

# SMITH, CARUSO, AND McSLARROW NOMINATIONS

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## HEARINGS BEFORE THE COMMITTEE ON ENERGY AND NATURAL RESOURCES UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

ON THE

NOMINATION OF MICHAEL SMITH TO BE ASSISTANT SECRETARY OF  
FOSSIL ENERGY, DEPARTMENT OF ENERGY; GUY F. CARUSO TO BE  
THE ADMINISTRATOR OF THE ENERGY INFORMATION ADMINISTRA-  
TION; AND KYLE McSLARROW TO BE DEPUTY SECRETARY OF ENERGY

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OCTOBER 25, 2001

MAY 8, 2002

JUNE 4, 2002



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## **MICHAEL SMITH NOMINATION**

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**WEDNESDAY, OCTOBER 25, 2001**

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

The committee met, pursuant to notice, at 3:30 p.m. in room S-324, The Capitol Building, Hon. Jeff Bingaman, chairman, presiding.

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

The CHAIRMAN. The committee will come to order. This afternoon's hearing is on President Bush's nomination of Michael Smith to be the Assistant Secretary for Fossil Energy. Without objection, Mr. Smith's written statement will be entered into the record.

Senator Nickles, welcome to our hearing today. I understand that you would like to introduce Mr. Smith. Please go ahead.

### **STATEMENT OF HON. DON NICKLES, U.S. SENATOR FROM OKLAHOMA**

Senator NICKLES. Mr. Chairman, I am very pleased to be here today to introduce my long-time friend Michael Smith, who has been nominated by the President to be the Assistant Secretary of Energy for Fossil Energy. I want to thank you, Mr. Chairman, for making special arrangements to proceed with this nomination hearing despite the problems with access to the Senate complex.

I have known Mike a very long time, Mr. Chairman, and I can honestly say that other than Jimmy Stewart, there has not been a nicer and more capable "Mr. Smith" who has wanted to come to Washington. He has had extensive experience in the energy sector and is ideally suited to perform the duties as head of the Department's office dealing with oil, gas and coal resources.

You have the details of his background already, but I should briefly note that he has been Oklahoma's Secretary of Energy since 1995, and served on the State's Energy Resources Board before that. Those positions, as well as his many years in private law practice, have provided Mike Smith with varied and extensive experience in energy matters, both in the United States and internationally. He has been Governor Keating's advisor on all aspects of State and Federal energy policy, and on environmental policy as it affects the energy industry. He has been the Governor's representative to the Interstate Oil and Gas Compact Commission and to the Southern States Energy Board, among other important energy bodies.

Mike Smith will be confirmed, I am sure. He will be coming to Washington at a critical time in terms of our energy policy. In the wake of the horrific attacks of September 11 and the subsequent anthrax incidents, it is all the more important that the United States have access to secure and plentiful energy resources. We are already dependent on imports for more than 55 percent of the oil that we consume, and that figure is projected by the Energy Information Administration to keep on rising. We need a balanced approach to energy policy that includes production as well as conservation. We also need an environmentally sensitive policy and sound management of our oil, gas, and coal research and development programs. We need to have careful attention paid to the future of the Strategic Petroleum Reserve. I am sure that this nominee, Mike Smith, will provide all that and more. As I told Secretary Abraham earlier this year, the leadership of the Department faces enormous challenges. Mike will help the Secretary and the President to meet them.

Thank you again, Mr. Chairman, for holding this hearing today under difficult circumstances, and I look forward to approving Mike's nomination and to working with him in his new position at the Department.

The CHAIRMAN. Thank you, Senator Nickles.

Mr. Smith, the rules of the committee which apply to all nominees, require that nominees be sworn in connection with their testimony. Would you please stand and raise your right hand.

Do you solemnly swear that the testimony you are about to give to the Senate Committee on Energy and Natural Resources will be the truth, the whole truth, and nothing but the truth?

Mr. SMITH. I do.

The CHAIRMAN. Please be seated. Before you begin your statement, I am going to ask three questions that we address to each nominee before the committee. The first is: 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. SMITH. Yes, 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. SMITH. There are no conflicts of interest or appearances thereof to the best of my knowledge.

The CHAIRMAN. All right. The third question: Are you involved or do you have any assets that are held in blind trust?

Mr. SMITH. No.

The CHAIRMAN. At this point let me invite you, if you have anyone here you would like to introduce who accompanied you, we'd be glad to have that occur. Then we would recognize you for your opening statement. Go right ahead.

Mr. SMITH. Senator, my wife is here.

The CHAIRMAN. Well, good, we wish her well. Why don't you go ahead with any opening statement that you have at this point.

**TESTIMONY OF MICHAEL SMITH, NOMINEE TO BE ASSISTANT SECRETARY FOR FOSSIL ENERGY, DEPARTMENT OF ENERGY**

Mr. SMITH. All right. Mr. Chairman and members of the committee: I am honored to appear before you today as President Bush's nominee for the position of Assistant Secretary for Fossil Energy at the Department of Energy. If confirmed, I very much look forward to joining the fine team already in place at DOE under Secretary Abraham's capable leadership. I also look forward to working closely with you and your colleagues to shape and administer our developing national energy policy as it relates to the exploration, production, transportation and use of America's oil, natural gas and coal resources.

On June 25 of this year, I had the honor and privilege of welcoming Secretary Abraham to my hometown, Oklahoma City, to witness first-hand an operation that is very common throughout America's energy-producing states. An Oklahoma City-based independent oil and gas exploration company was in the process of drilling a gas well next to the parking lot of its office building. The location already contained two producing oil wells and, thanks to modern technology, was being drilled to a vertical depth of several thousand feet, then making a hard angle turn toward a target zone three-quarters of a mile east under a very popular fish restaurant. This is the norm in my home town.

Technology, much of which has been developed by the office of Fossil Energy at DOE, has advanced the safety record of hydrocarbon production to a state unthinkable even a few years ago. Indeed, the Oklahoma City Field, which has produced almost one billion barrels of oil since the 1920's, has producing oil and gas wells in shopping center parking lots, residential backyards, between the runways at the airport, right outside the window of the Governor's office at our State Capitol, and at countless other locations throughout the city.

I was born and raised in the middle of the Oklahoma City Field and attended the only high school in the Nation with a producing oil well in the middle of the front sidewalk.

As a young lawyer, I started my professional life representing roughnecks, roustabouts, oilfield service companies and drilling contractors. I represented small- to medium-sized independent oil and gas exploration firms, and, later, larger operators. I was co-owner of a small, independent company (less than 10 employees) drilling and operating oil and gas wells in central and western Oklahoma.

In the 1970's, I joined our State trade association, the Oklahoma Independent Petroleum Association, and was elected to its Board of Directors. I served as secretary, treasurer and vice president of the organization, and was elected its president in 1994. I served on the Oklahoma Energy Resources Board, a State agency, providing environmental cleanup and public education voluntarily funded by our State's producers and royalty owners.

In January 1995, Oklahoma Governor Frank Keating honored me by appointing me to serve as Secretary of Energy in his Cabinet. As Oklahoma Secretary of Energy, I have had the privilege to serve my State as its official representative to the Interstate Oil and Gas Compact Commission, the Interstate Mining Compact

Commission, the Southern States Energy Board and the Governors' Ethanol Coalition. I was further honored to serve IOGCC as its second vice chairman in 1998, and its vice chairman in 1999.

Oklahoma's coal industry predates the discovery of oil and natural gas in our State. I have had the opportunity to work with an agency in my Cabinet area, the Oklahoma Department of Mines, on State-Federal issues involving the Office of Surface Mining; the expanded use of coal resources within Oklahoma various environmental and coal committees on the Interstate Mining Compact Commission; and have most recently served as chairman of the Coal and Advanced Power Systems Committee of the Southern States Energy Board.

Both my private and public sector experience have permitted me the pleasure throughout the years of working with various officials within the Office of Fossil Energy at DOE. I have found them to be very helpful and professional to the States and the energy industry as they sought to accomplish their mission to enhance America's economic and energy security by managing and performing energy-related research; partnering with industry to advance clean and efficient fossil energy technology; transferring such technology to the industry; and, developing information and policy options to ensure adequate supplies of affordable and clean energy.

The September 11 attack on America underscores the need to develop a sound national energy policy that will ensure both our economic and military security. The Office of Fossil Energy, working in partnership with our nation's energy producers, must and will play a key role in ensuring our energy freedom.

I am very grateful to President Bush and Secretary Abraham for expressing confidence in me to serve as Assistant Secretary for Fossil Energy. If confirmed, I pledge my full dedication to serve our Nation.

Mr. Chairman, thank you and the committee for your consideration.

[The prepared statement of Mr. Smith follows:]

PREPARED STATEMENT OF MICHAEL SMITH, NOMINEE TO BE ASSISTANT SECRETARY  
OF FOSSIL ENERGY, DEPARTMENT OF ENERGY

Mr. Chairman, I am honored to appear before you today as President Bush's nominee for the position of Assistant Secretary for Fossil Energy, Department of Energy.

