industry self-regulating organization overseen by FERC. As you know, these are the fundamental principles embodied in the consensus reliability legislative proposal developed under the auspices of the North American Electric Reliability Council (NERC).

As you move forward to implement this portion of the National Energy Policy, we urge you to adopt the NERC consensus language as your model. In so doing, the Administration can take advantage of the lengthy process of negotiation and compromise that produced this legislative proposal, which has achieved bipartisan support, and is included in the comprehensive energy legislation introduced in the Senate by Senator Murkowski (S. 388) and Senator Bingaman (S. 597). This language also has been introduced in the House with bipartisan support as a stand-alone measure (H.R. 312).

Of particular importance to those of us in the West, the NERC consensus language provides appropriate delegation and deference to interconnection-wide
reliability entities (proposed new Federal Power Act section 218(h)). This language recognizes that unique regional needs must be addressed, and offers an agreed-upon means to enable continued cooperation and coordination on reliability matters within the Western Interconnection. We also feel strongly that the provisions confirming the role of regional advisory bodies (proposed new Federal Power Act section 218(n)) provide a necessary mechanism to enable the states within a region to offer their informed advice on matters such as governance, reliability standards and associated fees.

Timely Congressional action on reliability legislation is an urgent priority. The NERC consensus reliability language offers to the Administration a workable solution that is ready for prompt consideration and enactment by Congress. As a result of the inclusive process through which it was developed, the NERC consensus language addresses the myriad of needs that must be considered in the context of reliability legislation. Efforts to significantly modify or abbreviate this language risk disrupting the current broad support for the NERC reliability language and could substantially delay action on reliability legislation. We strongly urge you to utilize this proposal as the basis for going forward in response to the recommendations contained in the National Energy Policy.

We look forward to working with you in the important effort to enact needed reliability legislation at the earliest possible time.

Sincerely,

Ron Nunnally
Chair, WICF
Florida House of Representatives

Jerry Paul
Deputy Majority Whip
Representative, District 71

May 25, 2001

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

Dear Mr. Secretary:

Enclosed is an article appearing in the Charlotte Sun Herald in Port Charlotte, Florida relating to our energy policy.

As a member of our Southern State’s Energy Board, I was pleased to provide input to Vice President Cheney’s Energy Task Force. As a former power plant engineer, nuclear engineer, and State Legislator I cannot overstate the extent to which I am pleased with the responsible, accurate and comprehensive recommendations of the Task Force Report.

I would welcome an opportunity to assist you in any way on issues relating to our nation’s energy policy.

Please call on me any time.

Respectfully,

Jerry Paul
District 71

Enclosure

JP:jh
Paul: Nuclear needed

Says he'll use education to provide oversight

By GREG MARTIN
Staff Writer

President George Bush's administration contends that nuclear power should be included among the solutions to address the nation's "energy crisis" — and Florida should be no exception, according to state Rep. Jerry Paul, R-Port Charlotte.

However, Florida Power and Light officials said in a recent annual report that Florida doesn't face an energy crisis. FPL plans to increase its generating capacity by 33 percent over the next 10 years, "using environmentally friendly natural-gas technology," according to the report. Rep. Paul, however, cited the fact that nuclear power has proven to be "the safest and cheapest" source of electrical power, compared to coal, gas and oil-fired plants.

"We've got to make sure Florida does not get trapped in a California scenario," Paul said. "If we don't have the capacity then our electric rates will go up.

"Really, the touchstone is all of this, the primary goal, has got to be to keep the cost of electrical power as low as possible."

Paul, a member of the state's House Committee on Utilities and Telecommunications, was appointed this year by House Speaker Tom Feeney to the Southern States Energy Board. Florida Sen. Tom Lee, please see PAUL, page 8

The Crystal River nuclear power plant is one of three nuclear power generating stations in Florida.

The Sun /Wednesday, May 23, 2001

DIG ONE

PAUL

From page 1

R-Brandon, is the state's other representative on the board.

