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Hamburger  
1 page  
memo  
to  
McNally

Memo to  
McNally

### RAILROADS AND COAL

Because of coal's importance to the economy and because it is consumed in huge quantities all over the country, while production is focused in a limited number of areas, an efficient coal transportation system — with railroads at its core — is critical to our nation's economic well-being.

According to the U.S. Department of Energy's Energy Information Administration (EIA), some 65 percent of coal shipments were delivered to their final U.S. destinations by rail in 1999. The rail share is far higher than water (14 percent); trucks (11 percent); and the aggregate of conveyor belts, slurry pipelines, and tramways (10 percent). Over the past decade, the rail share has trended slightly upward, largely reflecting the growth of coal from the Powder River Basin in northeast Wyoming and southeast Montana that often moves long distances by rail.

Coal is by far the most important single commodity carried by rail. In 1999 (the latest year for which data are available), coal accounted for 26 percent of carloads, 44 percent of tonnage, and 22 percent of revenue for Class I railroads.

Coal-fired power plants, which consume the vast majority of coal in this country, compete against one another and against power plants fueled by other energy sources. For example, non-coal fuel sources account for nearly half of U.S. electricity generation. Consequently, railroads must work closely and cooperatively with mines and utilities to maximize efficiencies and enhance competitiveness. Over time, for example, higher capacity freight cars (which now carry almost 110 tons of coal per car on average) and more powerful locomotives have increased railroads' coal-carrying efficiency significantly. Highly-efficient unit trains, which carry 50 or more carloads of coal from a loading facility straight through to a customer without interruption using dedicated equipment, account for most rail coal shipments.

Railroads have worked hard to keep service as responsive, and rates as low, as possible. Since it recognizes both distance and weight, revenue per ton-mile (RPTM) is a useful surrogate for railroad rates. In 1999, rail RPTM for coal was 1.64 cents, easily the lowest such figure among all major commodity groups. In inflation-adjusted terms, 1999 RPTM for coal was 61 percent lower than in 1981 and 35 percent lower than in 1990.

Numerous studies have confirmed that rail coal rates have been falling steadily. For example, an April 1999 study by the General Accounting Office found that "In general, real rail rates for coal shipments have fallen since 1990." More recently, an October 2000 EIA study examined changes in railroad coal rates. The EIA's findings were unambiguous: "Although the share of coal transported by railroads increased, the average rate per ton to ship contract coal by rail fell steadily (a 25.8 percent decline) during the study period. The rates for coal in all sulfur categories were lower in 1997 than in 1988." EIA noted that "the decline in average contract coal rail rates during the study period was a response to competitive markets."

Today, many of our nation's coal mines, coal-fired power plants, and the railroad lanes serving them are at or near full capacity. Rail coal volume in 2001 through March is higher than the same time period of any recent year, and is up 7.2 percent over last year — reflecting both the higher demand for coal in light of high natural gas prices and the efficient, cost-effective service railroads are providing.

*Association of American Railroads*

**Braitsch, Jay**

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**From:** Johnson, Nancy  
**Sent:** Thursday, March 08, 2001 5:15 PM  
**To:** Braitsch, Jay  
**Subject:** NEP Papers

Revisions made to incorporate Kripowicz and field comments. Didn't get the time to rewrite the infrastructure papers. I have a volunteer who can work on them tomorrow if that's worthwhile.



CleanFuelsOption.d  
oc



FederalLandsOption  
.doc



FrontierOption.doc



IncentivesOption.d  
oc



InfrastructureOptio  
n.doc



IntOilandGasOption  
.doc



PipePermittingOptio  
n.doc



RefineryRegOption.  
doc



regstreamlining.doc



SustainProductionO  
ption.doc

560



MaryBeth Zimmerman

03/16/2001 05:29 PM

To: Sam Baldwin/EE/DOE@DOE  
cc:

Subject: Transportation R&D



2 pager for NEP OTT Auto research optior

**16293**

DOE017-0916

To: Jerry Dion/EE/DOE@DOE  
cc:

Subject: High Performance Buildings

If you have the chance, here's the final NEP 2-pager on high performance buildings to look at. It hasn't



changed much from the last time you saw it. 06 High Performance Bu

**16294**

DOE017-0917

563



MaryBeth Zimmerman

03/16/2001 11:55 AM

To: Jerry Dion/EE/DOE@DOE, David Rodgers/EE/DOE@DOE, Ed Wall/EE/DOE@DOE  
cc:

Subject: Consumer information 2 pager

combined BTS, OTT submission on consumer information for your review. I took out long term energy



savings numbers because they reflect more than this one policy. 13 Consumer Information

16296

DOE017-0919

564



Jerry Dion

03/16/2001 11:55 AM

To: MaryBeth Zimmerman/EE/DOE@DOE  
cc:

Subject: Re: High Performance Buildings

MaryBeth,

Did any of our other policy response papers (I think we submitted 8) make it into EERE's submission? If so, can I have copies?

Thanks,  
Jerry

MaryBeth Zimmerman



MaryBeth Zimmerman

03/16/2001 09:28 AM

To: Jerry Dion/EE/DOE@DOE  
cc:

Subject: High Performance Buildings

If you have the chance, here's the final NEP 2-pager on high performance buildings to look at. It hasn't



changed much from the last time you saw it. 06 High Performance Bu

**Tripodi, Cathy**

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**From:** Kelliher, Joseph  
**Sent:** Tuesday, July 03, 2001 5:46 PM  
**To:** Tripodi, Cathy  
**Subject:** FW: coal resources on federal lands

125

Predecisional: draft NEP recommendation

-----Original Message-----

**From:** Anderson, Margot  
**Sent:** Tuesday, March 27, 2001 9:05 AM  
**To:** Kelliher, Joseph  
**Subject:** coal resources on federal lands



Coal Resources on  
Federal Land...

You might find this useful

**Kelliher, Joseph**

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**From:** Pettit, Susan [SPettit@appanet.org]  
**Sent:** Wednesday, April 18, 2001 11:22 AM  
**To:** Kelliher, Joseph  
**Cc:** Mitchell Rapaport (E-mail); 'pja(a)vnf.com'; 'rmn(a)vnf.com'; 'snf(a)vnf.com'  
**Subject:** Joint Tax Assumptions

Mitch Rapaport of Nixon Peabody prepared the analysis below in response to your question. Mitch represents LPPC and this responds to your inquiry to Bob Nordhaus as well. Let us know if we can provide any additional information.

.....

I think that the major assumptions made by the joint tax committee in preparing a revenue estimate over the 10 year budget period include those described below. It is important that the Joint Tax Committee did not provide us with specific information regarding the assumptions that were made in preparing the revenue estimate, so this list is based on the conversations that we had with JCT regarding the legislation.

(1) Although many states have not yet deregulated, the pace of deregulation will be such that for much of the budget period, nearly every state (and particularly the larger ones) will have deregulated. We had argued that the pace of deregulation would not be that rapid, that there would be transition periods prior to the effectiveness of deregulation, and that even after the transition period, there would be an additional period before potential violations of the private use rules would begin to occur.

(2) Despite the fact that no state has compelled public power to participate in retail competition, practical realities will force nearly every public power entity to participate. We disagreed and pointed out California as an example.

(3) As a result, public power would have to take action to make sure that outstanding tax exempt bonds do not lose their tax exempt status and would be significantly constrained in its ability to issue new tax exempt bonds. Under current law, this means redeeming those outstanding bonds at the earliest opportunity. The revenue loss to the Treasury occurs when outstanding tax exempt bonds that would have to be redeemed are permitted to be left outstanding because of the legislation and new tax exempt bonds that could not have been issued without the change in law are permitted to be issued. We argued that there are methods available for public power to minimize the amount of tax exempt bonds that would have to be redeemed.

(4) The most recent revenue estimate was prepared prior to the issuance of the latest set of temporary regulations. This revenue estimate assumed that the temporary regulations would have expired by the time that the legislation was enacted (or that, in any event, at the end of the relevant 3 year period, the regulations would go away). As a result, any relief provided by the Temporary Regulations for public power would be gone (that is, actions that are permitted under the Temporary Regulations without necessitating redemption of tax exempt bonds would no longer be permitted). We disagreed with this approach. It is clear that the temporary regulations will not be permitted to expire.

(5) We suggested to the Joint Tax Committee that there were a number of actions that exist under current law that could be used by public power to participate in deregulation in certain ways without running afoul of the private use rules to avoid having to redeem bonds. One example included entities not participating in deregulation where there would be significant tax consequences. Our belief is that the joint tax committee did not buy

these arguments and took a relatively black and white view: without tax relief, public power would participate in deregulation even though it would mean having to redeem significant amounts of tax exempt bonds; with tax relief, all of these bonds would remain outstanding and many new tax exempt bonds would be issued.

(6) The Joint Tax Committee did not believe that many public power entities would elect to give up the ability to issue tax exempt bonds in return for private use relief. As a result, they did not view this provision as a "revenue raiser". Our discussions with members indicate that some members will make this election.

