

KUPFER AND ONLEY NOMINATIONS

HEARING BEFORE THE COMMITTEE ON ENERGY AND NATURAL RESOURCES UNITED STATES SENATE ONE HUNDRED TENTH CONGRESS

SECOND SESSION

TO

CONSIDER THE NOMINATION OF JEFFREY F. KUPFER TO BE DEPUTY
SECRETARY OF ENERGY, AND KAMERAN L. ONLEY TO BE AN ASSIST-
ANT SECRETARY OF THE INTERIOR

APRIL 30, 2008



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KUPFER AND ONLEY NOMINATIONS

WEDNESDAY, APRIL 30, 2008

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC.

The committee met, pursuant to notice, at 3:36 p.m. in room SD-366, Dirksen Senate Office Building, Hon. Jeff Bingaman, chairman, presiding.

OPENING STATEMENT OF HON. JEFF BINGAMAN, U.S. SENATOR FROM NEW MEXICO

The CHAIRMAN. Afternoon. The committee meets this afternoon to consider the nominations of Jeffrey F. Kupfer to be the Deputy Secretary of Energy and Kameran L. Onley to be an Assistant Secretary of Interior for Water and Science.

Both nominees have held senior positions in their departments since 2006. Both are currently performing the duties of the offices to which they have been nominated. They are serving today in an acting capacity.

Mr. Kupfer served as the Chief of Staff at the Department of Energy from October 2006 until he was named Acting Deputy Secretary following Clay Sells resignation earlier this month. Before coming to the Department of Energy, Mr. Kupfer held senior posts in the Executive Office of the President on the President's Advisory Panel on Federal tax reform and in the Department of the Treasury.

Ms. Onley joined the Department of the Interior as Assistant Deputy Secretary in January 2006, was assigned the responsibilities of the Assistant Secretary for Water and Science last August and was named Acting Assistant Secretary for Water and Science earlier this month. Before coming to the Department of the Interior she served as the Associate Director for Environmental Policy at the President's Council on Environmental Quality. Before that she was the Associate Director for the Regulatory Studies Program at Mercatus Center. Am I pronouncing that right?

Ms. ONLEY. Yes, that's right.

The CHAIRMAN. Mercatus Center at George Mason University.

We appreciate their willingness to serve in these important positions to which they've been nominated. We welcome the opportunity to consider their nominations. Let me call on Senator Domenici for any statement he has.

**STATEMENT OF HON. PETE V. DOMENICI, U.S. SENATOR FROM
NEW MEXICO**

Senator DOMENICI. Thank you very much, Mr. Chairman. I'll be brief. First of all, I've met both candidates and worked with both of them heretofore. I'm pleased to have them here and to be part of their confirmation process.

The two nominees that we're considering are for two very important positions within the Department of Energy and the Department of Interior. As No. 2 person at the Department of Energy, the Deputy Secretary is essentially the Chief Operating Officer charged with implementing all departmental policies. While not as sweeping in scope, the management challenges of the Assistant Secretary for Water and Science in the Department of Interior covers at least a third of the Department's responsibilities including the Bureau of Reclamation, an area of particular importance to those of us from the West.

Unlike most nominees the two before us today, Mr. Chairman, already have considerable experience, as you've indicated within their respective departments. I'm encouraged that they will be able to provide a seamless transition from the excellent tenures of their predecessors to press for completion of the Administration's initiatives and those of the Secretaries.

I want to thank you, Senator Bingaman for scheduling this hearing so quickly. Hopefully the Senate will likewise act expeditiously. I will help you in that respect, if you need help in trying to make sure the Senate expedites the confirmation. Thank you, Senator.

The CHAIRMAN. Thank you very much. The rules of the committee, which apply to all nominees, require that they be sworn in connection with their testimony. So I'd ask if the two of you would stand and raise your right hand at this point.

Do you solemnly swear that the testimony you're about to give to the Senate Committee on Energy and Natural Resources shall be the truth, the whole truth and nothing but the truth.

Mr. KUPFER. I do.

Ms. ONLEY. I do.

The CHAIRMAN. Please be seated. Before you begin your statements I'll ask three questions and address them to each nominee before the committee today.

No. 1, will you be available to appear before this committee and other congressional committees to represent departmental positions and to respond to issues of concern to the Congress?

Mr. Kupfer.

Mr. KUPFER. I will.

The CHAIRMAN. Ms. Onley.

Ms. ONLEY. I will.

The CHAIRMAN. Second question, are you aware of any personal holdings, investments or interests that could constitute a conflict of interest or create the appearance of such a conflict should you be confirmed and assume the office to which you have been nominated by the President?

Mr. Kupfer.

Mr. KUPFER. Mr. Chairman, my investments, personal holdings and other interests have been reviewed both by myself and the appropriate ethics counselors within the Federal Government. I've

taken appropriate action to avoid any conflicts of interest. There are no conflicts of interest or appearances thereof, to my knowledge.

The CHAIRMAN. Ms. Onley.

Ms. ONLEY. Sir, all my investments have been reviewed both by the ethics office and the department. They have been approved and there is no conflict.

The CHAIRMAN. Let me ask a third question. Are you involved or do you have any assets that are held in a blind trust?

Mr. Kupfer.

Mr. KUPFER. No.

The CHAIRMAN. Ms. Onley.

Ms. ONLEY. No.

The CHAIRMAN. Alright. At this point, our normal practice is allow nominees to introduce any family members that are with them. Mr. Kupfer, did you have anybody you wanted to introduce?

Mr. KUPFER. I do, Mr. Chairman. I have here my wife, Shelly and my three children. The oldest is Danielle, Adam and Andrew.

The CHAIRMAN. Good. We're glad to have them here.

Senator CRAIG. Uncle Sam.

[Laughter.]

Mr. KUPFER. That's correct.

The CHAIRMAN. Right. Ms. Onley, did you have any family members you wanted to introduce?

Ms. ONLEY. Yes, my husband, Doug Onley.

The CHAIRMAN. Nice to have you here. Thanks for coming.

Alright. Let me recognize each of you to make your opening statement at this point. Then after that we'll have some questions. Did you have a particular order you wanted to proceed in?

Mr. Kupfer, why don't you go right ahead, first.

