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PERSILY AND HOFFMAN NOMINATIONS

HEARING

BEFORE THE

COMMITTEE ON ENERGY AND NATURAL RESOURCES UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

TO

THE NOMINATIONS OF LARRY PERSILY TO BE FEDERAL COORDINATOR FOR ALSAKA NATURAL GAS AND TRANSPORTATION PROJECTS, AND PATRICIA A. HOFFMAN TO BE ASSITANT SECRETARY OF ENERGY.

FEBRUARY 2, 2010

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CONTENTS

STATEMENTS

	Page
Begich, Hon. Mark, U.S. Senator From Alaska	7
Bingaman, Hon. Jeff, U.S. Senator From New Mexico	1
Hoffman, Patricia A., Nominee to be an Assistant Secretary of Energy for Electricity Delivery and Energy Reliability, Department of Energy	5
Murkowski, Hon. Lisa, U.S. Senator From Alaska	2
Persily, Larry, Nominee to be Federal Coordinator for Alaska Natural Gas Transportation Projects	8

APPENDIX

Responses to additional questions	19

PERSILY AND HOFFMAN NOMINATIONS

TUESDAY, FEBRUARY 2, 2010

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

The committee met, pursuant to notice, at 2:40 p.m. in room SD–366, Dirksen Senate Office Building, Hon. Jeff Bingaman, chairman, presiding.

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

The CHAIRMAN. OK. Why don't we get started?

The committee meets this afternoon to consider 2 nominations of importance to the Nation's energy security, that of Larry Persily, who is to be the Federal coordinator for Alaska natural gas transportation projects, and that of Patricia Hoffman to be the Assistant Secretary of Energy for Electricity Delivery and Energy Reliability.

The Office of Federal Coordinator was established in 2004 to expedite the licensing and construction of a pipeline to transport natural gas from the North Slope of Alaska to markets in the lower 48 States. Construction of the pipeline is a considerable engineering challenge, may cost $30 billion or more, which may explain why, after 40 years of discussion, work has yet to begin. But it will employ thousands and unlock enormous sources of domestic energy.

This is the reason that Congress created this Office of Federal Coordinator, to help expedite the project. In Mr. Persily, the President has nominated someone who has worked on this issue in the Alaska State government for much of the past 12 years.

The Office of Electricity Delivery and Energy Reliability was established in 2005 to help modernize the Nation's electric grid, to enhance the security and reliability of our energy infrastructure, and to help recover from energy supply disruptions. The position of Assistant Secretary of Energy for Electricity Delivery and Energy Reliability was established in 2007 to give the job stature commensurate with its importance. Ms. Hoffman has served as the Principal Deputy Assistant Secretary since November 2007 and has held senior positions in the office before that.

We are fortunate to have 2 highly qualified nominees for these important positions, and I strongly support both nominees. I am pleased to welcome them to the committee today.

Let me recognize Senator Murkowski for her statement.

STATEMENT OF HON. LISA MURKOWSKI, U.S. SENATOR FROM ALASKA

Senator MURKOWSKI. Thank you, Mr. Chairman.

I would like to also welcome both of the nominees that are before us today, Ms. Hoffman and Mr. Persily, neither of whom are strangers. The committee has had the pleasure of hearing from Ms. Hoffman on smart grid policy in the past, and I look forward to continuing to work with her, should she be confirmed.

While the other committee members may not be as familiar with Mr. Persily, I do know him very well. I know that my colleague Senator Begich had intended to come and introduce him. I just saw him on the floor, and he is presiding until, I understand, 3 p.m. So he is going to try to come in later.

But I would agree with your comments, Mr. Chairman. I believe that Larry Persily is an excellent choice to take over the agency that we created in 2004 to coordinate the permitting and the environmental review to help get this pipeline built to move Alaska's natural gas to the markets in the lower 48.

I have known of Larry since the 1970s, when he and his late wife, Lesley, were the publishers of a small newspaper in Wrangell. This is a little community that I grew up in as a child. Then, when I was in the legislature, I had the privilege of working with him. He was with the Department of Revenue, and we had an opportunity to work on some fiscal policy issues. At that time, he specialized in oil and gas policy development.

He is exceptionally, exceptionally knowledgeable about the problems that we have confronted in past efforts to get a gas line built in Alaska, and he knows how important it is to make this project work for Alaska's future and for the Nation. Larry will work tirelessly to overcome the hurdles and get companies on the same page to commit to building a line and then get it permitted and inspected in both this country and through Canada so that it can be built on time, on budget.

I certainly know from his work in Juneau, for both Republican and Democratic administrations, that he is not one to let partisan pressures stand in the way of building the project. Larry, I think it is fair to say, will bring some refreshing candor.

[Laughter.]

Senator MURKOWSKI. We laugh at it, a little politically correct there. But I think candor is necessary when you have something of the significance and import as we are looking at with this gas line.

Just last Friday, 1 of the 2 companies working to build the line, the TransCanada-Exxon partnership, announced in its open season application filing that the line was going to cost somewhere between $32 billion and $41 billion to build. Mr. Chairman, that is a lot of money. Even around here, that is a lot of money. It is going to be the largest infrastructure project that most of us have ever seen.

Mr. Persily knows that it is vital that this line get built. Northern Alaska, both on shore and off shore, potentially contains 368 trillion cubic feet of conventional natural gas. That means that nearly 18 percent of the Nation's total prospective natural gas market is dependent on getting this resource to market.

That gas is worth a lot to America more than just its likely $2.5 trillion value. It is forecast to actually save American consumers about $50 billion on their gas bills in the first 4 years after the line would go into operation because of the downward pressure that it would cause on the gas prices initially.

For the private sector, the line will produce about 15,000 jobs during construction, and produce between 400,000 to more than a million jobs nationwide when you consider the steel, the compressor plants, and all the equipment that this project will entail. The project also is forecast to provide the Federal Treasury more than $100 billion in taxes in the first 20 years alone.

Now, being a long-time Alaskan, Larry knows how important it will be to get the economics of this project right, and that permitting and construction proceed without a hitch. Construction delays caused by the 15 Federal agencies that will be involved in overseeing the line's construction we know can add literally hundreds, if not billions, of dollars of cost to a project of this size and cost the Federal Treasury billions eventually in lost tax revenues.

I think we have all been a bit disappointed that in the nearly 6 years since we in Congress approved a loan guarantee and expedited permitting for this pipeline, that it has not advanced farther than it has toward construction. But we now have 2 projects that are under design, the TransCanada project and the Denali project of ConocoPhillips and BP, both of which have spent more than $100 million in preparation for their open seasons.

