The United States has enjoyed low energy and gasoline prices. However, over the past year-and-a-half, increases in gasoline prices, home heating oil, natural gas prices and electricity prices, especially in the West, have all contributed to the uncertainty and instability of the country's economy. This instability has led to increased federal efforts to impose preemptive remedies on the states in an attempt to address the nation's energy and economic concerns.

Given the energy concerns for the nation and those shared by many individual states, NCSL believes that state legislatures should work together, regionally or otherwise, to solve their individual and collective energy supply concerns. Therefore, NCSL believes that:

- States should have the option and authority of being represented in Regional Transmission Organizations (RTOs) on a voluntary basis. State participation in an RTO should not supersede nor alter state jurisdiction, unless agreed to by the state;
- State-created regional mechanisms like interstate compacts and regional reliability boards designed to address transmission reliability and other regional energy issues should be facilitated by Congress;
- States should collaborate to resolve problems related to the interconnectedness of the energy grid and the environmental impact of generating electricity;
- Energy facility siting should remain under state jurisdiction devoid of federal mandates and preemption;
• Electric facility siting authority should remain under state authority. The federal
government should not exercise its power of eminent domain in its pursuit of
constructing energy facilities or related purposes;
• U.S. Department of Energy and the U.S. Environmental Protection Agency should
work in partnership with states:
  1) in developing and implementing state and federal energy policy planning
     processes; and
  2) in deploying new energy efficiency and other demand-side options, as well as
deploying new and conventional supply-side technologies;
• Given the national implications of state energy concerns, the federal government
should provide sufficient funding to states as they develop energy policies on an
individual or regional basis; and
• The federal government should exercise its authority, especially when requested by
states, to assist them as they attempt to solve their energy problems.
AFI ENERGY AND TRANSPORTATION COMMITTEE

ELECTRIC INDUSTRY RESTRUCTURING

A number of states already allow retail consumers to choose among competing electricity providers. Every other state is considering some type of reform to its electric industry, and Congress is also considering action to overhaul existing laws governing the structure of the electric industry. While there are a few aspects of restructuring that would best be served by a national or regional focus, NCSL believes that the majority of issues associated with restructuring should be within the purview of the states.

Any action taken by Congress to restructure the electric industry should enable states to restructure without imposing a mandate on states to do so and without establishing a date certain for competition.

- NCSL considers federal preemption of state regulation of the electric industry to be wholly inappropriate and unacceptable and opposes federal standards to govern state electric utility regulation or retail ratemaking by state commissions. State jurisdiction should not be eroded.
- Any action taken by Congress to restructure the electric industry should grandfather any state actions to establish retail competition, without setting temporary limits on grandfathering actions.
- State and local authority, which facilitates regional or statewide aggregation, must not be precluded.
- State and local governments must maintain their authority governing rights-of-ways, franchises, zoning and revenues.

Obtained and made public by the Natural Resources Defense Council, May 2002
Federal Restructuring Process:

- Appropriate state officials should be fully consulted regarding the development of federal policy regulating the electric industry.
- Federal electric industry restructuring should be in a manner consistent with state electric industry regulation.
- The roles of state regulators and FERC regarding transmission of electricity require careful collaboration of all affected entities so that policies are not at cross-purposes. Federal authority over wholesale pricing and new access must harmonize with state authority over retail pricing, planning and siting.

The Public Utility Holding Company Act (PUHCA):

- State authority must not be eroded nor should any state authority be transferred to FERC if PUHCA is unconditionally repealed, conditionally repealed or if the SEC authority under PUHCA is expanded.

The Public Utility Regulatory Policy Act (PURPA):

- NCSL urges that changes in or to PURPA guarantee that it is within the individual state public utility commission's purview to determine the specific methodology employed for calculating "avoided cost." Considering the state-specific conditions of power generation capability, the determination of competitive prices for purchased power from PURPA-qualified facilities (QF's) must remain a state right and responsibility. The purchase price for QF power must be based on the utility's service needs as determined in ratemaking proceedings before the state or local regulatory authority. New QF purchase requirements under PURPA should terminate where customers have retail choice of generation suppliers.
- Existing state law and state regulatory authority should not be negatively affected by PURPA repeal.
Public Benefits/Environment:

- States should maintain the authority to require public benefits programs on a nondiscriminatory basis, including those that support reliable and universal service, energy efficiency, renewable technologies, research and development, and low-income assistance. Existing federally sponsored public benefits programs should be maintained in a restructured market.

