

October 27, 2004

The Honorable Pete V. Domenici
Chairman, Senate Energy and Water
Development Appropriations Subcommittee
SD-127 Dirksen Senate Office Building
Washington, DC 20510

RE: Funding for the Office of Energy Assurance, US DOE

Dear Chairman Domenici:

On behalf of the State and Territory Energy Offices, the National Association of State Energy Officials (NASEO) expresses its strong support for the U.S. Department of Energy's (DOE) Office of Energy Assurance (OEA). We applaud OEA's work to mitigate energy security and reliability weaknesses, and we strongly recommend funding for OEA equal to or greater than the FY'04 level of \$22 million for energy security and assurance. These funds are essential for OEA to mitigate the impact of energy supply disruptions and to aid the States in implementing measurable strategies to achieve greater energy reliability and security. This level of funding of \$22 million is the minimum level necessary to address our critical energy security issues. Any earmarks should be in addition to the critical core funding.

The potential for energy supply disruptions (e.g., electricity, gasoline, heating oil, natural gas) resulting from man made events or severe weather such as hurricanes and ice storms is a constant concern for the State Energy Offices, their partner State energy regulatory agencies, and OEA. As presented in the U.S. Energy Information Administration's Winter Fuels Outlook report, and by private-sector experts at the Winter Fuels Outlook Conference on October 6, 2004, it is clear that the cost of heating homes this winter will rise dramatically – 28 percent and more – and that supplies of heating oil and diesel fuel are tight. Given global tensions and uncertainty in the market about crude oil supplies, it is essential to improve energy assurance and energy-related homeland security by providing basic resources to DOE's Office of Energy Assurance and the States.

This is an historic opportunity for Congress and the Administration, in partnership with OEA and the States, to improve energy security, homeland security, and national security. Energy emergency preparedness and recovery, known generally as energy assurance, is a key function of the 56 State and Territory Energy Offices. Good planning by the public and private sectors in advance of fuel supply problems — whether from acts of terror or natural disasters — makes the difference between fast response *and* crisis in the return of normal service for users of electricity, natural gas, gasoline, propane and heating oil. Availability of energy is vital not only to emergency and public services, but also to assuring the resumption of normal business activity. Energy emergency planning, a nationwide function under the State Energy Program, is apparent in places ranging from Florida and Puerto Rico (where hurricanes can ravage wide areas) to New Hampshire (where winter storms impact heating oil prices) to Iowa and Kansas (where propane is used for crop drying), and throughout the entire nation, which increasingly relies on natural gas for electricity generation.

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Fortunately, OEA leadership and staff have established and maintain strong partnerships with State and local governments and the energy organizations representing them, in order to set priorities and implement practical, cost-effective solutions. In less than one year, OEA, working with NASEO and other State-based organizations, has achieved the following:

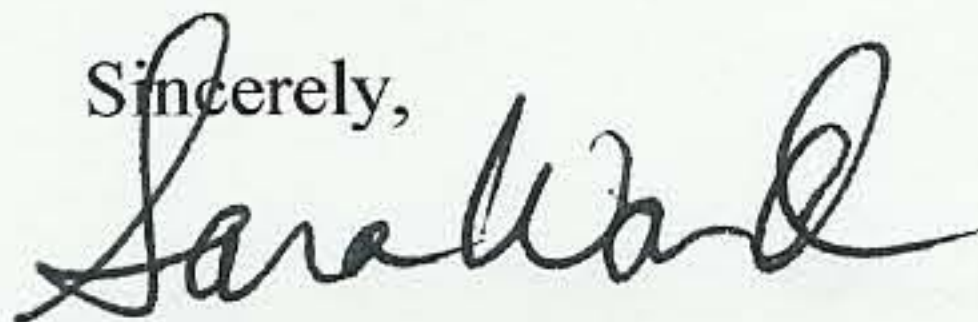
- Established a secure, national electronic communications network among State energy assurance experts to exchange high-priority information in monitoring markets and during energy emergency events;
- Provided State energy officials and regulators with tools and assistance to transform traditional, and sometimes outdated, energy emergency plans into comprehensive energy assurance plans involving a range of State and industry partners;
- Identified key energy assurance challenges in the petroleum and liquid fuels areas such as emergency allocation of transportation fuels and action on waivers of environmental requirements and driver hours; and
- Conducted the first national energy assurance exercise in more than 10 years to begin the training process for State, Federal and industrial energy assurance staff.

The accomplishments above, as well as many other activities that OEA pursues with industry and others, are evidence of the value of their hard work. However, much remains to be done and increased support and visibility for OEA is essential if we are to continue the important efforts begun over the past year.

For example, organizational and critical infrastructure interdependency issues are considered high priority issues by most energy assurance experts. To meet this complex challenge, States are forging relationships among their energy and non-energy agencies to define roles and responsibilities, thus enabling them to mitigate risk and vulnerability to critical energy infrastructure and potential energy supply disruptions. A modest federal investment in these efforts would show a great return in preventing disruptions to our energy systems and in the form of improved recovery from potential disruptions should they occur. As important, DOE can assist the States by leading the way in improving coordination with the Department of Homeland Security on these issues as defined in Presidential Decision Directive 7 and 8. A clear, coordinated Federal-State partnership is essential to improving the nation's energy assurance.

Your leadership on energy issues is deeply appreciated. We hope as you proceed to conference on the FY'05 Energy and Water Bill that you will recognize the seriousness of this request. We would be happy to brief you and your staff on the State energy assurance activities. We strongly urge you to support increased funding and visibility for this essential DOE effort that is delivering great value to the States and the nation.

Sincerely,



Sara Ward, Chair
National Association of State Energy Officials

CC: Harry Reid, Ranking Member

Alex Flint, Staff Director
Majority Staff, Senate Energy and Natural
Resources Committee

Bob Simon, Staff Director
Minority Staff, Senate Energy and Natural
Resources Committee

State Energy Directors