I and all Alaskans hope that somehow all the parties will come together, concentrate on financing and building a single project, and that Alaska's vast reserves of clean-burning, carbon-reducing natural gas can get to market and get to market soon. I am confident that Mr. Persily has the knowledge and the persistence to help that come to pass.

I welcome him before the committee and commend him for agreeing to step up to take on this Herculean task of overseeing construction of the largest private construction project in world history. Certainly wish him the best of luck and welcome his insights on the project.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Let me just see if Senator Menendez wishes to make any statement here before we call the witnesses forward?

Senator MENENDEZ. No, Mr. Chairman. I have huge interest in the Alaska issue, but—not seriously.

[Laughter.]

Senator MURKOWSKI. We welcome it.

Senator MENENDEZ. I know. But I do have interest with Ms. Hoffman. So I will wait for questions.

The CHAIRMAN. All right.

Could I just ask the 2 nominees to please come to the witness table here? The rules of the committee, which apply to all nominees, require that nominees be sworn in connection with their testimony.

If each of you would raise your right hand? Do you solemnly swear that the testimony you are about to give to the Senate Com-

mittee on Energy and Natural Resources shall be the truth, the whole truth, and nothing but the truth?

Mr. PERSILY. I do.

Ms. HOFFMAN. I do.

The CHAIRMAN. Please be seated.

Before you begin your statements, I will ask 3 questions that we address to each nominee who comes before this committee. First question, 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?

Ms. HOFFMAN. I will.

The CHAIRMAN. Mr. Persily.

Mr. PERSILY. 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?

Ms. Hoffman.

Ms. HOFFMAN. My investments, personal holdings, and other interests have been reviewed by both 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. Mr. Persily.

Mr. PERSILY. 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. The third question is, are you involved with or do you have any assets held in a blind trust?

Ms. Hoffman.

Ms. HOFFMAN. No, sir.

The CHAIRMAN. Mr. Persily.

Mr. PERSILY. No, sir.

The CHAIRMAN. All right. Our practice here in the committee is at this point to allow nominees to introduce any family members that they might have present, if they would like to do that.

Ms. Hoffman, did you have anybody you want to introduce?

Ms. HOFFMAN. I certainly do. I would like to introduce my husband, James Hoffman, and my 2 sons, Michael and John.

The CHAIRMAN. Very good. We welcome them.

Mr. Persily.

Mr. PERSILY. Thank you, Mr. Chairman.

I would like to introduce my parents, Bernard and Claire Persily, who just moved to Fairfax, Virginia, recently from Chicago. My brother Andy Persily and his wife Lesley are here.

I also have friends from college who have decided to come and watch—Tom Walsh from Detroit, Toni Apgar from Vermont, and Craig Schumacher from Indiana. Long-time friends from Alaska, Kim Elton and Mary Lou Elton. Kim is now with the Department of the Interior. Friends Alison Reardon and Pat Pourchot and Kate Tesar are also here.

Thank you.

The CHAIRMAN. I think you have named more people than we have present.

[Laughter.]

The CHAIRMAN. We welcome them all.

Mr. PERSILY. I wasn't sure if I needed the votes.

[Laughter.]

The CHAIRMAN. You might. You never know.

Ms. Hoffman, why don't you go ahead and make your opening statement? Then we will have Mr. Persily make his, and then we will have some questions.

STATEMENT OF PATRICIA A. HOFFMAN, NOMINEE TO BE AN ASSISTANT SECRETARY OF ENERGY FOR ELECTRICITY DELIVERY AND ENERGY RELIABILITY DEPARTMENT OF ENERGY

Ms. HOFFMAN. Thank you.

Good afternoon, Chairman Bingaman, Ranking Member Murkowski, and distinguished members of this committee. It is a great honor and privilege to appear before you today as President Obama's nominee to be Assistant Secretary for the Office of Electricity Delivery and Energy Reliability.

I would like to thank Secretary Chu and the department's senior leadership for their support.

I come before you today with great appreciation and respect for the magnitude and complexity of work that is required to advance the electric sector, as well as meet the commitment to respond to emergency events by providing critical assessment and recovery support.

During my time at the department, I have been proud to work on and be a part of investments and innovations that enhance our energy security and reliability through public- private partnerships. Such efforts include demonstration of an advanced industrial gas turbine, advancing micro turbines and reciprocating engine research, the expansion of phasor measurement units, and composite conductors.

I am excited to be part of this innovation at the Department of Energy and the opportunity to provide leadership, especially in the areas of renewable integration, smart grid, energy storage, and emergency response. If confirmed, I will work for results, drawing on my experience in managing public-private partnerships.

I pledge to work closely with this committee and work with Congress to address the myriad of State, regional, and national electric issues that we face in a reasonable and equitable way.

Thank you once again for this opportunity to testify this afternoon and, if confirmed, serve as Assistant Secretary for the Office of Electricity Delivery and Energy Reliability. I look forward to answering any questions that you may have.

[The prepared statement of Ms. Hoffman follows:]

PREPARED STATEMENT OF PATRICIA A. HOFFMAN, NOMINEE FOR ASSISTANT SECRETARY FOR ELECTRICITY DELIVERY AND ENERGY RELIABILITY DEPARTMENT OF ENERGY

Good morning, Chairman Bingaman, Ranking Member Murkowski and distinguished members of this committee. It is a great honor and privilege to appear before you today as President Obama's nominee to be Assistant Secretary for the Office of Electricity Delivery and Energy Reliability at the United States Department of Energy. I would like to thank Secretary Chu and the Department's senior leadership for their support. I would also like to take a brief moment to introduce and thank my husband of 20 years, James Hoffman, and our two sons, Michael and John, for their support.

I come before you today with great appreciation and respect for the magnitude and complexity of work that is required to advance the electric sector as well as to meet the commitment to respond to emergency events (all hazards) by providing critical assessment and recovery support.

I have worked at the Energy Department for fifteen years on a variety of technologies and programs in support of the electric sector, utilizing my Masters Degree in Ceramic Science and Engineering from Penn State University. During my time at the Department, I have been proud to work on investments and innovations that enhance our energy security and reliability, including through public-private partnerships, such as our efforts demonstrating an advanced industrial gas turbine. We successfully demonstrated a forty percent efficient turbine achieving the original design goals for the program[1]. Solar Turbines Incorporated went on to commercialize this technology as the Mercury™ 50 product for distributed generation applications. This kind of work not only shows the potential of DOE investments in innovation, but it also shows the tangible results of our work on delivering electricity reliably to American consumers.