- Electric industry restructuring should be consistent with any federal environmental laws, including the Clean Air Act.

- In regards to fuel usage, the electricity sector is characterized by tremendous diversity, regionally, and state-to-state. Factors relating to fuel usage include energy efficiency, economic competitiveness, environmental impacts and technological adaptability. Implementation of Federal legislation that fails to recognize market mechanisms inevitably penalizes one region or state or another. Mandate programs, which have led to energy market distortions in the past, are counter to the concept of restructuring, which encourages the efficiencies of market competition. States are in the best position to evaluate market force considerations. Congressional legislation should not limit, through the use of mandates or otherwise, state flexibility in addressing market mechanisms in electric restructuring plans.

- NCSL believes that non-traditional energy production should be encouraged. The federal government must maintain and increase its commitment to cost effective energy conservation and efficiency while maintaining adequate and reliable energy. Power providers, equipment and appliance manufacturers, and consumers should be given legislative and regulatory incentives to promote these goals.

Consumer Protection and Education:

- The safety, reliability, quality, and sustainability of services should be maintained or improved.
• All consumers should have access to adequate, safe, reliable, and efficient energy services at fair and reasonable prices, as a result of competition.

• States should retain the authority, with the assistance of the federal government as needed, to protect consumers from anticompetitive behavior, undue discrimination, poor service, market power abuses, and unfair service practices.

• States should maintain the authority to establish or require comprehensive consumer education and outreach programs to minimize public confusion and provide information so consumers are able to make informed choices and participate effectively in a restructured market.

Stranded Costs:

• States should continue to have clear authority to determine costs that are stranded or made unrecoverable by retail competition and to provide for the recovery of those costs, if at all, as the state deems necessary or appropriate.

Public Power/Rural Power:

• The U.S. Department of the Treasury should promptly take administrative action to permanently preserve the tax-exempt status of existing debt associated with the transmission systems of public power utilities that choose to participate in Independent System Operators.

• Any federal legislation should maintain or improve the ability of rural consumers of electricity to obtain adequate, affordable and reliable service.

• States should maintain authority in regards to the treatment of rural electric cooperatives and public power districts in a competitive environment.
Taxes:

- No provision in any federal electric industry restructuring should result in the loss of state and local tax revenue.

Power Marketing Administrations:

- The National Conference of State Legislatures supports cost-based pricing and other current federal power marketing policies that have governed the sale of electric power from federal hydro projects for decades. NCSL believes the federal hydropower program has served the nation and American consumers well and urges Congress and the Administration to preserve those policies in the interest of millions of urban and rural consumers who rely on that power.
The National Conference of State Legislatures (NCSL) believes that deregulation of electricity production should not result in an increase in air pollution. NCSL supports provisions of the Clean Air Act (CAA) that require achievement of scientifically-based air quality standards and prohibit significant deterioration. Congress also enacted provisions to limit pollution sources in one state from causing an adverse impact on air quality in neighboring states. Any legislation authorizing electric utility deregulation should respect these CAA provisions and Congress should also:

Work on a cooperative basis with state and local officials on electric industry restructuring to ensure the concerns of all interested parties are addressed; Continue to monitor emissions from electricity producers before and after completion of electric industry restructuring to determine whether emissions cause or contribute to ambient air quality exceedances beyond state and federal permitted levels; Encourage electricity producers to invest in clean emission reduction technologies to reduce air pollution; Assure that federal agencies respect and support states’ efforts to address interstate air quality issues through interstate cooperation such as visibility transport commissions or the Ozone Transport Assessment Group; Assure that, in addition to addressing emissions from the electric utility industry and to the maximum extent feasible, states and EPA address emissions from federal sources affecting interstate transport of
pollutants; Preserve the existing role of states as the primary policy makers for environmental and electric industry regulation; and
Assure that state authority to develop and implement restructuring plans is not preempted.

