



September 15, 2005

The Honorable George W. Bush
President
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

The Honorable J. Dennis Hastert
Speaker House
U.S. House of Representatives
H-232 Capitol Building
Washington, D.C. 20515-6501

The Honorable Bill Frist
Senate Majority Leader
U.S. Senate
S-230 Capitol Building
Washington, D.C. 20510-7010

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
H-204 Capitol Building
Washington, D.C. 25015-6537

The Honorable Harry Reid
Senate Minority Leader
U.S. Senate
S-221 Capitol Building
Washington, D.C. 20510-7020

Re: Energy Emergency Appropriations

Dear Mr. President and Members of the Congressional Leadership:

We are all deeply saddened by the devastation in the Gulf Coast and we are committed to working with our state brethren in that region to address both near-term and long-term problems. Our organizations represent the state officials in charge of delivering and regulating energy services to the public: the National Association of State Energy Officials (NASEO), the National Energy Assistance Directors Association (NEADA), the National Association for Community Service Programs (NASCSP) and the National Association of Regulatory Utility Commissioners (NARUC). Even before the recent natural disaster, energy prices had been escalating. The results of Hurricane Katrina have obviously made the regional and national energy situation much worse. Immediate action at the federal level, to match ongoing and increasing state efforts, will help us address our near-term issues.

Our states have issued emergency declarations and are closely monitoring price increases and allegations of "price gouging." State energy officials have united to monitor the ongoing supply and price problems. They are also working closely with the energy industry to ensure sufficient supplies for the American public. We continue to urge the public to reduce unnecessary trips, improve the operation of their vehicles, increase carpooling and telecommuting, purchase more energy efficient products, etc.

Even with all that we are doing today, we have not been able to abate the impending impact of the present energy crisis. The facts are well known:

1. Gasoline prices late last week reached the highest levels ever, in both nominal and real terms;
2. Natural gas prices have increased by 143% since September 2004 to \$11.77 per mmbtu based on pipeline supply projections; and
3. Heating oil prices have increased by 77% since September 2004 to \$2.05/ per gallon in New York Harbor.

We remain concerned with this combination of increased volatility and limited supply. Federal actions releasing oil from the Strategic Petroleum Reserve, waiving driver hours for truckers delivering fuel, waiving certain environmental requirements for fuel types, waiving the Jones Act to permit domestic transfers of petroleum products on non-U.S. flagged tankers and coordinating release of oil from IEA participating countries are all helping, but are not sufficient. There are certain actions that the federal government can take immediately in the form of emergency energy appropriations to help us address this situation. The recently passed Energy Policy Act of 2005 provides a road map for some short-term measures that will have an impact, but only if emergency appropriations follow.

Low Income Home Energy Assistance Program (LIHEAP)

With extraordinary high prices, low-income Americans will be hard-pressed to make ends meet. The expenditure projections for the average family using natural gas this winter shows an increase of \$611 over last year to a projected level of \$1,568 in 2005-06. Heating oil increases for average families are projected to be \$403 over last winter and \$714 over the winter heating season of 2003-04. An increase in emergency LIHEAP funding by at least \$3 billion is necessary to address problems this winter and next summer for both heating and cooling customers to help families pay their utility and fuel bills. LIHEAP was authorized at a level of \$5.1 billion for FY06 in Section 121 of the Energy Bill. The present program of approximately \$2 billion serves only 20% of the eligible population with average payments of \$311/family.

State Energy Program and Weatherization Assistance Program

The State Energy Program (SEP) will have an immediate effect on reducing demand. SEP was authorized in the Energy Bill at a level of \$100 million (Section 123) and has a proven record of reducing energy consumption for residential consumers, as well as schools, hospitals, small businesses and agriculture. For every federal dollar invested in this program (\$44 million in FY05), \$7 is saved in direct energy costs. Expanded loan and grant programs in addition to the existing activities could be implemented within the existing state structure. Examples of successful programs include the Texas "LoanSTAR" program, which has saved over \$164 million in avoided energy costs. A similar program in Iowa, focused on schools, has saved \$216 million in energy costs so far.