When Thomas Edison opened the Pearl Street Station in 1882 with a hundred kilowatt "Jumbo dynamo" distributed generator, he could hardly have foreseen the pivotal role electricity would play in the development of American society. Although the demand for electricity initially drove the station's construction, electricity ultimately stimulated and enabled technological innovations that reshaped America. Today, the availability of and access to electricity is something that Americans simply take for granted. While most people cannot describe what electricity is or where it comes from, we all recognize it as a vital and constant part of our daily lives, powering our personal electronics and heating our homes, supporting our transportation, financial, food and water systems, and helping maintain our national security.

Meeting our future electricity needs will require time, hard work, and multiple solutions. We will need to pursue a combination of options, including advanced generation and transmission technologies, demand response programs, and improved efficiency. That said, perhaps the greatest challenge will be in developing the appropriate network of wires, storage, and intelligent solutions to deliver electricity reliably, responsibly and efficiently. As this committee knows, transmission will be critical to bring the electricity from wind generation from the areas with strong wind resources to the densely populated demand centers of this country and if confirmed, I look forward to working with Congress on this challenge.

If confirmed, I will work for results, drawing on my experience at the Department in managing public-private partnerships. I pledge also to work closely with this Committee and with the Congress to address the myriad of state, regional and national electricity issues we face in a reasonable and equitable way. My goal will be to make measurable progress in integrating clean energy resources into the grid, while maintaining a reliable and secure electric system.

Thank you once again for the opportunity to testify this morning and if confirmed, to serve as Assistant Secretary for the Office of Electricity Delivery and Energy Reliability.

I look forward to answering any questions that you may have.

The CHAIRMAN. Thank you very much.

I see Senator Begich has arrived, and you might want to go ahead and make any introductory comments you would like to before Mr. Persily gives his statement.

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[1] Report to Congress: Comprehensive Program Plan for Advanced Turbine Systems, July 1993. page 11.

STATEMENT OF HON. MARK BEGICH, U.S. SENATOR FROM ALASKA

Senator BEGICH. Thank you, Mr. Chairman. I appreciate it.

Senator Murkowski saw me presiding and was trying to figure out how I was going to be here and there at the same time. Magic occurred, and someone relieved me without me asking. So I am able to be here.

Thank you again, Chairman Bingaman and Ranking Member Murkowski and my colleagues on the committee. I appreciate this opportunity to address the committee today on an appointment that is the highest importance to Alaska.

I also want to thank President Obama and his administration for their support of this project and for their wisdom in appointing Larry Persily to oversee the Office of Federal Coordinator for the Alaska gas pipeline project.

Simply put, I can think of no other Alaskan or American who is better qualified or more capable of handling this task. I have known Larry for many years throughout his career, including work as a journalist, to Deputy Commissioner of the Alaska Department of Revenue.

It goes without saying that the largest private sector construction project in North America, the Alaska gas pipeline, is important to the economic future of the State of Alaska and for our energy security for our country. But it is also a key source of clean-burning energy for the lower 48 States by supplying up to 4 million cubic feet a day of natural gas. Construction on this project alone offers the equivalent of some 6,000 full-time jobs, high-paying jobs, over a =year period.

The key, of course, is can conventional gas from Alaska be competitive in the North America market, potentially flooded in newfound shale gas reserves? I believe the answer is simply yes. It is not only important for our jobs in this country but, again, for our national security.

The position to which Larry is nominated plays a fundamental role in hopefully proving me right. Both industry and our citizens will benefit from a robust, swift, and certain environmental and permitting process for the pipeline project. All parties need reliable information to make good decisions, and reducing the bureaucratic delays reduces tariff costs that will make or break the project financially and ultimately save consumers money.

This position is charged with coordinating the work by 22 Federal agencies and up to 2,000 miles of 4-inch high-pressure steel pipeline. It crosses the permafrost tundra, major rivers, avalanche zones, and the international borders. Actually, we should all thank Larry for being brave enough to take on this challenge in tackling a daunting task and approving him before he really truly becomes aware of the task we set him on because we don't want him to back out.

Larry's strengths are particularly suited to the task at hand. That is, with his knowledge of the project and the Government processes and critical thinking skills, he is well equipped to use the tools provided to the Alaska Natural Gas Pipeline Act of 2004 to save time and money without shortchanging the public's interests.

It is an important job for my State and for our country, and I am proud to recommend Larry as an ideal person to do it. I trust your hearing today will see your questions answered and that you will forward his nomination to the full Senate for confirmation shortly.

With that, I will conclude my comments. Mr. Chairman, I am happy to answer any questions. I do have another meeting, as we all do, that I have to rush off to. But I am happy to answer any questions.

But again, thank you for the opportunity to speak.

[The prepared statement of Senator Begich follows;]

The CHAIRMAN. Thank you very much for making the time to be here and to introduce Mr. Persily.

I don't have any questions of you, Senator Begich. Let me ask if either of our colleagues do? They don't appear to. So we will excuse you and appreciate your strong endorsement of the nominee.

Senator BEGICH. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Persily, why don't you go right ahead and give us your statement.

STATEMENT OF LARRY PERSILY, NOMINEE TO BE FEDERAL COORDINATOR FOR ALASKA NATURAL GAS TRANSPORTATION PROJECTS

Mr. PERSILY. Thank you.

Chairman Bingaman, Senator Murkowski, and members of the committee, thank you for allowing me this opportunity to present myself and the hopes for an Alaska natural gas pipeline.

Senator Begich, thank you for that introduction.

If confirmed for the position of Federal coordinator for Alaska natural gas transportation projects, I pledge to devote my energy, my knowledge, and ingenuity to the prospect of a very large and very long steel pipe to bring North Slope natural gas to America's consumers.

The entire project could require 2.5 million tons of steel, maybe more. That is 5 times as much steel as went into building the trans-Alaska oil pipeline 35 years ago. At an estimated construction cost now approaching $40 billion, the pipeline, its compressors, gas treatment plant would be the largest private sector project ever in North America.

The superlatives are overwhelming, even for a State so proud of its geographic superlatives. The world's largest natural gas treatment plant, an estimated 50 million worker hours just to build the pipeline itself, more than 5,000 bulldozers, backhoes, loaders, graders, trucks, trailers, and side boom pipe layers to dig the earth, move the equipment, and set the inch-thick steel pipe into place.

