



INSIGHTS

107th Congress

August 6, 2001

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INSIGHTS is prepared expressly for the Department of Energy's Office of Federal Energy Management Programs (FEMP). The purpose of ***INSIGHTS*** is to provide FEMP management staff with timely information on legislative activities relevant to the program. ***INSIGHTS*** is prepared for FEMP by Energetics, Incorporated, (202) 479-2748.

I. WEEKLY SUMMARY

CONGRESS

Congress is on recess until September 4.

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II. COMMITTEE ACTIVITY

HOUSE

Comments or Action Items

Energy Legislation *H.R. 4 - Securing America's Future Energy Act of 2001 (SAFE)*, passed the House on August 2nd by a vote of 240 to 189. However, Democratic Senators vowed that a bill with similar provisions would not be approved in the Senate. At issue are House provisions dealing with the increase in the exploration and production of oil, gas, and coal. **Refer to the chart under "New Legislation" for a summary of key provisions of interest.**

Photovoltaic Technologies in Federal Facilities Last week's hearing by the Subcommittee on Economic Development, Public Buildings and Emergency Management (Committee on Transportation and Infrastructure) examined pending solar energy legislation, *H.R. 2407 - Federal Photovoltaic Utilization Act*. **The bill directs the General Services Administration (GSA) to establish a PV energy commercialization program for the acquisition and installation of PV energy systems in new and existing Federal buildings.** If enacted, the program is expected to help increase the growth of the commercial PV industry, reduce consumption of fossil fuels in Federal buildings, and achieve the goal of installing 20,000 solar systems in Federal buildings by 2010, as directed under the Million Solar Roof Initiative.

FY 2002 Appropriations On August 1, the House passed *H.R. 2620 - FY 2002 Appropriations for the Departments of Veterans' Administration, Housing and Urban Development, and Independent Agencies*. The bill includes the following provisions of interest:

- Veterans' Administration - \$361 million for major and minor construction projects and \$300 million in new funding for *H.R. 811 - Veterans' Hospital Emergency Repair Act* (passed on March 27).
- Environmental Protection Agency - \$25.318 million for the design and construction of EPA-owned facilities and the repair and improvement of facilities used by the agency.

Department of Defense The Committee on Armed Services approved *H.R. 2586, the National Defense Authorization Act for FY 2002* on August 2. The bill authorizes \$343.3 billion for Department of Defense programs for FY 2002, the same as the President's amended budget request. **The Committee recommends \$10.3 billion for military construction and family housing accounts, \$350 million more than the President's request and \$1.8 billion more than fiscal year 2001 funding levels.** Refer to the "New Legislation" chart for key committee recommendations.

Federal Energy Regulatory Commission The Subcommittee on Energy Policy (Committee on Government Reform) held a hearing on August 2 entitled “FERC: Regulators in a Deregulated Electricity Market.” **The purpose of the hearing was to determine the present and potential market monitoring capabilities of the Federal Energy Regulatory Commission.** Witnesses described the additional tools FERC will need to continue to improve the agency’s operations, whether or not FERC needs greater market regulatory authority, how FERC should respond to power outages, and how the California Independent System Operator will perform within “FERC’s vision for the nation,” which will include four RTO’s operating throughout the country. All witnesses expressed the opinion that FERC’s authority should be strengthened. The President and CEO of the California Independent System Operator, Terry Winter, commented that although perfectly free markets might work in other industries, the electric utility market is capital intensive and has many barriers to entry - barriers that must be governed with regulatory rules. William W. Hogan, a professor at the Kennedy School of Harvard University agreed. “In a given instant, very careful coordination of the market is necessary” and “FERC must be more prescriptive about its market design.” Phillip Harris, President and CEO of the PJM Interconnection, said that FERC should oversee each Regional Transmission Organization in a manner similar to how the Securities Exchange Commission regulates the business sector. Another issue that was raised concerned FERC’s investigation of market manipulation by generators serving the State of California. The General Accounting Office’s Director of Natural Resources and Environment, James E. Wells, Jr. presented GAO’s examination of the FERC study said that it was not thorough enough to support its conclusion that generators had not “physically withheld electricity supplies to influence prices.”