Paul was reached in Miami Tuesday where he was attending a two-day meeting of the JSE board to discuss the hurdles to nuclear power projects in the Southeastern United States.

Paul said he hopes to use his educational background to oversee the expansion of nuclear power in Florida. The Port Charlotte attorney earned degrees in marine engineering at the Merchant Marine Academy in Maine in 1983, and in nuclear engineering at the University of Florida in 1991.

"We're talking about the state's role in overseeing our nuclear industry," Paul said.

One of the biggest issues for the state is the storage of spent fuel rods, Paul said.

In Florida, those hazardous materials have been temporarily stored in pools on the site of FPL's three nuclear power generating stations.

Those stations include: two reactors at Turkey Point near Homestead, two reactors at St. Lucie and one reactor at Crystal River.

Board members from other states also discussed their concerns, including how to dispose of radioactive wastes from nuclear weapons facilities, Paul said. Florida currently has no such facilities.

Paul argues that nuclear materials are naturally found in the ground and could be stored there. One factor that has held the industry back has been the federal government's reluctance to establish a national nuclear waste storage facility, Paul said.

Former President Jimmy Carter closed two facilities that reprocessed spent fuel rods so they could be fissloned a second time, Paul said.

"He forced every state to basically state its own waste," Paul said. "That cost us all a lot."

Some 20 years ago, Congress vowed to establish a national storage facility by the year 2000 at Yucca Mountain, Utah. However, that facility is currently 10 years behind schedule, according to Paul.

Paul said Florida currently produces about 40,000 megawatts of power, with 20 percent derived from nuclear power.

The state has a "deficit of about 13,000 megawatts" due to growth projections and increased use of computer technology, he said.

To avoid a crisis like California's, Florida needs to diversify its power sources, Paul said. California not only depends heavily on natural gas, but it also was blocked by "extensive lawsuits" from building new power plants for the past 10 years, Paul said.

However, Paul emphasized that Florida needs to first promote energy conservation and alternative sources such as wind, solar and "biomass" fuels.

After nuclear power, the next cheapest is coal. But coal pollutes the air with sulfur dioxide, Paul noted. Natural gas is cleaner, but Florida would require pipelines to get the gas, he added.

"There is no free lunch," he said. "It is costing us a lot. And there is an environmental toll."

However, FPL's report outlines its 10-year plan to increase capacity by 33 percent using natural gas.

A pipeline has also been recently permitted to run from Texas through the Gulf of Mexico to Port Manatee. The pipeline will then cross the state to Port Pierce with a spur to the south.

"Unlike California, Florida customers enjoy an adequate supply of electricity," said FPL President Paul Evanoff. "Our expansion program reflects our commitment to maintain sufficient reserves while remaining one of the cleanest utilities in the country."

You can e-mail Greg Martin at gmartin@sun-herald.com

Obtained and made public by the Natural Resources Defense Council, May 2002
Honourable Spencer Abraham,
The Secretary of Energy,
Department of Energy
Washington D.C.
U. S. A.

RE: NATIONAL ENERGY POLICY REPORT OF THE NATIONAL
ENERGY POLICY DEVELOPMENT GROUP

This is to acknowledge, with thanks, the receipt of the U.S.A National Energy Policy sent through the Embassy of the United States of America in Nigeria.

2. I have read the document and noted with pleasure the steps your country intends to take to ensure an economic, reliable and adequate power supply to its citizens. I am pleased to read your Chapter Seven which deals with America’s Energy Infrastructure, particularly the restructuring of the electricity industry. Nigeria is presently restructuring the power sector, and we hope to set up the Nigerian Electricity Regulatory Commission (NERC) by the end of this year and I believe we have a lot to learn from your country’s experiences in this area.

3. I thank you once again for the documents, and look forward to meeting you as we strengthen our relationship through the Nigeria/USA Energy Consultative Group.