Tens of thousands of more workers to build the equipment, the tools and pipe for the job, and even more to get everything to the work site. The economic benefits of a secure domestic energy supply would spread across North America, along with the environmental benefits of clean- burning natural gas.

The President supports this project, and I appreciate his confidence in nominating me for this position. If confirmed, I will work to ensure that the companies that are willing to take the financial risk receive fair and expeditious Federal reviews for the permits,

leases, rights of way, and certificates required for the project. That includes continuing to work with agencies to ensure that the environment is fully protected during construction and operation.

If confirmed, I will work closely with the State of Alaska and the provincial, territorial, and Federal Governments of Canada to continue the close coordination essential for a successful project.

If confirmed, I will ensure, Mr. Chairman, that you and this committee, Congress, and the executive branch have all the information needed to understand the project, how it could fit into the national energy policy, the substantial financial risks of the project and the equally substantial rewards to the Nation, and the issues that must be resolved before anyone can order ribbon for the ground-breaking.

But first, I realize I need to convince you of my qualifications for the job. I have not run for office since student body president at Purdue University almost 40 years ago. I have never been a Federal employee or welded a section of steel pipe. But I have worked on the Alaska gas line issue and oil and gas issues generally as a State official for the better part of the past dozen years.

Through my 30-plus years in Alaska, I have studied the history, the stacks of reports on the North Slope gas line, which was first proposed when oil and gas were discovered at Prudhoe Bay in 1968. I served as Deputy Commissioner at the Alaska Department of Revenue, Associate Director of the State's Washington, DC, office, and currently as an oil and gas aide to the co-chair of the State House Finance Committee.

I know the issues, the history, and the players, and have worked hard to earn their respect. I know what has and hasn't worked through the years. If confirmed, I intend to look for what will work to get this project underway.

As a kid, I remember the unused coal bin in our basement. The previous owner had switched to natural gas. I also remember the hopper cars from the steel mills near our home in south Chicago, pouring molten slag that lit up the sky so much we would drive over and park just to watch.

I know a lot more now about natural gas and steel pipe than I did then, but I am still fascinated at how all the pieces fit together. I appreciate your consideration of my nomination and ask that you allow me to play a role in fitting together the pieces of an Alaska natural gas pipeline.

Thank you. I would be pleased to answer any questions.

[The prepared statement of Mr. Persily follows:]

PREPARED STATEMENT OF LARRY PERSILY, NOMINEE TO BE FEDERAL COORDINATOR FOR ALASKA NATURAL GAS TRANSPORTATION PROJECTS

Chairman Bingaman, Senator Murkowski and members of the committee, thank you for allowing me this opportunity to present myself and the hopes for an Alaska natural gas pipeline.

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- Tens of thousands more workers to build the equipment, tools and pipe for the job, and even more to get everything to the work sites.

The economic benefits of a secure, domestic energy supply would spread across North America, along with the environmental benefits of clean-burning natural gas. The president supports the project, and I appreciate his confidence in nominating me for this position.

If confirmed, I will work to ensure that the companies willing to take the financial risk receive fair and expeditious federal reviews for the permits, leases, rights-of-way and certificates required for the project. That includes continuing to work with agencies to ensure that the environment is fully protected during construction and operation.

If confirmed, I will work closely with the State of Alaska and the provincial, territorial and federal governments of Canada to continue the close coordination essential for a successful project.

If confirmed, I will ensure that this committee, Congress and the executive branch have all the information needed to understand the project, how it could fit into a national energy policy, the substantial financial risks, the equally substantial rewards to the nation, and the issues that must be resolved before anyone can order ribbon for the groundbreaking.

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But I have worked on the Alaska gas line issue—and oil and gas issues generally—as a state official for the better part of the past dozen years. Through my 30-plus years in Alaska, I have studied the history, the stacks of reports on the North Slope gas line which was first proposed when oil and gas were discovered at Prudhoe Bay in 1968.

I have served as deputy commissioner at the Alaska Department of Revenue, associate director of the state's Washington, D.C., office and, currently, as oil and gas aide to the co-chair of the state House Finance Committee. I know the issues, the history and the players, and have worked hard to earn the respect of those involved in the gas line effort.

I know what has and hasn't worked through the years. If confirmed, I intend to look for what else will work to get this project under way.

As a kid, I remember the unused coal bin in our basement—the previous owner had switched to natural gas. I also remember the hopper cars from the steel mills near our home in South Chicago, pouring molten slag that lit up the sky so much we would drive over and park, just to watch.

I know a lot more now about natural gas and steel pipe than I did then, but I'm still fascinated at how all the pieces fit together to fuel the nation.

I appreciate your consideration of my nomination, and ask that you allow me to play a role in fitting together the pieces of an Alaska natural gas pipeline.

With your permission, I will submit my statement for the record, and I would be pleased to answer any questions.

Thank you.

The CHAIRMAN. Thank both of you for your statements.

Let me start with a few questions, and we will just do 5-minute round of questions here.

Mr. Persily, first, I have been reading all these articles, like most of us have perhaps, about the enormous increase in the reserves of shale gas, which have been discovered in the last few years here in the lower 48. In your view, is the pipeline still needed in light of these very large increases and projected reserves in the lower 48?

Mr. PERSILY. Mr. Chairman, I believe the pipeline is still needed. Alaska gas could still secure a place in the market. We are talking about gas deliveries 2020—starting 2020, 2011. If the Alaska pipe can—if the developers of the Alaska pipe can secure the financial commitments to develop the project and serve notice on the market that we will be there on that date with gas at competitive rates, there will be a place in the market for Alaska gas.

The CHAIRMAN. Maybe you could try to sort out for me how these 2 projects relate to each other, the TransCanada-ExxonMobil project and the BP-ConocoPhillips Denali project. How do those relate to each other? Are they just sort of on parallel tracks going forward, or how is a decision finally made as to what gets built?

Mr. PERSILY. Mr. Chairman, there are 2 partnerships both essentially developing the same project in terms of taking natural gas from the North Slope into Alberta, connecting with the North American distribution grid. You have, as you said, TransCanada-Exxon are developing a project where they are partners. BP and Conoco are trying to develop their own project. But eventually, it is going to become one project. No one expects there is 2 pipes.