Federal Spending On August 2, Jim Nussle (R/IA), Chairman of the Committee on the Budget warned that reductions in Federal spending may be required if Congressional Budget Office (CBO) financial projections continue to decline. Chairman Nussle said, “Spending may have to be curtailed...If we want to pay off more debt, we need to reduce spending...We are working on the details. It may need legislation.” At the end of August, CBO will release its mid-session report on the economy. At risk are unspent agency funds for FY 2001. Meanwhile, the committee approved *H.R. 981 – The Budget Response and Efficiency Act of 2001*. The final bill approved by the committee is in the form of a substitute amendment to the original bill and would establish the Commission on Federal Budget Concepts “to evaluate the structure, concepts, classifications, and bases of accounting in the federal budget process.” Committee membership would include members of the House, the Director of the Office of Management and Budget (or designee), and the Comptroller General of the United States (or designee). The commission’s assessment will include the feasibility of changing from an annual to a biennial budget cycle.

SENATE

Comments or Action Items

Military Construction The Subcommittee on Military Construction (Committee on Appropriations) held hearings on July 31 and August 1, 2001, and received testimony from officials of each service branch of the military. Testimony focused on FY 2002 funding requirements for military housing and a description of each service’s energy-related accomplishments.

The Administration requested \$10 billion for the DOD Military Construction and Family Housing accounts; this represents a 14 percent increase over the amount requested in FY 2001. The request would support over 450 construction projects at more than 220 locations, and reduces

the Department of Defense facility replacement rate to 100 years from 192 years. **The request includes \$36 million for projects that are projected to result in energy savings and reduced energy demand.**

The Air Force requested \$2.7 billion for FY2002 Military Construction (MILCON), Military Family Housing, and Base Realignment and Closure (BRAC), with \$1.4 billion earmarked for Military Family Housing. Of this amount, \$518 million is for the housing replacement and improvement program, which would result in the replacement of 700 existing units, improvements to 2,100 units, and the privatization of an additional 10,000 units at 12 locations nationwide.

The Navy requested \$1.1 billion for Military Construction, which is their largest submission in over a decade. The agency also requested funds for a contingency clause, which would authorize access to funds to finance unexpected problems that arise during construction or during the final design stage of a project. The Assistant Secretary of the Navy (Installations And Environment), Duncan Holaday, also described the Navy's efforts to manage electricity prices and reduce consumption. Utility rate increases have been met with aggressive actions to reduce consumption, investment in energy saving projects, and engagement in long-term contracts. **As a result of Executive Order 13123 – Greening the Government through Efficient Energy Management, the Navy has reduced its energy consumption by 25.8 percent through fiscal year 2000.**

The Army requested \$1.76 billion for Army Military Construction, \$1.4 billion for Army Family Housing, \$267 million for Army National Guard Military Construction, and \$111 million for Army Reserve Military Construction. **As of June 30, 2001, the Army had awarded 74 task orders on Energy Savings Performance Contracts including a total private sector investment of \$328 million and an anticipated annual energy savings of over of two million MBtu's.**

The United States Special Operations Command requested \$98.9 million for military construction for FY 2002.

The Ballistic Missile Defense Organization requested \$8.3 million for military construction.

The Medical Military Construction Program requested \$225 million for military construction.

Comprehensive Energy Legislation On August 1 and 2, the Committee on Energy and Natural Resources initiated but did not complete its mark up of S. 597 – Comprehensive and Balanced Energy Policy Act of 2001. The bill, which was introduced by the committee chair, Jeff Bingaman (D/NM), includes provisions supporting energy efficiency and renewable energy programs. Last week's mark up focused on research and development programs including a provision requiring a government report on barriers to cooperative research and technology transfer. The bill also includes provisions to:

- Establish goals to increase the electric power system's overall efficiency and reliability
- Increase electric transmission efficiency in remote and rural areas and to promote renewable energy in those regions
- Apply superconductivity in electric transmission
- Include geothermal heat pumps to DOE's geothermal R&D program

- **Include the advanced building envelop industry to the list of industry groups who are to be consulted on the establishment of the National Center for Energy Management in Building Technologies**
- Direct the National Academy of Sciences to examine the decreasing cycle period for energy innovation

The committee will resume its mark up of the bill after Congress returns from its August recess.

