



FEBRUARY 26, 2015

BUDGET HEARING - DEPARTMENT OF ENERGY

HOUSE OF REPRESENTATIVES, COMMITTEE ON APPROPRIATIONS, SUBCOMMITTEE ON
ENERGY AND WATER DEVELOPMENT, AND RELATED AGENCIES

ONE HUNDRED FOURTEENTH CONGRESS, FIRST SESSION

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Chairman Mike Simpson

*Subcommittee on Energy and Water Development and
Related Agencies, House Committee on Appropriations*

FY 2016 Budget Hearing – Department of Energy February 26, 2015 Opening Statement As Prepared

The hearing will come to order.

Secretary Moniz, it's good to see you again, and welcome back.

We have a lot to discuss today so I will keep my remarks brief.

The first thing we have to acknowledge is that the President's budget exceeds the Budget Control Act statutory caps for fiscal year 2016 by \$71 billion. Since this increase was offset by legislative proposals that cannot pass and savings gimmicks that do not actually save, it is unlikely that the Appropriations Committee will be funding at this level. So, while it was great to see some of the Department of Energy funding increases proposed, since they were not actually the result of making the tough choices needed in this fiscal environment, we cannot realistically use this request as a true measure of need or priorities.

Equally disappointing, is that even with the increases in your budget request, the budget funds Administration priorities at the expense of nuclear and fossil energy – accounts that can help secure our nation's energy security both now and in the future.

The hearings that we have scheduled to review the budget request for the Department of Energy, beginning with this one, need to shed some light on what is actually needed in fiscal year 2016 to ensure a secure and prosperous nation.

Secretary Moniz, at last year's hearing, I asked you to describe your vision for the Department. You highlighted the Department's role as "a science and technology powerhouse" and the importance of the national lab system to that role. Additionally, you discussed the Department's reorganization and how that reorganization would support the energy/science agenda, ensure nuclear security, and improve management and performance.

I look forward to discussing your vision further and learning more about the actions you have taken to create a stronger Department of Energy.

Please ensure that the hearing record, questions for the record, and any supporting information requested by the subcommittee are delivered in final form to us no later than four weeks from the time that you receive them.

Members who have additional questions for the record will have until the close of business tomorrow to provide them the subcommittee office.

With that, I will turn to my Ranking Member, Ms. Kaptur, for her opening statement.

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Chairman Hal Rogers

House Committee on Appropriations

Fiscal Year 2016 Budget Hearing – Department of Energy February 26, 2015 Opening Statement As Prepared

Mr. Chairman, thank you for yielding. Secretary Moniz, I appreciate you taking the time to be here today and I welcome you back to the Energy and Water subcommittee.

The Department of Energy oversees tremendous investments in a commodity that touches nearly every issue of national importance: energy. Whether readying our Navy's nuclear fleet or modeling technologies that will yield more efficient and reliable power sources – your Department's efforts are critical to our economy and our national security.

The importance of your mission, however, does not diminish our responsibility to budget sensibly and to prioritize programs of import. I must echo Chairman Simpson's concern that the Administration's request for Fiscal Year 2016 discretionary funding exceeds the statutory cap by \$71 billion. Here in the Appropriations Committee, we must abide by the Budget Control Act and the budget enacted by Congress. Unfortunately, your request is not realistic – and we're looking forward to hearing from you today about how we should make the difficult decisions necessary to correct this shortcoming in your request.

In so doing, it is my belief that we set priorities in this budget that will set us on a path toward energy independence – particularly with household power bills on the rise, volatile unrest in energy-producing regions overseas, and record cold temperatures requiring coal-fired power plants to run on overtime. We have countless opportunities to shore up our energy security in this country, and this Administration seems determined to disregard just about every one of them. Just two days ago, the President made the incomprehensible decision to veto the Keystone XL pipeline, a project that would put thousands of Americans to work. The President's rejection of this project – despite overwhelming bipartisan and industry support, along with that of the American people – is inconsistent with the "all-of-the-above" energy strategy you're highlighting today, which is necessary to keep our energy economy diverse, inexpensive, and reliable.

While this Administration would like us to think it is serious about pursuing an "all-of-the-above" energy strategy, its actions plainly undermine its rhetoric. The coal industry is fighting every day to produce the cheap, reliable energy that our economy demands while shouldering tremendous burdens imposed by this Administration's regulating bodies. While this Administration is hard at work writing new rules that would ban the initiation of new power plants, shutter existing ones, and leave thousands of coal miners out of a job, the coal industry is focused on investing in innovative technologies that will make our nation's most abundant source of energy more efficient.

Each and every year, this Administration has produced budgets that slash funding for coal-related research and development, and Congress has sent a clear message by consistently restoring these much

needed programs. While I am pleased to see the Department has requested a larger budget for the Coal CCS & Power System program than it had previously, I am disappointed that, once again, fossil fuels are being handed the short end of the stick. While renewable energy receives a healthy \$786 million increase, a 41% increase in fact, fossil energy investments are once again reduced, this time by \$11 million. Investing in CCS technology and fossil fuel research and development is critical, and this request does not demonstrate a commitment to achieving commercially viable clean coal technologies in the near term.

But the importance of the cheap, reliable energy that coal provides is not completely lost on the Administration. In fact, the President recently committed \$1 billion in taxpayer dollars to invest in clean coal projects in China – projects being pursued through YOUR Department. But not surprisingly, this Administration can't make the same commitment to the future of our energy security at home.