**TESTIMONY OF JEFFREY KUPFER, NOMINEE FOR DEPUTY
SECRETARY OF ENERGY**

Mr. KUPFER. Thank you, Mr. Chairman. Chairman Bingaman, Senator Domenici, Senator Craig, I'm honored to appear before you today as President Bush's nominee to be Deputy Secretary of Energy. I'm cognizant of the challenges that the Department faces. I appreciate the President's and Secretary Bodman's confidence in my abilities to meet those challenges. I would also like to thank the committee for moving so quickly to hold this hearing and to consider my nomination.

I've already introduced members of my family. They have put up with some long hours and an unpredictable schedule during the past several years. Without their love and support, I would not be able to do any of this.

I could also list the family members who have been role models for me, but in the interest of time I would just like to single out one individual. My grandfather, Joseph Stern, served in his local government for over 30 years. Among many other things, he taught me the merit of public service, the value of treating others with dignity and respect and the importance of doing the right thing.

I have been fortunate to have had opportunities to serve this country in various parts of the Federal Government. I worked here in the Senate for two different committees, governmental affairs

and finance and learned first hand the importance of this institution. As you mentioned I've also served in the Executive branch as a career lawyer at the Justice Department and as a political appointee at the Treasury Department, The White House and now at the Energy Department. Those positions have allowed me to see the operation of government from different perspectives to learn how to accomplish policy and management initiatives and to recognize the significant value of the Federal work force.

For the last year and a half I've had the great privilege to serve as Secretary Bodman's Chief of Staff. In this capacity I've become familiar with a wide variety of critical issues facing the Department. These issues, all of which are well known to members of this committee, include developing clean, affordable and efficient energy, ensuring America's nuclear security, supporting scientific discovery and innovation and safely conducting environmental clean up of our country's cold war legacy.

If confirmed I would continue to work with Secretary Bodman to ensure that these diverse responsibilities are managed effectively. The Deputy functions as the Department's Chief Operating Officer. The Secretary has set high standards for our Department. My job would be to make sure that the senior leadership and others in the Department have clear objectives, have the support they need to accomplish those objectives and are held accountable for producing results.

I recognize that the end of this Administration is coming quickly, less than 9 months away. That reality infuses all of us at the Department with a sense of urgency. We have a limited time to accomplish our goals and institutionalize the changes that have been made in the Department. Our overarching mission is to leave the Department in better shape than when we arrived. To make sure the Department is sound footing to meet the challenges ahead.

Finally I would like to thank you, Mr. Chairman and Senator Domenici for the close bipartisan working relationship that the Department has had with the committee throughout Secretary Bodman's tenure. If confirmed as Deputy Secretary, I will look forward to continuing that important partnership. Mr. Chairman, that concludes my prepared statement. Thank you.

[The prepared statement of Mr. Kupfer follows:]

PREPARED STATEMENT OF JEFFREY KUPFER, NOMINEE FOR DEPUTY SECRETARY OF ENERGY

Chairman Bingaman, Senator Domenici, and members of the Committee, I am honored to appear before you today as President Bush's nominee to be Deputy Secretary of Energy. I am cognizant of the challenges that the Department faces and I appreciate the President's and Secretary Bodman's confidence in my abilities to meet those challenges. I would also like to thank the Committee for moving so quickly to hold this hearing and to consider my nomination.

Before I proceed further, I would like to introduce my wife, Shelly, and our three children: Danielle, Adam, and Andrew. They have put up with some long hours and an unpredictable schedule during the past several years—and without their love and support, I would not be able to do any of this. I could also list the family members who have been role models for me, but in the interest of time, I would just like to single out one individual. My grandfather, Joseph Stern, served in his local government for over 30 years, and among many other things, he taught me the merit of public service, the value of treating others with dignity and respect, and the importance of doing the right thing.

I have been fortunate to have had opportunities to serve this country in various parts of the federal government. I worked here in the Senate for two different com-

mittees—Governmental Affairs and Finance—and learned firsthand the importance of this institution.

I have also served in the executive branch—as a career lawyer at the Justice Department, and as a political appointee at the Treasury Department, the White House, and now at the Energy Department. Those positions have allowed me to see the operation of government from different perspectives—to learn how to accomplish policy and management initiatives—and to recognize the significant value of the federal workforce.

For the last year and a half, I have had the great privilege to serve as Secretary Bodman's Chief of Staff. In this capacity, I have become familiar with a wide array of critical issues facing the Department. These issues—all of which are well-known to members of this Committee—include developing clean, renewable and efficient energy, ensuring America's nuclear security, supporting scientific discovery and innovation, and safely conducting the environmental cleanup of our country's cold war legacy.

If confirmed, I would continue to work with Secretary Bodman to ensure that these diverse responsibilities are managed effectively. The Deputy Secretary functions as the Department's Chief Operating Officer. The Secretary has set high standards for our Department—and my job would be to make sure that the senior leadership and others in the Department have clear objectives, have the support they need to accomplish those objectives, and are held accountable for producing results.

I recognize that the end of this Administration is coming quickly—less than nine months away. That reality infuses all of us at the Department with a sense of urgency. We have a limited time to accomplish our goals and institutionalize the changes that we have made in the Department. Our overarching mission is to leave the Department in better shape than when we arrived.

Finally, I would like to thank you, Mr. Chairman, and Senator Domenici for the close bipartisan working relationship that the Department has had with the Committee throughout Secretary Bodman's tenure. If confirmed as Deputy Secretary, I will look forward to continuing that important partnership.

Mr. Chairman, that concludes my prepared statement. I would be happy to answer any questions at this time.

The CHAIRMAN. Thank you very much. Ms. Onley, go right ahead.

**TESTIMONY OF KAMERAN L. ONLEY, NOMINEE FOR
ASSISTANT SECRETARY OF THE INTERIOR**

Ms. ONLEY. Thank you, Mr. Chairman, Senator Domenici, Senator Craig. It really is an honor to be here today as the President's nominee for the Assistant Secretary of Water and Science at the Department of Interior. President Bush and Secretary Kempthorne have given me the highest complement by nominating me for this position.

I appreciate the fact you allowed me to introduce my husband. We were married my second year at The White House in 2002. He has been a great friend and support to me during the past years of my service.

