United States Senate

WASHINGTON, DC 20510

September 21, 2005

The Honorable Pete Domenici
Chair
Appropriations Subcommittee
on Energy and Water Development
United States Senate
Washington, D.C. 20510

The Honorable Harry Reid
Ranking Member
Appropriations Subcommittee
on Energy and Water Development
United States Senate
Washington, D.C. 20510

Re: Response to Energy Emergency facing American Families

Dear Chairman Domenici and Ranking Member Reid:

As you work to complete the Energy and Water Development Appropriations Conference Report, and as the full committee develops comprehensive supplemental emergency appropriations to help American families address the social and economic destruction caused by Hurricane Katrina, we urge you to consider additional funding for the Department of Energy's energy conservation and management programs. The destructive force of Hurricane Katrina is reverberating across our nation, particularly effecting low-income families who are facing extraordinary increases in transportation and home energy costs. As you determine critical funding to immediately assist Hurricane Katrina victims, we urge you to address the urgent energy needs that face the country.

State energy officials across the nation are participating in almost daily conference calls coordinating emergency actions and declarations, investigating allegations of price-gouging, calming the public, and taking other actions as necessary. After Hurricane Katrina, prices of gasoline increased to their highest level ever with cost increases reaching nearly twice what they were last year. Natural gas escalated to over $11/mmbtu, 143 percent over last year, and heating oil prices reached record levels at $2.05/gallon in New York Harbor, 77 percent higher than last year. These prices illustrate the energy crisis facing Americans. With increased volatility, refinery outages, pipeline outages, and uncertain mid-term availability of Gulf Coast oil and natural gas, this coming year looks extremely grim. With major propane distribution centered in Mississippi, we are also concerned about the impacts of these high prices on rural America.

About 70 percent of the daily production of oil from the Gulf of Mexico, and 54 percent of the daily natural gas production, was shutdown due to Hurricane Katrina. The hurricane also closed about 1.9 million barrels per day of refining capacity in the Gulf region. About half of this capacity will be fully operation over the next few days, but the remaining capacity may not be available for more than a month. While conditions are slowly improving, efforts to reduce energy consumption in all sectors of the economy will work to reduce energy burdens of American families as well as help address the current supply constraints facing our economy.

We urge you to provide $100 million for the State Energy Program (SEP), $500 million for the Weatherization Assistance Program, and $90 million for an energy efficiency public information initiative. These appropriations levels are consistent with the authorization levels provided in the Energy Policy Act of 2005. These are immediate actions that will begin to help consumers as soon as the money is appropriated.

The State Energy Program helps reduce energy consumption for residential consumers, schools, hospitals, the agricultural sector, commercial enterprises, and industry. For every federal dollar invested in SEP, over $7 is saved in energy costs. These funds would immediately be directed to energy efficiency projects to bring usage down right away. Loan and grant programs, such as the Texas "Loan Star" program, which has saved over $152 million in avoided energy costs, will help this winter and next summer when the needs will be most apparent. A similar program in Iowa has saved $224 million in energy costs to date.

Heating fuel expenditure are expected to increase this winter between 69 percent to 77 percent for natural gas in the Midwest; 17 percent to 18 percent for electricity in the South; 29 percent to 33 percent for heating oil in the Northeast; and, 39 percent to 43 percent for propane in the Midwest. Heating costs for the average family using heating oil are projected to hit $1,666 during the upcoming winter. This represents an increase of $403 over last winter's prices and $714 over the winter heating season of 2003-04. For families using natural gas, prices are projected to hit $1,568, representing an increase of $611 over last year's prices and $643 over 2003-04. The Weatherization Assistance Program (WAP) provides vital resources to low-income households to reduce energy consumption. WAP could expand quickly and reduce energy usage by approximately 25% in each home that is helped. Over 105,000 homes will be weatherized in 2005 based upon existing appropriations levels. Families can use savings resulting from weatherization to pay for other necessities, while reducing the nation's energy demand by the equivalent of 15 million barrels of oil every year. With much higher prices expected for home energy, the dollar value of these savings is greatly increased, and the savings in oil and natural gas will keep more supply available in the market.

A greatly expanded public education initiative is required to encourage the public to tune-up vehicles, inflate tires, conduct energy audits of homes and implement measures to reduce energy usage, and promote the use of newly approved federal tax credits for energy efficiency. This education program would be coordinated with the Energy Star Program, jointly operated by the Department of Energy and the Environmental Protection Agency.

Thank you for your consideration.

Sincerely,

Olympia J. Snowe

Jack Reed

Mike DeWine

Jeff Bingaman

Susan M Collins

Hillary Rodham Clinton

Charles E. Schumer

James M. Jeffords

Herb Kohl

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