If confirmed, I very much look forward to joining the fine team already in place at DOE under Secretary Abraham's capable leadership. I also look forward to working closely with you and your colleagues to shape and administer our developing national energy policy as it relates to the exploration, production, transportation and use of America's oil, natural gas and coal resources.

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In the late 1970s, I joined our state trade association, the Oklahoma Independent Petroleum Association, and was elected to its Board of Directors. I served as Secretary, Treasurer and Vice President of the organization, and was elected its President in 1994. I served on the Oklahoma Energy Resources Board, a state agency, providing environmental cleanup and public education voluntarily funded by our state's producers and royalty owners.

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The September 11 attack on America underscores the need to develop a sound national energy policy that will ensure both our economic and military security. The Office of Fossil Energy, working in partnership with our nation's energy producers, must and will play a key role in ensuring our energy freedom.

I am very grateful to President Bush and Secretary Abraham for expressing confidence in me to serve as Assistant Secretary for Fossil Energy. If confirmed, I pledge my full dedication to serve our nation.

Mr. Chairman, thank you and the Committee for your consideration.

The CHAIRMAN. Thank you very much for that statement. We will advise members that the record will remain open for one week to file with the committee staff any additional questions they would like the nominee to respond to for the record, and the committee will stand in adjournment.

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

[Subsequent to the hearing, the following letter was received for the record:]

AMERICAN GAS ASSOCIATION,  
Washington, DC, September 17, 2001.

Hon. JEFF BINGAMAN,  
U.S. Senate, Washington, DC.

DEAR SENATOR BINGAMAN: I am writing in support of the White House's nomination of Michael Smith to be assistant secretary for fossil energy at the Department of Energy. Mr. Smith has a long history of involvement with the fossil energy industry and is currently secretary of energy for the State of Oklahoma.



As secretary of energy and a cabinet officer for Governor Frank Keating of Oklahoma, he has been deeply involved with many of the issues that concern the Office of Fossil Energy at DOE. In addition, Mr. Smith holds a law degree from Oklahoma University specializing in oil and natural gas law. He has an extensive background in the oil and natural gas industry, and was a former president of the Oklahoma Independent Petroleum Association.

On behalf of the American Gas Association (AGA), which represents 185 local natural gas utilities that serve nearly 63 million households and businesses in all 50 states, AGA urges you to vote to confirm Michael Smith to be the assistant secretary for fossil energy. He will make an outstanding contribution to national energy policy as part of the Department of Energy's team.

Thank you for your consideration.

Sincerely,

DAVID N. PARKER,  
*President and CEO.*

## GUY F. CARUSO NOMINATION

WEDNESDAY, MAY 8, 2002

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

The committee met, pursuant to notice, at 9:30 a.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. This morning we have a hearing on the nomination by President Bush to put Guy Caruso in as the Administrator of the Energy Information Administration at the Department of Energy. The Administrator is responsible for providing the Department of Energy and Congress and the public with reliable, high quality, and policy-neutral statistical information about energy supplies and demand and prices.

Mr. Caruso has been studying energy markets for 36 years at the CIA, at the Department of Energy, at the International Energy Agency, and most recently at the Center for Strategic and International Studies. We are very pleased to consider his nomination this morning.

I am informed Senator Murkowski is delayed but will probably put a statement in the record.

The rules of the committee that apply to all nominees require that the nominees be sworn in connection with their testimony. Could you please stand and let me administer this oath to you?

Do you solemnly swear that the testimony you are 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. CARUSO. I do.

The CHAIRMAN. Please be seated.

Before you begin your statement, let me ask the three questions that we ask of each nominee before the committee. First, will you be available to appear before this committee and other Congressional committees to represent departmental positions and respond to issues of concern to the Congress?

Mr. CARUSO. I will.

The CHAIRMAN. Second, 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. CARUSO. My investments, personal holdings, and other interests have been reviewed both by myself and the appropriate ethics counselors within the Federal Government. I have taken appropriate action to avoid any conflicts of interest. There are no conflicts of interest or appearances thereof to my knowledge.

The CHAIRMAN. All right.

Finally, are you involved in or do you have any assets that are held in a blind trust?

Mr. CARUSO. No.

The CHAIRMAN. At this point, if you have any family members that you wish to introduce, we would be glad to have you do that.

Mr. CARUSO. I am pleased to introduce my wife Donna and daughter Lisa who are with me this morning, Senator.

The CHAIRMAN. Well, we appreciate their being here very much. You are welcome at the hearing.

Why don't you go ahead with your opening statement, and then I will just have a couple of general questions.

**TESTIMONY OF GUY F. CARUSO, NOMINEE TO BE ADMINISTRATOR OF THE ENERGY INFORMATION ADMINISTRATION, DEPARTMENT OF ENERGY**

Mr. CARUSO. Thank you. Mr. Chairman and members of the committee, it is an honor and a privilege to appear before you today as President Bush's nominee to be Administrator of the Energy Information Administration. I truly appreciate the confidence shown in me by the President and Secretary Abraham to nominate me to this important post.

My academic studies and work experience have prepared me, I believe, well for this responsibility. My undergraduate education at the University of Connecticut and then graduate school at the University of Connecticut and the Kennedy School of Government had concentrations in energy industry analysis, energy policy, and national security, which I believe are quite relevant to EIA's work. And the same is true of my 36 years of work experience, mostly in the U.S. Government but also at the CSIS and the U.S. Energy Association.

Throughout my government career and since leaving government, I have relied on EIA and trusted their data and analysis and believe it to be a highly trustworthy and credible organization. Therefore, I am pleased to have this opportunity, if confirmed, to lead that organization.

As you pointed out, the mission of providing accurate and timely data is vital to the policymaking not only of this body, but at all levels of government, industry, and the consumers' choices themselves. Trust and credibility is essential to EIA's mission, and this was recognized in the act that established EIA in 1977 by Congress. They recognized a need for an independent EIA to avoid any pressures that might threaten its objectivity. I fully support the independence of EIA and would work and pledge to protect that, if confirmed.

Of course, since 1977, much has changed in the energy industry and energy markets and the role of government. Most recent examples are the deregulation and the restructuring of the natural gas

and electricity sectors, which of course has a profound impact on the work EIA does and will do.

During this critical time of change in the industry, I would like to place emphasis, if confirmed, at the EIA to work in three particular areas which deserve emphasis: improved data quality, particularly that in natural gas and electricity sectors; and also clearer communication of the assumptions and analytical underpinnings in all the analytical work that is done and released at the EIA. And finally, the educational aspect can be enhanced. I think despite energy's vital importance, there is a lot to be done in terms of educating the American public on key energy issues, and I would work very hard to do that at EIA.

Mr. Chairman and other members of the committee, these are important challenges and I look forward to leading this distinguished organization in trying to meet these goals, and if confirmed, I will work very closely with you and other members of the committee on these and other issues. Thank you very much.

[The prepared statement of Mr. Caruso follows:]

PREPARED STATEMENT OF GUY F. CARUSO, NOMINEE TO BE ADMINISTRATOR OF THE  
ENERGY INFORMATION ADMINISTRATION, DEPARTMENT OF ENERGY

Mr. Chairman, members of the Committee, it is an honor and a privilege to appear before you today as President Bush's nominee to be Administrator of the Energy Information Administration (EIA). I truly appreciate the confidence shown in me by President Bush and Secretary Abraham in nominating me to lead this important organization.

My academic studies and work experience have prepared me well for this responsibility. My undergraduate education was obtained at the University of Connecticut (BS, 1964). I received Masters' degrees from the University of Connecticut (MA, 1966) and Harvard University (MPA, 1975). During both graduate studies, much of my course concentration was related to the energy industry and energy markets.

The same is true of my 36 years of work experience. I have devoted myself to studying, analyzing and writing about the energy industries and markets.

During 32-years as a career U.S. government employee, I have been privileged to serve in a number of senior management positions closely associated with energy markets, energy security and energy policy. At the Department of Energy, I served as Director, Oil and Natural Gas Policy, as Director, Energy Emergency Policy, and as Director, Oil Market Analysis. I was twice posted to the International Energy Agency (IEA) in Paris, France. From 1993-1998, I served as the IEA director responsible for developing energy cooperative programs with non-OECD countries, including Russia, China and the Middle East. In a previous assignment, I was responsible for analyzing world oil markets and oil industry developments. Additionally, I served from 1969-1974 as the principal Middle East oil analyst at the Central Intelligence Agency (CIA).

After leaving the U.S. Government in 1998, I joined the Center for Strategic and International Studies (CSIS) to direct a study on *"The Geopolitics of Energy into the 21st Century."* It was an honor to work with Senators Murkowski and Lieberman, who co-chaired that study. I currently serve as CSIS's senior associate in the Energy and National Security Program. During 2000-2002, I also directed two studies for the United States Energy Association (USEA). *"Toward a National Energy Strategy"* was published in February 2001 and a follow up study on energy security will be published in Spring/Summer 2002.

