Yes, of the 72 quadrillion BTUs that we produced, 4 quadrillion BTUs were exported to other countries.
I guess the other question I have for you is relative to increasing production. I don't think you are going to find too much disagreement. There may be some differences of priorities, but I don't think you find too much disagreement that increase in production is necessary. But I guess I would like to be clear, and are you suggesting that increased production is all we need to do?

Mr. BLAKE. No.

- Mr. CAPUANO. I didn't think so, but I didn't hear the words. Because I don't think that is possible. I mean, I think we should increase production on certain levels, but at the same time I don't think it is possible at any level that increased production is going to solve problems that we have today or will have tomorrow. I am glad to hear that you feel the same way. I also hope that it is fully understood within the entire administration, it is not just you speaking. I presume that when you speak, that says the administration understands that as well.

I guess I have some concerns again in your written testimony, as I was trying to read quickly, I didn't see the word "conservation" or "conserve" anywhere. Now, maybe it is there and I missed it, but I didn't see it. I saw a whole bunch of things about national energy policy, talking about increased production, but the word "conservation" wasn't there with the exception of a little talk about
weatherization, which is a good thing. But I didn't see anything else there. I didn't see anything there relative to research and development, because unless I am mistaken, I don't think you will find too many people, again, unless you disagree, that would say that the current technology that we have available is going to be capable, even if fully implemented right now and fully dispersed—the economy right now would actually get us to where we want to be as far as energy efficiency standards. So that being the case, I wonder, first of all, if you agree with that; and second of all, if you do, then why did the President cut research and development into energy issues in his budget request?

Mr. BLAKE. Let me respond in two parts. First, nothing in my testimony was intended to reflect that conservation is not an important priority.

Mr. CAPUANO. But it is not mentioned there. I thought important priorities might be mentioned.

Mr. BLAKE. This was a summary, and I don't know if you were here as I summarized.

Mr. CAPUANO. Yes. I didn't hear the word until the Chairman asked the question, which was a good question and a good answer. But I didn't hear the word prior to that, but that is already--.

Mr. BLAKE. And I think there have been--on the research and development front, the administration is putting
significant funds in research and development both on
conservation and renewables and on clean coal technologies.
I think the commitment is something like $2 billion.

Mr. CAPUANO. I would like to see those numbers because
the last numbers I saw, they were still significantly below
last year's. And the last I heard, it was actually the House
Appropriations Committee that was increasing those n. yrs,
not the administration. Again, if I am wrong, I am happy to
be educated and clarified on that.

Because I said before during the budget discussions here,
and I will say it again, that I think that the only way this
country is really going to be ahead of the curve is not
through production. I mean, production is part of it, I
don't disagree. But it is not through production. That is
not going to put us ahead unless we want to significantly cut
out consumption, which I don't think we will. So that leaves
us only with research and development to provide more
energy-efficient means.

Talk about the cell phones, you know as well as I do that
cell phones run for several hours on the same amount of
energy that it used to take for about 30 minutes. And we all
have the same thing. It can go further and further and
further, as it should, all research and development, not done
out of thin air, not done by the government, done by private
enterprise with the help of government assistance.
And I can't argue strongly enough if we really want to look long term, past this election, past this decade, it is only going to be research that gets us out of it unless somebody comes up with new natural gas fields or whatever.

I would also like to shift a little bit again to production. It amazes me, absolutely amazes me, that we are sitting here talking about natural gas, and that is all well and good. We had a humongous natural gas reserve that is in the ground, put back into the ground, taken out and put back into the ground in Alaska in existing fields; not new fields, existing fields. This government before I was here gave the authority to build a natural gas pipeline alongside the oil pipeline. That wasn't taken. Has anybody started pushing, demanding, insisting that that natural gas pipeline be built as soon as possible? If those reserves are there, California would not have a productivity problem at this point in time. They still have some problems with power plants, but there would be no problem with energy supply.

Mr. Blake. I don't know what percentage of contribution that could make to California, but I take your point and will give you a response on it.

Mr. Capuano. I guess I have to wait for a couple of responses, because, honestly, I appreciate you being here today. I could have gotten no answers by not coming here as well. And I kind of wonder why we are doing this if thus far
Alaskan Gas Pipeline

The Alaska North Slope gas producers currently are reviewing whether projected market conditions will support construction of a pipeline to deliver Arctic gas to the lower 48 states. Alaska’s known gas reserves, which are estimated to be over 35 Tcf, could have a significant impact on the natural gas supplies for the U.S. For over a decade the gas has helped pressurize the oil reservoirs on the North Slope, which have produced over 13 billion barrels since 1977. The need to reinject gas has diminished at a time when domestic gas transmission capacity is considered insufficient to meet projected demand.