Dr. Olusegun Agagu
Honourable Minister of Power & Steel
American Superconductor

REVOLUTIONIZING THE WAY THE WORLD USES ELECTRICITY

Gregory J. Yurek
Chairman of the Board
President and CEO

May 31, 2001

Hon. Spencer Abraham, Secretary
United States Department of Energy
1000 Independence Avenue, S.W.
Washington, DC 20585

Dear Secretary Abraham:

I was very pleased to have the opportunity to meet you at the Competitive Enterprise Institute's dinner on May 24 and to hear your remarks focusing on the need to upgrade the nation's power grid. I would like to congratulate you and the other members of Vice President Cheney's Task Force upon the issuance of the Report of the National Energy Policy Development Group. This document clearly illuminates the energy challenges our nation faces. There can be no serious disagreement with the report's three basic conclusions: we must increase our nation's available energy supplies and generation capacity; we must find ways to use energy more efficiently; and, as you emphasized in your CEI remarks, we must significantly strengthen the nation's delivery infrastructure.

As the CEO of American Superconductor Corporation, the world's leading company in developing and commercializing high temperature superconductor (HTS) wires, I was pleased to find prominent reference to the role that superconductor technologies can play in meeting our nation's power capacity and reliability challenges. The report calls for superconductivity to receive priority attention as a research topic in the context of a call for a new, more fully integrated national grid. Let me emphasize that superconductor-based technology can advance the goal of creating a new national grid, not just in the distant future, but in the very near term. I would like to highlight four specific comments and recommendations related to the Administration's recent report. These are as follows:

NEPDG Report: The Task Force appropriately emphasized the need to fortify our electric power delivery infrastructure.

- **American Superconductor Comment**: The Department's transmission reliability study should explore dynamic stability issues fully, and identify the near-term potential to use advanced, active power technologies such as SMES (superconducting magnetic energy storage) to improve wide-area grid stability. Active power technologies based on superconductivity are commercially proven. Deployed on a grid in a distributed pattern, so-called distributed SMES systems (D-SMES) can have an immediate, large and beneficial impact on the operation of the nation's grid this Summer by effectively increasing the transmission capacity of the existing network, with no siting or environmental permitting process required.

Two Technology Drive  Westborough MA 01581-1727  ph 508.836.4200  fx 508.870.1871  gyurek@amsuper.com

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Obtained and made public by the Natural Resources Defense Council, May 2002
NEPDG Report: The Task Force articulated the concept and highlighted the economic and competitive value of an integrated "national grid," and directed the Department to complete a study of this concept by December 2001.

- **American Superconductor Comment:** The Department should advance this concept by immediately undertaking a study of the benefits and costs of a national system of direct current (DC) superconducting links overlaying the existing, conventional alternating current (AC) grid. HTS wire will soon be available in commercial quantities and an initial segment of this network can be constructed in a short period to validate the concept. This project also would spur private investment in expanding the superconducting grid in the same way the Government's role in ARPANET initiated take-off of the Internet by private capital. This initial project would also drive further development of the nation's superconducting industrial infrastructure and yield collateral benefits to our military, particularly in deployment of superconducting electric propulsion systems on Navy vessels.

NEPDG Report: The Task Force emphasized the importance of improving our nation's energy efficiency.

- **American Superconductor Comment:** The Department should propose tax or other incentives for the adoption of high-efficiency superconducting generators and motors that can significantly improve the efficiency of electric power production and consumption. Since large, industrial motors account for about 30% of U.S. electricity demand, a 2% gain in efficiency can yield major savings in national electricity use. The adoption of such incentives can help to ensure that these promising technologies are brought to full commercialization in the near term, within two to three years.

NEPDG Report: The Task Force emphasized the need for mandatory reliability standards, and also highlighted the growing importance of power quality to meet the needs of the digital age.