On a proactive basis, the federal government should work with the states to prevent any increase in interstate and international transportation of air pollution that may result from increased electricity generation. However, in the event that there is such an increase in the transportation of air pollution, then the federal government should work with the states to:
Ensure that the source of such increased air pollutants takes measures to reverse any increase in emissions; and
Use existing Clean Air Act authorities to protect states and air quality control regions adversely affected by interstate and international transboundary migration of air pollution.
Dear Mr. Secretary,

I was pleased to receive the report on the “National Energy Policy” developed by the “National Energy Policy Development Group” chaired by Vice President Cheney. Allow me to thank you for it. I will study it very attentively.

I am of the opinion that the whole advanced world feels one common theme in the energy field – safety of energy supplies for prices that would promote local as well as global economic growth. We discuss this theme with our partners in the European Union countries within a discussion on the European Energy Policy called “Green Paper - Towards a European Strategy for the Security of Energy Supply”. It is evident that you identify the main energy problem in the same way in your National Energy Policy. I am very pleased that you support a diversification of the energy resources, including the nuclear energy. I would like to point out especially to this energy resource as I see a possibility of a development of more efficient technologies based on nuclear energy as very prospective, namely also in view of the environmental protection.
June 4, 2001

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

Dear Secretary Abraham:

As national association representatives for the State Energy Program (SEP), the Weatherization Assistance Program (WAP), and the Low Income Home Energy Assistance Program (LIHEAP), we believe that the National Energy Policy Report is a good starting point in addressing the nation's energy needs. At the same time, we strongly oppose the recommendation that "the President support legislation to allow funds dedicated for the Weatherization and State Energy Programs to be transferred to LIHEAP if the Department of Energy deems it appropriate." If this recommendation to transfer funds is pursued by the Administration, the passage of this legislation could devastate the very state programs designed to provide energy efficiency and affordability services for low-income families, small business, industry, schools, hospitals, and the energy consumer regardless of income.

The SEP plays an essential role in implementing energy programs at the state and local level for all sectors of the economy. The WAP delivers energy efficiency services to low income households to help reduce their energy bills in the future. Both programs work in close cooperation with LIHEAP in helping to target assistance to those families most in need.

The movement of funds from SEP and WAP would severely limit the states' abilities to implement sound energy policies and deliver these much needed energy programs. We agree with the NEPD Group that key components for energy affordability in low-income households are lower prices and adequate funding. We do not believe that curtailing key elements of the state/federal energy efficiency partnership, like SEP and WAP, will enhance affordability and address local energy needs.

We applaud the NEPD Group's effort to support both WAP and LIHEAP through guaranteed funding, although we believe that the levels of funding referenced in the Report fall short of the needs faced by low-income families throughout the nation. We want to work with the Administration and Congress on developing a responsible energy policy, including many of the key elements affecting states and low income Americans.

The national associations representing the states on energy matters look forward to working with you and your staff during the coming years to develop and implement a comprehensive energy strategy. Please feel free to call upon us if we can provide you with any assistance as we move forward in our efforts to address the energy needs of all Americans.

Sincerely,

Mark Wolfe
Executive Director
National Energy Assistance Directors' Association

Frank Bishop
Executive Director
National Association of State Energy Officials

Timothy R. Warfield
Executive Director
National Association for Community Services Programs
June 6, 2001

The Honorable George W. Bush  
President of the United States  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, D.C. 20500

Dear President Bush:

On behalf of the National Conference of State Legislatures, (NCSL) we would like to take this opportunity to comment on your National Energy Policy proposal. Our comments are derived from our own comprehensive policy revised and readopted last year without opposition. A broad group of state legislators who are leaders in their state energy, transportation and environment committees developed NCSL’s National Energy Policy. Because our effort involved state legislators from across the country and from both political parties, we believe our policy is a truly balanced call for increased domestic production, as well as support for significant increases in energy efficiency, conservation, renewable energy and increased fuel efficiency.

In addition to our updated National Energy Policy, NCSL recently adopted an Energy Regionalism Policy that supports a federal partnership with states working together regionally or otherwise to solve our energy problems. NCSL also has current policies on Alternative Fuels and Alternatively Fueled Vehicles, Electric Industry Restructuring and its Environmental Impacts and other related policies. Copies of the named policies are enclosed.

As you will see, we support the majority of the recommendations contained in the Report of the National Energy Policy Development Group. However, we believe it is unfortunate that NCSL has not been identified to participate in the same fashion as the National Governors’ Association in energy discussions with the administration. We hope that you will reconsider this recommendation especially in light of the fact that NCSL is the only state and local organization of elected officials with a comprehensive national energy policy that allows us to comment on this proposal in depth. As you know, state legislatures play an important and often primary role in developing and adopting a myriad of energy, environmental and economic policies. We are hopeful that these initial comments will commence a collaborative effort between your administration, Congress, and NCSL in addressing national energy policy needs.