Throughout my career in government, I have frequently relied on and trusted—EIA data, analyses and publications. Moreover, I have had the good fortune of working closely with many of the highly skilled, motivated and dedicated people at EIA. I sincerely look forward to working with them again in a leadership role, if confirmed.

EIA's mission of providing accurate and timely data is vital to the policymaking process in government at all levels and in the decision-making process in industry and among consumers. The trust and credibility of EIA information is essential to the fulfillment of that mission assigned to EIA when established by Congress in 1977. Congress also recognized the need for an independent EIA to avoid any pres-

tures that might threaten its objectivity. I fully support the independence of EIA and would work to protect it, if confirmed.

Since 1977, much has changed in energy industries and energy markets, including the role of government in the energy sector. These changes have had (and will continue to have) a profound effect on the work of EIA. For example, the changes that have occurred in the deregulation and re-structuring of the natural gas and electricity sectors present significant challenges for EIA in the collection, analysis and dissemination of accurate and timely information. The need for improved energy data transparency that is widely available has never been more important as we continue to debate new energy policies and as consumers desire to make informed choices.

EIA has moved quickly to utilize electronic dissemination for its data and publications and has received widespread recognition for its outstanding Web site. Through its Web site, EIA is making an important contribution to energy data transparency in the United States and globally.

EIA has a number of benchmark publications that provide energy supply/demand projections in the short and long term. These publications are highly influential in depicting key energy trends and are widely used by leaders and decision makers in government and industry.

During this critical time of changing circumstances in the US energy industry, there is a renewed emphasis on energy security; and continuing the need for increased transparency of energy information, which is a major role of EIA, is more important than ever. There are three areas, which deserve particular attention (1) improved data quality, (2) communicating the analytical underpinnings of the assumptions used for analysis, and (3) education.

Data quality is at the heart of maintaining the integrity and credibility of EIA publications and analytical work. EIA projections are highly dependent upon the data used in the mathematical models such as the National Energy Modeling System (NEMS). Model results are also highly dependent on the assumptions chosen. Comprehensive dissemination of the analytical underpinnings of those assumptions would contribute to the usefulness and credibility of the projections. Despite the centrality of energy to our nation's economic and environmental health, energy issues are not well understood by the American public. EIA can play an important role in communicating energy information and increasing public understanding through education at all levels.

These are important challenges for the Energy Information Administration (EIA) and I look forward to leading this distinguished organization to meet these goals. If confirmed, I will work closely with the Committee on these and other matters.

The CHAIRMAN. Well, thank you very much.

Let me just ask a couple of general questions. Obviously, there is a lot in the news today and yesterday and this week about the alleged manipulation of prices in energy markets. There is going to be a substantial demand and an appropriate demand I think for action by FERC and by the Department of Energy generally to come to grips with this.

FERC has set up a new office for market monitoring, as I understand it, and I am hoping that the EIA under your leadership can work with FERC to ensure that the best possible job is done in coordinating and improving the quality of the information available in those markets, so that we do not continue to have genuine concern expressed about whether or not these markets are venues for manipulation, as they appear to have been.

I do not know if you have had a chance to look at that or talk to anyone at FERC about it, or that may be something you are going to be doing in the future.

Mr. CARUSO. Yes, I agree completely that the important aspect of looking into the issue of manipulation of markets is an area where close cooperation between EIA and FERC, for example, is warranted. One of the first calls I had, after the announcement of my nomination, was from Chairman Wood. He pledged to have a close cooperation. And I would look to the new office of market

analysis in FERC to be a close cooperation. We certainly, as you know, monitor markets very closely and will be making this data as transparent and as readily available as possible as we look into this particular issue and other issues as well.

The CHAIRMAN. One other agency that obviously you will need to be coordinating with closely is EPA. They do forecasts. EIA does forecasts. I guess the concern is we need, to the extent possible, to have similar assumptions or agreed-upon assumptions for the forecasting that is done. That does not seem to have been the case in a lot of circumstances. I do not know if that is an issue you have focused on or one that you have thought about talking to EPA about, but it seems to me that Congress is sometimes substantially confused about which forecast to believe. And anything you could advise on that subject I would appreciate, too.

Mr. CARUSO. I agree completely that the assumptions are the key to the outcome of any analysis whether it be working with another government agency like EPA or even internally within the Department on service reports that are requested. I think the most important thing is to make it very transparent what the assumptions are, and when there are disagreements, as we all know there will be, to run scenarios or cases which reflect different assumptions, and therefore the outcomes can be very clearly seen depending on which assumptions are used.

The other aspect of this particular issue is having the access to independent experts who can come in and look and give an objective view. EIA, I know, has used that in the past, and I would, I think, intend to use that even more.

The CHAIRMAN. All right. Well, we thank you very much for appearing this morning.

We have a letter here dated May 6 supporting your nomination signed by Alan Knight who is president of Chapter 213 of the National Treasury Employees Union, and we will include this in the record.

[The letter of Mr. Knight follows:]

THE NATIONAL TREASURY EMPLOYEES UNION,  
CHAPTER 213,  
Washington, DC, May 6, 2002.

Hon. JEFF BINGAMAN,  
*Chairman, Energy and National Resources Committee, U.S. Senate, Washington, DC.*

Dear CHAIRMAN BINGAMAN: The officers and members of Chapter 213 of the National Treasury Employees Union, Department of Energy, are asking for your help to confirm, as soon as possible, the appointment of Mr. Guy Caruso as the Administrator of the Energy Information Administration (EIA). EIA is the Nation's independent storehouse of energy statistics and forecasts.

EIA has been without leadership since the departure of Administrator Hakes in late 2000. Unfortunately, since then, EIA employees are increasingly finding themselves victims of a culture of harassment, discrimination, and maltreatment as a result of temporary leadership by mid-level managers who are taking advantage of this lack of leadership to cast EIA into an autocratic and oppressive workplace. EIA employees are being charged with serious offenses and publicly humiliated by being removed from the workplace without due process.

Without leadership for this amount of time, employee morale at EIA has suffered. EIA needs a firm hand in charge to reverse this disturbing trend and put the organization back on track. Mr. Caruso is that type of leader. I knew Mr. Caruso when he previously worked at DOE, and one of my Vice Presidents worked directly for him. I can attest to his integrity and managerial ability. We hope that you will use

your considerable influence to quickly move along the confirmation of a new EIA Administrator as soon as possible. Thank you for your assistance in this matter.

Sincerely,

ALAN E. KNIGHT,  
*President.*

Mr. CARUSO. Thank you very much.

The CHAIRMAN. At this point, let me just advise staff that members will have until 5 o'clock this evening to file with the committee staff any additional questions they have or want the nominee to answer for the record.

With that done, we will conclude the hearing, and thank you very much. We hope to act on your nomination soon.

Mr. CARUSO. Thank you very much.

The CHAIRMAN. Thank you very much. The hearing is adjourned.  
[Whereupon, at 9:43 a.m., the hearing was adjourned.]

## KYLE McSLARROW NOMINATION

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TUESDAY, JUNE 4, 2002

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

The committee met, pursuant to notice, at 9:45 a.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. This morning's hearing is on President Bush's nomination of Kyle McSlarrow to be the Deputy Secretary of Energy. Kyle is already known to many members of this committee from his past service as deputy chief of staff and also as chief counsel to both Majority Leader Dole and Majority Leader Lott, and as chief of staff to the Republican Conference secretary several years ago.

For the past year and a half he has been the chief of staff at the Department of Energy so, unlike most nominees who come before this committee, he has already had direct experience with many of the challenges that he will face if confirmed to the job for which the President has nominated him. We are very pleased to consider his nomination this morning.

Let me see if Senator Thomas has any opening comment he wishes to make.

### STATEMENT OF HON. CRAIG THOMAS, U.S. SENATOR FROM WYOMING

Senator THOMAS. Thank you, Mr. Chairman, and I thank you for holding this hearing. Certainly, moving forward on Energy personnel and to get the assistance there and so on for the Secretary is very important, and I cannot think of anyone more qualified and with a better background to do that than the gentleman this morning, so I just am pleased that he is here, and I am pleased that you are having the hearing.

Thank you.

The CHAIRMAN. Well, thank you very much. I am informed that Senator Murkowski is not able to be here this morning. I have a statement that I will include in the record from Senator Domenici in support of Kyle McSlarrow's nomination.

[The prepared statement of Senator Domenici follows:]



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

Mr. Chairman, I thank you for holding this hearing for Kyle McSllarrow, who is nominated to be the Deputy Secretary of Energy.

Since this hearing is scheduled on the same day as the primary elections in New Mexico, it's impossible for me to be here to welcome him to the Committee.