CAFE Standards On August 2, the Committees on Commerce, Science, and Transportation and Energy and Natural Resources held a **joint hearing to examine the National Academy of Sciences' July 30 report on the effectiveness and impact of the Corporate Average Fuel Economy Standards (CAFE) over the past 25 years.** Testimony was received from three scientists involved in the study, which stated that CAFE standards significantly reduce fuel consumption. Testimony revealed that as a result of the standards, energy consumption in the transportation sector is greater by 14 percent and greenhouse gas pollutions have been reduced significantly. However, one researcher said that CAFE standards led to a “downweighting” and “downsizing” in cars, which compromise the level of automobile safety. While the authors of the report did not recommend either an increase or decrease in standards, they did say that “significant improvements in fuel economy are quite possible at a reasonable cost.” Specific recommendations regarding the CAFE Standards program structure include the following:

- Establish a tradable credit program
- Establish an attribute-based system, wherein lighter vehicles would be on a standard inverse proportional to its weight, while heavier vehicles would have the same standard
- Abolish the foreign-domestic distinction
- Abolish the credit for dual-fuel vehicles
- Continue Federally supported programs to improve fuel efficiency
- Update the National Highway Traffic Safety Administration analysis of the relationship between safety and fuel economy improvements

Committee on Commerce, Science, and Transportation chair, James Jeffords (I/VT) urged Congress to “take [the report’s] advice and act as quickly and responsibly as possible. There does not seem to be any question that we have the technology.”

Fuel Efficiency On August 2, the Committee on Environment and Public Works held a hearing to assess the impact of air emissions from the transportation sector on public health and the environment. At issue was EPA’s adoption of the Tier 2 program in which Model Year 2004 cars and light trucks will be required to be equipped with efficiency mechanisms to reduce emissions by 80 percent compared to today’s standards. Witnesses from the Environmental Protection Agency, the Health Effects Institute, and the Texas Natural Resources Conservation Commission, among others supported the increase in efficiency standards. The Alliance of Automobile Manufacturers championed “a reduction of sulfur levels in diesel fuel to a maximum of 15 ppm. [This policy] is critical for helping to enable tighter control of emissions for both heavy-duty engines and light-duty diesel applications.”

Climate Change Last week, the Committee on Governmental Affairs unanimously passed S. 1008 – *Climate Change Strategy and Technology Innovation Act of 2001*, which was introduced by Robert Byrd, Chairman of the Committee on Appropriations. **The bill, which amends the Energy Policy Act of 1992, establishes the National Office of Climate Change Response within the White House.** The purpose of the bill is to develop the U.S. Climate Change Response Strategy through an interagency task force. The task force will include the participation of the Department of Energy. The strategy is to address four key elements:

- Definition of interim emission mitigation targets coupled with specific mitigation approaches that cumulatively result in stabilization of greenhouse gas concentrations
- **National commitment to double energy R&D by the domestic public and private sector in order to provide a high degree of emphasis on bold, breakthrough technologies resulting in a profound transformation of the energy, transportation, industrial, agricultural, and building sectors in the U.S.**
- Climate adoption research that focuses on response actions necessary to adapt to climate change that may have occurred or may occur under any future climate change scenario
- Research that focuses on resolving the remaining scientific, technical, and economic uncertainties associated with climate change to the extent that those uncertainties bear on strategies to achieve the long-term goal of stabilization of greenhouse gas concentrations.

The bill also creates the Office of Carbon Management and the Center for Strategic Climate Change Response in the Department of Energy.