Our position on a variety of the recommendations contained in the National Energy Policy Development (NEPD) Group’s report are as follows:
Energy Education

NCSL supports the NEPD Group's recommendation that the President direct the Secretary of Energy to explore options such as legislation to create public education awareness programs about energy that would be long-term in nature and funded and managed by the respective energy industries. While NCSL supports private sector education efforts proposed in these programs, we also believe that publicly funded programs should be emphasized as well to ensure a balanced presentation of all energy options and their impact on the environment.

- We urge you to consider the creation of a state block grant program this year to promote energy education.

LIHEAP

NCSL strongly supports the NEPD Group's recommendation that the President take steps to mitigate impacts of high energy costs on low-income consumers by strengthening the Low Income Home Energy Assistance Program (LIHEAP) by making $1.7 billion available annually. Given the breadth of energy sector price increases, a less stable economy and increasing unemployment rate, it is essential to provide additional assistance to citizens struggling to afford their rising energy bills.

- NCSL also urges the administration to request supplemental funding for FY 2001 for LIHEAP.
- NCSL supports a higher FY 2002 appropriation for LIHEAP, perhaps as high as $3.4 billion as proposed in S.352 and H.R. 683, to address needs caused by price hikes.
- NCSL supports the NEPD Group's suggestion to increase LIHEAP funding, but we believe general funds should be used as needed and increased LIHEAP funding should not be at the expense of energy efficiency or renewable energy R&D programs.

Weatherization

NCSL strongly supports the NEPD Group's recommendation that the President increase funding for the Weatherization Assistance Program by $1.2 billion over ten years. Over the past five to ten years, utility companies have reduced the provision of these services which has greatly increased the need for additional federal and state assistance. NCSL believes this funding increase will help ease the burden of high energy costs for many Americans. Increased funding for this program should not be at the expense of R&D programs for energy efficiency or renewable energy.

NCSL opposes the NEPD Group's recommendation that the President support legislation to allow funds dedicated for the Weatherization and State Energy Programs be transferred to LIHEAP if the U.S. Department of Energy (USDOE) deems it appropriate. NCSL believes that considering the rising energy costs across all sectors, it is vitally important for the President and Congress to fully fund all energy efficiency and energy relief programs. If LIHEAP requires additional funding, the President and Congress should work together to increase its funding levels, not shortchange other energy assistance programs by siphoning funds from them to be transferred to LIHEAP. Also, NCSL...
believes the states should determine the most appropriate disbursement levels of funds for the programs listed above.

**Federal Efforts to Work with States on Energy Concerns**

NCSL conditionally supports the NEPD Group's recommendation that the President recognize unique regional energy concerns by working with state organizations to address these problems. NCSL strongly supports a coordinated effort between state and federal government in producing a national energy policy.

- However, NCSL is extremely concerned that the recommendation identifies only the National Governors' Association and regional governor associations (p.2-12) as potential partners in the state/federal energy dialogue with the administration. We believe that by excluding NCSL and other state and local groups, the President and the nation will risk losing valuable input and collaboration from state legislatures and localities on issues vitally important to them and their constituencies. NCSL and its members are eager to work with the President and Congress on energy concerns facing this country and we offer our full cooperation in developing legislation and other initiatives.

**Multi-Pollutant Legislation**

NCSL supports the NEPD Group's recommendation that the President direct the U.S. Environmental Protection Agency (USEPA) to propose multi-pollutant legislation. The legislation would establish a flexible, market-based program to significantly reduce and cap emission of sulfur dioxide, nitrogen oxides and mercury from electric power generators. In addition, it is stated that the cap program would involve appropriate measures to address local concerns.

- NCSL agrees that the USEPA should consult with localities, however, states also should be included in that consultation.
- State laws governing power plant emissions should not be preempted or impacted by the proposed legislation.
- States should be authorized to implement stricter emission laws if they prefer.
- The President needs to indicate the level of the caps, when the program would take effect and how long the program would be in effect to provide a clear signal to the energy industry as well as environmental regulators.