Nevertheless, I want the record to show that I stand ready to support Mr. McSllarrow for this new challenge. Many of his past experiences should be most useful in preparing for this new assignment, especially his time as Chief of Staff to the Secretary.

The Department of Energy has one of the most diverse and demanding missions of any department. Responsibilities range from leading edge research in many scientific disciplines, to evaluation and development of promising energy options, to national security and cleanup of legacy environmental issues from past weapons efforts.

The current War on Terrorism is placing immense demands on the Department's national security efforts. In addition to requiring new technologies to safeguard American interests, it provides increased emphasis to the importance of the Department's nonproliferation programs. And since the nation depends on our nuclear stockpile as the final guarantor of our freedoms, the Department's responsibilities in that vital area are extremely critical.

Kyle McSllarrow brings a good background to the Deputy Secretary position. He will provide important assistance to the Secretary. I look forward to his confirmation.

The CHAIRMAN. Let me at this point—the rules of the committee that apply to all nominees require that they be sworn in connection with their testimony. If you would please stand and raise your right hand, let me administer the oath. Do you solemnly swear that the testimony you are about to give to the Senator Committee on Energy and Natural Resources shall be the truth, the whole truth, and nothing but the truth?

Mr. MCSLLARROW. I do.

The CHAIRMAN. Would you please be seated, and before you begin your statement, I will ask three questions that we address to each nominee before the committee. First, will you be available to appear before this committee and other congressional committees to represent departmental positions and respond to issues of concern to the Congress?

Mr. MCSLLARROW. I will.

The CHAIRMAN. Second, 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. MCSLLARROW. 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 have taken the appropriate action to avoid any conflicts of interest, and there are no conflicts of interest or appearances thereof, to my knowledge.

The CHAIRMAN. And the third question we ask of all nominees is, are you involved or do you have any assets that are held in a blind trust?

Mr. MCSLLARROW. No.

The CHAIRMAN. I see that our colleague, Senator Warner, has arrived and wishes to make a statement and we are very honored to have him, and please go right ahead.

**STATEMENT OF HON. JOHN W. WARNER, U.S. SENATOR  
FROM VIRGINIA**

Senator WARNER. Thank you, Mr. Chairman. I congratulate you on your punctuality in starting hearings. You are a member on our Committee on Armed Services, and I guess you are trying to send us a little message that we do not do the like.

The CHAIRMAN. I was going to say, I learned that from you when you were chairing that committee.

Senator WARNER. Thank you, my dear friend. I value our long, long friendship and association here in the Senate, and also with my colleague Mr. Thomas, this is a very special pleasure for me to introduce this really outstanding public servant, a man whom I have known, together with his lovely wife, for many years.

I am also pleased to recognize that his wife has made a substantial contribution to this moment where he appears before the Senate for confirmation. He is not only a Virginian, indeed, but a close professional associate of mine for many years, 20, in fact, the number of years.

Kyle attended Cornell University and received his law degree from the University of Virginia. I first met him when he was a captain in the U.S. Army serving my former colleague, Jack Marsh. Secretary Marsh was Secretary of the Army. Jack Marsh and I attended Washington and Lee University in Virginia as I emerged from the Navy in World War II and he emerged from the Army, and I have the highest confidence in his judgment.

He had two responsibilities with Secretary Marsh. One was to help the Secretary fashion an effective environmental cleanup program. The other was to serve on the team that negotiated research and development agreements on major weapons systems with our NATO allies. Thus, from his earliest professional life he has been extensively involved in the same kind of issues and challenges that confront the Department of Energy today.

Kyle also brings an unparalleled grounding in and understanding of the policy and legislative processes that shape our Nation's future. After his military service, Kyle practiced environmental and energy law at the Virginia firm of Hunton & Williams, one of the largest and most outstanding law firms in the Commonwealth of Virginia, a principal competitor of my good friend George Allen here, who was in the other firm. He could tell you more about Hunton & Williams. He then served as deputy chief of staff and chief counsel to both Senator Dole and Senator Lott, and subsequently as chief of staff to the late Senator Paul Coverdell.

On that note, I am pleased to share with you that Kyle and Alison have a 6-week addition to their family, a baby boy whom they named Paul Douglas, after Senator Coverdell.

Currently, of course, Kyle is serving as Secretary Abraham's chief of staff. We all know the enormous challenges that face the Secretary of Energy, and I believe without any equivocation or hesitation whatsoever that President Bush and Secretary Abraham have already made a real difference both in terms of management and the provision of excellence for the future of that Department, but there is no question that the Department requires a chief operations officer who can act as Secretary Abraham's right-hand man as soon as possible.

In every post in public and private life, Kyle McSllarrow has demonstrated the kind of leadership abilities that make him the ideal choice for this position. In serving as the chief operating officer of the Department of Energy, I am confident that Kyle McSllarrow will discharge his duties in a manner that reflects great credit on the administration and, indeed, with distinction as a public servant for our Nation.

It is an honor for me to introduce him this morning, together with my distinguished colleague, Senator Allen.

The CHAIRMAN. Thank you very much for your statement in support of the nominee, and let me at this point defer to Senator Allen for any statement he has.

**STATEMENT OF HON. GEORGE ALLEN, U.S. SENATOR  
FROM VIRGINIA**

Senator ALLEN. Thank you, Mr. Chairman. Good morning to you, Mr. Chairman, members of the committee. It is a pleasure to be with the senior Senator from Virginia, Senator Warner, and I will try not to go over the same detailed laudatory remarks, although my remarks will be laudatory in a different manner.

It is my pleasure and privilege of presenting and introducing to this committee Kyle McSllarrow, a great Virginian, a fine Virginian, to serve as Deputy Secretary of Energy for President Bush and Secretary Abraham. I have known and worked with Lyle McSllarrow for many, many years, well over, I guess, now, 13 years or so, and I believe he is an excellent choice of President Bush to serve him and to serve Secretary Abraham in this capacity.

In all the various and varied endeavors that I was able to work and observe Kyle McSllarrow, I always thought that he exemplified the highest standard of public service. Number one, honesty. Always honest and straightforward, he brought the highest standards in public service, in that he showed in each of these different endeavors an ability to lead and act fairly. He would not just sit there and cogitate endlessly. He'd get all the facts, assess the situation and then act, but act in a fair way, and he showed a willingness to approach difficult issues very thoughtfully.

These are the traits that will be very much in need in a position that serves as the chief operating officer for a department with a \$20-billion budget and a host of challenging, often controversial issues before it.

Kyle received his law degree from the University of Virginia, which is very good, I think, seeing how I went there too, Mr. Jefferson's university. Kyle has been involved, and you can see from his resume, in public service, whether in the military, and both at the State and Federal levels. In addition to his professional service, Kyle has always been willing to volunteer to work for his community and his State.

When I was elected Governor in 1993, for example, Kyle took a month's leave of absence from his law firm—I assume that was Hunton & Williams in those days—it is a wonderful law firm—that would allow him to take a month off to help in my transition. The transition time is very, very important for a Governor's office, the Governor in Virginia, since you get one 4-year term and you want to hit the ground running, in fact, galloping before you get inaugu-

rated, and Kyle was very instrumental in getting our organization together and very, very helpful later.

I was pleased to recommend him to then Majority Leader Bob Dole to serve on his staff, and Kyle subsequently served Senators Dole, Lott, and Coverdell with distinction.

The best decision he ever made in his life, or the luckiest thing, was his wife, Alison, agreeing to marry him, and they are a wonderful team. I am glad they have another addition to their family.

But Mr. Chairman, I have no doubt, and members of the committee, that Kyle will continue a record of achievement and success, and I strongly give him my highest recommendation to this committee, and I thank you so much.

The CHAIRMAN. Well, thank you very much for that statement, and let me now defer to Senator Akaka and see if he has any statement here that he would like to make before we allow the nominee to say a few things.

**STATEMENT OF HON. DANIEL K. AKAKA, U.S. SENATOR  
FROM HAWAII**

Senator AKAKA. Thank you very much, Mr. Chairman. I want to thank Senator Warner and Senator Allen for their statements in support. Mr. Chairman, thank you very much for scheduling this hearing to consider the nomination of Mr. Kyle McSllarrow as Deputy Secretary of Energy. Mr. McSllarrow, besides welcoming you, I also want to welcome your family as well. I am sure—I'm assuming this is your family here.

Mr. MCSLLARROW. I have two representatives here today, not everybody in this room.

Senator AKAKA. Well, I am glad they are here with you.

Energy issues affect every American in a profound way. The Department of Energy faces a host of continuing challenges, nuclear waste disposal, environmental cleanup, management of weapons and nuclear material, the need to identify clean and safe sources of energy for the future, and energy infrastructure security. To address these matters, the Department needs strong leadership. The Deputy Secretary will actively participate in and in many cases be accountable for developing policies, building consensus, and properly implementing decisions.