The Weatherization Assistance Program (WAP) was authorized at a level of \$500 million in the Energy Bill. At the present time, with an appropriation of \$227 million, Weatherization is

expected to serve 105,000 low-income homeowners this year, with an average reduction in energy use of approximately 25%. Obviously, as energy costs increase, the value of these reductions in energy use increases. Raising the appropriations level to the authorization amount will double the number of families served and reduce energy use for years to come in these homes, thereby saving money in the family's budget that can be used to pay for other essentials like food, clothing, and medicine.

Direct Disaster Recovery Initiatives

Section 125 of the Energy Bill authorizes \$30 million for the development of Energy Efficient Public Buildings. This program could be aimed at expanding existing programs for schools, hospitals and local government facilities. It would enhance existing state programs and funds could quickly be provided for loans and grants. Section 128 of the Bill established a State Building Energy Efficiency Codes Incentive Program. The \$25 million authorization could be appropriated on an emergency basis to get state and local energy codes updated and, most importantly, to train local code officials to implement the energy efficient portions of the code. This could be especially critical in the reconstruction of the Gulf Coast to ensure that the homeowners and businesses are reconstructed with the lowest future operating costs.

Two additional programs could be targeted to the three states most directly impacted by Hurricane Katrina:

1. Energy Efficiency Pilot Program (Section 140) targets 3-7 states for an expanded energy efficiency program.
2. Low-Income Community Energy Efficiency Pilot Program (Section 126) targets poor communities to expand the use of efficiency programs.

Section 140 is authorized at \$5 million and Section 126 is authorized at \$20 million. If at least this amount was appropriated it could be targeted to Louisiana, Mississippi and Alabama and the cities of New Orleans, Gulfport, Biloxi and Mobile.

Public Information Programs

In the present energy emergency, aggressive public information programs could make the difference to convince consumers and businesses alike to increase their use of energy efficient products, add insulation to their homes, utilize hybrid or ethanol-fueled vehicles, etc. A number of provisions of the Energy Bill would address this and could be funded immediately, again using present distribution mechanisms.

Section 131 of the Bill addresses the Energy Star Program, which is presently jointly operated by EPA and DOE. EPA received \$50.5 million and DOE received \$4.5 million in FY05. The Energy Star Program is authorized in the Energy Bill at a level of \$100 million. If emergency funding of \$90 million could be provided to EPA (\$40 million over FY05 levels) and \$10 million to DOE (\$5.5 million over FY05 levels), it could greatly expand these educational efforts.

A new program, the Energy Efficiency Public Information Program was authorized in Section 134 of the Bill. If it receives the \$90 million requested, it could make a significant difference in reducing energy demand. A new program on Heating, Ventilation and Air Conditioning maintenance (HVAC) was established in Section 132 of the Bill. Since these appliances are frequently the biggest energy user, and are often poorly maintained in both commercial and residential applications, additional resources targeted in this area could dramatically reduce demand quickly.

If adequately funded, these public education initiatives would permit states to aggressively promote tax credits included in the Energy Bill, such as:

1. Energy efficiency in existing homes (Section 1333);
2. Residential energy efficient property (Section 1335);
3. Efficient commercial building construction (Section 1331); and
4. Promotion of the use of ethanol-fueled and hybrid vehicles to reduce gasoline consumption (Sections 1341-1348 and Title XV).

Another new program modeled after a preexisting state activity is the Energy Efficient Appliance Rebate Program (Section 124). It is authorized at \$50 million and could be appropriated on an emergency basis at that level. It provides matching funds for states to offer incentives for energy efficient appliances. In the program operated by the New York State Energy Research and Development Authority (NYSERDA), a bounty was offered to individuals who turn in older, inefficient air-conditioners and replace them with efficient air conditioners. This led to the purchase of over 200,000 efficient air conditioners with a measurable reduction in peak summer loads. In addition to offering this as a nationwide program, it could be implemented in the three states directly impacted by Katrina without the state match requirement. This could significantly reduce energy demand as normal energy use resumes through the recovery.