(7) The joint tax committee raised revenue concerns with respect to the provisions regarding pollution control financings that would be permitted without the private use limitations applying and advance refundings of bonds. They also seemed to believe that the new provision limiting financing of transmission to "local transmission" (which we believe would be a revenue raiser) was not a significant limitation on the issuance of new tax exempt bonds.

It is also worth noting that the prior administration's private use proposal, which provided private use relief and prohibited the issuance of new tax exempt bonds for generation and transmission, was viewed as revenue neutral by the Treasury.

-----Original Message-----

**From:** Kelliher, Joseph [SMTP:Joseph.Kelliher@hq.doe.gov]  
**Sent:** Tuesday, April 17, 2001 10:42 AM  
**To:** 'Pettit, Susan'  
**Subject:** RE: Info on public power

Susan, could you ask him to send me an email explaining whether he thought JTC's estimate was unreasonable, and explain any difference of opinion. It seems unreasonable to me to assume that public power would be required to participate in competitive markets if no State has yet done so.

-----Original Message-----

**From:** Pettit, Susan [mailto:SPettit@appanet.org]  
**Sent:** Tuesday, April 17, 2001 10:37 AM  
**To:** Kelliher, Joseph  
**Subject:** RE: Info on public power

As you probably know, under the proposed legislation, public power systems can provide open access without triggering the private use limitations. The systems can:

(1) elect to forgo issuance of most future tax-exempt debt and its existing bonds would be protected from private use restrictions. But the system could still issue tax-exempt debt to finance local transmission and distribution facilities over which it provides open access.

or,

(2) choose not to make the election and remain subject to private use rules EXCEPT, even under this scenario, the system would still be permitted to provide open access transmission and distribution without triggering the private use restrictions.

So, under the legislation and under either scenario, public power systems could provide local open access transmission without being subject to private use rules.

Joint Tax assumed that without the legislation, in the 23 states that have adopted restructuring, all outstanding public power debt would be defeased. Taxable bonds would then be issued, so JT Tax assumed that the federal government would lose all of that revenue

should the legislation pass. On top of that, they assumed that all 50 states would ultimately adopt restructuring...and to get to the conclusion that all public power debt would be defeased, they assumed that public power would be mandated to participate in restructuring..

My knowledge on other specifics of these assumptions is limited, but our tax consultant, Mitch Rapaport, was in all the meetings with JT Tax and could be far more helpful. Would you like to talk to him?

--Susan Pettit

-----Original Message-----

**From:** Kelliher, Joseph [SMTP:Joseph.Kelliher@hq.doe.gov]  
**Sent:** Monday, April 16, 2001 7:25 PM  
**To:** 'Pettit, Susan'  
**Subject:** RE: Info on public power

Susan, what were the assumptions underlying the private use estimate? Did Joint Tax assume that some publics would provide open access notwithstanding the private use limits. Curious about the reasoning.

-----Original Message-----

**From:** Pettit, Susan [mailto:SPettit@appanet.org]  
**Sent:** Monday, April 16, 2001 1:51 PM  
**To:** Kelliher, Joseph  
**Subject:** Info on public power

Joe, Hopefully you have received my fax regarding the revenue estimates, transmission and retail sales stats. Let me know if you have additional questions. You might find additional useful information on this link to our website:

<http://www.appanet.org/general/issues/stats.htm>

--Susan Pettit  
Government Relations Representative  
APPA  
202-467-2985

**Williams, Ronald L**

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**From:** Cook, Trevor  
**Sent:** Thursday, March 22, 2001 8:57 AM  
**To:** Anderson, Margot  
**Subject:** Nuclear Input for Chapter 8

Still working on this, will have it to you by noon. Write back if that is too late or if we can have a couple of more hours, either way!

Trev.



2001-015072

The Secretary of Energy  
Washington, DC 20585

July 26, 2001

The Honorable Loyola de Palacio  
Vice-President of the European Commission  
Commissioner of Transport and Energy  
Rue de la Loi 200  
B-1049 Brussels  
Belgium

Dear Commissioner Palacio:

Thank you for your thoughtful letter regarding the National Energy Policy report.

I am pleased that you noticed several lines of approach in the report that parallel those identified in the EU Green Paper. As we discussed during our meetings, both efforts point to substantial needs for new energy supply in coming years. This will be a major common challenge for us to address, and I hope that a renewed consultative process will help us to do so.

In this context, it is reassuring that you share with us the need for a new look at the potential of nuclear power. I agree with you that waste disposal is an essential issue to tackle effectively if this potential is to be realized, and we welcome cooperation in this area from both the Commission and interested EU member states. I also think that the nuclear option could be a particularly fruitful area for discussion by G8 energy ministers, given the substantial reliance placed on nuclear power by key G8 countries and the associated benefits for the environment.

I would also note that the National Energy Policy places substantial emphasis on the environment, energy efficiency and renewables. The report recommends doubling expenditure on conservation measures for low-income households, extending appliance efficiency standards and renewable energy tax credits, providing new tax incentives for purchase of efficient vehicles, and considering tighter vehicle corporate average fuel economy standards. It obviously makes sense to use energy wisely and to diversify our energy sources in cost-effective ways, not only because of the environmental benefits, but also to reduce the overall costs of meeting our energy needs and to enhance security by limiting oil import requirements.



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DOE042-2316

Your letter indicates an interest in learning more about our analysis of energy demand, supply requirements, and environmental impacts of energy consumption. Our staff would be happy to assist in this regard, and the renewed consultative process may provide a useful vehicle for this.

Once again, I appreciate your taking the time to share your thoughts and perspectives. There are several areas where we can clearly cooperate, and I look forward to working on these together.

Sincerely,



Spencer Abraham

## Coastal Zone Management Act Federal Consistency Regulations

**Description:** The Coastal Zone Management Act (CZMA) of 1972 created a national program to manage and balance competing uses of, and impacts to coastal resources. It requires that all federal activities, including offshore oil and gas exploration and production, be consistent with the policies of a state's coastal zone management plan. As adopted by certain states, these coastal zone plans have created regulatory uncertainty and have delayed, or even prevented federal offshore exploration and production projects. Recent revisions to the CZMA regulations by the administering agency, the National Oceanic and Atmospheric Administration (NOAA), expand the ability of a state to use its coastal management program to impede federal permitting activities in federal waters.

A federal agency such as the Department of the Interior's Minerals Management Service, which has most permitting authority over offshore oil and gas activities under the Outer Continental Shelf Lands Act, the Clean Air Act and the Clean Water Act, cannot grant a federal oil and gas permit inconsistent with an approved state CZM program. Using this consistency requirement, some states have blocked or delayed federal offshore energy activities. The Secretary of Commerce has the authority under the CZMA to override the state's objections on appeal, but decisions have taken from 16 months to many years.

**Status:** On January 8, 2001, NOAA's revised CZM consistency rule became effective. The rulemaking leading up to the new consistency rule was very controversial; key provisions were hotly contested by states, federal agencies and stakeholders.

**Key Issues/Decisions:** OCS oil and gas leasing, exploration and production represent significant potential for increasing this Nation's domestic energy supplies in an environmentally compatible manner, and should be included as an important part of the Administration's Comprehensive Energy Strategy. Application of the CZMA's consistency provisions has hindered the development of oil and gas resources in the OCS.

## Coastal Zone Management Act

- The Coastal Zone Management Act (CZMA) and its consistency provisions have a long history of impeding energy exploration, development and production at essentially every step of the process.
- The CZMA of 1972 created a national program designed to encourage the States to develop programs to manage and balance competing uses of and impacts to coastal resources. Congress found that the coastal zone is important for industrial uses that have “potential value to the present and future well-being of the Nation”. The law was designed to enhance communications between federal agencies responsible for permitting activities on Federal lands and coastal states to minimize or eliminate conflicts with approved State goals and programs. It was viewed as a positive law designed to help resolve issues. Regarding important permitted activities, the law’s Congressional Declaration of Policy provides:
  - √ that “priority consideration being given to coastal-dependent uses and orderly processes for siting major facilities related to national defense, energy, fisheries development, . . . in or adjacent to areas where such development already exists,” 16 USC Section 1452(2)(D) and;
  - √ there should be “the coordination and simplification of procedures in order to ensure expedited governmental decisionmaking for the management of coastal resources”. 16 USC Section 1452(2)(G).
- Contrary to these specific legislative provisions, regulatory implementation and States’ misuse of the consistency provisions of the CZMA have created regulatory uncertainty and have impeded federal offshore exploration and production projects as well as the siting of onshore and offshore energy infrastructure.
  - √ Some coastal management policies conflict with the CZMA law, prohibiting siting of onshore and offshore infrastructure in the state coastal zone and on federal lands.
  - √ NOAA’s recently revised CZMA federal consistency regulations expand the ability for a state to use its coastal management program to impede federal permitting involving proposed activities which occur in federal waters off the coasts of other States.
  - √ States have blocked or delayed federal offshore energy activities far outside of their coastal waters through unreasonable application of the CZMA consistency provisions.
  - √ The Secretary of Commerce has not acted in a timely manner to make decisions on consistency appeals, thus making the appeals process last many years.
  - √ Development projects onshore and many miles from potentially affected coastal communities have been stalled. The most recent example of Commerce’s improper objection and failure to act is highlighted in a Supreme Court decision issued which involves leases off North Carolina known as the Manteo prospect.
  - √ Recently introduced S. 328 further erodes the ability to site and build onshore energy infrastructure and lease, explore, and develop offshore resources.
- As applied, the CZMA has hindered the development of oil and gas resources in the OCS, creating a conundrum for US energy policymakers who want to promote a Comprehensive National Energy Strategy. Policymakers and legislators carefully examine the relationship between U.S. energy policy, the Outer Continental Shelf Lands Act and the CZMA as they attempt to identify policies to enhance America’s national energy and economic objectives rather than create stumbling blocks. As Congress begins to address national energy policy, it is imperative that a thorough review be undertaken of the implementation of the CZMA and its negative impact on America’s energy supply.