There are a number of Alaska gas pipeline proposals, including the transportation system approved in 1977. While the U.S. Government remains project neutral, the President’s National Energy Policy recommends the Government coordinate its activities to expedite the construction of a gas pipeline to the lower 48. We have created an interagency working group that will smooth the way for the approval and construction of a pipeline, whenever private industry determines to begin the project.
I haven't heard any real new insight except to hear that the administration is for more production. I saw that in the news a couple weeks ago. I appreciate you coming, but I already knew that, and I would like to know what we are going to do now we have problems.

I know that FERC did a little top spin and finally came around to a little bit of something is better than nothing, but I would really like the administration to try to put together something that is comprehensive and answers the questions that we have. I don't mean to be disrespectful, but you didn't answer any questions of mine, you didn't answer many of Mr. Collins', and my guess is you are not going to be able to answer many of the questions you are going to get for the rest of the day. But I appreciate you coming.

Chairman Nussle. Mr. Culberson.

Mr. Culberson. Thank you, Mr. Chairman.

Mr. Blake, when did California cease the construction of new power plants?

Mr. Blake. I don't think there wasn't a formal policy decision not to construct new plants. It is something that has occurred over the last 5, 7 years. We really haven't seen net plan additions in the State.

Mr. Culberson. By not building those new plants, clearly that had an impact, wouldn't you agree, on the profitability
of the California energy industry, the utilities out there?

Mr. BLAKE. For quite a while their prices remained very reasonable because they had reserve capacity so that for a number of years they were eating into their reserve capacity without building the new facilities. But as demand continued to grow, they crossed over the point, and that is where they are now.

Mr. CULBERSON. Now, from what I have seen of the national power grid, I know that for example in Texas we have got—we are blessed with an excess of electricity where we are doing well with electric generation but can't transmit a lot of that power outside of the Southwest and get it out to the West. Is—could you talk to someone about that what is being done? What can be done to get power from regions like Texas where we do have some excess out to portions of the country like California that might need it?

Mr. BLAKE. That is an absolutely critical issue. The plan is to do a comprehensive study of our transmission grid, identify the key bottlenecks across the country, know where some of them are that prevent power from moving efficiently from one region that has the power generation sources to another region that has the demand. You see that problem just within California where they have transmission constraints preventing power from southern California from moving to northern California. So that is an additional
thing that needs to be addressed is the rate structure, how
people build these transmission lines so that they have the
incentives to put them in the right place.

Mr. CULBERSON. From what you have seen, what led to this
virtual stoppage of construction of new power plants in
California? What sort of factors led that State to decide to
quit building new plants?

Mr. BLAKE. I think you had a number of permitting and
site issues. I think probably given a choice, a lot of
localities would choose not to have a power plant in their
area. And if you multiply that decision by locality after
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Mr. CULBERSON. Mr. Capuano asked an interesting question
about the failure to build a natural gas pipeline across
Alaska, which would be terrific if it were there.
Marketplace forces, what effect would that have on the price of natural gas? Would the price of natural gas support the construction of such a pipeline? What led, in your opinion, from the evidence you have seen, to the failure to build such a pipeline?

Mr. BLAKE. I have to apologize on that to Congressman Capuano. I have been on the job 2 weeks. I am not familiar with that. I am just familiar with the dynamics of that pipeline to be able to address it, but I will get a response to it.

Mr. CULBERSON. Thank you, sir.

Chairman NUSSLE. Ms. Hooley.

Ms. HOOLEY. Thank you, Mr. Chairman.

Thank you, Mr. Secretary, for being here today. Actually I have several questions, but I will try to limit those questions. What I have a problem with is when you look at the proposed energy plan over the next 20 years, there are some things that I have a difficult time trying to reconcile.