**Inter-agency Task Force on Permitting Energy-Related Facilities**

NCSL supports the NEPD Group's recommendation that the President issue an Executive Order to rationalize permitting for energy production in an environmentally sound manner by establishing an inter-agency task force. This task force would ensure that federal agencies set up appropriate mechanisms to coordinate federal, state, tribal and local permitting activity in particular regions where increased activity is expected.

- NCSL applauds the President's commitment to work with states on permitting issues. However, no federal permitting law should preempt or impact state laws governing energy facility permitting.
- NCSL offers to assist the task force in its efforts and looks forward to participation in this process.
Energy Efficiency and the Energy Star Program

NCSL strongly supports aggressive federal promotion of energy conservation and efficiency. NCSL policy states that the "federal government must maintain and increase its commitment to cost effective energy conservation and efficiency while maintaining adequate and reliable supplies."

NCSL strongly supports the NEPD Group’s recommendation that the President direct the Secretary of Energy to promote greater energy efficiency through:

1. Expanding the Energy Star program beyond office buildings to include schools, retail buildings, health care facilities, and homes;
2. Extending the Energy Star labeling program to additional products, appliances, and-service; and
3. Strengthening the USDOE public education programs relating to energy efficiency.

- As with any expansion, extension or strengthening of a program, however, there is an increased need for funding. NCSL urges the President to propose additional federal funds for the Energy Star program to meet the growing need for greater energy efficiency in this country.

NCSL also strongly supports the NEPD Group’s recommendation that the President direct the Secretary of Energy to improve the energy efficiency of appliances through:

1. Supporting the appliance standards program for covered products, setting higher standards where technologically feasible and economically justified; and
2. Expanding the scope of the appliance standards program, setting standards for additional appliances where technologically feasible and economically justified.

- NCSL would like to understand what the definition of “economically justified” is in relation to improved energy efficiency. If too narrow a definition is chosen, the long-term benefits of energy efficiency could be sacrificed to a relatively insignificant increase in short-term expense.

- NCSL urges the administration to further expand the incentives for the purchase of Energy Star products by offering increased tax credits and rebates to individuals, private and public consumers.

- Also, NCSL supports the NEPD Group's recommendations to increase appliance energy efficiency standards.

- For consistency’s sake however, we urge the withdrawal of the administration's issuance of a less stringent standard for air conditioner energy efficiency levels. This retreat from requiring greater energy efficiency in an appliance that is used extensively, especially in some of the areas hardest hit by electricity increases recently, seems counterproductive to trying to relieve the energy constraint and supply problems across the country.

Combined Heat and Power Projects

NCSL supports the NEPD Group's recommendation that the President direct the Secretary of Treasury to work with Congress to encourage increased energy efficiency
through combined heat and power projects (CHP) by shortening the depreciation life for CHP projects or providing investment tax credits.

• NCSL’s own National Energy Policy urges the federal government to support “research and development projects emphasizing emerging technologies”. We believe CHP, which greatly increases the efficiency of energy consumed by a facility, represents a technology with tremendous potential for energy conservation. However, the investment tax credits must be substantial enough to spur investment in the technology.

**Corporate Average Fuel Economy (CAFE) standards**

NCSL conditionally supports the NEPD Group’s recommendation that the President direct the Secretary of Transportation to review and provide recommendations on establishing CAFE standards with due consideration of the National Academy of Sciences Study to be released in July 2001.

• In accordance with its own National Energy Policy, NCSL urges the President to “strengthen and improve CAFE standards for all automobiles and light duty trucks, including sport utility vehicles and minivans, while recognizing the significance of economic costs on various segments of the population including rural areas.”

• NCSL would oppose any effort to weaken or reduce CAFE standards resulting from such review of the National Academy of Sciences Study especially given rising gasoline prices and the administration’s expressed goal of reducing U.S. dependence on foreign oil.

**Fuel Efficient Vehicles**

NCSL supports the NEPD Group’s recommendation that the President direct the Secretary of Treasury to work with Congress on legislation to increase energy efficiency with a tax credit for fuel-efficient vehicles. With the escalation of gasoline prices across the country, a tax credit that encourages the purchase of new hybrid fuel cell vehicles and other fuel-efficient vehicles will provide additional incentives for consumers to purchase vehicles that use less gasoline and save money in the long-run.