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STATUS OF FY 2002 APPROPRIATIONS BILLS

(In Billions)

HOUSE

SENATE

Jurisdiction/ FY 2002 Budget Request	302(b) Allocations/ Approved Funding Level	Bill No.	Full Cmte.	Floor	Conf.	302(b) Allocations/ Approved Funding Level	Bill No.	Full Cmte.	Floor	Conf.
Agriculture \$ 15.409	\$ 15.519 \$ 15.669	H.R. 2330	June 13	July 13		\$ 16.092 \$ 16.4	S. 1191	July 17	Pend- ing	
Commerce \$ 37.944	\$ 38.541 \$ 38.5	H.R. 2500	July 13	July 19		\$ 38.760 \$ 41.49	S. 1215	July 19	Pend- ing	
Defense \$ 300.962	\$ 300.292					\$ 298.568				
Energy and Water Development \$ 22.517	\$ 23.704 \$ 23.7	H.R. 2311	June 25	June 28		\$ 25.129 \$ 25.1	S. 1171	July 12	July 19	
Interior \$ 18,092	\$ 18.941 \$ 18.9	H.R. 2217	June 13	June 21		\$ 18.527 \$ 18.5	H.R. 2217	June 28	July 12	
Labor / HHS \$ 115.682	\$ 119.758					\$ 119.000				
Military Construction \$ 9.650	\$ 10.155					\$ 9.649				
Transportation \$ 14.891	\$ 14.893 \$ 14.9	H.R. 2299	June 20	June 26		\$ 15,579	S. 1178	July 12	August 1	
Treasury \$ 16.488	\$ 16.880 \$ 17.0	H.R. 2590	July 17	July 25		\$ 16.972		July 26		
VA/HUD \$ 83.683	\$ 84.159	H.R. 2620	July 17	July 31		\$ 84.053 \$ 84.05	S. 1216	July 19	August 2	
Total 302(b) Allocations/ FY 2002 Budget Request \$ 658.792	\$ 661.300					\$ 661.300				

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III. NEW LEGISLATION

HOUSE

Number	Short title	Date	Sponsor	Status
H.R. 2586	National Defense Authorization Act for FY 2002	July 23	Bob Stump (by request) (R/AZ)	Passed out of Armed Services Committee; House preparation for floor.
	Key Provisions:	Establishes permanence to the authorities in the Military Housing Privatization Initiative that rely on the private sector for the improvement of government-owned housing. Provides \$1.1 billion for construction and renovation of 6,800 military family housing units and provides funds to support the privatization of another 28,000 units. Provides \$1.2 billion for the construction of 51 new barracks and dormitories for unaccompanied military personnel. Provides \$36.2 million for six child development centers. Provides \$181.5 million for 16 fitness centers.		
H.R. 2607	No Short Title	July 24	Eliot Engel (D/NY) <i>Committee on Energy and Commerce</i>	Referred to Committee on Veterans' Affairs
	Key Provisions:	Authorizes renovation of the Department of Veterans Affairs Medical Center in Bronx, New York		
H.R. 2614	Safety and Fuel Economy Act (SAFE)	July 24	George Miller (D/CA) <i>Committee on Resources, Subcommittee on Water and Power</i>	Referred to Committee on Energy and Commerce and Committee on Transportation and Infrastructure
	Key Provisions:	Amends title 49, United States Code: Requires improvement in crash safety of automobiles and light trucks in collisions. Requires phased increases in fuel economy standards for passenger automobiles and light trucks starting after model year 2003. Requires improvement in average fuel economy calculations.		

I.R 4.

**Securing
America's
Future Energy
Act of 2001**

July
27

W.J. (Billy) Tauzin
(R/LA)
*Committee on Energy
and Commerce,
Chair; Committee on
Resources*

*H. Res. 216 passed the House on
August 2nd ; Part B amendments
printed in House Report 107-178.*

**Key
Provisions**

FEDERAL ENERGY MANAGEMENT Reauthorizes Federal energy conservation programs. Establishes stricter standards for energy conservation in Federal facilities. Provides enhancement and extension of authority for Federal energy savings performance contracts and utility incentive programs. Establishes Federal central air conditioner and heat pump efficiency standards. Establishes an Advanced Building Efficiency Testbed program within DOE for the development, testing, and demonstration of advanced engineering systems, components, and materials to foster innovations in building technology. Requires that by January 2003 Federal agencies must use interval consumption data to measure consumption of electricity in Federal buildings. Requires a study of the U.S. Capitol Complex to determine how the Complex could be made more energy efficient. Establishes High Performance Public Buildings Program within DOE to provide grants to state energy offices to assist local governments in the production of high performance public buildings. Establishes government-industry partnership program within EPA and DOE to promote renewable and alternative energy products; establishes Sun label for renewable and alternative energy products and technologies that are commercially marketable and that provide environmental and energy security benefits. Includes provisions for household appliance standards.