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## Energy Policy and Coastal Management

- As the Administration's National Energy Policy Development group and Congress addresses national energy policy, it is imperative to undertake a thorough review of the CZMA and its negative impacts on America's energy supply.
- Regulations finalized in the last days of the Clinton Administration implementing the current CZMA appear to add impediments to balanced, environmentally compatible energy development in the federal waters of the Outer Continental Shelf by allowing states review of federal activities beyond their coastal zones.
- If CZMA "consistency" provisions are not modified, serious delays to or blockage of OCS leasing and production activities that simply do not materially affect states' coastal zones, estuaries and inland and upland areas could result.
- Problems with the proposed legislation (S.328) to reauthorize the CZMA include extension of the coastal zone to include other countries in an already complicated consultation process, and federal funding of non-government organizations to fight OCS oil and gas projects. The bill also appears to allow time-consuming redundancies with Clean Water Act permitting processes with regard to water quality and non-point sources. Moreover, it creates more potential for future regulations to thwart both onshore and offshore oil and gas development.

The Coastal Zone Management Act's policy directs "priority consideration being given to coastal dependent uses and orderly processes for siting major facilities related to national defense, energy, [and] fisheries development..." However, "consistency" provisions contained elsewhere in the CZMA pose significant problems for balanced decisions by federal officials regarding energy, and other important economic national interests. In recent years, these CZMA consistency provisions have been increasingly used to impede, and even block oil and gas exploration and production in the federal Outer Continental Shelf (OCS). Such actions have resulted in diminution of our national energy security, domestic job loss, and a reduction in royalty revenues to the U.S. Treasury that would otherwise flow from oil and gas production in the federal OCS.

351

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**Proposed Energy Policy language:**

- Developers of electric transmission line projects that cross federal and private lands may face duplicative permitting and assessment requirements under the Endangered Species Act in order to obtain incidental take protections on both the federal and private lands involved in the project. The Administration will coordinate the application of the Endangered Species Act such that applicants may request that requirements developed in consultation on federal lands be applied to protect endangered species on adjacent non-federal lands, and thus provide incidental take protections for the applicant across the entire line.
- Developers of interstate electric transmission lines that cross federal and private lands face an array of federal permitting hurdles, and will frequently be subject to many of the following statutes, among others:
  - National Environmental Policy Act (42 U.S.C. 4321 et seq.)
  - Endangered Species Act (16 U.S.C. 1531 et seq.)
  - Clean Water Act wetlands permits (33 U.S.C. 1344)
  - Rivers and Harbors Act section 10 permits (33 USC 403)
  - Wild and Scenic Rivers Act (16 U.S.C. 1278 et seq.)
  - National Historic Preservation Act (16 U.S.C. 470)
  - Native American Graves Protection and Repatriation Act (25 U.S.C. 3001 et seq.)
  - Interstate Lands Sales Full Disclosure Act (15 U.S.C. 1701 et seq.)

The Administration will explore ways to significantly reduce the time required to complete the permitting process by coordinating and consolidating assessments, consultations and permit processing to the fullest extent allowed by law. FERC will work with all involved federal agencies to set timetables for permit processing and monitor agency progress towards completion of the permit process.

- Following the successful completion of the several permitting processes, developers of interstate transmission lines may face ongoing litigation arising out of causes of action under the ESA, NHPA or NEPA. The Administration will explore ways to limit the timing for filing such lawsuits so as to resolve legitimate issues in a way that minimizes impacts on construction schedules and costs.

Revised  
5/6

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- Rivers and Harbors Act section 10 permits (33 USC 403)
- Wild and Scenic Rivers Act (16 U.S.C. 1278 et seq.)
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Post-it Fax Note	7571	DATE	5/2	pgs	1
To	Joe Kellihan	From	Tang K		
cc	DOE	CO			
Phone #		Phone #			
Fax #	596-3210	Fax #	383 5480		

**THE WHITE HOUSE  
CORRESPONDENCE TRACKING WORKSHEET**

ID# 488493  
PAGE 1

DATE RECEIVED: 06/01/2001

NAME OF CORRESPONDENT: THE HONORABLE HARRY REID

SUBJECT: EXPRESSES CONCERN REGARDING THE NATIONAL ENERGY POLICY DEVELOPMENT GROUP  
RECOMMENDATION CONCERNING NUCLEAR WASTE

*AT*

ROUTE TO: OFFICE/AGENCY	(STAFF NAME)	ACTION		DISPOSITION		
		ACTION CODE	DATE YY/MM/DD	TYPE RESP	C D	COMPLETED YY/MM/DD
LEGISLATIVE AFFAIRS	NICK CALIO	ORG	2001/05/30	NL	A	2001/6/12

ACTION COMMENTS

✓ *Vice President's Domestic Policy* R 0106176 C 7,9,01 RY

ACTION COMMENTS:

*CEQ* I 010614 C 11

ACTION COMMENTS: RY

*Dept. of Energy* R 010720 11

ACTION COMMENTS:

COMMENTS

ADDITIONAL CORRESPONDENTS: 0

MEDIA: LETTER

INDIVIDUAL CODES:

REPORT CODES:

USER CODE: 3 SIGNEES

**ACTION CODES:**

- A - APPROPRIATE ACTION
- C - COMMENT/RECOMMENDATION
- D - DRAFT RESPONSE
- F - FURNISH FACT SHEET
- I - INFO COPY/NO ACT NECESSARY
- R - DIRECT REPLY W/ COPY
- S - FOR SIGNATURE
- X - INTERIM REPLY

**DISPOSITION CODES:**

- A - ANSWERED
- B - NON-SEPC-REFERRAL
- C - COMPLETED
- S - SUSPENDED

**OUTGOING CORRESPONDENCE:**

- TYPE RESP = INITIALS OF SIGNER
- CODE = A
- COMPLETED = DATE OF OUTGOING

*S*

REFER QUESTIONS AND ROUTING UPDATES TO RECORDS MANAGEMENT (ROOM 72, OE0B) EXT-62590  
KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS MANAGEMENT.

21239

WHITE HOUSE

THE WHITE HOUSE OFFICE  
REFERRAL

2001-017639 7/25 A 10:39

July 20, 2001

TO: DEPARTMENT OF ENERGY

ACTION REQUESTED: DIRECT REPLY W/COPY

DESCRIPTION OF INCOMING:

ID: 488493  
MEDIA: LETTER, DATED MAY 23, 2001  
TO: PRESIDENT BUSH  
FROM: THE HONORABLE HARRY REID  
UNITED STATES SENATE  
WASHINGTON, DC 20510  
SUBJECT: EXPRESSES CONCERN REGARDING THE NATIONAL ENERGY POLICY  
DEVELOPMENT GROUP RECOMMENDATION CONCERNING NUCLEAR WASTE

PROMPT ACTION IS ESSENTIAL - IF REQUIRED ACTION HAS NOT BEEN TAKEN WITHIN 9 WORKING DAYS OF RECEIPT, PLEASE TELEPHONE THE UNDERSIGNED AT 456-2590.

RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE (OR DRAFT) TO:  
RECORDS MANAGEMENT, ROOM 72, THE WHITE HOUSE, 20500

OFFICE OF RECORDS MANAGEMENT - THE WHITE HOUSE

21238

DOE022-0119

**THE WHITE HOUSE  
CORRESPONDENCE TRACKING WORKSHEET**

ID# 483732  
PAGE 1

DATE RECEIVED: 05/18/2001

NAME OF CORRESPONDENT: THE HONORABLE JEFF BINGAMAN

SUBJECT: EXPRESSES CONCERN ABOUT GASOLINE PRICES AND OUTLINE 5 THINGS THE ADMINISTRATION CAN DO ABOUT GASOLINE PRICES AND WOULD LIKE TO KNOW THAT ACTIONS THE ADMINISTRATION IS PLANNING TO TAKE IN THE SHORT TERM TO ADDRESS RISING PRICES IN VARIOUS REGIONS OF THE CO

ROUTE TO: OFFICE/AGENCY	(STAFF NAME)	ACTION		DISPOSITION		
		ACTION CODE	DATE YY/MM/DD	TYPE RESP	C D	COMPLETED YY/MM/DD
LEGISLATIVE AFFAIRS	NICK CALIO	ORG	2001/05/18	NL	A	2001/5/22

ACTION COMMENTS: *Please send a copy of your response to Leg Affairs*

*VP's Domestic Policy (A. Lundquist) R* *Report sent to official signatures* *C 6/15/01*

ACTION COMMENTS:

*LEQ* *I* *1/1*

ACTION COMMENTS:

*DOE* *C* *R* *010619* *6/15/01*

ACTION COMMENTS:

**COMMENTS**

ADDITIONAL CORRESPONDENTS: 0

MEDIA: LETTER

INDIVIDUAL CODES:

REPORT CODES:

USER CODE: 24 SIGNEES

*5*

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- C - COMPLETED
- S - SUSPENDED

**OUTGOING CORRESPONDENCE:**

- TYPE RESP = INITIALS OF SIGNER
- CODE = A
- COMPLETED = DATE OF OUTGOING

REFER QUESTIONS AND ROUTING UPDATES TO RECORDS MANAGEMENT (ROOM 72, OE08) EXT-62590  
KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS MANAGEMENT.

**21201**

WHITE 170025

**THE WHITE HOUSE OFFICE**

**REFERRAL**

014920

2001 JUN 25 AM 11:13 2001

**TO:** DEPARTMENT OF ENERGY

**ACTION REQUESTED:** DIRECT REPLY W/COPY

**DESCRIPTION OF INCOMING:**

**ID:** 483740

**MEDIA:** LETTER, DATED MAY 15, 2001

**TO:** PRESIDENT BUSH

**FROM:** THE HONORABLE PAUL WELLSTONE  
UNITED STATES SENATE  
WASHINGTON, DC 20510

**SUBJECT:** URGES THE PRESIDENT TO MAKE A SUBSTANTIVE COMMITMENT TO ENERGY CONSERVATION AND TO RENEWABLE ENERGY DEVELOPMENT AND FUNDING WHEN HE ANNOUNCE THE ADMINISTRATION'S ENERGY PROPOSALS

**PROMPT ACTION IS ESSENTIAL - IF REQUIRED ACTION HAS NOT BEEN TAKEN WITHIN 9 WORKING DAYS OF RECEIPT, PLEASE TELEPHONE THE UNDERSIGNED AT 456-2590.**

**RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE (OR DRAFT) TO:  
RECORDS MANAGEMENT, ROOM 72, THE WHITE HOUSE, 20500**

**OFFICE OF RECORDS MANAGEMENT - THE WHITE HOUSE**

**21193**

DOE022-0074

132

WHITE HOUSE

Exec. Sec.

014610

**THE WHITE HOUSE OFFICE  
REFERRAL**

2001-014610 6/19 P 3:23

June 13, 2001

**TO: DEPARTMENT OF ENERGY**

**ACTION REQUESTED: INFO COPY ONLY/NO ACTION NECESSARY**

**DESCRIPTION OF INCOMING:**

**ID:** 488444  
**MEDIA:** LETTER, DATED MAY 23, 2001  
**TO:** PRESIDENT BUSH  
**FROM:** THE HONORABLE MIKE THOMPSON  
U.S. HOUSE OF REPRESENTATIVES  
WASHINGTON, DC 20515  
**SUBJECT:** REQUESTS THE PRESIDENT TO IMPLEMENT THEIR RECOMMENDATIONS  
DIRECTING FEDERAL FACILITIES TO TAKE CONSERVATION MEASURES BY ISSUING  
AN EXECUTIVE ORDER

**PROMPT ACTION IS ESSENTIAL - IF REQUIRED ACTION HAS NOT BEEN TAKEN WITHIN 9 WORKING DAYS  
OF RECEIPT, PLEASE TELEPHONE THE UNDERSIGNED AT 456-2590.**

**RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE (OR DRAFT) TO:  
RECORDS MANAGEMENT, ROOM 72, THE WHITE HOUSE, 20500**

**OFFICE OF RECORDS MANAGEMENT - THE WHITE HOUSE**

21172

**THE WHITE HOUSE  
CORRESPONDENCE TRACKING WORKSHEET**

ID# 491474  
PAGE 1

DATE RECEIVED: 07/25/2001

NAME OF CORRESPONDENT: THE HONORABLE JOSEPH CROWLEY

SUBJECT: EXPRESSES CONCERN REGARDING THE NATIONAL ENERGY POLICY DEVELOPMENT GROUP (NEPD) RECOMMENDATION TO SUPPORT THE BAKU-CEYHAN PIPELINE AND ITS ASSUMED COMMERCIAL VIABILITY

ROUTE TO: OFFICE/AGENCY	(STAFF NAME)	ACTION		DISPOSITION		
		ACTION CODE	DATE YY/MM/DD	TYPE RESP	C D	COMPLETED YY/MM/DD
LEGISLATIVE AFFAIRS	NICK CALIO	ORG	2001/07/25	NL	4 <sup>a</sup>	2001/7/31
ACTION COMMENTS: <i>Response sent to additional signers</i>						
<i>De-Vice President's</i>	<i>DP</i>	<i>R</i>	<i>01/17/31</i>			<i>1/1</i>
ACTION COMMENTS: <i>Dept. of Energy</i>						
		<i>CJ</i>	<i>01/08/17</i>			<i>1/1</i>
			<i>01/17/31</i>			<i>1/1</i>
ACTION COMMENTS:						
ACTION COMMENTS:						

**COMMENTS**

ADDITIONAL CORRESPONDENTS: 0

MEDIA: LETTER

INDIVIDUAL CODES:

REPORT CODES:

USER CODE: 35 SIGNEES



**ACTION CODES:**

- A - APPROPRIATE ACTION
- C - COMMENT/RECOMMENDATION
- D - DRAFT RESPONSE
- F - FURNISH FACT SHEET
- I - INFO COPY/NO ACT NECESSARY
- R - DIRECT REPLY W/ COPY
- S - FOR SIGNATURE
- X - INTERIM REPLY

**DISPOSITION CODES:**

- A - ANSWERED
- B - NON-SEPC REFERRAL
- C - COMPLETED
- S - SUSPENDED

**OUTGOING CORRESPONDENCE:**

- TYPE RESP = INITIALS OF SIGNER
- CODE = A
- COMPLETED = DATE OF OUTGOING

REFER QUESTIONS AND ROUTING UPDATES TO RECORDS MANAGEMENT (ROOM 72, OE0B) EXT-62590  
KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS MANAGEMENT.

**21256**

199  
175

**THE WHITE HOUSE OFFICE**  
**REFERRAL**

2001-019469 Aug 21 A 11:23

August 17, 2001

**TO:** DEPARTMENT OF ENERGY

**ACTION REQUESTED:** INFO COPY ONLY/NO ACTION NECESSARY

**DESCRIPTION OF INCOMING:**

**ID:** 491474

**MEDIA:** LETTER, DATED JUL 11, 2001

**TO:** PRESIDENT BUSH

**FROM:** THE HONORABLE JOSEPH CROWLEY  
U.S. HOUSE OF REPRESENTATIVES  
WASHINGTON, DC 20515

**SUBJECT:** EXPRESSES CONCERN REGARDING THE NATIONAL ENERGY POLICY  
DEVELOPMENT GROUP (NEPD) RECOMMENDATION TO SUPPORT THE BAKU-  
CEYHAN PIPELINE AND ITS ASSUMED COMMERCIAL VIABILITY

**PROMPT ACTION IS ESSENTIAL -- IF REQUIRED ACTION HAS NOT BEEN TAKEN WITHIN 9 WORKING DAYS  
OF RECEIPT, PLEASE TELEPHONE THE UNDERSIGNED AT 456-2590.**

**RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE (OR DRAFT) TO:  
RECORDS MANAGEMENT, ROOM 72, THE WHITE HOUSE, 20500**

**OFFICE OF RECORDS MANAGEMENT - THE WHITE HOUSE**

21255

2001-019419 8/20 P 3:41



OFFICE OF THE VICE PRESIDENT  
WASHINGTON

019419

2001 AUG 20 P 3:41

TO:

Ms. Carol A. Kennedy  
Executive Secretariat  
Room 7E-054 Forrestal Building  
Department of Energy  
1000 Independence Avenue SW  
Washington, DC 20585

DATE:

August 16, 2001

We are forwarding the enclosed constituent mail addressed to the Vice President because your agency has the expertise to evaluate the technical suggestions, products and procedures that are recommended to alleviate the energy crisis. These constituents have been notified that they will be hearing directly from your department.

Should you have questions, you may reach me by telephone at 202.456.9002 or by fax at 202.456.7044.

Sincerely,

A handwritten signature in cursive script that reads "Cecelia Boyer".