I'd also like to thank the committee for inviting us to bring our brand new baby girl with us here today. But we opted to spare everyone her spontaneous bursts of enthusiasm. It's music to my ears, but not necessarily to everybody else's. So, but thank you.

A little bit about my background. I was born and raised in Seattle. I consider the Evergreen State my home even though I've been away for almost 15 years now. It was during the family camping trips on the Sauk River and the Cascade Mountains that I developed my passion for the environment. I feel fortunate to have been able to parley my personal passion into a career.

My formal education consists of a bachelor's in economics with a minor in biology from Seattle University. Master's in Agricultural

Economics from Clemson University. I was in my junior year at Seattle U when I realized the languages between the fields of economics and biology. Both are studies of systems, human and animal and both provide ways for understanding how complex systems interact and evolve. These insights that have come from both of these fields can help to inform and improve public policy.

Since graduate school I've worked in varying roles in public policy, as a research assistant at the Texas Institute for Applied Environmental Research. I worked with the dairy industry in rural Texas to address water quality issues. As a research assistant at the Mercatus Center, the position I held before joining the Administration, I analyzed the impacts of Federal regulation on the public. I also worked as a program officer for the Charles G. Koch Foundation where I experienced first hand how the non-profit sector plays in a crucial role in public policy.

For the last six, almost 7 years, I've had a privilege to serve the public as a member of the Bush Administration. I joined The White House Council on Environmental Quality in July of 2001. While there I focused most of my time there on oceans and coastal issues.

I entered the Department of Interior in January of '06 as Assistant Deputy Secretary where I continued the ocean and coastal work and also took on the role of the Chair of the Everglades Task Force. My work as Chair of the Everglades Task Force has required me to build consensus with multiple partners. Federal, State, local governments, Native American governments and the private sector in order to move restoration goals forward.

My professional experience has provided me with the insight into a complex interface between environmental, economic and cultural merit. I understand the management challenges that result from this complexity. If confirmed I am committed to bringing the same collaborative problem solving focus to my new position within DOI.

In July of last year as you mentioned I assumed the roles and responsibility of the Acting Assistant Secretary for Water and Science. During this short time I have developed an even greater appreciation for the complexity of water issues in the West and the necessity of applying sound science in the public interest. I have found that both Reclamation and the U.S. Geological Survey are committed to identifying new and better approaches to deal with water challenges facing our Nation.

Secretary Kempthorne has outlined the Water for America Initiative to ensure that communities have reliable water supplies for the 21st century. As we can see from watching the evening news over the last year, water scarcity is no longer a problem for the arid west. It's a problem for the Nation.

Through this Water for America Initiative the Bureau of Reclamation and the U.S. Geological Survey will leverage information, technology, local and State partnerships to help communities secure reliable water supplies. If confirmed I will work with this committee on implementing legislation to make this Initiative a success. If confirmed it will be an honor to work with the U.S. Geological Survey, the Nation's premier science agency. The USGS provides reliable information, scientific products for natural resource managers, emergency response organizations, land use planners, decisionmakers at all levels of government. Its expertise ranges in all

fields from recreational hiking and fishing to dam operations, earthquake and volcano predictions.

Finally I share the commitment of the President and Secretary Kempthorne to the conservation of our natural resources. I know from personal experience that broad consultation produces better decisions that transparency and the deliberative process, including good communication, avoids needless conflicts. That cooperation is preferable to and can often head off litigation.

I pledge that if confirmed I will consult with you on issues of interest to this committee. I will communicate with your constituents. I will search for cooperative solutions to the complex issues that would fall under my ambit.

Thank you for the opportunity to appear before you today.

[The prepared statement of Ms. Onley follows:]

PREPARED STATEMENT OF KAMERAN L. ONLEY, NOMINEE FOR ASSISTANT SECRETARY OF THE INTERIOR

Thank you, Mr. Chairman, Senator Domenici, and members of the committee. It is an honor and privilege to appear before you today as the President's nominee for the Assistant Secretary for Water and Science at the Department of the Interior. I am both humbled and honored that President Bush and Secretary Kempthorne have recommended me for this position.

I appreciate the fact that my husband Doug can be here with me today. We were married during my second year at the White House Council on Environmental Quality and he has been such a great friend and support to me during these past years of public service. I'd also like to thank the committee for inviting our new baby girl to join me here today, but my husband and I opted to spare everyone her spontaneous bursts of enthusiasm; it might be music to my ears, but I can't promise everyone would see it that way.

A little bit about my background. I was born and raised in Seattle, Washington and still consider the "Evergreen State" home. I am the only grandchild of ten who has left the state and quite frankly no one in my family can understand why. It was during the family camping trips along the Sauk River in the Cascade Mountains that I first developed my passion for the environment and I feel fortunate to have been able to parlay my passion into my professional life.

My formal education consists of a B.A. in Economics with a minor in Biology from Seattle University and an M.S. in Agricultural Economics from Clemson University. I was in my junior year at Seattle University when I realized the linkages between the fields of economics and biology—both are studies of systems—human and animal—and both provide ways of understanding how complex systems interact and evolve. The insights that have come from both of these fields can help to inform and improve public policy.

Since graduate school I have worked in varying roles in public policy. As a Research Assistant at the Texas Institute for Applied Environmental Research, I worked with the dairy industry in rural Texas to address water quality issues; as Research Assistant at The Mercatus Center—the position I held before joining the Administration—I analyzed the impacts of federal regulations on the public. I also worked as a Program Officer for the Charles G. Koch Foundation, where I experienced first-hand how the non-profit sector plays a crucial role in generating public policy.

For the last six, almost seven, years I have had the privilege to serve the public as a member of the Bush Administration. I joined the White House Council on Environmental Quality in July, 2001, where I focused the majority of my time on ocean and coastal policy. Most notably I was responsible for leading the interagency group in the development of the President's "U.S. Ocean Action Plan." I entered the Department of the Interior in January 2006 as Assistant Deputy Secretary, where I have continued my work on ocean and coastal issues and serve as the Secretary's principal policy advisor on Everglades restoration. My work chairing the South Florida Ecosystem Restoration Task Force has required me to build consensus with all partners, federal, state, local and Native American governments, and the private sector, to advance restoration goals.