• NCSL also recommends that similar tax credits be extended to the purchase of more fuel efficient vehicles other than hybrids.

**Technological Advances in Transportation**

NCSL supports the NEPD Group’s recommendation that the President direct all agencies to use technological advances to better protect our environment including:

1. Continued federal investment in Intelligent Transportation Systems (ITS) and encouragement for private sector investment in ITS applications;

2. Administrative support for the USDOT’s fuel-cell powered transit bus program as proposed in TEA-21; and

3. Administrative support for the Clean Buses program established in TEA-21.
Increasing Domestic Energy Supply

NCSL supports the NEPD Group's recommendation that the President direct the Secretaries of Energy and the Interior to promote enhanced oil and gas recovery from existing wells through new technology. A basic tenet of NCSL's National Energy Policy is the "promotion of reliable sources of domestic energy supplies". The policy also establishes that "energy independence must be a goal of the United States". Enhanced oil and gas recovery could be one tool used to reduce dependence on non-domestic sources.

- NCSL also supports the recommendation to improve oil and gas exploration technology through continued partnerships with public and private entities. We would urge that state legislatures be included in those partnerships.

Comprehensive National Electric Restructuring Legislation

NCSL believes that the majority of issues associated with electric industry restructuring should be within the purview of the states and that any federal legislation should help enable state restructuring without imposing federal mandates. Only half of the fifty states have restructured their electric industry thus far. In addition, in light of the energy problems in California directly resulting from their electric restructuring law, some states have opted to withdraw their restructuring laws or delay them for a number of years. NCSL firmly believes that in light of these developments, the federal government should not impose a "one-size-fits-all" approach to electricity delivery. However, if a national electric restructuring plan is pursued, NCSL has a number of concerns that are addressed in our policy on Electric Industry Restructuring and testimony on the subject.

- In addition, NCSL strongly supports the NEPD Group's recommendation that the President encourage FERC to use its existing authority to promote competition and encourage investment in transmission facilities - provided it is at the wholesale level only.
- States have jurisdiction over retail level transmission facilities and should not be preempted by this provision or any other federal law.

Increasing Electric Generation while Protecting the Environment

NCSL policy states that "the federal government should work with the states to prevent any increase in interstate and international transportation of air pollution that may result from increased electricity generation."

NCSL supports the recommendation that the President direct the USDOE to continue to develop advanced clean coal technology by:
1. Investing $2 billion over 10 years to fund research in clean coal technologies;
2. Supporting a permanent extension of the existing research and development tax credit; and
3. Directing the federal agencies to explore regulatory approaches that will encourage advancements in environmental technology.

- NCSL's National Energy Policy calls for "research and technology development in clean coal usage including pre-combustion, combustion, post-combustion, and coal conversion areas with desulfurization efforts a top priority".

28253

Obtained and made public by the Natural Resources Defense Council, May 2002
A sufficient assurance of economically available energy, namely energy generated in a safe way, efficiently and friendly towards the environment, represents our common task for the benefit of the citizens of our two countries. I will be honoured to cooperate with you in this field.

Sincerely –

[Signature]

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

Dear Secretary Abraham:

It was nice meeting you at the NPC Reception in Washington earlier this week. Thought your comments before the National Petroleum Council Meeting were excellent. In your remarks you mentioned that no one wants to have a refinery or transmission line in their back yard and yet that is necessary and important for developing a meaningful National Energy Policy.

That same day there was the attached article in USA Today “Energy plan intrudes on land”. That article, of course, points out the difficulty of government condemning land and raises the issue of what is fair compensation. The Constitution of course requires government to compensate when they take and that can be a very difficult process many times as pointed out in the P.S.

Suggestion: If we are willing to have tax credits or grants for solar expenditures, why don’t we also include in your Energy Plan some grants or tax credits for those communities that are willing to have the refineries and transmission lines that the country needs? In other words, there may be a lot of communities that would like to have such grants and they can use those funds to help their local schools and other purposes, whereas, richer communities might be more reluctant to give up their land. Rather than going the prolonged litigation route, why wouldn’t it be a good idea to have an incentive program like this to accomplish your desired goal?