ENERGY STAR Includes provisions for purchase of energy efficient products and promotion of ENERGYSTAR[®] program.

ENERGY EFFICIENT VEHICLES (includes Federal Fleet) Allows vehicles with only one occupant to operate in high efficiency vehicle lanes if the vehicles are hybrid vehicles. Provides for the establishment of average fuel economy standards for non-passenger automobiles manufactured in model years 2004 to 2010. Extends manufacturing incentives for dual-fueled automobiles. **Establishes a gradual increase in the average fuel economy of new Federal automobiles by three miles per gallon by September 30, 2005. Establishes that 10 percent of vehicles acquired by a Federal fleet shall be alternative fuel or hybrid vehicles by 2006. Provides for a reduction in petroleum-based fuels for Federal light duty motor vehicles acquired in model years 2004 through 2010. Directs the Department of Transportation and the National Academy of Sciences to conduct a study to determine the feasibility and effects of reducing the percentage of fuel use in automobiles by 2010.** Directs the EPA and DOE to conduct a study of motor vehicle fuel requirements throughout the country and ensure that any transition to the development of national or regional fuel specifications would not disrupt the availability and affordability of gasoline.

RENEWABLE ENERGY Requires assessment of renewable energy resources in U.S. **Revises Renewable Energy Production Incentive Program: authorizes DOE to establish other procedures necessary for efficient administration of program.** Directs DOE to conduct a study of the feasibility of an ethanol-to-solid waste loan guarantee program. Directs EPA and DOE to conduct a study on the feasibility of requiring fuel sold or used in the U.S. to be comprised of a percentage of renewable fuel. Establishes alternative fuel grant pilot program. Requires development of distributed power hybrid systems strategy to determine barriers to the use of distributed power hybrid systems, and for other purposes. **Includes amendment to establish in EPA a renewable energy "partnership" program to promote the use of renewable energy.**

ENERGY R&D Establishes Next Generation Lighting Initiative for research, development, and demonstration activities on advanced lighting technologies. Provides for creation and evaluation of a plan outlining the Federal government's role in improving commercial, institutional, residential, and industrial building performance and reducing energy costs 30 percent by 2020. Provides for research, development, demonstration, and commercial application program for fuel cells.

UTILITIES Establishes transmission infrastructure systems research, development, demonstration and commercial application program.

BIOENERGY Authorizes appropriations for the *Bioenergy Act of 2001* to conduct environmental R&D, scientific energy research, development and demonstration, and commercial application of energy programs and activities related to bioenergy.

FINANCIAL INCENTIVES Includes tax credits for residential solar energy property, qualified stationary fuel cell power plants, energy efficient appliances, and for construction of energy efficient homes and for energy efficiency improvements in existing homes. Extends and expands credit for electricity produced from renewable resources. Allows deductions for energy efficient commercial property and qualified energy management devices. Provides energy credit for combined heat and power system property.

MISCELLANEOUS Directs Federal agencies to review regulations to eliminate barriers to emerging energy-efficient technologies such as fuel cells, combined heat and power, and distributed generation. Requires DOE, in consultation with other agencies, to provide annual report on U.S. energy independence. Includes provisions for National Energy Policy Development Group mandated reports.