My professional experience has provided me with the insight into the complex interface of environmental, economic, and cultural merit. I understand the management challenges that result from this complexity and, if confirmed, I am committed

to bringing the same collaborative problem-solving focus to a new position within DOI.

In July of last year, I assumed the responsibilities of the Acting Assistant Secretary for Water and Science, including overseeing the Bureau of Reclamation and the U.S. Geological Survey. During this short time, I have developed an even greater appreciation for the complexity of water issues in the West and the necessity of employing sound science in the public interest.

I have found that both Reclamation and the U.S. Geological Survey are committed to identifying new and better approaches to deal with the water challenges facing our nation. Secretary Kempthorne has outlined the "Water for America Initiative" to ensure that communities have reliable water supplies for the 21st century. Last year, the National Science and Technology Council reported that: "Abundant supplies of clean, fresh water can no longer be taken for granted." As we can see from watching the evening news over the last year, water scarcity is no longer just a problem for the arid West—it is a problem for the Nation. We are seeing prolonged droughts and water conflicts in areas such as the Southeast, where people are used to having unlimited water. Through this Water for America Initiative, the Bureau of Reclamation and the U.S. Geological Survey will leverage information, technology and local and state partnerships to help communities secure reliable water supplies. If confirmed, I will work with the Committee on implementing legislation to make this initiative a success.

If confirmed, it will be an honor to work with the U.S. Geological Survey, the Nation's premier science agency. The U.S. Geological Survey provides reliable information and scientific products for natural resource managers, emergency response organizations, land use planners, decision-makers at all levels of government, and citizens in all walks of life. USGS's broad spectrum of scientific expertise includes geography, geology, hydrology, and biology, and its products inform a range of activities from recreational hiking and fishing to dam operations and earthquake and volcano prediction. USGS science helps the Department and others manage resources in cost effective and environmentally sound ways.

Finally, I share the commitment of the President and Secretary Kempthorne to conservation of our natural resources. I know from personal experience that broad consultation produces better decisions, that transparency in the deliberative process, including good communication, avoids needless conflicts, and that cooperation is preferable to and often can head off litigation. I pledge that if confirmed, I will consult with you on issues that are of interest to this Committee, I will communicate with your constituents, and I will search for cooperative solutions to the complex issues that would fall within my ambit.

Thank you for the opportunity to appear before you today.

The CHAIRMAN. Thank you very much for your statement. Thank you both for your statements. Let me ask a few questions and then defer to my colleague Senator Domenici and then Senator Craig.

First, we welcome Secretary Bodman and we think his presence is a strong endorsement of your nomination which I know he is responsible for making. So we very much appreciate him being here. There's also a letter that Senator Arlen Specter has sent to myself and Senator Domenici urging prompt consideration of your nomination. We will include that in the record of this hearing as well and take that into account.

[The information referred to follows:]

U.S. SENATE,
STATE OF PENNSYLVANIA,
Washington, DC, April 10, 2008.

Hon. JEFF BINGAMAN,
Chairman, Committee on Energy and Natural Resources, U.S. Senate, Dirksen Senate Office Building, Washington, DC.

Hon. PETE DOMENICI,
Ranking Member, Committee on Energy and Natural Resources, U.S. Senate, Dirksen Senate Office Building, Washington, DC.

DEAR CHAIRMAN BINGAMAN AND RANKING MEMBER DOMENICI: I am writing to urge prompt consideration of Jeffrey F. Kupfer, of Maryland, whose nomination to be Deputy Secretary of the Department of Energy has been pending before the Energy and Natural Resources Committee since April 2, 2008.

A native of Pittsburgh, Pennsylvania, Mr. Kupfer graduated from Yale College and Harvard Law School. His excellent academic credentials have served him well in his various positions within this Administration. Most recently, Mr. Kupfer served as Chief of Staff and Acting Deputy Secretary of the Department of Energy. Prior to this, he served as Special Assistant to the President for Economic Policy. Earlier in his career, he served as Deputy Chief of Staff and Executive Secretary at the Department of the Treasury.

Additionally, Mr. Kupfer has extensive Senate experience having served as counsel for the Finance Committee and the Government Affairs Committee. He was also a trial attorney in the U.S. Department of Justice's Tax Division and clerk for Chief Judge Thomas P. Griesa in the U.S. District Court for the Southern District of New York.

Accordingly, as it appears that Mr. Kupfer is well qualified for this new appointment, I request swift action by the Committee on his nomination to avoid a lengthy vacancy at the Department of Energy.

Thank you for your attention to this matter.

My Best.

Sincerely,

ARLEN SPECTER,
Senator.

The CHAIRMAN. One of the issues that's concerned me, frankly, is I think the Department of Energy, which was established 31 years ago, clearly has a major role in support of energy research development and deployment. But most of the regulatory tools that are involved with energy policy seem to be located elsewhere or many of them do. I'm specifically thinking about the Commodity Futures Trading Commission and the Federal Trade Commission and the Justice Department.

I guess I'd be interested in any general comments you have about what role you think the Department of Energy should play beyond the traditional research and development role and the role of managing the strategic petroleum reserve to ensure adequate and reliable energy supplies at reasonable prices.

Mr. KUPFER. Mr. Chairman, that's a very involved question that I'm not sure I can do justice to right here. But let me offer a few thoughts generally on the Department's mission and some comments on what you said.

I think there's no question that the Department is and should continue to remain the government's premier science and technology agency. We have our network of 17 national laboratories around the country. With that existing infrastructure and with the world class resources that we have there, I think it's very important that that base continues.

As part of that, trying to make sure that advancements and developments in those laboratories make it to the marketplace and to the private sector as quickly as possible through technology transfer and other things that we can do are very important for us to continue. I also think that the Department plays and should continue to play a very important policy role in the ongoing discussion of energy policy, energy security in this country and that ranges from identifying priorities for the country to look at. Whether that's carbon capture and sequestration or nuclear energy efficiency to also being the platform or someone say the "bully pulpit" for discussing those energy policies with both the domestic audience and in the international sphere where we routinely interact with our colleagues from around the world and discuss the U.S. energy situation.

I think it's clear that there's many interconnections between different agencies in the Federal Government and people are realizing now that talking about climate change, for instance, without talking about energy security is something that doesn't make any sense. That those two things go together. Similarly with biofuels, the interaction between the Department and the Agriculture Department is very important.