There is going to have to be some day a commercial deal between the 3 major North Slope producers. TransCanada, the State of Alaska certainly will be involved—hopefully, the Federal Government, too. But it is going to be a commercial deal that involves all four of those companies.

The CHAIRMAN. All right.

Ms. Hoffman, let me ask you about this whole issue of cyber security. I think when you testified to this committee last May, you said, "Smart grid is both a means to enhance grid security, as well as a potential vulnerability."

In your view, has the department been able to ensure that the Recovery Act funds for the smart grid are being used to enhance grid security rather than to increase cyber security vulnerabilities?

Ms. HOFFMAN. Thank you, Mr. Chairman.

With respect to my statement, enhancing energy security, what smart grid does is bring information sensors to the industry so that we can real time evaluate and analyze what is happening on the electric system. It can be a vulnerability because we are accessing information. We are connecting different parts of the network together, providing more information that is flowing throughout the system.

With the investment grants, smart grid investment grant projects, we are requiring that the awardees, the selectees, do a cyber security plan, which will define the cyber security strengths and weaknesses of their proposals. We will engage the national laboratories, as well as other Federal agencies, to make sure that we have done a proper and thorough analysis of the cyber security strength and weaknesses for each of the grantees.

The CHAIRMAN. One of the issues that arose when we were marking up our legislation this last summer, the bill that is currently on the Senate calendar for consideration, the department had not taken any position on the cyber security legislation that we were considering. Do you know if that is still the case, or has the department taken a position on the cyber security legislation that we included in that bill we reported in June?

Ms. HOFFMAN. I am not familiar with all of the details of that legislation. I remember looking at that legislation, and the department was looking at technical comments for that legislation.

Some of the comments focused around vulnerabilities versus immediate threats. The department will—I will be glad, if confirmed, to work with the committee and provide comments for the record.

The CHAIRMAN. Thank you very much.

Senator Murkowski.

Senator MURKOWSKI. Mr. Chairman, I know that the Senator from New Jersey is not interested in pursuing the questions to Mr. Persily on the gas line, although maybe he has changed his mind because it was very interesting testimony, Larry. But I would be happy to let Senator Menendez go first, and then I will ask a series of questions to Mr. Persily.

Senator MENENDEZ. Thank you. Thank my colleague for her courtesy. I appreciate it.

I know that the Alaska line is very important. I just don't have any questions about it.

But, Ms. Hoffman, thank you very much for your willingness to serve. I want to pursue something that is very important to the people of New Jersey, and that is the Energy Policy Act of 2005 that authorized the DOE to conduct a National Electric Transmission Congestion Study and, based on that study, to designate national transmission corridors.

In 2007, the department conducted such a study and designated all or part of Ohio, West Virginia, Pennsylvania, New York, Maryland, Virginia, Delaware, the District of Columbia, and New Jersey a transmission corridor. That is an enormous area that really doesn't strike me as a corridor. I don't think that all those States would consider themselves in the context of the country, all of that as a corridor.

Or does it seem necessary given the fact that DOE's congestion study stated, in the eastern interconnection, "a relatively small portion of constrained transmission capacity causes the bulk of the congestion cost that is passed through to consumers. This means that a relatively small number of selective additions to transmission capacity could lead to major economic benefits for many consumers."

So I know that the department is in the process of updating its congestion study for the eastern interconnect. As a matter of fact, as I understand it, it is past due. So my first question is what is the status?

Ms. HOFFMAN. Thank you, Senator.

The status is that the department is now reviewing the 2009 congestion study. We hope to have it released later on this year. We are in the process of just internal review and approval.

Senator MENENDEZ. Later on this year?

Ms. HOFFMAN. Yes.

Senator MENENDEZ. How late are we talking about?

Ms. HOFFMAN. My assessment of the review process, probably will be late spring, early summer.

Senator MENENDEZ. Late spring. Will it attempt to narrow the enormous transmission corridor that has been designated for the eastern United States?

Ms. HOFFMAN. Senator, the congestion study is a study of congestion in the United States. So the 2009 study that we are working on is looking at where there are congested areas as part of our transmission and distribution network.

The identification of congestion in the United States is really the identification of where there are problems in the United States. So with the congestion study, what we would like to do is make sure that we are identifying the problems that are in the United States with the ability to bring generation to demand.

As we identify the congestion in the United States, there are multiple solutions that we would like to look at in relieving congestions. Congestion can be eliminated by demand response and energy efficiency. It also can be alleviated by onsite generation, as well as transmission.

So the congestion study that will be released for the 2009 congestion study will look at where there are problems in the United States for potential solutions. Once that congestion study is released, we hope to have—we will have, not we hope. We will have a comment period, and I look forward to working with members of this committee, as well as the States, to address any issues that arise from the release of the congestion study.

Senator MENENDEZ. I appreciate your answer. I know you are obviously prepared for it since you are reading from a statement. But let me explore it a little further.

You know, there are 2 ways to solve a problem. I can solve it with a blunderbuss, or I can solve it, when it is possible, with a surgeon's scalpel. There is a difference. So, I can say this whole—the easy way is this whole area that has previously been talked about is our solution, or I can seek to narrow the scope of it to make it more tenable for all of those States that are involved.

So my concern is do you—you will be in this role, and as I understand it, this will be immediately underneath your authority. Will the congestion study be detailed enough to show the projected congestion on every transmission line within the corridor? Again, will the corridor be redrawn to only be as large as is necessary to relieve congestion?

That is a fundamental overarching question. We will see what that means. But the question is if we are just going to take it and say, well, it is easier to have this big swath, that, to me, is not a responsive answer. I want to know that we are going to be able to look at this and say what is necessary for the transmission, but let us not just make it the easiest way, which means cutting through all of these States. I mean, it is just pretty amazing to me.

Ms. HOFFMAN. I understand your perspective. In looking at congestion, we will define areas of the United States that exhibit congestion. It will be based on information that includes congested transmission lines, the price signals, as well as all that will contribute to the definition or defining of congested regions in the country.

The corridor designation does not occur until after—may or may not occur until after the congestion study is released and there is comments on the congestion study.

Senator MENENDEZ. If I may, one last, final question, Mr. Chairman? I think I would like to have a conversation with you outside

of the hearing to get a better sense of this before I make a judgment here.

But will the study reflect the recent decrease in electricity demand due to the economic downturn and the energy conservation gains from the Recovery Act? Or is that outside the scope of the study?

Ms. HOFFMAN. The data baseline for the study may have just started the analysis of when the economic downturn has occurred. We will go back and take a look at that and make sure that that is reviewed.