Yours very truly,

Cary M. Maguire

CMM:jp
Enclosure

P.S. Eight years ago, the City of Houston gave us a permit to drill a well. We spent $200,000+ on roadwork, building location, moving in a rig then they re-neged on the permit. So a similar “taking” issue arose. As a matter of principal, we have spent over $1 million so far over an eight-year period trying to get paid something on this “taking” issue. If the bureaucracy wants to take the land but not pay for it, it creates the type of problem the above suggestion might solve.

cc + enclosure: Vice President Cheney
Energy plan intrudes on land

Bush policy would allow the government to take private property for power line sites, and some say it's not for the public good

By Fred Barnes and Martin Kaindorf

U.S. TODAY

Tom Koger, don't know much about energy domain, and two years ago, when he discovered a surveyor from Wisconsin Public Service Corp. on his land in northern Wisconsin.

Koger was told about plans for a high-voltage electricity line, supported by 300-foot towers, that would cut through his 40 acres of land and pass within 500 feet of his house. The line was needed, he was told, to provide a crucial link between power companies in Wisconsin and Minnesota.

Small consolation for Koger, who learned that his land would be taken against his will.

"That's give your attention that quick," says Koger, a lifelong products salesman who now spends much of his time at hearings and organizing property owners to challenge the proposed 250-mile transmission line from Duluth, Minn., to Winnebago, Wis.

"It's up to us to show that companies need to be talking about the trials, getting wind power and gas, and doing energy research. We want to show that companies need to be talking about the trials, getting wind power and gas, and doing energy research.

"The government already has the authority to use eminent domain to take land for public, private, general, and industrial purposes. The Bush administration's proposal is a measure to include land for electricity line construction.

"Our goal is to eliminate this kind of policy. We want to show that companies need to be talking about the trials, getting wind power and gas, and doing energy research.

"Federal oversight would help eliminate the inefficiencies in the industry and in the system. We want to show that companies need to be talking about the trials, getting wind power and gas, and doing energy research.

"For example, a spokesman for the utility, says the line is proposed in a new area to get the state's share of the national grid and to add pathways to send more electricity over greater distances.

"The government already has the authority to use eminent domain to take land for public, private, general, and industrial purposes. The Bush administration's proposal is a measure to include land for electricity line construction.

"Our goal is to eliminate this kind of policy. We want to show that companies need to be talking about the trials, getting wind power and gas, and doing energy research.
June 11, 2001

Honorable Spencer Abraham
Secretary – Department of Energy
1000 Independence Ave. SW
Washington DC  20585

Copy via Fax to: (202) 586-4403

Re: Michigan Electric and Gas Association

Dear Secretary Abraham:

I am writing to invite you or a suitable DOE representative to speak on national energy policy at the annual Fall Conference of the Michigan Electric and Gas Association. The conference runs from Sunday, September 23 through Tuesday, September 25, with the program presentations on Monday and early Tuesday. The conference will be held at Treetops Resort in Gaylord, Michigan and MEGA would pay expenses for travel, accommodations and other items as required.

MEGA is a trade organization of privately owned public utilities providing electric and gas service in Michigan and other states. MEGA was originally organized as a trade group for the “smaller” private utilities in terms of Michigan service area and customer counts. Member companies include AEP, Alpena Power, Wisconsin Electric, Wisconsin Public Service, Xcel Energy (formerly Northern States), Upper Peninsula Power, Edison Sault Electric, UtiliCorp United (MGU), Aurora Gas, Citizens Gas and Peninsular Gas. The larger Michigan private utilities, Detroit Edison, Consumers Energy, SEMCO and Michigan Consolidated Gas, participate in MEGA committees and the annual conference. In fact, the conference also typically includes representatives of the rural electric cooperatives, municipal utilities, pipelines, transmission entities, suppliers and state regulators. You would be addressing a cross section of the utility business participants in Michigan, including high-level executives, technical people and regulatory staff. The program tends to focus on the broader regulatory and policy issues at hand. You may be aware that Michigan is in the process of implementing both electric and gas restructuring pursuant to regulatory and statutory frameworks.
The timing of our conference is set to allow a "look back" at Summer 2001 and perhaps some settlement of national directives and priorities. All of us working in the industry are extremely interested in the new policy initiatives from Washington and would welcome the opportunity to interact with you and exchange information. I recall you spent many years in the Lansing area before moving to national politics and hope that you would welcome an opportunity to return to Michigan for the conference. Please feel free to contact this office with any questions about the conference, the format and the arrangements. We have flexibility to accommodate your schedule in the planning but an early response would be greatly appreciated.