You talked about getting adequate supply of energy at reasonable prices and the markets that we have out there. I think once again it's an area where a number of different agencies have evolved to have some role in those markets. You mentioned them. It's the CFTC, FERC and DOJ and others.

Especially as the market gets more complex, which it clearly is during the last few years. I think it's reasonable for us to look at whether that current line up of responsibilities in the government continues to serve the government in the most effective way that it can. So, I do think it's something that there's a lot of interconnections here and that the Department should continue to look at. I'd like to work with the committee in order to further elaborate on that.

The CHAIRMAN. I'm about out of time. Let me ask one other question though. You mentioned cap and trade and greenhouse gas emissions. The legislation that the Majority Leader has indicated he's bringing to the floor, the Lieberman-Warner bill, proposes to vest far reaching new authority over energy production and use to the EPA and various new efficiency boards and Credit Corporation.

Should the Department of Energy be playing a role in that that it's not supposed to be playing, as it currently stands in your view?

Mr. KUPFER. As you know, Mr. Chairman, we have serious concerns with the Warner-Lieberman proposal. So putting aside that bill itself, I'd comment on the Department's role in climate legislation generally. I do think that the Energy Department should play a significant role.

The interplay between environmental policy and energy security is vitally important and making sure that any environmental concerns are balanced with the realities of our energy situation, both in terms of technology and also the policy are very important. As the Administration has looked at this issue and including the RFS proposal last year, the 20 and 10, we've tried to make it clear that any sort of adjustment of goals or waivers or circuit breaker type mechanisms are things where the Department of Energy should have a voice in making those judgments. It's simply not an environmental regulatory call.

Two other quick points on that is one, I do think that from—to the extent that there's efficiency codes and standards which are included in that bill. I haven't reviewed all of them. The Department has played a significant role in efficiency. We have the technology that's been developed to deal with a variety of the efficiency improvements. I think we should continue to play a significant role.

Finally, as you know the Energy Information Administration's statistical arm of the Department has been collecting data on energy usage over many years and to the extent that that could be leveraged and built upon, it seems to be one of the more effective

ways to deal with that issue. So all in all I would say the Department should play a very significant role.

The CHAIRMAN. Senator Domenici.

Senator DOMENICI. Thank you very much, Mr. Chairman. Mr. Kupfer, are you aware that the Congressional Budget Office has rescored the President's budget request that will require the Energy and Water Subcommittee to find an additional \$355 million to cover the cost of title 17 Loan Guarantee Programs. This interpretation, in my opinion, and many around me, is inconsistent with OMB's estimate, EPACT, and the GAO legal review. I believe CBO has made a significant error in developing its assumptions and it will result in delaying the deployment of critical clean energy technologies.

My first question is will you make sure that the Department and OMB will together work to convince the CBO that they've made a mistake and the Department's credit risk models are accurate and will protect the taxpayer?

Mr. KUPFER. The short answer to that, Senator, is yes. I am aware of the issue. The program as it was spelled out in EPACT was designed to be self funding and that the credit subsidy models should, in the aggregate account, for any losses, potential losses that the Loan Guarantee Program would have.

We believe that the credit model that we've designed does that. We will commit to working with OMB to make that case to CBO.

Senator DOMENICI. Thank you for acknowledging that's what the new law provided in title 17. There's no question any reading of it provided for the authority from your Department to do it. If you did it a certain way it's supposed to cost the government nothing.

My second question is in the event you are unable to convince CBO to change their assumptions will you make every effort to see to it that OMB provides adequate resources to cover the credit subsidy cost? In other words will you inform and press OMB to make up for the loss and the cut that we'll have to take because of CBO's interpretation?

Mr. KUPFER. I will. The Loan Guarantee Program is a very important program. It's essential for what we're trying to do. Making sure it works effectively is very important for us.

Senator DOMENICI. It's important to you?

Mr. KUPFER. Yes, sir.

Senator DOMENICI. The Secretary, he's worked very hard to get it done and especially it's part of the nuclear program. Not exclusively, but it technically is part of that. He'd like to see it happen to not be charged a fee when there's no fee. I'm sure he would testify to that if he were here.

Mr. KUPFER. I am sure he would sir.

Senator DOMENICI. The NNSA Advance Computing Program has made several errors, in my opinion, in its computing platform deployment strategy, including the acquisition strategy for nearly \$290 million Sequoia Platform. My question is will you commit to finding a more balanced deployment strategy that increases computing capacity in all the national laboratories, all three and will commit to have the Sequoia Acquisition peer reviewed against other proposed computing platforms?

Mr. KUPFER. Mr. Chairman, I understand from NNSA that is part of a complex transformation they are looking at making sure that the computer operations around the country are efficient and that each laboratory has sufficient operations. I'm told that they have done some technical review on their computer decisions. But I commit to you that I will talk to Tom D'Agostino, the Administrator of NNSA and others in the Department and that we will certainly explore the possibility of doing additional peer review on that program.

Senator DOMENICI. I thank you for that. I believe our current policy for a once through nuclear fuel cycle is short sighted and is inadequate to address the challenges presented by global climate change and domestic energy security that require increase use of nuclear power. However, the advanced recycling and technology being deployed under the Department's nuclear fuel cycle under their research programs will not be ready for commercial implementation for almost 20 years or even more at the current funding levels.

What is the best way to maintain the programmatic and funding stability necessary to realize the vision of a sustainable nuclear fuel cycle over such a long period of time?

Mr. KUPFER. We do have our global nuclear energy partnership. That program, which is a longer term way of making sure we have a reliable fuel cycle and nonproliferation resistant manner. We've been successful with that in signing up 21 countries for the global side of things.

In the intermediate term, the discussion about reprocessing, I think, is a useful discussion especially as we look at the expansion of nuclear power. Making sure that we get the most value we can out the fuel that's used. Making sure that we try to deal with the waste problem as sufficiently as possible, is something we are certainly exploring and will continue to do so. We'd like to work with you on that issue.

Senator DOMENICI. Thank you for your answer. I think you understand the issue very well. One program could take a very long period of time and we might have a program underneath it that could start our recycling long before that if we're willing to look at it carefully and proceed. That's what you're saying. You will at least look at it.

Mr. KUPFER. Yes, sir.