President Bush's nominee for the Deputy Secretary of Energy is the right person for this difficult job. Mr. McSllarrow's experience as chief of staff, chief counsel for former Senator Majority Leaders Bob Dole and Trent Lott and chief of staff for the late Senator Paul Coverdell provides you with the necessary background and skills to be an effective and successful Deputy Secretary for the Department of Energy.

I am saying all of this because I have met Mr. McSllarrow, and we discussed issues affecting the Department. I am impressed with his understanding of the challenges facing the Department. Mr. McSllarrow and I spoke in my office about energy problems in my State. We need to develop suitable policy options to address the consistently high energy prices in Hawaii. The Senate-passed energy bill includes a provision directing the Department of Energy to conduct a detailed study of various issues affecting Hawaii's energy picture, and to report to Congress its findings and rec-

ommendations. I am hopeful that Congress will pass a comprehensive energy bill soon and we can get on with the business of addressing America's energy problems.

Mr. Chairman, the President has made the right choice in nominating Mr. McSlarrow to be the next Deputy Secretary of Energy, and I would ask that we expedite consideration of this important nomination. Mr. McSlarrow has my support.

Thank you very much.

The CHAIRMAN. Thank you very much. I see Senator Craig is here and perhaps wishes to make a statement himself, so let me also defer to him.

**STATEMENT OF HON. LARRY E. CRAIG, U.S. SENATOR  
FROM IDAHO**

Senator CRAIG. I will be brief, Mr. Chairman, but I did want to make it here to speak in behalf of Kyle McSlarrow. I have had the privilege of knowing Kyle a good number of years in a variety of past iterations, all of them positive, and of course, over the last good number of months I have worked with him, as he worked as chief of staff of Secretary Abraham, and that has been an important relationship.

I say this, Mr. Chairman, because, like you, the State of New Mexico, the State of Idaho has a very important relationship to the Department of Energy. The INEEL, one of our Nation's premier laboratories, is in my State, and Kyle McSlarrow and the Secretary have worked very closely with us over the last good number of months to resolve some of the problems, and also to chart a future for that laboratory.

The one problem that we have moved toward a resolution with our State is what I call the Pit, Pit 9, and of course that is an effort to exhume buried waste that has been in the ground for a good number of years and to try to identify it and begin to move it not only to your State, to the WIPP facility at Carlsbad, but also, if it has other than transuranic waste in it, to identify it and handle it appropriately. That effort is well on its way now toward a conclusion, having frustrated all of us at this committee level and at the Department for a good number of years, because it was an effort in another administration and with the support of this committee, Mr. Chairman, to resolve issues at our laboratories in a different structural way than we had earlier used them and approached them. And it did not work well, and we are back toward a second go-round at doing that.

As all of our laboratories have faced a new future post Cold War, we have all worked to try to identify roles for these laboratories, because we believe on this committee, Kyle, and we also believe, I think, at the Department that they can play key roles in our Nation's future. Whether it is the kind of experimentation, scientific work that the private sector cannot to because returns do not come quickly enough to justify those efforts, or whether it is simply the sheer policy responsibility of our laboratories in areas that we have not granted, or have never chosen to turn to the private sector for, they play an important role.

I sense the Secretary and you appreciate that and understand it. Your performance of the last good number of months would dem-

onstrate that to us, and I am pleased to be here in support of Kyle McSlarrow, Mr. Chairman, this morning as Deputy Secretary of Energy in the Bush administration.

Thank you.

The CHAIRMAN. Well, thank you very much. Kyle, if you would like to introduce family members at this point, that is the next item on the agenda.

Mr. MCSLARROW. Thank you, Mr. Chairman. First, I would like to introduce my mother, Nancy McSlarrow.

The CHAIRMAN. Glad to have you here.

Mr. MCSLARROW. And my wife, Alison, who all of you know.

The CHAIRMAN. We are always glad to see Alison.

Mr. MCSLARROW. My eldest could not make it. We decided not to inflict our 2-year-old and 6-week-old boys on this committee.

The CHAIRMAN. We appreciate your mother and wife coming very much. Why don't you go ahead with any opening statements you have.

#### **TESTIMONY OF KYLE MCSLARROW, NOMINEE TO BE DEPUTY SECRETARY OF ENERGY**

Mr. MCSLARROW. Mr. Chairman, in the interests of time, with your permission I will very briefly summarize my statement and submit it in full for the record.

The CHAIRMAN. We will include it in the record.

Mr. MCSLARROW. Mr. Chairman, I am honored to appear before you today as President Bush's nominee for Deputy Secretary of Energy. I am grateful for the opportunity to continue to serve President Bush and Secretary Abraham, and to work with the members of this committee.

As you and other members undoubtedly know, my wife, Alison, and I met and married while serving as Senate staffers, and so today is a special day for us. Throughout my professional life, I have been fortunate to have had a number of opportunities that allowed me both to serve the American people and to focus on issues and challenges that I care deeply about.

For the last year and a half, while serving as Secretary Abraham's chief of staff, I have had the opportunity to see firsthand the challenges faced by the Department of Energy, but more important, I believe that President Bush and Secretary Abraham have provided the leadership and vision to surmount those challenges. If confirmed, I can think of nothing more rewarding than being able to work with Secretary Abraham and the management team now in place to ensure that this vision becomes a reality.

If confirmed, my primary role would be to serve as the Chief Operating Officer of the Department, but I view this as more than simply making the trains run on time, though that is important, too. The Department has the right people and the right talents, but we have to ensure success. That requires that we make clear what success means, provide the tools to get there, and hold the managers and ourselves accountable for the results.

Part of this depends on implementing the President's management agenda, part of this depends on implementing and supporting Secretary Abraham's emphasis on a philosophy of line management, and part of this depends on working closely with the mem-

bers of this committee and Congress to ensure that we provide you the information that you need to carry out your responsibilities and to ensure that we understand and execute effectively the legislated policy of the land. If confirmed, I am committed to doing just that.

Mr. Chairman, that concludes my statement. I would be pleased to answer any questions you have.

[The prepared statement of Mr. McSlarrow follows:]

PREPARED STATEMENT OF KYLE E. MCSLARROW, NOMINEE TO BE  
DEPUTY SECRETARY OF ENERGY

Mr. Chairman and members of this Committee, I am honored to appear before you today as President Bush's nominee for Deputy Secretary of Energy. I am grateful for the opportunity to continue to serve President Bush and Secretary Abraham and to work with the members of this Committee.

Mr. Chairman, I would like to introduce my wife, Alison. As some of the members of this Committee know, we met and married while we both served as Senate staffers. It is thus a special honor for us to be here today.

Throughout my professional life, I have been fortunate to have had a number of opportunities that allowed me both to serve the American people and to focus on issues and challenges that I cared deeply about. As a Captain in the Army, I had the opportunity to serve then Secretary of the Army Jack Marsh by confronting the enormous challenges posed by the environmental cleanup of defense installations. I subsequently practiced law in the environmental and energy field. Later, of course, I was honored to work for Senator Dole, Senator Lott and Senator Coverdell, and with many of you on almost every issue that came to the floor of the Senate. And, currently, I serve as Secretary Abraham's Chief of Staff.

In this capacity, and for the last year and a half, I have had the opportunity to see first hand the challenges faced by the Department of Energy. But more important, I believe that President Bush and Secretary Abraham have provided the leadership and vision to surmount those challenges.

If confirmed, I can think of nothing more rewarding than being able to work with Secretary Abraham and the management team now in place to ensure that this vision becomes a reality.

The missions of the Department, though varied, are critical to our national security. Whether it is our world class science, a commitment to clean up the legacy of the Cold War, the promotion of America's energy security, or our continuing missions to protect our nation, we have a responsibility to ensure that we manage these missions and assets in ways that reflect credit on the Administration and the Federal government.

If confirmed, my primary role would be to serve as the Chief Operation Officer of the Department. I view this as more than simply making the "trains run on time," though that is important too. We have the right people and the right talents. But we have to ensure success. That requires that we make clear what "success" means, provide the tools to get there, and hold managers and ourselves accountable for the results.

Part of this depends on implementing the President's Management Initiatives. Part of this depends on implementing and supporting Secretary Abraham's emphasis on a philosophy of line management. And part of this depends on working closely with the members of this Committee and Congress to ensure that we provide you the information you need to carry out your responsibilities and to ensure that we understand and execute effectively the legislated policy of the land.

If confirmed, I am committed to doing just that.

Mr. Chairman, this concludes my statement. I would be pleased to answer any questions you may have, either today or subsequently.

The CHAIRMAN. Well, thank you very much. Let me start.

As you know, we spent a good deal of the spring around here trying to pass an energy bill and actually got one passed, and since then we have been anxious to get a conference going. Do you have any insights as to how we can get the House to appointee their conferees so we could move ahead on this? Is that something you could get done as the Deputy Secretary?

Mr. MCSLARROW. Well, I'm certainly not just willing but very interested in doing so, although I should note that I am a Senate

guy, not a House guy, and they probably know that, but I think, based upon our conversations, there is a willingness to get going on the House side, so we will be pleased to work with them on that.