Cecelia Boyer  
Special Assistant to the Vice President  
for Correspondence

21273

DOE022-0154

2001-019593 8/23 A 9:03



OFFICE OF THE VICE PRESIDENT  
WASHINGTON

TO: Ms. Carol A. Kennedy  
Executive Secretariat  
Room 7E-054 Forrestal Building  
Department of Energy  
1000 Independence Avenue SW  
Washington, DC 20585

DATE: August 21, 2001

We are forwarding the enclosed constituent mail concerning suggestions and technical recommendations. It is not necessary to respond to our office regarding your individual responses to these communications.

Should you have questions about these procedures or need to provide updated contact information, you may reach me by telephone at 202.456.9002 or by fax at 202.456.7044.

Sincerely,

A handwritten signature in cursive script that reads "Cecelia Boyer".

Cecelia Boyer  
Special Assistant to the Vice President  
for Correspondence

21279

DOE022-0160

2001-019602 8/23 A 9:04



OFFICE OF THE VICE PRESIDENT  
WASHINGTON

TO: Ms. Carol A. Kennedy  
Executive Secretariat  
Room 7E-054 Forrestal Building  
Department of Energy  
1000 Independence Avenue SW  
Washington, DC 20585

DATE: August 21, 2001

We are forwarding the enclosed constituent mail concerning suggestions and technical recommendations. It is not necessary to respond to our office regarding your individual responses to these communications.

Should you have questions about these procedures or need to provide updated contact information, you may reach me by telephone at 202.456.9002 or by fax at 202.456.7044.

Sincerely,

A handwritten signature in cursive script that reads "Cecelia Boyer".

Cecelia Boyer  
Special Assistant to the Vice President  
for Correspondence

21276

DOE022-0157



2001-021610 9/21 P 4:32

OFFICE OF THE VICE PRESIDENT  
WASHINGTON

021610

2001 SEP 21 P 4: 32

September 20, 2001

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

Dear Mr. Secretary:

Enclosed are numerous unsolicited proposals and idea papers that we received from citizens from all across the country during the development of the National Energy Policy, and in the months to follow. Many of these individuals and companies have already received correspondence and acknowledgement from the NEPDG and/or the Vice President's office.

What most of these citizens are looking for, however, is for review and consideration of their proposals and ideas by program professionals. In turn, we would appreciate your vetting these proposals out to the appropriate departments within your agency for review. If you would, please have the appropriate staff respond with a direct reply to each of these individuals or companies.

Thank you for your assistance. I know these citizens will greatly appreciate receiving a response from the Department of Energy.

Sincerely

Andrew D. Lundquist  
Director, National Energy Policy  
Development Group

21293

WHITE HOUSE

**THE WHITE HOUSE OFFICE  
REFERRAL**

September 28, 2001

2001-022321 10/3 A 9:13

**TO:** DEPARTMENT OF ENERGY

**ACTION REQUESTED:** DIRECT REPLY W/COPY

**DESCRIPTION OF INCOMING:**

**ID:** 491473

**MEDIA:** LETTER, DATED JUL 17, 2001

**TO:** PRESIDENT BUSH

**FROM:** THE HONORABLE TIM JOHNSON  
UNITED STATES SENATE  
WASHINGTON, DC 20510

**SUBJECT:** EXPRESSES THEIR SUPPORT FOR INCREASED DOMESTIC NATURAL GAS  
DEVELOPMENT

**PROMPT ACTION IS ESSENTIAL – IF REQUIRED ACTION HAS NOT BEEN TAKEN WITHIN 9 WORKING DAYS  
OF RECEIPT, PLEASE TELEPHONE THE UNDERSIGNED AT 456-2590.**

**RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE (OR DRAFT) TO:  
RECORDS MANAGEMENT, ROOM 72, THE WHITE HOUSE, 20500**

**OFFICE OF RECORDS MANAGEMENT - THE WHITE HOUSE**

**21323**

DOE022-0204

**THE WHITE HOUSE OFFICE  
REFERRAL**

August 29, 2001

2001-020271 Aug 31 p 3:40

**TO:** DEPARTMENT OF ENERGY

**ACTION COMMENTS:** PLEASE RESPOND

**ACTION REQUESTED:** APPROPRIATE ACTION

**DESCRIPTION OF INCOMING:**

**ID:** 456723

**MEDIA:** LETTER, DATED MAY 14, 2001

**TO:**

**FROM:** THE HONORABLE PAUL SCHELL  
MAYOR  
CITY OF SEATTLE  
600 FOURTH AVENUE  
12TH FLOOR  
SEATTLE, WA 98104

**SUBJECT:** EXPRESSES COMMENTS AND VIEWS REGARDING THE ADMINISTRATION'S  
NATIONAL ENERGY POLICY.

**PROMPT ACTION IS ESSENTIAL - IF REQUIRED ACTION HAS NOT BEEN TAKEN WITHIN 9 WORKING DAYS  
OF RECEIPT, PLEASE TELEPHONE THE UNDERSIGNED AT 456-2590.**

**RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE (OR DRAFT) TO:  
RECORDS MANAGEMENT, ROOM 72, THE WHITE HOUSE, 20500**

**OFFICE OF RECORDS MANAGEMENT - THE WHITE HOUSE**

**29957**

**THE WHITE HOUSE  
CORRESPONDENCE TRACKING WORKSHEET**

ID# 456723  
PAGE 1

DATE RECEIVED: 05/30/2001

NAME OF CORRESPONDENT: THE HONORABLE PAUL SCHELL

SUBJECT: EXPRESSES COMMENTS AND VIEWS REGARDING THE ADMINISTRATION'S NATIONAL ENERGY POLICY.

*UT*

ROUTE TO: OFFICE/AGENCY	(STAFF NAME)	ACTION		DISPOSITION		
		ACTION CODE	DATE YY/MM/DD	TYPE RESP	C D	COMPLETED YY/MM/DD
INTERGOVERNMENTAL AFFAIRS	RUBEN BARRALES	ORG	2001/05/30	RB	A	01/08/23

ACTION COMMENTS

ACTION COMMENTS:

RY *DBB* A 01.8.29

ACTION COMMENTS: *please respond*

ACTION COMMENTS:

**COMMENTS**

ADDITIONAL CORRESPONDENTS: 0

MEDIA: LETTER

INDIVIDUAL CODES:

REPORT CODES:

USER CODE:

*S*

**ACTION CODES:**  
A - APPROPRIATE ACTION  
C - COMMENT/RECOMMENDATION  
D - DRAFT RESPONSE  
F - FURNISH FACT SHEET  
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S - FOR SIGNATURE  
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**DISPOSITION CODES:**  
A - ANSWERED  
B - NON-SEPC-REFERRAL  
C - COMPLETED  
S - SUSPENDED

**OUTGOING CORRESPONDENCE:**  
TYPE RESP = INITIALS OF SIGNER  
CODE = A  
COMPLETED = DATE OF OUTGOING

REFER QUESTIONS AND ROUTING UPDATES TO RECORDS MANAGEMENT (ROOM 72, OEOB) EXT-42590  
KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS MANAGEMENT.

**29958**



January 29, 2001

The Dow Chemical Company  
177 E. Franklin St.  
Suite 100  
Washington, DC 20004  
202-429-3400

2001-002368 1/29 P 5:27

The Honorable Spence Abraham  
Secretary of Energy  
Department of Energy  
Forrestal Building  
1000 Independence Avenue, SW  
Washington, DC 20585

Dear Secretary Abraham:

Congratulations on your cabinet appointment as Secretary of Energy.

We look forward to continuing to work with you and your staff as you address the nations growing energy concerns.

I am forwarding to you a note from Bill Jewell who is the Director for our energy business with some thoughts on energy policy for your consideration.

We would be happy to provide additional information if desired.

Regards,

Wilma I. Delaney  
Vice President

WID:rsj

Attachment

30018



January 22, 2001

Dow Hydrocarbons and Resources Inc.  
P.O. Box 3387  
Houston, Texas 77253-3387  
400 West Sam Houston Pkwy. S  
Houston, Texas 77042-1299

Bush/Cheney Transition Team - Energy  
Washington, D.C.

VIA FAX

Thank you for the opportunity to provide input on the important and timely issue of energy policy. The Dow Chemical Company is a substantial consumer of natural gas, electricity and hydrocarbon feedstock. Your deliberations concerning the reliability and competitiveness of energy supplies have a tremendous impact on our company as well as the nation. Reliable and competitive sources of energy for our country are a requirement for sustainable economic growth. As you move forward in this debate, we would be grateful if you considered the following key points.