Senator DOMENICI. Thank you very much. One last one on uranium sales and then I'll yield, Mr. Chairman. I'm delighted with the resurgence of nuclear power, as I hope you are, in our country and apparently around the world. With applications for 15 new power reactors filed and another 19 expected by the NRC in the next couple of years, we have made an excellent start in the resurgence.

This has also created a resurgence in the uranium mining and the enrichment industry. However, the domestic uranium mining and enrichment industries remain very fragile. How does the Department plan to work with industry to manage future sales of the Department's uranium stocks to avoid the type of market disruptions that these sales have caused in the past? I assume you're aware of the contention that I'm speaking of.

Mr. KUPFER. I am, sir. We have tried to be sensitive to the concerns that you've raised. The Department put out a uranium sales policy statement in March of this year where we tried to lay out the framework and some of the principles that we would follow in doing any specific sales for uranium. Some of those principles were that we wanted to make sure whatever we did left the Department and the country with sufficient stock piles of uranium, that we protected the national security of the country and also that whatever we did would be consistent and supportive with the maintenance of a strong domestic uranium industry and domestic nuclear industry.

So we have set some parameters and certain thresholds where we have pledged not to put more than that amount of uranium into the marketplace. As we go forward with any specific ideas we'd certainly be very sensitive to that.

Senator DOMENICI. In essence what I'm saying is it looks very easy when you have a problem with supply or some problem of disruption or inflation to say, well, we'll take care of it. We own a lot of uranium, which the Federal Government does. But obviously we have found in the past that when we intervened and dumped the government's uranium, it looked real nice for the next short term, but the long term, it messed things up. Because it destroyed the markets, I mean the production side and when you were ready there was none left.

You don't have uranium forever. So you have to be very careful when you make it, that kind of decision. All I'm doing is making sure you understand it and you will be careful.

Mr. KUPFER. We will, sir.

Senator DOMENICI. Thank you very much. I have questions of you, but I'll wait for my second round. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator CRAIG.

Senator CRAIG. Thank you very much, Mr. Chairman. I think both the Chairman and Ranking Member Domenici have been pretty thorough with you. So with all of that in mind and I share their concerns as we move forward with new energy technology, especially in the nuclear field, but in all of the other technologies that are out there and burgeoning in the market.

Let me invite you to come to the Idaho National Laboratory and spend some time with us and see what that laboratory is doing as the lead nuclear lab for the Nation and some of the new technologies that are beginning to play there that, in the long term, we can have a positive benefit. So we'll look forward to that visit. Shall we pick a date?

[Laughter.]

Mr. KUPFER. That would be fine. I'm aware of all the important things we do out there. It is one of the places that I have not been and one that I plan to go to.

Senator CRAIG. That's right. Spring is alive on the high deserts of Idaho. So it's warming up. So it will be a much more pleasant time.

Mr. KUPFER. Understood.

Senator CRAIG. So I highly recommend it. I've already chatted with Mrs. Onley. We've made the determination, Pete, that she un-

derstands salt water, but more importantly, she has an appreciation for fresh water. I wanted to make sure of that because I certainly did not want to oppose her nomination.

I looked at her portfolio and all I could see was salt. We live in a freshwater environment and a scarce water environment in the Great Basin West. I think Senator Domenici and I and Senator Bingaman appreciate that more so than most. When you live in high desert environments the value of that commodity is extreme and scarce.

So let me ask you this question because I know that you mentioned or others have mentioned Senator Kempthorne's Water for America Initiative. Tell me a little about that. What you see it to be and what it might be able to accomplish in the near term.

Ms. ONLEY. We are proposing in Water for America Initiative one thing is a census, a water census for the United States something that has not been done in the country for 30 years. We're also looking at in that as grants program to work with more State and locals on partnerships for conservation and for other measures, desalination, other things that can help us plan for the future. We're looking into including in the Initiative are basin wide studies so we can better understand the challenges we may face in the future. Those are just a few.

Senator CRAIG. One of the things that we're exploring now and the Bureau of Rec. is doing more of it and others. It's simply a reality that we face here with the need for investment in our water infrastructure both in old systems and new capacity and old and new capacity and old systems and new systems. The Federal Government simply doesn't have the resources to meet those demands in a way that we did historically in the early days of the West.

There's also a reality. The West is a developed place today. While it's populating rapidly and we're going to see need for adjustments and change in water allocation. The reality is there's a wealth out there that properly channeled coupled with both public and private partnerships, I think can accomplish a good deal more.

We've discussed that at DOE. We looked at old models where the Federal Government paid for everything. That day has past. We've got to move outside that model and begin to partnership. We're starting to think about it and do those kinds of things.

What do you see or how do you look at that vision as it relates to how a Federal-private partnership works and the opportunities to meet these water challenges beyond just the ability to hand out a grant here or there with very limited resources and keeping a level of expectation out there that the government may be doing something for you in the future when in fact, the budget will never come?

Ms. ONLEY. As you are well aware, the way Reclamation works is our operation and maintenance of those facilities are paid by user groups. So there is a private-public partnership there. We're going to need to, as we look at, I think it was 2 weeks ago, the Commissioner testified on aging infrastructure of our Reclamation assets and this is a concern for the Nation.

I just wanted, you know, I understand that the age of an asset is not necessarily the only determination. You really have to look at how well the facility has been kept up and look at other factors

to make sure that it—to assess what is needed in order to supply for the next generation. We have a lot of tools. One we were looking at which is the loan guarantee tool which we are in the process of looking at implementing regulations in order to implement that could be used. I strongly believe in public-private partnerships in order to address our water challenges of the future.

Senator CRAIG. I thank you both very much. Congratulations and we wish you speedy success here and speedy success in your short tenures in both of these very important agencies. Thank you both.

Mr. KUPFER. Thank you.

Ms. ONLEY. Thank you.

Senator CRAIG. Mr. Chairman.

The CHAIRMAN. Thank you. Ms. Onley, let me ask you a couple of questions. You did refer to and Senator Craig asked you again about this Water for America Initiative. I congratulate you on that and congratulate the Administration.

As you're probably aware, I introduced a bill this last year called the Secure Water Act. It looks to me like there's a lot of similarity between the kinds of things you're trying to do with the Water for America Initiative and the legislation we introduced last year, which is good. I think that may give us the opportunity to work together with the Administration on getting a piece of legislation that the Administration would support in this area.