The CHAIRMAN. There are a lot of items in the energy plan that the President and Vice President Cheney's task force issued this last year on energy, that a lot of those items, I think by far the majority of the items recommended there, were to be implemented administratively rather than legislatively. I do not want to take all morning here, but is there any way you could give us some kind of overview of how progress is going on the implementation of some of those administrative initiatives that were called for in that plan?

Mr. MCSLARROW. I would be pleased to, and first let me say that, as you well know, if taken together the House and Senate bills actually encompass 21 out of the 22 legislative recommendations that the President made last year, and so obviously it is a tribute in large part to your leadership, Mr. Chairman, and the members of this committee to get the work done on the Senate side.

Outside of that, as you mentioned, there are a number, I think approximately 85 recommendations, as we count them, in the national energy plan that are administrative, require some form of executive activity. Since we just passed the anniversary of the release of that plan, we did a status check and were fairly brutal about defining whether or not we had actually succeeded in implementing something, or whether we were well on our way or failing, and that analysis showed that roughly half had been completed on the administrative side, half were well on their way to progress, and there were a few where actually a lot more work needed to be done, at least for the Department of Energy.

Of course, these are recommendations that apply to a lot of Departments, so there is a goodly amount for the State Department, Department of the Interior, EPA and, of course, the Department of Energy. In the Department of Energy's case, the responsibilities really fell into a couple of distinct arenas. One were some of the things that had to do with the electricity crisis of last year. Obviously, that is something the Bush administration confronted right from the very first day.

One of those recommendations was that the Secretary of Energy immediately address so-called path 15 problem in California, where there was a transmission constraint on getting power from the south of California to the north. Everybody recognized that there is this bottleneck but nothing had actually been done about it, and so the Secretary of Energy, at the President's direction, initiated a discussion by the Western Area Power Administration with private sector entities and PG&E to put together a consortium.

About \$300 million was required of private sector money. We funded it to the tune, I think, of a couple of million dollars to get it going, to ensure that we could build the kind of transmission that would be required to shift that power from south to north, and in fact we have made a lot of success, and I would anticipate that after the environmental studies are done we should start construction very soon.

Another recommendation that flowed from the national energy plan was a requirement on the Secretary to produce a national transmission grid study which actually was released several weeks



ago, and that grid study, which is voluminous—and I will not go into a lot of detail right now—showed a couple of things that were pertinent to this committee's work and to our responsibilities at the Department.

Number one, out of a \$250 billion electricity wholesale market, the move toward competitive wholesale markets, our analyses showed, were saving consumers annually about \$13 billion, and number two, if we did not do something to upgrade the transmission infrastructure, starting now, we were going to put those savings at risk because of the transmission bottlenecks that were going to grow in severity and frequency, and then we listed a number of recommendations in that grid study that we are currently taking a look at, as you know, Mr. Chairman, working with your staff in the context of the bill to pass the Senate and then, obviously, the conference.

The other set of administrative items really went to the issue of diversity of supply of energy, abroad and domestically, and that is—the theory, if you will, behind the national energy plan was that we had to avoid a situation where we put all our eggs in one basket. We needed renewable energy, fossil energy, nuclear energy, we needed energy that was domestically produced, we needed more sources of foreign energy, whether it was oil or natural gas, and so what flowed from that premise was a variety of instructions to the Secretary of Energy, in most cases working with the Department of State and the Department of Commerce, to initiate discussions with potential suppliers and partners around the world, one of which, obviously, is Russia. That is one reason we were able to have an announcement of a growing and closer relationship with Russia on energy that was announced when President Bush went to Moscow.

Another was our hosting of the G-8 energy ministers which took place in Detroit, which Secretary Abraham co-hosted with his Canadian counterpart, and another and very important one, especially to the President, was initiating the North American Energy Working Group, which is the energy ministers of the United States, Mexico, and Canada. We started that last year. I think we have had three meetings. We are making a lot of progress in terms of trying to think about the North American continent in a way that reflects what is increasingly becoming a reality, which is one seamless market.

I will stop there, although I would be pleased to answer any more questions you have.

The CHAIRMAN. Thank you very much.

Senator Thomas.

Senator THOMAS. Yes, sir. Very briefly, I got the impression in the introduction you are from Virginia.

[Laughter.]

Mr. MCSLAW. Yes, sir.

Senator THOMAS. You know, one of the things that seems to be difficult, and of course when we do these sort of studies and so on, the environment has to be very much a part of it, but it does not seem like there is much of a coordination among the agencies, whether it be Interior, whether it be Energy, seeking to get permits for methane gas or whatever.

You go through this whole thing, and then after it is over, EPA comes out with something that is entirely conflicting. It just seems to me like there ought to be a way to coordinate it so that all of these issues kind of take place at the same time. Do you have any feeling about that?

Mr. MCSLAW. Well, one of the—and this actually goes to the chairman's question as well. One of the administrative recommendations that, in fact, was implemented was an executive order issued by the President setting up, essentially a task force, multi-agency, chaired by the Chairman of the Council on Environmental Quality, to ensure that we could not only streamline the various permitting projects across the board, a whole range of issues on the energy side, but also to ensure that we vet and get out these kinds of discussions in the first instance.

And I am well aware that there are other cases of issues that have preceded this administration that are still in play where that might not have happened in a way that everybody would have liked, but I think that task force is designed to avoid exactly that problem.

Senator THOMAS. Good, and that is the Environmental Quality Council?

Mr. MCSLAW. Yes, sir.

Senator THOMAS. Obviously, we have been having some hearings in this committee recently on Yucca Mountain, on the siting, which I think went very well. People are concerned about the transportation aspect of it, and I assume that the Department will be prepared to ensure that that can be done safely.

Mr. MCSLAW. There is no question that we feel collectively as the Federal Government we have that responsibility and, in fact, we do it now, and I think one of the points the Secretary made before this committee is that we have had over 2,700 shipments of spent nuclear fuel already in this country, and obviously a lot going more recently, Mr. Chairman, to the WIPP facility in New Mexico.

All of those shipments have been done safely, with no harm to humans and the environment, and it did not happen by accident. There is a very complex overlay of requirements and regulatory standards that have to be met in those circumstances, and we intend to meet, and I know the Nuclear Regulatory Commission intends us to meet the highest standards possible.

Senator THOMAS. We are getting information from ads on the television now in Wyoming that there will be a load every 10 minutes going through, which I do not think is backed up by the facts, so I am glad that you are working at that, and I am pleased that you are undertaking this task. Thank you, sir.

The CHAIRMAN. Thank you.

Senator Akaka.

Senator AKAKA. Thank you very much, Mr. Chairman.

Mr. McSlarrow, we had a good discussion when we met in my office. We discussed many things. One of the challenges that I pointed out that Hawaii has, of course, is in regard to heavy oil dependency, and 98 percent of the energy in Hawaii comes from crude oil, and therefore I have been looking for a way of trying to find out what this dependency is all about, and also I would like to have some assistance with an objective and thorough study of Hawaii's

needs, and energy future, and my only question to you this morning is, can you provide assurances that the Hawaii energy study called for in the Senate bill will receive the attention of senior managers of the Department?

Mr. MCSLARROW. Yes, I can provide you that assurance, and should I be confirmed I will take a hard look at it myself.

Senator AKAKA. Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator CRAIG.

Senator CRAIG. Thank you, Mr. Chairman.

Kyle, you mentioned a moment ago in your comments to the chairman and to—I guess it was to the chairman, the overview of your national energy policy and some comments and engagements that the President recently got involved in in his summit with the Russian president. They endorsed at that time the need for research into advanced nuclear fuel cycles. In my view, however we have got a problem. A DOE funding request is, I do not believe, adequate to fund this work in any meaningful way.

As a matter of fact, the proposal, or the proposed funding level for fiscal 2003 would result in a substantial layoff at the Argonne National Laboratory both in Illinois and in Idaho, and they are the premier laboratories of the advanced fuel cycle. If confirmed, what will you do to close the gap? And to obviously make these comparatives, some reality of where we go and how they fit with the administration's energy priorities?

Mr. MCSLARROW. The whole topic of advanced nuclear fuel cycles I think is one that is going to become increasingly the focus of attention, money, and optimism. Part of the reason, as you say, for the budget is that the issue is whether you are talking about reprocessing or transmutation or recycling of some sort, and the whole future of nuclear power has been bound up in the past by a look at some technologies, particularly accelerator-driven technologies, that have proven to be unrealistic in terms of cost.

More recently, as you know, the Nuclear Energy Research Advisory Committee to the Department that Dr. Burton Richter heads up has come out with a report where he has urged us to take a harder look at reactor-based technologies to address these advanced fuel cycles, so that is on the one hand a transition that we are right in the middle of and so, thus, just now formulating what the future budget requirements would be.