- The United States needs robust, diverse and competitive sources of energy. Dow believes that only a balanced energy supply that includes coal, oil, nuclear, natural gas, hydro, solar, wind, biomass and energy efficiency gains will yield reliable and competitively priced energy. Reliance on natural gas as the growth fuel for the nation is of doubtful prudence.
- Cogeneration of electricity and steam should be encouraged as a way of increasing reliable electric supply and improving efficiency. "Cogeneration parks" allow multiple adjacent consumers of energy (industrial as well as large private and public institutions) to combine electricity and steam demands to reach necessary economic thresholds. "Parks" also provide siting advantages for the community as well as reduce transmission and distribution requirements. This initiative would cause the shutdown of old less efficient boilers and help clean the air. The environment and competitiveness win.

Thanks again for the opportunity to provide input.

Very best regards,

R. W. Jewell  
Business Director - Energy  
713-978-3600

cc: M. Parker, CEO  
W. Delaney, Vice President - Government Affairs

30019

2001-002368



Department of Energy  
Washington, DC 20585

March 22, 2001

Ms. Wilma I. Delaney  
Vice President, Government Affairs  
Dow Chemical Company  
1776 Eye Street, N.W.  
Washington, DC 20006

Dear Ms. Delaney:

Thank you for your letter of January 29, 2001. Dow's contributions to the efforts of the Bush/Cheney Transition Team were outstanding, and we appreciate the thoughtful suggestions regarding energy policy you forwarded along with your letter.

As you may know, one of President Bush's first acts was creating a National Energy Policy Development Group, headed by Vice President Cheney, to help the private sector and government at all levels, promote dependable, affordable, and environmentally sound production and distribution of energy for the future. This group includes the Secretary of Energy, as well as the Secretaries of the Treasury, Interior, Agriculture and Commerce Departments, the heads of the Federal Emergency Management Agency, the Environmental Protection Agency, the President's Deputy Chief of Staff for Policy, and the Assistants to the President for Economic Policy and Intergovernmental Affairs. The group will consider how best to address the broad range of energy issues now facing the Nation. Your specific suggestions will be made known to participants in this process.

Again, thank you for your letter. We hope you will continue to share your views on the policies of the Bush Administration in the months and years ahead.

Sincerely,

A handwritten signature in cursive script that reads "Margot Anderson".

Margot Anderson  
Acting Director  
Office of Policy



Printed with soy ink on recycled paper

30020

California Air Resources Board  
Emission Reduction Credit Bank  
For  
Powerplant Peaking Sources  
Program Description  
March 2001  
(As directed by Executive Order D-24-01)

**Why is this emission reduction credit bank being established?**

This emission reduction credit bank (bank) is being established by the Air Resources Board (ARB or Board) as directed by Executive Order D-24-01 issued by Governor Gray Davis on February 8, 2001. These credits will be made available through the Board to powerplant peaking sources that need emission offsets in order to add new or expanded peaking capacity for the summer peak season in 2001.

**How is this bank being funded?**

The emission reduction credits that exist and are available through this bank are ARB funded reductions achieved from controlling existing sources. Additional reductions will also be pursued by the ARB to further fund this bank, as needed.

**Who can use this bank?**

This emission reduction credit (ERC) bank can be accessed by proponents who need emission reduction credits in order to add new or expand capacity of natural gas fired turbine peaking powerplant units and powerplant peaking units with equivalent nitrogen oxide (NOx) emissions (on a pound per megawatt-hour basis) that can be on-line for the 2001 summer peak season. Existing power generating proponents that need additional operating time above any current permit limit should consult the mitigation fee mechanism as outlined in Governor's Executive Order D-24-01.

**What pollutants will be available for credit?**

The emission reduction credits available from this bank are nitrogen oxides (NOx) and particulate matter less than 10 microns (PM10).

**How long will these credits be valid?**

Where needed, these ERCs will be leased to qualified powerplant proponents for a three-year period. The lease period will expire at the end of the summer 2003 peak season to ensure that these credits will be available for three full summer peak seasons. Prior to the expiration of the three-year lease, the proponent will be required to secure emission reductions for the remaining life of the powerplant peaking units if the applicant desires to continue to operate the unit.

30023

**What quantity of credits can be leased by each facility?**

The initial allocation is up to 21 tons of NOx per year per peaking unit. This initial allocation will be adjusted to account for each district offset ratio. With this allocation a 50 MW unit proposed at 5ppm NOx would be able to operate 5,000 hours. For a 50 MW unit proposed at an interim 25ppm NOx level, a facility would be able to operate up to 1,000 hours on the first allocation of credits.

ARB recognizes that additional offsets may be needed beyond those initially provided. As needed, additional offsets will be provided through the bank. Also, the mitigation fee mechanism for existing power generation facilities outlined in Governor's Executive Order D-24-01 may be used should additional operating time, above what is requested in the initial application, be needed. Should peaking projects be proposed that are rated at greater than 50 MW, the 21 ton/year allocation will be prorated upward.

Facilities will be issued PM10 ERCs in proportion to expected PM10 emissions assuming the use of natural gas that meets California Public Utilities Commission (PUC) regulated levels (PUC General Order 58-8 limits the total sulfur content to 5 grains of total sulfur per 100 standard cubic feet. Actual sulfur content levels are generally lower based upon the individual natural gas supplier.)

**How much will credits cost to lease?**

The cost to lease either NOx or PM10 credits for the three-year period is \$6,000 per ton per pollutant. This cost is based on a review of ERC transactions that have occurred in the state. To put this into perspective, leasing 21 tons of NOx from the bank for a 50 MW simple cycle combustion turbine peaking power plant, with a capital cost of \$50,000,000<sup>1</sup> represents about 0.25% of the total capital cost. For powerplant facilities that agree to sell their power under contract to the Department of Water Resources, emission reductions credits will be made available where necessary at a 50 percent reduction in cost.

**How will the lease money be used?**

Proceeds from the leasing of these emission reductions will be used to fund emission reduction programs in the air district where the new or expanded facility is located.

**What is the deadline for applying for these credits?**

The peaking unit must be on-line for the summer 2001 peak season; however, there is no deadline for applying for these credits. Proponents can apply now. The ERC bank is funded and ERCs can be disbursed immediately.

**How do project proponents apply for these credits?**

Proponents seeking permits for peaking units that will be operational by the 2001 summer peak electrical generation period may lease emission reduction credits

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<sup>1</sup> Based on the California Energy Commission Report to the Governor - Potential Peaking Power Plant Sites in California, Appendix A February 2001)

30024

by submitting a copy of an air district or CEC authority to construct permit application<sup>2</sup> which shows the amount of offsets required for the proposed project and applicable fees. The authority to construct permit shall serve as the application to receive ERCs. Upon approval of the authority to construct the proponent will receive the leased emission reductions credits. For proponents that will be selling their power under contract to the Department of Water Resources (DWR), please supply a copy of the DWR power contract. See contact information below.

**How will credits be transferred?**

ERCs will be disbursed by letter to the proponent.

**Who do I contact for more information?**

Facility proponents who believe that they may have a need to lease emission reduction credits are urged to contact ARB at the earliest possible date. This will enable the ARB to assist the proponent to secure emission reduction credits in an expeditious manner. For further information, please contact Beverly Werner, Manager Regulatory Assistance Section at (916) 322-3984 or [bwerner@arb.ca.gov](mailto:bwerner@arb.ca.gov).

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<sup>2</sup> ARB and the CEC have proposed a model self-certification permit package. These forms are available from either the ARB or CEC websites. The ARB website is: [www.arb.ca.gov/energy/energy.htm](http://www.arb.ca.gov/energy/energy.htm) The CEC website is: [www.energy.ca.gov/sitingcases/peakers/documents/index.html](http://www.energy.ca.gov/sitingcases/peakers/documents/index.html)

30025

## Fusion Energy and Climate Change

*"Fusion — the energy source of the sun — has the long-range potential to serve as an abundant and clean source of energy... The National Energy Policy Development Group recommends that the President direct the Secretary of Energy to develop next-generation technology — including hydrogen and fusion."*

*— Report of the National Energy Policy Development Group, May 2001*

### Climate Change is a Long-term Problem

President Bush has established a long-term goal of stabilizing greenhouse gas concentrations in the earth's atmosphere. Analyses of the build-up of atmospheric carbon dioxide (figure 1) indicate that the time scale for atmospheric stabilization of carbon dioxide at realistically achievable levels is in the range of 100 to 200 years. Comparing anthropogenic carbon emission in a business-as-usual scenario (e.g., IS92a in figure 1) with alternative scenarios which stabilize atmospheric concentrations reveals that — while near-term needs can be significant — the greatest need for non-carbon-emitting energy sources will come in the latter half of the 21<sup>ST</sup> century and beyond. Meeting the goal established by President Bush requires a combination of:

- 1) Near-term market-based actions to encourage use of existing non- and low-carbon-emitting energy technologies, and increased energy use efficiency.
- 2) Mid-term industry-government partnerships for R&D and demonstration projects to help bring developing technologies to market.
- 3) Long-term government-supported R&D focused on promising technologies which can supply the massive amount of non-carbon-emitting energy which will be required in the latter half of the 21<sup>ST</sup> century and beyond.

