

June 26, 2003

David Garman
Assistant Secretary
Office of Energy Efficiency and Renewable Energy
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Assistant Secretary Garman:

In anticipation of potential volatility in natural gas prices and supplies, the National Association of State Energy Officials (NASEO) has prepared a brief list of near-term energy efficiency recommendations. The State and Territory Energy Offices have many additional suggestions and working program examples that could aid in this effort. We would be pleased to work with your staff and others at the U.S. Department of Energy to put these suggestions into action.

NASEO has also made specific recommendations to aid in energy emergency response and preparedness. These recommendations are included in previous communications with both your office and The Secretary of Energy.

Background

Energy Security is as critical today as it was when the State and Territory Energy Offices opened their doors in the 1970s. Today, State Energy Office programs match energy innovations in local conditions and economies, making them naturally suited to crafting, testing, and demonstrating solutions to serious energy challenges. Long before the terrorist attacks of September 11, 2001, State Energy Offices developed formal plans to respond to an energy emergency.

Under the U.S. Department of Energy State Energy Program states have had energy emergency plans in place for more than a decade. In many cases, State Energy Offices and their Governors have turned to these plans to address supply disruptions and emergencies ranging from heating oil crunches in the Northeast, to hurricanes on the Gulf coast, to propane volatility in the Midwest. In the case of real energy emergencies, good state-federal-industry communications, delivery of quick response energy efficiency measures, and education are key to seeing the problem through.

In addition, NASEO's experience during the last serious spike in natural gas prices suggests that: 1) many Governors' offices will be contacted by businesses and citizens voicing their concerns; 2) local school districts and other institutions may find their budgets strained by unexpectedly high utility bills; and 3) gas-dependent industries could be pressured to find alternatives that impact both employment and other fuel supplies. In the current economic and budget climate, the financial implications of a price spike in 2003-2004 would be considerably more serious.

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Recommended Measures and Options for Further Development

The recommendations discussed below can be taken as prudent, cost-effective steps to aid in avoiding potential natural gas supply and price problems this winter. Each of the recommended actions could be scaled in scope and tone depending on how challenging and eminent a natural gas supply problem becomes.

1. Leading by Example: State-Federal Facility Efficiency and Conservation

As a lead mitigation and response effort, the States and Federal Government should coordinate and “lead by example” with renewed commitments to increase efficiency measures at government facilities. This includes expediting cost-effective, energy efficiency improvements to buildings, as well as encouraging purchase of renewable power sources to reduce gas-related energy demand. This is an excellent opportunity to highlight and increase these deployment efforts.

In addition, in the current budget climate, low-cost building commissioning measures are a must. An example in this area is the NASEO’s Buildings Committee list of 10 low-cost, no-cost operations and maintenance suggestions to be implemented by public buildings facilities managers. This list was originally produced and used by the New York State Energy Research and Development Authority to significantly mitigate power demand from state facilities in New York. The Federal Energy Management Program has a similar effort that could be emphasized through new communications efforts to state and federal facility managers.

If the natural gas supply situation becomes more serious, advanced coordination and communications among state and federal leaders in this area are key to enacting actual energy conservation (versus efficiency) measures to reduce demand. Turning down thermostats (heating) and closing non-essential facilities are options that might need to be considered under certain circumstances.

These “leadership” efforts should be coordinated and communicated to ensure effective and immediate implementation of energy saving measures and to assure the public that government is doing its part to aid in mitigating tight natural gas supplies. It is crucial for the Federal, State, and Local Governments to act in concert to avoid confusion or poor results.

2. Education for Residential Customers on Low-Cost Efficiency Measures

Consumer education on energy saving measures in their homes should be undertaken to both increase awareness of the contribution consumers can make in solving a potential natural gas supply crunch and in providing consumers with action items to reduce their own energy bills. Most states have consumer-oriented energy education materials which simply need to be re-emphasized and coordinated through a combined state-federal campaign. In addition, we should begin development public service advertisements between DOE and the states to reduce demand. All of these education efforts should be coordinated and emphasized at key times and localities to maximize effect.

3. Reduced Space Conditioning and Lighting of Offices Through Telecommuting

Another important energy saving measure—with well-documented energy savings by the State Energy Offices in Georgia, Oregon, California, Washington, and Texas—is telecommuting. Generally thought of as a transportation efficiency measure, significant energy savings are produced by avoiding the habitation of office space. Lighting and space conditioning loads are reduced through innovative and structured, public-private telecommuting programs. These *new* programs target both government employees and the private sector.

4. Targeted Incentives to Reduce Summer Electric Demand and Winter Heating

Electricity and gas demand response and incentive programs are an important means of mitigating a supply problem. On the electricity side, this includes such efforts as the New York's Keep Cool air-conditioner bounty program. The program replaced more than 160,000 old, inefficient air conditioners in 2002 with Energy Star room air conditioners—saving 50 MW this year. Low cost incentives addressing natural gas and heating are also operated by a number of states. For example, Wyoming offers limited financial assistance to consumers that opt to have a furnace checkup and cleaning. This is a great low-cost, high-return efficiency action for the homeowner—one that they are likely to repeat in future years without an incentive.

We recommend working more closely with Chairman Wood, Secretary Abraham and the Independent System Operators (ISOs) to ensure that demand response programs are both robust and well coordinated. The challenge with these incentive and demand-based programs is ensuring that adequate resources are available to impact key, high-gas consumption states. Federal leadership and assistance in identifying high-opportunity areas to operate these programs, as well as financial support is essential.

5. Technical Assistance for Gas-Intensive Industries and Businesses

Some State Energy Offices offer limited technical assistance to industries to increase energy efficiency and reduce waste. These efforts also contribute to state and federal job retention and industrial competitiveness goals. Programs range from industrial audits for heavy industry, to facilities efficiency in the service sector, to process efficiency improvements in agriculture. State Energy Offices rely on limited support from the State Energy Program, DOE, and state funding to operate these industrial efficiency initiatives. Increased and targeted assistance, coordinated with the State Energy Offices, would contribute significantly to natural gas efficiency measures. This is a great alternative to closing manufacturing facilities to reduce gas use.

6. Distributed Energy Resources

Deployment of clean, distributed energy resources is another important part of addressing natural gas supply concerns. A renewed emphasis on distributed generation applications of wind, solar, alternative fuels, and efficient traditional fuel technologies will diversify the electricity production portfolio and reduce pressure on tight gas supplies. For example, wastewater treatment facilities are a ready source of biogas/methane and an ideal application for microturbines. State Energy Offices and others are making these projects happen across the nation, and a re-emphasis on their importance, as well as

targeted financial assistance to help states and cities launch new projects would be helpful and have a long-lasting benefit for both energy security and supply diversity.

7. Low-Income Home Energy Assistance

As mentioned earlier, energy price spikes harm many citizens and businesses but especially low-income households. Given current weak economic conditions and high unemployment the timing of a gas price spike would adversely impact substantially more citizens than several years ago. We urge strong support for Low-Income Home Energy Assistance.

We hope these recommendations are helpful and look forward to working with you to take quick, coordinated action on this issue. If you or your staff would like to discuss these and other measures, please feel free to contact me through NASEO's offices at 703.299.8800.

Best regards,

John Nunley, III
Chairman, NASEO

CC: Frank Bishop, Jeff Genzer, David Terry