And then on the other, as you pointed out, there is increasing interest, and we have been directed to explore by the two presidents what, how we might collaborate with Russia on proliferation-resistant advanced fuel cycle technologies.

I think the entire subject will look very different a year from now than it does today.

Senator CRAIG. Well, I am very willing to help you cause it to appear and to look, and in reality to become different. I think with the great revelations of the EPA as we speak, that somehow the world is going to change sea levels here in short order, that building a fuel system and an energy system to advance the percentages of nuclear for the world is at least more positive.

A last question, Mr. Chairman, and Kyle, what do you think DOE should be doing along with and in concert with the Office of

Homeland Security to protect the critical energy infrastructure that we might now not be doing? I know there are a variety of projects underway, but somehow a great revelation over the recess that all of our nuclear facilities were less than secure—although I did happen to notice they were not a target of choice, but certainly a problem from a public perspective and, in reality, I think something that the public probably wants a clearer response to, or a sense of security by that response as it relates to our nuclear facilities security.

Mr. MCSLARROW. Well, we really have two major responsibilities when it comes to homeland security. First and foremost, we have to secure our own complex. This is the Department that designs and produces the weapons, stores them, often, and refurbishes them, in addition to a variety of other tasks, obviously, nuclear waste, spent nuclear fuel and the like, across not just the weapons complex but other labs as well. So we have to make sure we have the safeguards and security in place that do that, and I believe we have.

Second, as the Department of Energy, there is a relationship, as you hinted, with homeland security that deals with the entire issue of critical infrastructure, in particular the energy infrastructure, and there I think—and obviously the INEEL site is an ideal site, in many ways, to take a hard look at how we might study and analyze and then improve, particularly the electricity grid infrastructure but also other types of infrastructure requirements against terrorism, natural disaster, what have you, and so we take both those responsibilities very seriously. If confirmed, I will as well.

Senator CRAIG. Well, I thank you for mentioning the INEEL. Mr. Chairman, uniquely enough it is a closed system in a sense from an electrical transmission sense, that the experts that look at it say, ah, this is rather ideal to be used as a prototype for infrastructure security systems and testing and all of that.

Lastly, Mr. Chairman, just before the recess I was at a leadership meeting with Speaker Hastert and he indicated that there would probably be an appointment of conferees to the energy conference sometime immediately following the recess. I was one who clearly encouraged him to do that, but in reality, Mr. Chairman, we are hoping for a long, hot summer. We would like gas prices to go over \$2 a gallon so the public would begin to realize the vulnerability of supply. It might give us another shot at ANWR.

And then I was in California recently and I had to opine that if they go through another cycle of brownouts and blackouts it would probably advance the cause of a national energy policy that was more production and development-oriented along with a certain taste of conservation and all of that, so I hate to say this, but a good, long hot summer would be very beneficial to the development of a, I think, more productive national energy policy than what might likely come out of the conference, so I am hoping.

Thank you, Mr. Chairman.

The CHAIRMAN. Well, thank you, and I am glad the Senator feels that there is no political risk in hoping for a long, hot summer. In my State, I am hoping for a cool summer.

Senator CRAIG. You are hot and dry and burning up right now.

The CHAIRMAN. We need some rain in our State, and maybe a hot summer would cause us to revisit the CAFE standard issue as well.

[Laughter.]

The CHAIRMAN. Members will have until 5 p.m. this evening to file any additional questions they might have with the nominee for him to answer for the record, and we will plan to consider Mr. McSlarrow's nomination at the business meeting tomorrow, so thank you very much for coming. We appreciate it.

Mr. MCSLARROW. Thank you, Mr. Chairman.

[Whereupon, at 10:25 a.m., the hearing was adjourned.]

## APPENDIX

### RESPONSES TO ADDITIONAL QUESTIONS

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#### RESPONSE OF MICHAEL SMITH TO QUESTION FROM SENATOR BINGAMAN

*Question.* The Senate will soon begin a debate on national energy policy. We will be called upon to decide whether this nation's energy needs are best met by a renewed emphasis on the energy fuels and technologies of the past or by placing greater focus on developing new fuels and technologies for the 21st century. Senators Dorgan and Graham and I raised this question with Deputy Secretary Blake several months ago, and I am attaching our letter to him.

What are your thoughts on this matter? Where would you strike balance between fossil fuel production and the promotion of more efficient and renewable alternative energy resources and technologies? What do you see as your role in this debate, assuming you are confirmed?

*Answer.* First of all, I would like to reiterate President Bush's statement that America must have an energy policy that plans for the future, but meets the needs of today. To that end, Senator, I believe the Department of Energy is working toward that goal. The DOE budget for fiscal year 2001 was \$2.3 billion. Of that amount, 51% went directly to energy efficiency and renewable energy and 5% was spent on oil and natural gas. To me this shows a strong dedication to research and promote alternative energy resources. The future of America's energy security will depend heavily on a diverse energy supply, including conventional as well as alternative energy resources.

It is also important to note that the Administration outlined a new national climate change initiative to identify areas where technology can be used to stabilize the concentration of greenhouse gasses in the atmosphere. One significant approach is enhancing the efficiency and reliability of natural gas. Although natural gas is a fossil fuel, it is an incredibly clean and cost-efficient energy supply for America while we explore the viability of new and alternative fuels. The final report from the National Climate Change Technology Initiative will address several of the questions raised in your letter to Deputy Secretary Blake.

Our nation currently relies on traditional energy resources; and that demand will continue to increase through the near future. I firmly believe that we can explore, produce and utilize our fossil energy resources efficiently and in an environmentally responsible fashion. We are already aggressively promoting alternative and renewable energy resources, while striving to enhance the efficiency of our oil and natural gas production. Vision 21 provides for clean and economical power generation using clean coal technology as well as alternative forms of energy; while our oil and natural gas technology programs are dedicated to promoting the development and use of technologies which will drill deeper, faster, cheaper and cleaner.

In closing, I believe that it is entirely possible to promote a responsible and economical approach to fossil fuels as well as take an active role in the development of alternative and renewable energy resources. Some of the greatest strengths of America come from competition as well as diversity. I look forward to the opportunity to help ensure that America has an energy future that is both competitive and diverse.

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#### RESPONSE OF MICHAEL SMITH TO QUESTION FROM SENATOR CANTWELL

*Question.* The Office of Fossil Energy conducts research and development into a number of energy technologies that are critical in moving our country toward 21st century energy system that is more reliable, competitive, and sustainable. I strongly support continued investment in these technologies and believe they are the most effective way we can maintain our Nation's energy security, ensure the health of our

citizens, protect our environment, and maintain our economic well-being well into the future.

That is why I was particularly troubled by the Bush Administration's budget request that significantly cut funding towards distributed energy systems R&D as compared to FY 2001. As the Assistant Secretary for Fossil Energy, would you support similar reductions in future budget years? Fortunately, the Interior Conference rejected the President's request and actually increased the distributed energy budget by 29 percent over the Administration's recommendation. Can you please detail how the Office of Fossil Energy under your leadership would leverage these additional funds?

I hope you share my view that carbon sequestration technologies hold a high level of promise as a partial solution to the alarming accumulation of greenhouse gases in our atmosphere. That is why I was pleased that Interior Conference also provided significant increases to the sequestration R&D program. Can you please detail how the Office of Fossil Energy under your leadership would leverage these additional funds?

Finally, I understand that some of the research and development efforts of the Office of Fossil Energy are similar to those conducted by the Department of Energy's Office of Energy Efficiency and Renewable Energy and the U.S. Environmental Protection Agency. Could you please describe how the Office of Fossil Energy under your direction would work cooperatively with these offices to avoid duplicative efforts and ensure that the government maximizes its return on the investment?

Thank you, I look forward to your responses.

Answer. I agree that the Office of Fossil Energy's research and development effort in key energy technologies is critical to advancing the country's energy systems towards increased reliability, competitiveness and sustainability for the 21st century. It is also important that we invest in a balanced portfolio of technologies to maintain our energy security and overall well being while protecting our environment.

With regard to investments in R&D for distributed energy systems, I can assure you that the Administration and I remain committed to supporting a balanced and effective portfolio in Fossil Energy R&D. Fossil Energy's distributed energy investment is mainly comprised of advanced fuel cells and fuel cell-hybrid systems. I will continue to support vigorously a responsible budget for Fossil Energy's distributed generation program that is aimed at meeting our target goal within the decade. Under my leadership, the Office of Fossil Energy will continue to leverage the funding in fuel cells for distributed generation by continuing a cost-shared partnership with industry. Specifically within the solid state fuel cells effort, this partnership has taken on a form of a consortium, namely the Solid State Energy Conversion Alliance (SECA) involving industry teams, laboratories and universities that is making great strides toward the development of economically competitive distributed generation systems.