- **American Superconductor Comment:** The Department should work with the Congress to develop legislation in this session that will enforce specific "level of service" and reliability standards which in turn will provide a needed incentive for grid operators and users to employ advanced reliability technologies. Furthermore, the Department should analyze the benefits of developing and implementing power quality standards to provide added incentive for utilities, equipment manufacturers and end users to find cost-effective solutions for this important problem.

As I mentioned at our brief meeting on May 24, I would like to request the opportunity to meet with you and members of your staff to explore these recommendations in greater detail. I will contact your office within the next week to arrange such a meeting.

With this report, the Bush Administration has established reliance on market forces as the cornerstone of its energy policy. Yet there are many concrete reforms government must
implement to promote the vision of a more fully competitive, technologically advanced electric power industry. Responsibility for implementing reforms and establishing incentives lies at various levels of government: with the Bush Administration, the Congress, the Federal Energy Regulatory Commission, state utility commissions and other bodies. I look forward to presenting our recommendations and discussing these issues with you in greater detail.

Let me conclude by congratulating you again for the excellent work of the Task Force, and by repeating my invitation to you to participate in the dedication of the Detroit Edison HTS cable demonstration project that will take place later this year. Finally, as the Department moves forward and pursues the important tasks set forth in the President's report, I hope you and your staff will feel free to call on our company at any time for supplemental advice and perspective related to the subjects covered in this letter.

With all best wishes,

[Signature]

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May 30, 2001

The Honorable Richard Cheney
Vice President of the United States
The White House
Washington, DC 20501

Dear Mr. Vice President:

Human Rights Watch is seriously concerned about the implications the Administration’s recently released energy strategy may have for the protection of human rights in energy producing nations.

Appropriately, the report of the National Energy Policy Development Group analyzes the impact of energy development on the environment. Remarkably, the report’s 170 pages and 105 recommendations do not once acknowledge the impact energy development may have on human rights. On the contrary, the report suggests making energy security an even greater priority in U.S. relations with some of the worst violators of human rights around the world, while proposing no strategy to keep necessary oil investment from perpetuating dictatorships or fueling conflicts, as it has in countries such as Angola, Nigeria, Sudan and Iraq.

The omission of human rights considerations from a global U.S. energy strategy might have been understandable a few decades ago. Today, given the repression and violence that has so long been evident in so many energy-producing nations — in some cases aggravated by oil and gas discoveries — the omission is troubling. We hope the President will take steps to correct it. The world needs to hear that when it comes to advancing human rights, the United States will not give oil and gas producing countries a pass.

Let me summarize our specific areas of concern, as well as our recommendations.

Misure of Oil Revenues

The misuse of energy revenues by abusive governments is a problem that plagues this industry globally. Undemocratic and abusive governments have little incentive to use the wealth that energy development generates to become more democratic, transparent, or accountable. Rather, the wealth created by energy reserves yields an enormous incentive to consolidate power and drain public funds for personal gain.

For this reason, we recommend the energy strategy for recognizing the need for “more transparent, accountable, and responsible use of oil resources” in Africa. We are troubled, however, that this statement in the report applies only to
Africa, and only in the context of enhancing "the security and stability of investment." This approach suggests that corruption is not an issue in other parts of the world, and ignores the detrimental impact it also can have on human rights and democratic development – something for which there is ample evidence in the State Department's own annual Human Rights Report.

The autocracy of Azerbaijan, for example, which is positively featured in the energy report, is among the five most corrupt nations in the world, according to Transparency International. The Azerbaijani leadership has maintained its grip on power – and control over energy revenues – by stifling dissent and rigging elections. Kazakhstan, also highlighted in the report, is another prime example of the connections between energy development, corruption, and political repression. On June 12, 2000, the United States Department of Justice wrote to Swiss Authorities requesting information regarding the "alleged use of U.S. banks to funnel funds belonging to certain oil companies through Swiss bank accounts and shell companies in Switzerland and the British Virgin Islands for ultimate transfer to present and former high-ranking officials of Kazakhstan." At the time these alleged transactions, President Nursultan Nazarbayev was consolidating his authoritarian control over Kazakhstan's political and economic life, undermining freedom of speech, assembly, and association, and granting himself lifetime powers and immunity from prosecution.