Senator MENENDEZ. OK. I appreciate your answers. I am still somewhat unsettled, to be honest with you, and I look forward to an opportunity to have a conversation.

Ms. HOFFMAN. I look forward to the conversation. Thank you, Senator.

The CHAIRMAN. Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman.

Mr. Persily, you will recall that it was here in this committee back in 2004 that we worked through, and ultimately passed, the Natural Gas Pipeline Act of 2004, and there was a great deal of excitement back home that, ta-da, we are on our way. The gas line is coming.

We are now in 2010, and Alaskans are, appropriately, asking questions. As you mentioned, there is good news on the horizon. You have mentioned the open season with TransCanada and Exxon, and then Denali will be advancing theirs in these next several months.

But you have been focused on this professionally, and just from your own personal interest, for decades now. Why haven't we been able to move things more quickly? What are the roadblocks that we face? What can be done to help accelerate this project that I think we all agree is in the Nation's best interest and, clearly, in our State's best interest?

Mr. PERSILY. Thank you, Senator.

It is just the complexity of the project. The size is what you need to make it economical. It has got to be big enough so the unit cost of moving molecules to market is low enough, but that size is such a hurdle to overcome.

We are looking now at $40 billion in construction. Shippers on the line are going to have to sign firm transportation commitments, pledges, to either ship their gas or pay for the empty space, firm transportation commitments on that line for 20, 25 years. Those are going to be worth $130 billion, give or take.

That is a tremendous risk. No company is going to commit to those kind of numbers unless they have done all their homework in advance, excruciatingly slow homework perhaps to the public, from the public's view of it. But there is a lot of money at stake, a lot of complexity.

It has taken longer than everyone has wanted. I guess we could sit here and talk about how good things take time. Hopefully, I think—I believe we are closer now than we were then. But right now, we are looking for the commercial deal between project sponsors, the shippers who are going to pledge basically the money to cover the mortgage on that project. The State is involved in talks

with them, and hopefully working—the Office of Federal Coordinator, working with this committee and Congress, can see if there is anything more the Federal Government can do to help the project or things we shouldn't do that would make it worse.

Senator MURKOWSKI. I think that is an important thing to keep in mind. We always think about those things that we might want to do proactively. But we also need to recognize that oftentimes unintentionally at the Federal level or at other levels we are putting up roadblocks or not removing barriers that would allow us to move closer.

You have been focused certainly in these past years working in the legislature and with the Governor's office, looking at this line from the State's perspective. In your role, should you be confirmed, which we certainly hope that you will be, to the role of Federal coordinator, looking at it from a different lens. How do you think that you can contribute a different perspective from your background, working with the State on these issues, now viewing things through the Federal lens?

Mr. PERSILY. Senator, I guess what I would bring to it is I just deal in reality. I have got to admit I am not much on process. I don't do vision statements very well. But, to me, the reality——

Senator MURKOWSKI. We know what the vision is on this.

Mr. PERSILY. Right. Getting to the end of the line. But we have to look at the reality of the numbers, the risk, the problems involved in this. Just because we want it isn't going to make it happen.

So, hopefully, working with the parties, the State, the Canadian government, certainly the producers, and TransCanada, the ones who are going to be putting their companies' value on the line, and seeing what can be done, where we can identify roadblocks, what can be done to remove them, see which parties are willing to take risk. Then with risk comes reward.

Senator MURKOWSKI. Mr. Chairman, my time is just about over. I have got a couple more for Mr. Persily and then one for Ms. Hoffman. But I defer to Senator Risch if——

The CHAIRMAN. Senator Risch, did you have some questions? All right. Go right ahead.

Senator MURKOWSKI. OK. I will keep going with you.

In terms of the cost estimates that have been released just last week, the TransCanada-Exxon group came back and indicates that we are looking at a project somewhere between $30 billion and $40 billion. When we were talking about what might be necessary for loan guarantees back in 2004, I think we were looking about an $18 billion project.

There are some who would suggest that it just costs too much. In view of what is happening in the lower 48 with our abilities to produce shale gas, some speculate that, somehow or other, the Alaska line is just not worth it. Can you speak to those comments?

Mr. PERSILY. Senator, it is worth it in that the Nation certainly is looking to natural gas to a much larger extent in the future, in the decades ahead, as a preferable, cleaner-burning fuel of choice. Alaska, as you stated so eloquently in your statements, has a lot of natural gas. We just need to get it to the buyers.

Certainly, the transportation costs will be higher to move Alaska natural gas from the North Slope to North American markets, but our production costs will be lower than shale gas. We have got a producing field at Prudhoe Bay. We produce billions of cubic feet a day right now. We reinject it into the ground to enhance oil recovery, but it won't cost that much more to produce it and put it into a pipe and move it to market.

So I think as the developers of the Alaska project work out the numbers, they know that they have to be competitive on price when they get to market. That is one of the hurdles they are working on. They know that a consumer wants natural gas at the burner to—unlike wild salmon, where we know people will pay more for wild Alaska salmon, gas is a commodity. We just have to be competitive in the market on price.

Senator MURKOWSKI. I think it is important that folks recognize that the process, when you are dealing with shale gas, is entirely different than what we have up north.

We get focused about what we need to do within Alaska to advance this project, and sometimes you actually forget that in order to deliver Alaska's gas to the American market, we have to go through a foreign country. We are going through Canada.

Your predecessor in this job, Drue Pearce, pioneered this office. She set things up and had been very aggressive working with our Canadian counterparts to make sure that all aspects along the way are going to be working. Can you just speak to the issues that confront this project as we deal with our neighbors to the north?

Mr. PERSILY. Sure, Senator. Obviously, Canada has its own regulatory process to go through. It has land issues with First Nations, which the Canadian Federal Government is going to have to deal with. Canada faces many of the same socioeconomic issues that Alaska faces when you build a mega project through an area.

But I have worked through the years with several Canadian officials. As you said, Drue Pearce, who started this office, set up an excellent working relationship with the Canadians, and I don't think that is going to be an insurmountable problem for this project. Canada would see many benefits from this just like the United States would.

Senator MURKOWSKI. Which, again, is very important to point out.

I have just got one more question for you, Larry, and this is regarding the authority that the coordinator has under the Alaska Natural Gas Pipeline Act. You have some authority to get the project built without governmental permitting delays, and it specifically grants you the authority to preclude Federal agencies from insisting on permitting conditions that aren't required by law that you would find prevent or would impair the construction or operation of the pipeline. How would you envision exercising that kind of authority?