State Technologies Advancement Collaborative (STAC)

In addition, a multi-state effort was authorized in the State Technologies Advancement Collaborative (STAC). Section 127 of the Bill reflects a program that has been implemented through appropriations for the past two years and is targeted to bringing near-commercial energy efficient and renewable energy technologies to the market immediately. The funds could be added to existing solicitations and could achieve immediate results, especially in the buildings, industrial and transportation areas. \$20 million could be provided for this effort immediately.

Agriculture Sector Relief

In the agriculture sector, which has been hurt by this crisis, Section 9006 of the existing farm bill provides loans for farmers and rural small businesses for up to 25% of the costs of implementing energy efficiency and renewable energy measures. The \$23 million provided for this program could be doubled to reduce costs for this hard-pressed sector. It could be especially helpful in the Gulf Coast. For example, the State of Mississippi has been very successful in obtaining competitive funds under this program for biomass projects.

Summary

The funding requests for the proposals recommended in this letter involve activities in the Energy and Water Development Appropriations Bill, the Labor HHS Appropriations Bill, the Interior and Environment Appropriations Bill and the Agriculture Appropriations Bill. In summary, **additional** funding in an emergency bill should be set at the following levels:

1. LIHEAP - \$5.1 billion - \$3 billion in emergency funds above current funding levels;
2. SEP - \$100 million - \$56 million above FY'05 funding levels;
3. Weatherization - \$500 million - \$273 million above FY'05 funding levels;
4. Energy Efficient Appliance Rebate Program - \$50 million (new program);
5. Energy Star Program - \$45 million for EPA - \$40 million above FY'05 funding level; and \$10 million for DOE - \$5.5 million above FY'05 funding level;
6. Energy Efficient Public Information Initiative - \$90 million (new program);
7. State Building Energy Efficiency Codes - \$34 million - \$29.5 million above FY'05 funding level;
8. Heating, Ventilation and Air Conditioning Program- \$5 million (new program);
9. Energy Efficiency Pilot Program (for the Gulf Coast states) - \$5 million (new program);
10. Low-Income Community Energy Efficiency Pilot Program for the Gulf Coast cities of New Orleans, Gulfport, Biloxi, and Mobile - \$20 million (new program);
11. Energy Efficient Public Buildings Program - \$30 million (new program);
12. State Technologies Advancement Collaborative - \$20 million - \$13.5 million above FY'05 funding level; and
13. Section 9006 of the Farm Bill - \$46 million - \$23 million above FY'05 funding level.

In order for these programs to provide immediate relief, funds must be distributed to the states by October 15, 2005. Congress must include a specific directive in any emergency appropriations that the funds be released to the states or other recipients by this date. These specific directives can supersede the normal DOE procurement process which could delay the immediate delivery of emergency services up to a year or more.

Responding to the terrible tragedy in the Gulf Coast is obviously our top priority and deserves increased national attention. We must also recognize the toll that energy costs are taking on the Gulf Coast region and the country as a whole. We have an historic opportunity to act quickly and make a difference by October 15, 2005. We urge you to act now and we stand ready to cooperate in any way we can in this time of extreme national need.

Sincerely,

Peter Smith, Chair
National Association of State Energy Officials

Steve Tryon, Chair
National Energy Assistance Directors Association

Connie Greer, Chair
National Association for State Community Service Programs

Diane Munns, President
National Association of Regulatory Utility Commissioners

cc: The Honorable Thad Cochran
The Honorable Robert C. Byrd
The Honorable Pete Domenici
The Honorable Robert F. Bennett
The Honorable Herb Kohl
The Honorable Conrad Burns
The Honorable Byron Dorgan
The Honorable Arlen Specter
The Honorable Tom Harkin
The Honorable Jeff Bingaman
The Honorable Jerry Lewis
The Honorable David Obey
The Honorable David Hobson
The Honorable Peter J. Visclosky
The Honorable Henry Bonilla
The Honorable Rosa DeLauro
The Honorable Charles H. Taylor
The Honorable Norman D. Dicks
The Honorable Ralph Regula
The Honorable Joe Barton
The Honorable John D. Dingell
State Energy Officials
State LIHEAP Directors
State Weatherization Program Directors
State Public Utility Commissioners
National Governors Association
National Conference of State Legislatures