I am pleased to see an increased investment in carbon sequestration technology as we begin to conduct larger scale experiments to investigate the feasibility of various sequestration options. As with our other programs, I expect that we will continue to effectively leverage funding in the form of private sector cost-sharing in sequestration research. The private sector continues to show great interest in partnering with us in conducting R&D in this area. In addition, we will continue to gain additional leveraging of funds through our participating in international research projects and coordinating and complementing these research efforts with other countries, other agencies, and other offices of DOE.

Finally, in terms of the Office of Fossil Energy working cooperatively with the Office of Energy Efficiency and Renewable Energy (SERE) and the U.S. Environmental Protection Agency (EPA), I strongly share your view with regard to the need for agencies and offices with similar interests to work together not just to avoid duplication, but to synergistically maximize intellectual and financial resources to achieve common goals in order to maximize the benefit to taxpayers. Under my leadership, I would envision building onto and strengthening past successful efforts in this area, including having joint workshops, planning meetings and regular discussions among program staff. Some specific examples of past successes that I would build on include working cooperatively with EPA to develop critical emissions databases and with EERE to develop a joint Distributed Energy Resources Strategic Plan. I am committed to continuing to work towards improving research coordination within the Department and with other agencies as well.

## RESPONSES OF KYLE MCSLAWROW TO QUESTIONS FROM SENATOR BURNS

## ALUMINUM PRODUCTION

The Pacific Northwest is home to approximately 40% of the aluminum production capacity in the United States. In 2001 the aluminum industry in the Pacific Northwest voluntarily negotiated curtailments in the production and the use of electrical energy, making large amounts of power available to other loads in the region. With the notable exceptions of the facility in Montana and, I believe, one in Washington, most of the aluminum smelting capacity remains curtailed.

In Montana and the rest of the region, the aluminum industry is important for several reasons: it provides good, solid, family-oriented, living wage jobs; it is a steady, reliable, system-stabilizing load for the electrical energy providers in the region and it produces a valuable product, aluminum, that earlier administrations and your predecessor have noted is important to the national security.

*Question 1.* Please explain how the Department of Energy will participate in the management of the federal power system in the Pacific Northwest to ensure the renewed health and viability of the aluminum industry; an important part of our region and my state's economy.

Answer. The Bonneville Power Administration provides power for Pacific Northwest Direct Service Industrial (DSI's) customers at cost-based wholesale electric rates. Under existing DSI power sales contracts, power is to be provided to the DSI's through Fiscal Year 2006. Bonneville feels that it has developed a very constructive working relationship with the Columbia Falls Aluminum Company (CFAC) and has worked diligently to help that plant, which is located in Columbia Falls, Montana, restart idled potlines. In fact, CFAC recently thanked Bonneville for its efforts to assist the company's return to production.

Many Northwest aluminum companies, including CFAC, had rights under their previous contracts to curtail operations and receive the proceeds from remarketed federal power. Bonneville entered into an agreement that provides CFAC and a number of other Northwest aluminum companies cash payments to relieve Bonneville of the obligation to purchase power to serve their loads this year. These payments have allowed CFAC to maintain a qualified work force during a period in which operation of the plant was not profitable and even restart a portion of its production. Bonneville remains committed to a cooperative relationship with the region's aluminum industry, a relationship that benefits the industry, while avoiding cost shifts to Bonneville's other customers.

## RTO WEST

Investor owned utilities in the Pacific Northwest and the Bonneville Power Administration are working on a proposal to form an Regional Transmission Organization (RTO) called RTO West.

*Question 2.* The RTO West Filing Utilities commissioned a study (the Tabors Caramanis & Associates Study) in an effort to determine the probable benefits and costs of RTO West on ratepayers in the Pacific Northwest. The Study shows that the formation of RTO West could expose the citizens of Montana to energy cost increases. As you know, one of the central purposes behind the formation of RTOs is to increase the efficiency of the nation's electric power system and provide consumers with lower energy costs. An RTO which will increase the energy costs to Montana residents is simply unacceptable. Please provide me with an assurance that DOE will work with BPA to design an RTO that will provide net benefits to all residents of this region of the country including the citizens of Montana. Please also provide me with an assurance that DOE will not support the formation of RTO West in the absence of clear evidence that it will result in lower energy costs to the citizens of Montana.

Answer. I agree with you that regional transmission organizations have the potential to provide positive benefits to consumers. It is critical to ensure that potential is realized. My understanding is RTO West is being developed to achieve those benefits for consumers, but many outstanding issues remain unresolved. I assure you the Department has not prejudged whether or not Bonneville should participate in RTO West. That will depend on whether Bonneville participation in RTO West will benefit its customers in Montana and the rest of the region. Ultimately the Department must make a reasoned decision about Bonneville's participation in an RTO. I will closely monitor the development of RTO West discussions, and welcome your help in resolving the many outstanding issues.



## BONNEVILLE POWER ADMINISTRATION AND RTO WEST

The Department of Energy (DOE) recently released its National Transportation Grid Study (Study). In this Study, DOE stated that it will direct the Bonneville Power Administration (BPA) to participate in the creation of RTO West and take actions to facilitate BPA joining RTO West. DOE has taken this position notwithstanding the findings of both the Tabors Caramanis & Associates and the Federal Energy Regulatory Commission (FERC) RTO cost/benefit studies. Both of these studies reflect a net increase in energy costs for the citizens of Montana. Indeed, the FERC Study shows price increases in several other regions of the country.

*Question 3.* As you know, one of the central purposes behind the formation of RTOs is to increase the efficiency of the nation's electric power system and provide consumers with lower energy costs. An RTO which will increase the energy costs to Montana residents is simply unacceptable. Please explain how DOE can support BPA's participation in the formation of an RTO which current studies show will increase energy costs to residents of Montana. Please provide me with an assurance that DOE will withhold its support for the formation of RTO West until evidence is provided that it will result in lower energy costs to the citizens of Montana.

*Answer.* The Department has not prejudged whether or not Bonneville should participate in RTO West. While the *National Transmission Grid Study* directed Bonneville to participate in the formation of regional transmission organizations, it did not prejudge their ultimate participation in RTO West. As I indicated in response to your earlier question, Bonneville's participation in RTO West will depend on whether Bonneville participation in RTO West will benefit its customers in Montana and the rest of the region.

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 RESPONSES OF KYLE MCSLAW TO QUESTIONS FROM SENATOR MURKOWSKI

*Question 1.* With respect to the Department of Energy's Accelerated Cleanup program, which was originally designed to expedite the cleanup of the nation's nuclear weapons production facilities, how are you making the decisions where to put the accelerated cleanup money and did the Department perform a detailed rate of return analysis?

*Answer.* The Department of Energy is considering the following criteria to evaluate accelerated risk reduction and cleanup proposals:

- Accelerated risk reduction. What are the tangible risk-reduction values of this project and does this project fit in with the overall EM accelerated risk reduction strategy?
- Business practices. Are business processes aligned so that the project can succeed?
- Acquisition Strategy. Does/can the contract support/drive the activity?
- Regulatory Agreements. Do the regulatory agreements support the activity?
- What are the significant benefits to the EM program?

The Department is in the process of preparing Performance Management Plans at sites where accelerated cleanup strategies have been developed. While we won't be able to determine the specific "rate of return" on our investment in accelerated cleanup until these detailed plans are completed, preliminary indications are that the accelerated proposals will result in significant reductions in the schedule and life-cycle costs of cleanup.

*Question 2.* Based on the Sites (Hanford and Savannah River) that pose the highest risk, are you putting the appropriate resources out of the Accelerated Cleanup fund in those areas?

*Answer.* The Department, the State of Washington Department of Ecology and the U.S. Environmental Protection Agency (EPA) signed a Letter of Intent on March 5, 2002, that reflects a mutual commitment to actively seek alternative cleanup approaches. This approach could significantly accelerate the Hanford Site cleanup without sacrificing the quality of site cleanup. High risk problems, including retrieval and treatment of high level waste and clean out of spent nuclear fuel basins, are key among the initiatives targeted in the Letter. The Department has estimated that an additional \$433 million from the EM Cleanup Reform account may be needed for cleanup of the Hanford site.

The Department, the State of South Carolina, and EPA are actively involved in discussions of alternative approaches to focus cleanup efforts at the Savannah River Site on reducing the highest risks and accelerating the cleanup. When parties reach agreement on an accelerated strategy, the Department is committed to seeking the additional funding needed to implement the approach.

*Question 3.* Based on a finite funding stream for this accelerated cleanup program, how can you assign funding to one Site before the other Sites have made their proposals?

Answer. This is not a competition between sites. The Administration's budget request of \$800 million reflects estimates of the funding required to accelerate cleanup as described in DOE's Top to Bottom Review in 2001. In addition, as the budget request states, "If the vast majority of sites agree to the reforms we think are necessary, it is possible the \$800 million may become over-subscribed. In this event, the administration is prepared to support additional resources, not to exceed \$300 million, to complete reforms at the remaining sites." If Congress approves our request for accelerated cleanup reforms, we intend to provide additional funds as appropriate to all sites that have developed accelerated cleanup plans that meet the criteria described above.

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