SENATE

Number	Short title	Date	Sponsor	Status
<i>S. 1231</i>	<i>Electricity Information, Disclosure, Efficiency, and Accountability</i>	July 24	Ron Wyden (D/OR) <i>Committee on Budget; Committee on Commerce, Science, and Transportation; Committee on Energy and Natural Resources; Committee on Energy and Public Works</i>	Referred to Committee on Energy and Natural Resources
	Key Provisions:	Amends <i>Federal Power Act</i> by requiring bulk-power system operators to establish a system that provides market participants, regulators, and the public access to certain data about the operation of electricity power markets and transmission systems.		
<i>S. 1240</i>	<i>Timpanogos Interagency Land Exchange Act of 2001</i>	July 25	Robert Bennett (R/UT) <i>Committee on Appropriations, Subcommittees on Energy and Water Development, Interior, and Transportation.</i>	Referred to Committee on Energy and Natural Resources
	Key Provisions:	Provides for the acquisition of land and construction of an interagency administration and visitor facility at American Fork Canyon, Utah; Directs Secretary of Agriculture and Secretary of Interior to develop, construct, operate, and maintain the interagency administration and visitor facility at the entrance to American Fork Canyon.		

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IV. ADMINISTRATION INITIATIVES AND COMMENTS

Comprehensive Energy Legislation Commenting on last week's passage in the House of *H.R. 4 – Securing America's Energy Future Act of 2001*, Vice President Cheney said, "We had, I thought, a surprisingly strong vote over here last night for a good, sound, solid, comprehensive, long-term energy plan." The Office of Management and Budget issued the following statement on the bill:

While the Administration strongly supports the bill, we look forward to working with Congress to improve upon provisions in the bill that are consistent with the National Energy Plan in order to ensure that the bill balances the Nation's energy needs with environmental protection.

The Administration recognizes that sections 122 and 123 are intended to facilitate financing for improvements in the energy efficiency of Federal buildings. The Administration is concerned, however, that these provisions are inconsistent with our Federal fiscal and

procurement policies and would absorb significant discretionary funds. We hope to work with Congress to make these provisions consistent with sound fiscal and procurement practices.

The Administration supports increasing automobile fuel economy. As the National Academy of Sciences report released this week demonstrates, we can achieve significant fleet fuel economy increases, without costing lives, by incorporating existing and new technologies over time. The NAS report also demonstrates, however, that simply adopting arbitrary CAFÉ increases could cause additional traffic fatalities....The Administration therefore again calls on Congress to remove immediately the prohibition on the Department of Transportation so that it can responsibly craft an appropriate standard.

Secretary Abraham released a statement on August 2 regarding the House bill, which stated: "Tonight's House passage of comprehensive, balanced energy legislation is a tribute to President Bush's leadership and a tremendous victory for America, for the economy, and for the government." He also released a statement on last week's initial mark up in the Senate of comprehensive energy legislation, saying "Senator Bingaman and Senator Murkowski understand the importance in crafting a comprehensive and balanced energy legislation to meet America's energy challenges. They deserve credit for the productive and substantive ideas that the Energy Committee will begin considering today."

Military Base Closures Last week, the Department of Defense released its base closure plan, "Efficient Facilities Initiative of 2001," which was designed to build on *the Defense Base Closure and Realignment Act of 1990*. **The plan, which is being drafted as a legislative initiative, recommends a single round of base closures and realignment in the United States in 2003.** The plan also includes a provision that would "encourage" the Service Secretaries to partner with local communities to own, operate, or maintain "enduring military installations." To accomplish the base closure and realignment program, the Department would conduct a comprehensive review of all DOD installations and an independent commission would review the DOD study and provide their recommendations to the President by July 7, 2003.

DOE Management Team Actions

- Last week, Secretary Abraham swore in Vicky Bailey as Assistant Secretary for Policy and International Affairs.
- Last week, the Senate approved the nomination of Dan Brouillette to be the new Assistant Secretary for Congressional and Intergovernmental Affairs.

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V. HEARINGS SCHEDULE

HOUSE – APPROPRIATIONS

No new hearings or mark ups of interest have been scheduled.

HOUSE – AUTHORIZATIONS/OVERSIGHT

No new hearings or mark ups of interest have been scheduled.

HOUSE FLOOR ACTIVITY

No debates or votes of interest have been scheduled.

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SENATE – APPROPRIATIONS

No new hearings or mark ups of interest have been scheduled.

SENATE – AUTHORIZATIONS/OVERSIGHT

No new hearings or mark ups of interest have been scheduled.

SENATE – CONFIRMATION

No candidate hearings or votes of interest are scheduled for this week.

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