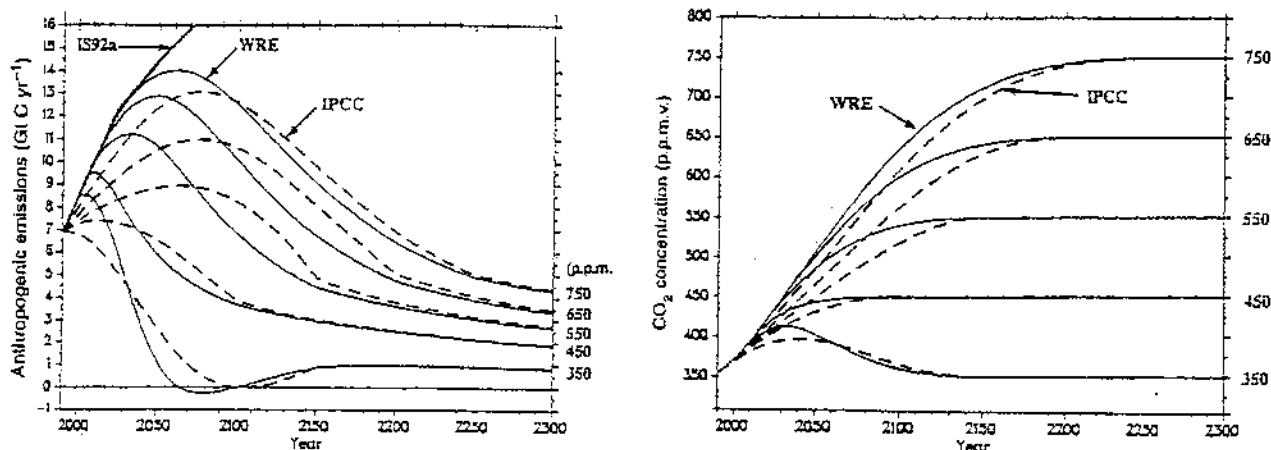


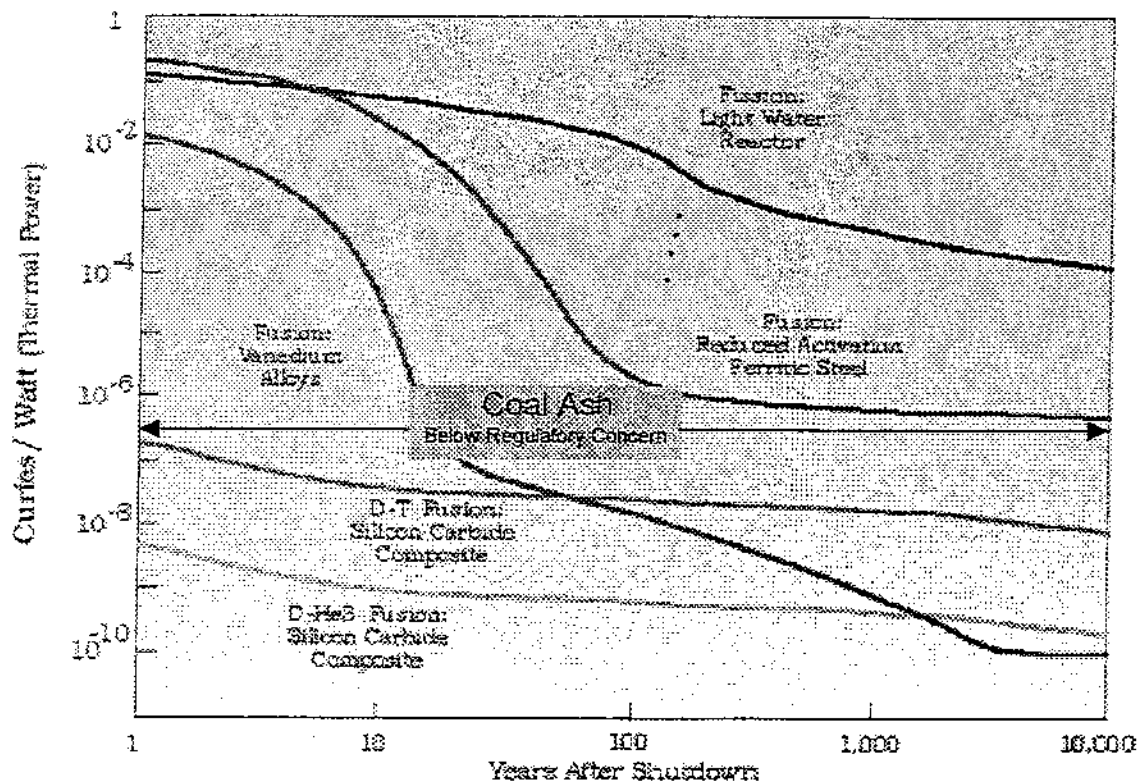
Figure 1: Human CO<sub>2</sub> emissions (left) and resulting atmospheric concentrations (right); Intergovernmental Panel on Climate Change and Wigley, Richels, Edmonds scenarios. Atmospheric carbon dioxide levels come to stability in 100 – 200 years, at realistically achievable levels of 550-750 p.p.m.v. IS92a is a scenario including population growth and increased per capita energy use, with no significant change in carbon intensity of energy production.

30026

Fusion is an Attractive Long-term Energy Source

Fusion is the power source of the sun and the stars. Lighter elements are "fused" together in the core of the sun, making heavier elements and prodigious amounts of energy. On earth, fusion has been demonstrated in the laboratory at powers of five to fifteen million warts, with pulse lengths in the range of one to five seconds. Today there is little doubt that fusion power can be produced at the industrial scale. Much research remains to be accomplished to make fusion energy practical and economic, but the time required for the development of fusion power is consistent with the need to bring major new non-polluting energy sources on line in mid-century.

Fusion offers very attractive features. The basic fuels, deuterium (a heavy form of hydrogen) and lithium, are abundantly available to all nations for thousands of years. There are no chemical pollutants or carbon dioxide emissions from the fusion process. Radioactive byproducts from fusion are relatively short-lived, with the promise of requiring only low-level burial and oversight for about one hundred years as shown in figure 2. There is no risk of a criticality or melt-down accident because only a small amount of fusion fuel is present in the system at any one time, and afterheat is minimal. In addition although neutrons are produced from fusion the risk of nuclear proliferation is greatly reduced, because no fissionable or fertile materials such as uranium, plutonium or thorium need be present in a fusion system.



**Figure 2:** Radioactive byproducts from fusion and fission. Fusion byproducts for structural materials under development are relatively short-lived, becoming comparable in radioactivity to the equivalent coal ash in about one human lifetime or less. Coal ash radioactivity is considered to be below regulatory concern.

Fusion, like fission, offers a steady power source, not subject to daily, seasonal or regional weather variations. Large land-use, massive energy storage or very long distance transmission are not required for fusion systems. As population centers grow in the U.S. and abroad, such

concentrated power sources will be important elements in the world's energy mix. Fusion systems could cost-effectively power a future energy supply chain based on hydrogen and fuel cells, as well as supply electricity directly.

Fusion energy research is pursued worldwide, particularly in Europe, Japan, Russia, Korea, India and China, as well as in the U.S. Together Europe and Japan invest about \$1 billion per year in fusion energy, compared with the U.S. investment of about \$277 million per year.

**Scientific Progress in Fusion Energy Research has been Dramatic**

In 1974 fusion energy research achieved the milestone of producing 1/10 of one watt of fusion power for 1/100 of a second, a major advance at that time. Today, as shown in figure 3, the energy produced from fusion is 10 billion times greater. As a benchmark for comparison, microprocessor computer speed increased by a factor of less than 10,000 during the same time period. The goal of current research is to make fusion energy as eminently practical as computers have become.