The question is not whether energy companies should do business in these countries, but whether their engagement yields repression or progress for ordinary citizens. At the least, basic standards of transparency and respect for human rights should be an important condition for any financing for energy development that the U.S. government approves or supports through the U.S. Export-Import Bank, the Overseas Private Investment Corporation, the World Bank or regional development banks. The energy strategy should also insist that the U.S. Foreign Corrupt Practices Act be rigorously enforced. It should support audits of opaque oil-rich states by the International Monetary Fund. It should urge governments to make their revenues, budgets and expenditures publicly known. And it should endorse the use of human rights impact assessments for future energy projects.

Corporate Responsibility

It is regrettable that so many of the world's energy reserves are found in repressive societies. That is all the more reason to insist that corporations adhere to the highest human rights standards when doing business in such societies. Yet the energy strategy does not acknowledge this. Indeed, it even neglects to mention existing U.S. initiatives to promote corporate responsibility in the energy sector, including the Voluntary Principles on Security and Human Rights, which the governments of the U.S. and U.K. developed last year along with several multinational energy and mining companies and non-governmental organizations.

Does the Administration remain committed to these principles? Will it promote their observance by U.S. companies in areas of new energy development, such as Equatorial Guinea and the Caspian region? Will it make Export-Import Bank and OPIC financing contingent on adherence to such standards, so public funds do not subsidize complicity in human rights abuses? Will it insist that public security forces guarding company employees and energy infrastructure respect human rights while providing protection? Will it encourage other nations to insist on
similar standards for their energy companies, so that responsible U.S. firms are not undercut by laggards elsewhere? If the answer to these questions is yes, the Administration should make that clear. Otherwise, it risks sending a signal that corporate complicity in human rights violations is an acceptable consequence of accelerated energy production.

Sanctions

Human Rights Watch does not believe that economic sanctions are always the appropriate response to human rights violations around the world, and we do not object to a review that evaluates the likely effectiveness of current U.S. sanctions in achieving their goals. We would, however, object to an approach that requires the United States to weigh profit against principle each time it decides whether to sanction egregious violators of human rights.

When the Administration proposes giving greater weight to energy security in a comprehensive review of all U.S. sanctions, does that mean it will give less weight to human rights in deciding policy toward countries such as Sudan, where energy revenues help an abusive regime to remain in power, or Burma, where forced labor is used on a massive scale to build the infrastructure for foreign investment? The energy report is not explicit on this point, but it offers no reassurance. Absent clarification, we fear that is the conclusion others -- including these regimes themselves -- may draw. As currently drafted, a strategy designed to reduce U.S. dependence on foreign oil instead risks increasing U.S. deference to foreign despots.

Such an approach would be wrong, particularly with respect to energy producing nations, because energy revenues (unlike broader trade revenues) typically accrue directly to governments -- and because some nations have committed serious human rights violations to protect energy infrastructure or to suppress criticism of energy companies. Ironically, it would not even take the long-term interests of energy investors fully into account. For oil and gas extraction and transportation projects usually entail large initial capital expenditures, requiring companies to make a multi-year commitment to realize returns on their investment. Over the long term, human rights violations often make societies less stable, exposing energy companies to controversy, their employees to violence, and their shareholders to risk.

We hope that the initial recommendations of the strategy and the administration's final policies will be revised to accommodate these concerns. Consumption in the U.S. should not be satisfied at the expense of suffering abroad. Issues of good governance, corporate responsibility, and human rights should be a cornerstone of any global energy strategy.

Sincerely,

/K/

Kenneth Roth
Executive Director

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