For example, when you have—right now the President proposed 48 percent reduction in research on solar, wind and geothermal energy, 46 percent reduction in research and development on energy efficiency. So while those are being reduced, at the same time the Department of Energy put out a report that says with increased efficiency in renewable energy, that we can meet 60 percent of the Nation’s need for
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The market place changed. Additional natural gas deposits were found in the U.S., Canada, and offshore in the Gulf of Mexico. Price increases never materialized and in fact prices actually declined. The producers on the North Slope found that the highest and best value for gas was to reinject it to boost oil production, since oil was marketable because the Trans-Alaska Pipeline System was already operational. As a result, the gas pipeline sponsors decided that the construction of the pipeline system necessary to bring the North Slope gas to the lower 48 states' market was not economic at that time.
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The other thing I have a problem with is, again, I think in the energy policy it calls for some kind of a study to raise the standards gas mileage standards for light trucks and vans, and yet we know the technology is there to do that. And it would save us millions of gallons, barrels of oil if we just did that one simple thing, just to raise the CAFE standards. But I have--and you can comment on those, but I want to make sure I get all my questions in really quickly.

The third issue that I have is--and I would like to spend some time discussing this--is--and I am from the State of Oregon. We are impacted by--not only do we have the deregulation in California impacting us, but we also have a drought. Little did we think both of those things would happen in the same year. I have talked to a lot of school districts. The State board of education just did a survey with all of our schools, and what they found is those increases in electric prices are just skyrocketing. And we have not only have that increase right now by anywhere from 30 percent to 200 percent, but we anticipate in October there is going to be another jump in prices. One of my school
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And my question is do you—does the administration, does the Department have any intention of recommending some kind of a program for schools that have all of a sudden these very high increase in energy costs? I can understand tying it with you have to decrease your need for or you have to become more efficient, but you know we have a program for low-income people, but all of a sudden our schools are going to be tremendously impacted by this. And I would really like to know if you think you could go back and look at some kind of a program or plan to help these schools out. Hopefully this is temporary.

Mr. BLAKE. Congresswoman, that is a good question. We should take a look at what the impacts are in schools and in other areas. In Oregon I know because of Bonneville that Bonneville Power has gone out and done a very—what I think is a very forward-thinking thing to address the issue. They are buying down demand, and by doing that I think they have reduced the amount of the rate increase that might otherwise hit by two or three times.
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Ms. HOOLEY. Correct.

Mr. BLAKE. Again, if you look at the situation in Oregon, there are pending new generation plants that are online that will start coming online, some for this year and many more for next year.

Ms. HOOLEY. Right.

Mr. BLAKE. But I will take your question on the impacts and on the schools as a question to follow up on.
side of the aisle that this probably just didn’t happen yesterday. I just got up here in January myself, but this energy problem has been coming for a long time, and I think we need to all accept some responsibility for it instead of trying to plug holes in what you are trying to do.

In fact, I read in your report, in your conclusory remarks, it says, the blueprint to address the energy needs of the American economy through increased energy supply, improved infrastructure and more efficient use of our energy resources. I think that certainly answers the question the gentleman just asked a while ago that it doesn’t have any efficiencies in this particular proposal; and certainly I think we are all cognizant of, whether they are closing the barn door or cutting off the lights, we all have a part in making that work.

Being from South Carolina, we have got a great energy policy there. I think each State should have their own energy policy. I don’t know why they are looking to the Federal Government for a bailout or handout. We have done well, but we have had a great mix between hydropower, between coal, oil and natural gas. And it concerns me as we move to the future with the price fluctuation where we have it, how are we going to determine a good mix between public power, the private power to make a good energy plan that is going to work for everybody?
Mr. BLAKE. I thank you, Congressman.

First, I appreciate those comments; and the point of a balanced usage of fuels is in one of the charts I showed.

That is critical. We need to understand as we put more reliance on natural gas both what that does on our infrastructure—but also perhaps we need to look at other resources, how we get more clean-burning coal, how we use the nuclear resources that we have in place and the hydroresources that you have in place. And the plan actually addresses—the policy actually addresses each one of those fuels as well as renewable fuels in conservation, but it is a balanced plan. States need to work towards a balanced plan, and the Federal Government needs to work towards a balanced plan.

Chairman NUSSLE. Mr. Honda.

Mr. HONDA. Thank you, Mr. Chairman; and thank you, Mr. Blake, for being here.

I took particular interest in Mr. Collins’ comments in asking what the difference were between pre- and post-deregulation, and I guess the query for him was why there is such a great increase in rates. Your response was, if I remember correctly, was that it was an issue of increased demand versus the supplies. Can you tell me what the—in that time frame what the increase in demand was?

Mr. BLAKE. I don’t have the exact numbers, but I can get that for you.