I think I understood your earlier testimony to say that your view was we should proceed to legislate in this area. This should not just be left to Administrative action at this point. Is that right?

Ms. ONLEY. Yes, and I should congratulate you on the Secure Water bill. We had a couple concerns I think we've expressed in testimony. But I know that our Commissioner has sent down to committee. We're working out those concerns and I'm confident that we can come to a bill that we could support.

The CHAIRMAN. Ok. That's encouraging. I appreciate hearing that.

Let me also just comment that I was glad to hear your statement about the importance of sound science. We've had as you know, not in the area of the Department of Interior that you're taking responsibility for, but more in the area of Fish and Wildlife, we've had various problems with former officials essentially exerting political influence or allowing political influence to be involved with scientific decisions. I think that's an allegation that was made, but I think there's also some fairly good evidence of it.

So I'm glad to see your commitment to the importance of sound science. Obviously I think the U.S. Geological Survey needs to be preeminent among Federal agencies. I heard something on the radio this morning when I was coming to work about some announcement that the Geological Survey made.

It reminded me of a comment that a friend of mine made to me many years ago. He asked me, he said, who's the most respected public official in New Mexico? That's when I was Attorney General and so I thought he was going to complement me.

Senator DOMENICI. He did.

The CHAIRMAN. He said the State epidemiologist. He said when the State epidemiologist speaks people do not question his motives or anything else. They assume, and rightly so, that he's giving his

scientific judgment. I think the U.S. Geological Survey needs to maintain and guard that same kind of a reputation in the areas that they work in. So I give you that one comment.

Senator DOMENICI. Who was the person who that made such an observation?

The CHAIRMAN. Ken Richards. He's a friend of mine in Santa Fe, used to be in Santa Fe.

Senator DOMENICI. Oh, you knew him too?

The CHAIRMAN. Yes.

Senator DOMENICI. Did you know the expert, the scientist? Did you know him too?

The CHAIRMAN. No, no. I didn't know the State epidemiologist at the time. But I just—and he didn't either.

Senator DOMENICI. That's very good.

The CHAIRMAN. I thought the point was well taken though that there are some people in public service whose opinions are not suspect when they speak.

Senator DOMENICI. I thought he was going to say me.

The CHAIRMAN. No, he was not thinking of you, Senator. I regret to inform you.

Senator DOMENICI. That's too bad. That fellow was really off base.

[Laughter.]

The CHAIRMAN. Yes, that's right. At any rate, I'll stop with that. But let me ask one other question of Mr. Kupfer since I have another minute here before our time runs out.

Senator Domenici and some others here on the committee have posed the establishment of an energy bank, a new energy bank. As you know there's been a great deal of focus here about, in our committee, on this Loan Guarantee Program which already exists as a result of the legislation we passed in 2005. I guess I would be interested in any general thoughts you have as to what role the Department should play in helping finance new energy infrastructure. Is the Loan Guarantee Program properly implemented? What we ought to be doing or should we be looking at doing other things as well? What's your thought on that?

Mr. KUPFER. In terms of what the Department should be doing, making sure that the Loan Guarantee Program is stood up properly and implemented, in terms of our current responsibilities, is the most important thing for us to be doing at this time. I think we're making very good progress. We've had one solicitation already and we've actually received some full applications from that solicitation.

We're in the process of looking at the next implementation plan for putting out future solicitation. So I think we've made very good progress on the Loan Guarantee Program. I think it's very important for one of a kind type projects that are out there, for instance in the renewable energy space. Then also for projects that are just so mammoth that we need loan guarantees, like in the nuclear area.

I'd also mention that in the 2005 Energy bill. In EPACT, Congress gave the Department some additional financing authorities, for instance other transactions authority in terms of entering into different types of arrangements with the private sector with which

we have used already. We used them to give awards to some bio-refineries last year. One of which has already broken ground and we're making some progress there.

So I think in terms of looking at innovative ways to deal with the private sector, that's very important. I do think it's important to keep the government's role in perspective that our job is not to finance the entire energy infrastructure that's out there, that we need to let the market work and to let the private sector get involved. We have seen the private sector stepping up to do so.

But I do think the scale of energy infrastructure is sort of huge and will continue to be over the ensuing years. That looking at different creative options such as the Senator's Clean Energy Bank, is something that is very worthwhile for us to look at. We're in the process of doing that.

So I think there's a balance there and that will continue to evolve over time.

The CHAIRMAN. Senator Domenici.

Senator DOMENICI. Thank you very much, Mr. Chairman. Again I want to thank you for expeditiously calling the hearing and for getting our work done hopefully today.

I want to say something before I get to brackish water and you, Ms. Onley about financing. Actually the entire success of America in getting the Energy Programs on board that help us solve the problem of dependence requires huge amounts of capital and equity. Frankly, people have tried to quantify how much. Of course that's pretty touch because you and I both know that depends upon on what the policy is going to be. But under any policy it's just gigantic how many billions if not trillions will be spent to try to play the catch up of America's dependence and moving in another direction or numerous directions.

I, myself have become very frustrated with the Loan Guarantee Programs, not you, not yours. But just to try to get it started appropriately within the Federal Government. I can tell you that you, because you are intelligent and knowledgeable and you read title 17 of the Energy Act. It provided for all the mechanisms in the world that would be needed to do this financing.

We did not have to go through what we were forced to do for loan guarantee authority. Loan guarantee authority is in title 17, just as you said. You've come up with some financing mechanisms that are brand new for a couple of, whatever you mentioned. That's in there, but it isn't described specifically, it's described generally, as authority that we gave you.

We did that on purpose because we knew the demand was going to be mammoth and all kinds of different instrumentalities—instruments of lending. I am now convinced after talking to some experts, including some who work for you that no matter how hard you try, if you run these programs through the Federal Government it is a mess until maybe ten or twelve years have passed giving the bureaucracy sufficient time to mellow and arrange itself where it's part of the ballgame. That's happened to us.

Every leaf you turned on loan guarantees, somebody, somewhere in the bureaucracy held these things up. They didn't do it intentionally. They weren't mad at anybody. They just did it.