Thanks for your attention to this request and best wishes for continued success in your crucial role in national energy policy.

Sincerely,

[Signature]

James A. Ault
President
Michigan Electric and Gas Association
Phone: (517) 484-7730
Fax: (517) 484-5060

c: MEGA Board Members
June 11, 2001

Dear Colleague,

Energy policy has become a hot topic with President Bush's proposal of a "long-term, comprehensive" energy policy, California's rolling blackouts, and increasing prices at the gas pump. Vice President Cheney's National Energy Policy report proposes ways of increasing efficiency and diversifying supply, naming energy security a "priority of U.S. trade and foreign policy." Announcing his new policy, President Bush said, "Over-dependence on any one source of energy, especially a foreign source, leaves us vulnerable to price shocks, supply interruptions, and in the worst case, blackmail."

Harvard's Caspian Studies Program conducts an ongoing study of energy policy and the development of Caspian basin energy resources, the largest untapped source of oil and gas reserves discovered since the North Sea. The Bush Administration, like its predecessor, has recognized the importance of Caspian energy and engaged in diplomatic efforts to develop export routes. The National Energy Policy advocates continuing and expanding these efforts, specifically recommending that the Administration "support the Baku-Tbilisi-Ceyhan oil pipeline as it demonstrates its commercial viability," "establish the commercial conditions that will allow oil companies operating in Kazakhstan the option of exporting their oil via the BTC pipeline," pursue other policies to develop gas transport systems, and create a stable business climate in the region. Recent changes in the U.S. Senate make prospects for increasing production by drilling inside the U.S. less likely, forcing greater attention on regions outside the U.S. such as the Caspian. Caspian resource development could also advance other goals of U.S. policy, promoting economic growth, independence, and stability in Central Asia and the Caucasus.

Drawing on the Program's ongoing research, my colleague Emily Van Buskirk and I prepared a case on U.S. policy on Caspian energy development and exports for a Kennedy School course I teach with Ambassador Robert Blackwill. Using the case, our sixty students examined central questions including: What is the most effective way to promote the development of Caspian energy resources? What is the proper role of government in large-scale capital projects? Where does the Caspian Basin rank in the hierarchy of U.S. national interests?

Our course attempts to introduce students to a dozen central issues on the American foreign policy agenda. Each week we enter a topic through the window of an operational assignment a student could actually have if she were working at the National

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28259

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Security Council. A mini-case like the one attached requires students to write a strategic options memo for the president identifying alternatives, pros and cons, and making a recommendation. Students’ responses are then the subject of one class, followed by a second class where we widen the lens to the broader topic, in this case U.S. energy policy and the Caspian.

This case provoked a lively debate. Moreover, one week after their presentations, students had the opportunity to discuss the case and current U.S. Caspian policy with Ambassador Elizabeth Jones, Senior Advisor for Caspian Basin Energy Diplomacy (recently nominated to become Assistant Secretary of State for European Affairs) while the Ambassador was visiting the Kennedy School for a day of Caspian Studies Program events. A summary of her presentation at the School, “U.S. Caspian Energy Diplomacy: What Has Changed?” is available on our web site, www.ksg.harvard.edu/bscia/sdi. Ambassador Jones took great interest in the case, calling it both “realistic” and “difficult.”

With hopes that you will find it both useful and enjoyable, we attach this case. It starts with the real world today, accelerates developments to a fork in the road, and requires students to analyze and recommend. Specifically, in this hypothetical, the oil companies have completed their detailed engineering study of the Baku-Tbilisi-Ceyhan pipeline route, and concluded that the price for construction will be $3 billion. Pledges from the companies and investors raise $2.5 billion, leaving the project $500 million short on the financing. Given U.S. government affirmations about the Baku-Tbilisi-Ceyhan pipeline as a U.S. priority, the companies seek assistance from the U.S. government. The question is: what to do?

If you know the answer, send us a note. For purposes of comparison you may be interested in the students’ answers, as well as our illustrative paradigm. For Caspian related studies, let me refer you again to our web site.

Yours Sincerely,

Graham T. Allison
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U.S. Policy on Caspian Energy Development and Exports

Mini-Case and Illustrative Paradigm

Graham Allison and Emily Van Buskirk

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