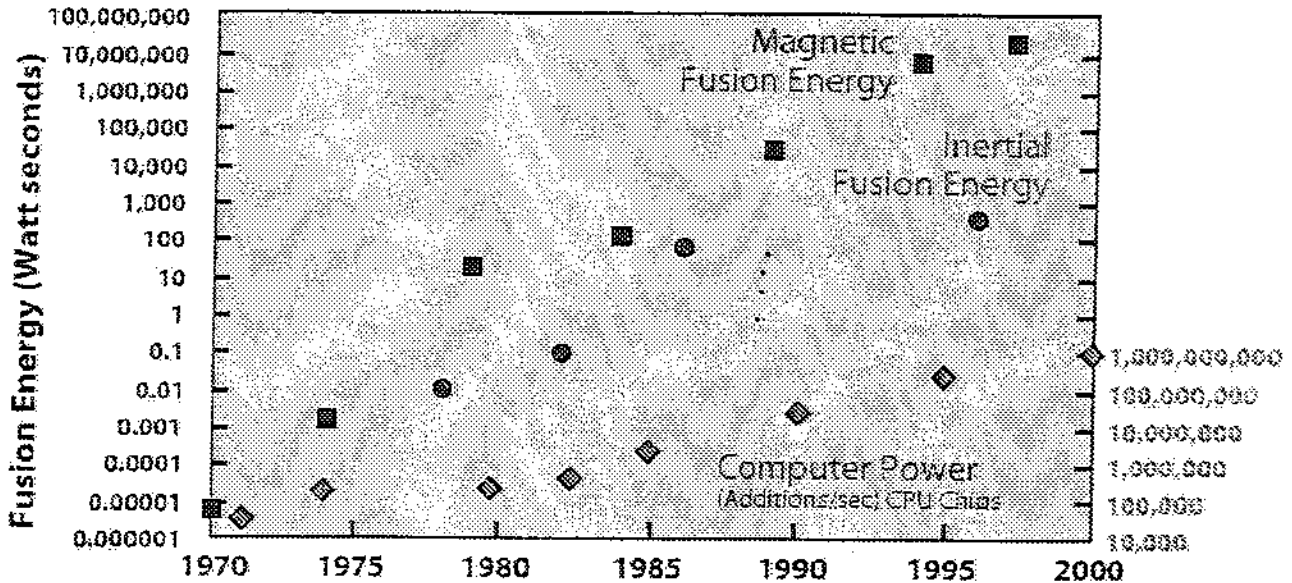


Figure 3: Progress in computer speed is often cited as an example of rapidly advancing technology. Progress in the production of fusion energy from plasmas confined by magnetic fields has in fact been even more rapid. Dramatic progress has also been made using plasmas heated by lasers and confined by their own inertia.

Fusion energy research has resulted in greatly deepened understanding of the extremely hot gas, called plasma, made up of free electrons and ions. A new "standard model" of ion turbulence in fusion plasmas has emerged, explaining many of the previously mysterious aspects of plasma behavior. The signature scientific achievement of the last five years has been the discovery and understanding of new techniques to quell this turbulence in high-temperature plasmas, resulting in dramatic improvements in the ability to hold plasma heat within magnetic "bottles." Advanced massively parallel-processor supercomputers, combined with theory and new measurement techniques, have provided deep and subtle understanding of the physics of plasmas.

Most of the visible universe is composed of plasma, and the advance of plasma science has contributed strongly to the understanding of the cosmos. In addition, plasmas are now used extensively in industry. Examples include etching the thin lines required for high-speed computer

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chips, sterilizing medical instruments, processing materials, and remediation of toxic waste. Plasma thrusters are being developed for efficient satellite station keeping, and for interplanetary travel. Plasmas have a large impact on world markets valued at \$200 billion per year.

### Fusion Energy can be Developed Cost-effectively on the Necessary Time Scale

For magnetic fusion, plasmas are confined steadily by strong magnetic fields while in inertial fusion small pellets are heated by energetic beams, and confined for short periods by their own inertia. The greatest near-term challenges for the development of fusion energy are to accelerate the advance of scientific understanding of fusion plasmas and to determine the approaches most suitable for taking advantage of the newest scientific insights, in both magnetic and inertial fusion. This research requires fuller utilization of existing scientific facilities, which are seriously underfunded and correspondingly under-utilized, construction of new moderate-scale facilities to investigate optimized configurations and development of appropriate fusion materials and technologies. There are also great opportunities to accelerate scientific understanding through expanded advanced computation. Due to lack of funds, scientific questions of crucial importance to the development of practical fusion energy are answered at a much slower pace than could now be achieved. The necessary rate of progress in this area of science and innovation could be achieved with a funding increase above FY2001 of approximately \$50M/year.

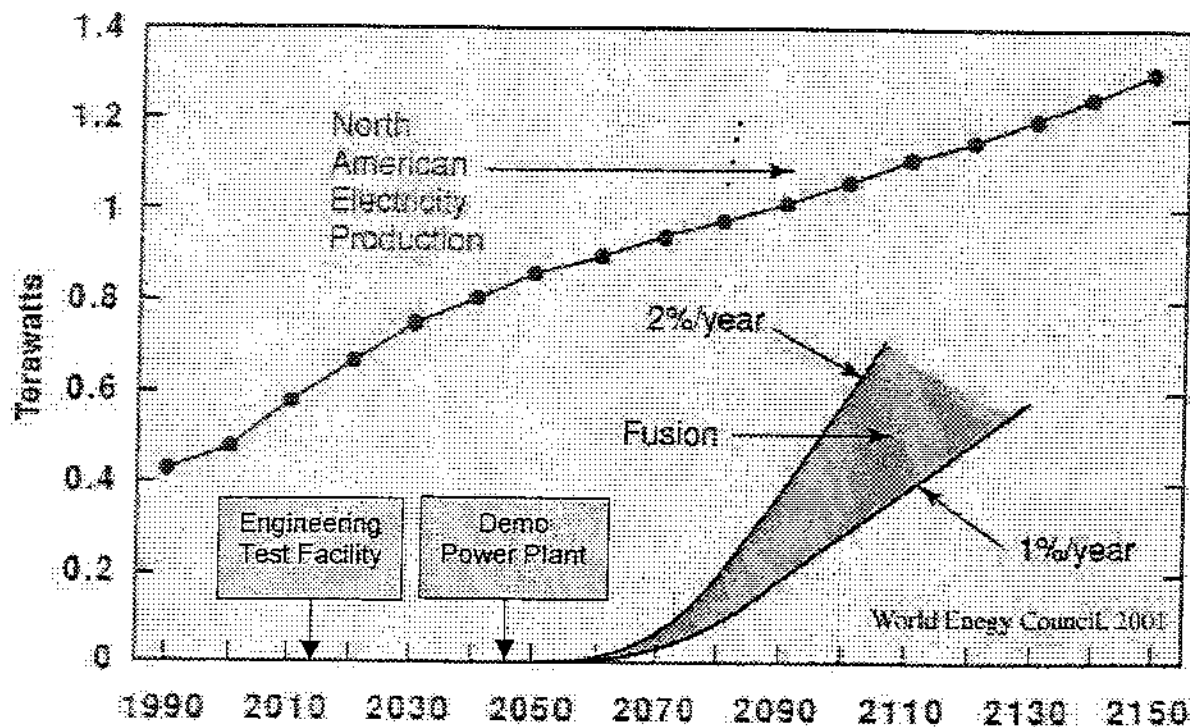


Figure 4. Conservative scenarios for the deployment of fusion power (from U.S. submission to World Energy Council, 2001). Yearly rate of growth set at 1 – 2% of then-current electric supply. These rates of growth are consistent with known materials and fuel supplies, as well as existing low-level waste disposal capabilities. Similar scenarios are possible both in other developed nations and in currently developing nations.

The next large-scale scientific step required in the development of fusion energy is the creation of a burning plasma – very hot fusion fuel which is dominantly sustained at high temperature

through the power of its own fusion reactions. It is widely agreed that scientific progress in both magnetic and inertial fusion is now adequate to proceed with this step. The National Ignition Facility (NIF), funded through the DOE National Nuclear Security Agency, will provide such a plasma for weapons research and consequently also for scientific studies in support of inertial fusion energy. The NIF is anticipated to produce 10 – 20 MJ of fusion energy in single pulses.

A strong effort is underway in Europe, Japan and Russia to develop plans for construction of a magnetic fusion burning plasma science and engineering test facility, called Iter, which is to be capable of operation for hundreds to thousands of seconds with fusion power of five hundred megawatts. The Iter partners have indicated that they would welcome the U.S. to join this effort. As shown in figure 4, such a test facility would constitute a major step in the development of fusion power. The next substantial step after such a device would be demonstration power plants in one or more countries, followed by initial commercialization. With a conservative deployment rate, fusion power could then begin to make a major contribution to the nation's and the world's energy needs on the necessary time scale.

The U.S. is also investigating the option of pursuing a nationally-led magnetic fusion experiment focused more exclusively on burning plasma science, leaving long-pulse engineering testing for a separate step. This experiment would be capable of twenty-second pulses at two hundred megawatts of fusion power. The fusion research community has recommended that the U.S. should both develop this option and also participate in discussions of the Iter project, in order to allow the nation the choice either to deploy the nationally-led experiment or to join the international effort. Additional near-term funding of \$20M per year is needed for planning and design efforts in support of these options. This would need to increase to \$50M to \$150M per year to support construction and operation of a new facility, depending on international arrangements or a U.S. decision to construct a domestic experiment. The R&D costs for fusion, while considerable, are small in comparison with the economic impacts generally associated with stabilizing atmospheric greenhouse gas concentrations.

### **Summary on Fusion Energy: an Opportunity for the Nation**

Fusion can be pursued cost effectively as part of a portfolio of near, medium and longer-term solutions to the nation's energy needs. It offers the promise of a very attractive energy source that can be available at a time when new energy sources will be needed to stabilize atmospheric concentrations of greenhouse gases. Fusion was highlighted in the Report of the National Energy Policy Development Group, as well as recently in both House and Senate energy legislation. A statement of renewed U.S. commitment to fusion energy research as an element of President Bush's long-term plan for stabilizing atmospheric greenhouse gas concentrations would be received positively by the international energy and climate community.

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