That's why it appeared to me that if I could convince my fellow Senators that that was apt to continue for maybe another decade with reference to the equity and capital needed in the transition and technology development that maybe a bank, much like import-export, etc. would be better. You could limit it however you wanted, how many billions or trillions. But it would be over with once it was there. People would go to that bank just like they do the one for foreign loans for foreign sales.

So I had a specific reason. It may be too far fetched. But we will pursue it. We hope you will watch it carefully and give us information as we need it with reference to that.

Mr. KUPFER. We will.

Senator DOMENICI. I'm going to give you my questions for you to answer.

I just want to talk with you a minute about brackish water and the research and say that Bureau of Rec. which is under you, has been very active in desalination in the State of New Mexico. There's a big brackish water pooled down by Alamogordo, New Mexico. It stretches quite a few miles and it's of different qualities of brackishness.

We now have two or three efforts in that part of the State, some of which are yours, some are others, to get that brackish water understood and desalinated as best possible. There's a large building that's built at Holloman at, excuse me, at Alamogordo, New Mexico which I would like you to talk with your Bureau of Rec. people about. It's a laboratory to be used by researchers in the field of desalination or water quality. They can come there and rent a piece of the facility to do their research without having to bill their own facility.

We would like to get Bureau of Rec.'s opinion soon as to how it ought to be managed. Should it be the Bureau and a school, like the New Mexico Tech or New Mexico State University or what? I think you're going to have to kind of be the movers on helping us decide how it's going to be run, maybe GE runs it with somebody. Would you do that?

Ms. ONLEY. Yes.

Senator DOMENICI. In due course?

Ms. ONLEY. Yes.

Senator DOMENICI. Alright. You'll have two questions that I'll submit. You can answer them in the next 48 hours and that will be all you will hear from me.

Ms. ONLEY. Ok. Thank you, sir.

The CHAIRMAN. Alright. Members will have until 5 p.m. tomorrow evening to file with the committee staff any additional questions that they would like to have answered for the record. I appreciate both of you being here and appreciate your testimony. The committee will stand in adjournment.

[Whereupon, at 4:27 p.m. the hearing was adjourned.]

APPENDIX
RESPONSES TO ADDITIONAL QUESTIONS

RESPONSES OF JEFFREY KUPFER TO QUESTIONS FROM SENATOR CANTWELL
ENVIRONMENTAL MANAGEMENT CLEANUP FUNDING

Question 1. Mr. Kupfer, in early 2000, the Department of Energy asked for Congressional funding to accelerate cleanup at some of the smaller Department of Energy sites such as Rocky Flats, Colorado. Congress allocated this funding with the understanding that when the smaller sites were cleaned up, funding would be transferred to larger sites such as Hanford, Idaho Falls, and Oak Ridge. Following the accelerated cleanup at the smaller sites, we have seen a steady decrease in the EM budget for the past three fiscal years, directly impacting the Department of Energy's legal commitments at the larger sites.

What will you do to help restore funding and meet the Department of Energy's commitments to clean up these legacy sites?

Answer. As you are aware, the Department has had to make many difficult choices in recent years due to funding constraints. In planning our environmental cleanup efforts and developing the budget for those activities, the Department prioritizes work based on the greatest environmental benefit while mitigating risk to the largest extent practicable. In determining these priorities, the Department is working closely with federal and State regulators to evaluate needs and focus work on the highest environmental priorities at the DOE sites. Secretary Bodman has made it a high priority to pursue the necessary funding to support our cleanup responsibilities at Hanford and throughout the complex, and as Deputy Secretary I will also make this a high priority.

THREE HANFORD CONTRACT PROCUREMENTS

Question 2. Mr. Kupfer, we have seen continuous contractor changes at many of the Department of Energy sites. Almost two years ago, the Department of Energy Office of Environmental Management decided to split two existing contracts at Hanford into three contracts. The requests for procurements for these three contracts were released for bid more than a year ago. The contracts have still not been awarded, and bidders were recently asked to extend their proposals to June. This has caused extreme unrest in the roughly 4,000 employees who will be affected by these new contracts.

How can you help move these contracts forward to award?

Answer. We are on schedule to make these three awards, for Tank Operations, Plateau Remediation, and Mission Support, in the fall of 2008. All available resources are being utilized to bring the awards to closure. We are confident that we can meet, or beat, the current schedule. I am committed to ensuring that we do so.

B REACTOR

Question 3. Mr. Kupfer, Clay Sell and other senior Department of Energy officials have strongly supported the preservation of B Reactor at Hanford as a National Historic Monument. B Reactor was the very first operating reactor in the world. It took only 11 months to build, including engineering, design, and construction. The leap from the first chain reaction under Stagg Stadium in Chicago, where gram quantities of plutonium were produced, to B Reactor, where ton quantities of plutonium were produced, is still an engineering and physics marvel.

Will you commit to working with the Department of Interior to preserve B Reactor for public access?

Answer. Yes. During a visit to Hanford I toured the B Reactor with Hanford site historian Michelle Gerber. Like many who have had the opportunity to tour the fa-

cility (and see Dr. Fermi's office), I came away impressed by its historical significance and recognize our responsibility to preserve it for future generations.

As you know, the National Park Service is currently evaluating, in consultation with DOE, the feasibility of designating one or more Manhattan Project sites (including the B Reactor) as a unit of the National Park Service. The final report, scheduled for completion in summer 2009, should be forwarded to Congress by the Secretary of the Interior with the concurrence of the Secretary of Energy.

In a separate action, B Reactor has also been nominated, and is under consideration, for National Historic Landmark status.

Additionally, DOE's Office of History and Heritage Resources is developing an internal report evaluating management options for B Reactor, including the requirements needed to make the reactor available for public access. This internal report will be completed this summer.

Moreover while the Department was awaiting final determination on each of these fronts, we determined it best to take action and to make our intentions known to the employees at Hanford and to the local community. In February, 2007 we issued a policy statement directing that:

- B Reactor be maintained in a state that preserves its historical significance while studies are ongoing and ultimate disposition decisions are developed,
- The Department assist the Secretary of the Interior's review of the designation of B Reactor as a National Historic Landmark, and
- The Office of Environmental Management determines the contractual modifications necessary for B Reactor to be managed as a maintenance rather than a closure facility.