Mr. PERSILY. Senator, my understanding is we are going to have to do it at the Office of Federal Coordinator, if I am confirmed, work up regulations on that. There is going to have to be a public process so that if we identify a problem with a particular agency, that there is a public process where we can accept comments, gath-

er information based on working off the regulations, which we are going to have to adopt.

Senator MURKOWSKI. Let me ask you a question, Ms. Hoffman, on the transmission aspect. Under the stimulus dollars that the Congress authorized last year, there was $80 million that went to the Office of Electricity Delivery and Energy Reliability to advance the regional transmission plans. That language directed you, in consultation with the FERC, to undertake this resource assessment and analysis of demand and transmission requirements.

You are also directed to provide technical assistance for transmission planning. But there was nothing in the language that inserted an alternative energy requirement for transmission planning. Yet in just about a month ago, December 18, there was a press release that came from the department that announced 6 funding awards that expressly states that awards made to transmission planners would fund work for project options for alternative electricity supplies and the associated transmission requirements.

How are you defining "alternative?" By defining "alternative" for these grants, are you expressly leaving out any other resources?

Ms. HOFFMAN. Thank you, Senator.

That is a very good question. In defining "alternatives," as you presented the statement, I have realized that "alternatives" has been used in multiple purposes with respect to the interconnection planning. The interconnection planning solicitation announced awards for the East, West, and URCA to do a system-wide analysis.

The alternatives was looking at multiple scenarios or alternative futures as the transmission planning organization assessed resources. So we are going to look at multiple options. The solicitation requested everybody look at all forms of generation, energy storage, demand response, and energy efficiency. So, from that perspective, it is inclusive of all generation technologies or all alternative energy technologies.

But the solicitation also requested that the interconnection look at alternative scenarios. So, i.e., if WECC is looking at a goal to increase clean energy technologies to meet the administration's clean energy future, it would look at a scenario to minimize carbon emissions, as well as look at the potential deployment of other technologies that the States would like to deploy in each of their areas.

Senator MURKOWSKI. So not necessarily alternative energies, but alternative——

Ms. HOFFMAN. Futures.

Senator MURKOWSKI [continuing]. Futures.

Ms. HOFFMAN. Yes, Senator. Thank you.

Senator MURKOWSKI. Thank you for that.

Mr. Chairman, I don't have any further questions, but I would hope that the committee would view Mr. Persily and Ms. Hoffman's nominations with favor and, hopefully, move them expeditiously through the committee.

The CHAIRMAN. All right. If you have no questions, Senator Risch, then we will make provision for members to file any addi-

tional questions that they would have of either witness by 5 p.m. tomorrow.

With that, the committee will stand in adjournment.

Thank you both.

[Whereupon, at 3:26 p.m., the hearing was adjourned.]

APPENDIX

RESPONSES TO ADDITIONAL QUESTIONS

RESPONSES OF PATRICIA A. HOFFMAN TO QUESTIONS FROM SENATOR MURKOWSKI

Question 1. What is the Obama Administration's position on whether the over $4 billion in smart grid grants authorized by last year's stimulus bill are subject to federal tax? If the IRS decides to tax the smart grid grants, do you anticipate any recipients declining the award and returning the funding to the Treasury?

Answer. The Department of Energy and the Administration are working diligently to resolve the tax issue regarding the Smart Grid Investment Grants. As you know, this issue arises not from anything specific to DOE's programs or the funding announcements, but rather is a general matter of how federal grants are treated under tax law. For that reason, Congress made some explicit exemptions In the Recovery Act. For example, the Recovery Act specifies that grants under the 48c program are tax exempt. However, no such provision was included with respect to the Smart Grid grants. We are working closely with the Treasury Department and the Internal Revenue Service on this issue and presenting relevant information in order for the IRS to release a final decision. Regardless, we are working with recipients to make sure that these Smart Grid projects go forward.

Question 2. What are the Intellectual Property implications with the DOE smart grid grants? Will the Department claim IP rights to the infrastructure developed with federal grant money?

Answer. Since the Smart Grid Investment Grants (SGIG) do not involve research and development, there is no patent rights clause included in the SGIG awards and no patent waiver is necessary. Thus, the government gets no rights in any inventions associated with SGIG.

Question 3. How is the Office of Electricity handling cyber security efforts? How are you coordinating with the rest of DOE and within the Administration? Has the Department started to establish an independent national energy sector cyber security organization to institute research, development, and deployment priorities, as directed by the FY10 Energy and Water Appropriations bill?

Answer. Cyber security is a critical priority for the Department and the Office of Electricity in particular. The Department has been working with the energy sector and other stakeholders to reduce the risk of energy disruptions due to cyber attacks for several years. The Department uses the "Roadmap to Secure Control Systems in the Energy Sector" published in 2006 as a guide in formulating its program activities. We are also working closely with the National Institute of Science and Technology, energy sector stakeholders, and other partners within the Administration to address cyber security for the Smart Grid. With regards to the national energy sector cyber security organization set out in our FY 2010 appropriations bill, we have released a Notice of Intent seeking comments and plan to release a Funding Opportunity Announcement this spring.

Question 4. Pursuant to the Energy Policy Act of 2005, the Department of Energy is required to assess transmission congestion and designate National Interest Electric Transmission Corridors. The most recent assessment was due in 2009. What is the status of that effort and when can the Committee expect to see the Department's report?

Answer. We are working diligently on the draft study and plan to release it in the next few months. We will share it with the committee as soon as it is ready. The study will be open for public comments when the study is released. Only after the comment period is closed and the comments have been considered, will the Secretary consider whether National Interest Electric Transmission Corridor designation is necessary.

Question 5. Do you believe that existing planning processes at the regional level have been working well? Do you believe FERC should have authority to overturn

decisions made in these regional plans to construct particular transmission lines and/or mandate interconnection-wide planning?

Answer. Collaboration among DOE, FERC, and regional and state partners is critical in ensuring a reliable and secure transmission system. Balancing regional and federal interests is a challenge with which this committee and the Department will both continue to wrestle as we continue our efforts to modernize the grid. Interconnection-wide planning is important to achieving results. The Western Renewable Energy Zones—Phase I Report has demonstrated progress. The Electric Reliability Council of Texas (ERCOT) study entitled Competitive Renewable Energy Zones (CREZ) documented the cost and transmission requirements for connecting significant amounts of wind to this system reliably. Although the Department is encouraging the development of several scenarios (called alternative futures), consensus will be required and regional interconnection planning requires oversight by FERC for transparency and reliability review.

Question 6. Can you describe the Eastern Interconnection Planning Collaborative and what you see as its ultimate objectives? Will the plans coming out of this effort have any binding effect on the states?

Answer. The Eastern Interconnection Planning Collaborative (EIPC) was organized as a voluntary effort involving all of the entities in the interconnection that have been recognized by the North American Electric Reliability Corporation (NERC) as Planning Authorities. These entities realize that the electricity industry has entered a period of transformative change that will affect the technologies the industry uses and how the industry is structured and organized. The EIPC's central purpose is to perform the iterative long-term assessments that will be needed to guide and manage this transition. The Department recognized the worth of this effort and has supported the work through grants under the Recovery Act to EIPC and similar entities in the Western and Texas Interconnections. However, the Department also believes that if these collaborative efforts are to be successful, the states must be actively involved in and informed by them. For this reason, the Department has also issued separate grants to stateoriented entities in the three interconnections, and required that the industry-based grantees (such as EIPC) bring the states into their planning processes. Under present law, however, the plans that emerge will not be legally binding on any of the participants.

Question 7. DOE is simultaneously awarding funding for transmission planning and new smart grid deployments. Given that many smart grid devices, such as energy storage or real time monitoring, can complement or even decrease the need for transmission expansion, how will these transmission planning studies incorporate new smart grid technologies?

Answer. Transmission planning and smart grid technology are inextricably linked. Your question highlights the need for a process to evaluate alternative scenarios—the interconnection-wide planning process. As we modernize the grid to gain access to real time data and improve storage, we will be able to adjust our planning and responses to the needs of the system because it will be more flexible and adaptive to demand response and energy efficiency savings furthered enabled by the smart grid.

Question 8. What role is DOE playing to ensure standards harmonization, as well as product testing and certification, in order to facilitate market and consumer adoption of new grid applications?

Answer. DOE has been working with the private sector, other government agencies, and academia for several years to support standards harmonization and the development of interoperability and cyber security standards for the Smart Grid. In 2007, the Energy Independence and Security Act (EISA) assigned the National Institute of Standards and Technology (NIST) primary responsibility to coordinate development of a framework and protocols to achieve interoperability of smart grid devices. Under the American Recovery and Reinvestment Act , DOE provided NIST with $10 million to carry out its responsibilities under EISA. NIST recently issued the "NIST Framework and Roadmap for Smart Grid Interoperability Standards, Release 1.0" which provides for the development of a robust framework for conformity testing and certification.

Question 9. Many new technologies, such as electric vehicles, have implications not only for the Office of Electricity, due to the increased strain on the grid, but also for other areas within the Department, such as buildings and batteries. How will you coordinate the RD&D efforts with the other DOE offices in order to accelerate their rollout?

Answer. The Secretary has made breaking down stovepipes a top priority at the Department. Under his leadership and with the close involvement of Undersecretary Johnson, the Office of Electricity, the Office of Energy Efficiency and Renewable Energy, and other offices are working closely to make sure that we take a systems ap-

proach to our investments including smart buildings and electric vehicles. If confirmed, I will continue to make sure that our research is coordinated with work underway in other offices to promote secure and reliable energy across the country.

RESPONSE OF PATRICIA A. HOFFMAN TO QUESTION FROM SENATOR STABENOW

The Office of Electricity (OE) is in the midst of executing financial assistance awards for the Smart Grid Investment Grant program, funded through the Recovery Act. Grantees must comply with Buy American requirements in the Recovery Act where applicable. The Buy American provisions require that manufactured goods used in a covered project must be made in the U.S. The Department of Energy has an obligation to ensure that the Buy American requirements are complied with. I understand that the Office of Energy Efficiency and Renewable Energy is issuing a Request for Information to survey relevant markets for Buy American-compliant products.

Question 1. Please describe the Department's approach to ensuring compliance with Buy American requirements for the OE programs, and provide your views on whether additional steps could be taken to ensure that items such as meters purchased with federal funding are compliant with the Buy American provisions. Has OE considered issuing a Request For Information or other proactive action to provide grantees with adequate information to ensure their use of Buy American compliant products?

Answer. The Buy American provisions of the ARRA apply to the construction, alteration, maintenance or repair of a public building or public work. The Buy American provisions of ARRA, as codified by OMB in 2CFR 176, are a part of the Terms and Conditions for any ARRA funded work. OE is not currently considering a Request for Information (RFI) at this time, but the Department is communicating with all grantees regarding Buy American to ensure compliance with requirements from ARRA. Additionally, the Department takes the oversight and transparency components of ARRA very seriously, and we will continue to work with our recipients to ensure proper use of these funds.

RESPONSE OF PATRICIA HOFFMAN TO QUESTION FROM SENATOR MENENDEZ

Ms. Hoffman, in 2007 the Department of Energy conducted a study of electric transmission congestion and as a result of that study the Department designated all or part of Ohio, West Virginia, Pennsylvania, New York, Maryland, Virginia, Delaware, the District of Columbia and New Jersey a transmission corridor. This enormous area really does not strike me as a corridor, nor does it seem necessary given the fact that DOE's congestion study stated that in the Eastern Interconnection:

> a relatively small portion of constrained transmission capacity causes the bulk of the congestion cost that is passed through to consumers. This means that a relatively small number of selective additions to transmission capacity could lead to major economic benefits for many consumers.

I know that the DOE is in the process of updating its congestion study for the Eastern Interconnect. When will it be released? Why has it not already been released? Will that study be detailed enough to show congestion on a transmission line by transmission line basis? Will the study reflect the decrease in electricity demand caused by the economic downturn and conservation gains from the Recovery Act? Based upon that study will the Department reevaluate its transmission corridor designations and attempt to make them as narrow as possible?

Answer. I appreciate the concerns that you expressed during the hearing, and I can assure you that I will take them into consideration as this process moves forward. That process has several additional steps before we would make any decisions about corridor designations . As you noted during the hearing, the Department is still updating the congestion study. We expect the revised study to be released in the next few months. At that time, the study will be published in draft form for public comment so that stakeholders in New Jersey and elsewhere can provide input for the Department. Only after considering public comments will we finalize the Congestion Study. As the name suggests, the study will identify congested areas. Any decision to designate corridors based on the study would come at a later date, and again, would be part of a process that is also open to comments.

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