If this Department's priority is truly establishing an "all-of-the-above" energy policy for the future, as you have stated many times in recent weeks, then I, for one, cannot discern the Department's accompanying strategy for coal, our nation's most abundant natural resource, going forward. There is no denying that massive regulatory requirements are pushing this industry to the limit. But if the goal of these regulations is increased levels of efficiency, then where are the accompanying investments from your Department that will ultimately enable the industry to accomplish this goal? I certainly do not see these kind of investments laid out in this budget.

As you well know, these topics are critical to the future of our energy security. I look forward to hearing your testimony and hearing how you will be working to advance a truly comprehensive energy strategy in this country that includes coal. Thank you.

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Testimony of Secretary Ernest Moniz
U.S. Department of Energy
Before the
U.S. House Committee on Appropriations
Energy and Water Development Subcommittee
February 26, 2015

Chairmen Rogers and Simpson, Ranking Members Lowey and Kaptur, and Members of the Subcommittee, thank you for the opportunity to appear before you today to discuss the Department of Energy's (DOE) Budget Request for fiscal year (FY) 2016. I appreciate the opportunity to discuss how the Budget Request advances the Department of Energy's missions.

Advancing Nuclear Security, Science & Energy, and Environmental Cleanup

DOE is entrusted with a broad and diverse portfolio across its three major mission areas of nuclear security, science and energy, and environmental management. The Budget Request for fiscal year (FY) 2016 for the Department of Energy is \$29.9 billion, \$2.5 billion above FY 2015 enacted, to support our mission responsibilities and to continue improving our management and performance in support of those missions.

For nuclear security, the Budget includes \$12.6 billion, an increase of \$1.2 billion over the FY 2015 enacted level, to support DOE's responsibilities of maintaining and modernizing, via life extension programs, the nuclear deterrent without testing; controlling and eliminating nuclear materials worldwide and providing nuclear and radiological emergency response capabilities in an age of global terrorism; and propelling our nuclear Navy.

For science and energy, the Budget includes \$10.7 billion, an increase of \$1.3 billion over the FY 2015 enacted, to support DOE's missions of enabling the transition to a clean energy future with low-cost, all-of-the-above energy technologies; supporting a secure, modern, and resilient energy infrastructure; and providing the backbone for discovery and innovation, especially in the physical sciences, for America's research community.

For environmental management, the Budget includes \$5.8 billion, to support DOE's responsibility of cleaning up from the Cold War legacy of nuclear weapons production.

Approximately \$18.9 billion, or 63 percent of the Department's Budget Request, is national security-related funding, including the nuclear security and most of the environmental management programs. The remaining 37 percent is for non-defense programs in energy, science, and other programs such as building capabilities to respond to energy disruptions, enhancing data collection and analysis in critical areas, and supporting obligations for international cooperation in clean energy and energy security.

Science: Leading Edge Research and World Class Research Infrastructure

Starting with basic research, DOE's Office of Science is the largest federal sponsor of basic research in the physical sciences, supporting 22,000 researchers at 17 National Laboratories and more than 300 universities. Informed by the latest science advisory council reports and recommendations, the FY 2016 Budget Request provides \$5.34 billion for Science, \$272 million above the FY 2015 enacted level, to continue to lead basic research in the physical sciences and develop and operate cutting-edge scientific user facilities while strengthening the connection between advances in fundamental science and technology innovation.

One of the signature aspects of our basic science research program is the Department's support for the construction and operation of major user facilities at the national laboratories that serve over 31,000 scientists and engineers each year on an open-access basis. We are committed to staying at the cutting edge of light sources, super computers, neutron sources, and other facilities essential to advancing our mission. In the last year, for example, we completed the brightest light source in the world, the National Synchrotron Light Source II at Brookhaven National Laboratory, ahead of schedule and on budget. We are at the commissioning phase of the 12 GeV Upgrade to the Continuous Electron Beam Accelerator Facility at the Thomas Jefferson National Accelerator Facility, and the National Spherical Torus Experiment at Princeton Plasma Physics Laboratory intends to begin research this summer after a significant upgrade.

Looking forward in the FY 2016 Budget, we continue construction of critical, new user facilities while ensuring increased investment in national laboratory infrastructure renewal to help sustain America's scientific enterprise. The Request supports a major upgrade of the Linac Coherent Light Source at SLAC and construction of the Facility for Rare Isotope Beams at Michigan State University. In addition, the Budget provides approximately \$2 billion to fund operations of our 27 existing scientific user facilities.

These facilities investments and research grants funded by the Office of Science will ensure that we continue to support discovery science, as well as science that underpins future energy and other technologies.

For example, using the current Linac Coherent Light Source at SLAC, scientists last year mapped for the first time the structure of a protein within a living cell. This single example highlights the tremendous benefits of our national laboratories in a broad range of scientific and applied areas. In addition, the Office of Science supports research at hundreds of universities in all fifty states through competitive grants to advance our mission. For example, a university group recently developed a new class of polymer-based flexible electronics for solar cells and medical applications through DOE-funded research.

High performance computing is a traditional area of strength and responsibility for the Department of Energy that has been an important component of U.S. leadership in science and technology more broadly. The FY 2016 Budget grows our investment significantly to \$273 million for a multi-year, joint Office of Science-National Nuclear Security Administration (NNSA) effort to achieve exascale computing—computing platforms with 100 to 1000 times more computational power than today's systems. This effort requires researchers and industry to overcome a number of technical challenges, including energy and big data management, as part of our push to develop enabling capabilities for exascale computing. We recently announced the joint Collaboration of Oak Ridge, Argonne, and Lawrence Livermore (CORAL) to advance within an order of magnitude of the exascale target within a few years. In addition, the Office of Science is supporting the Computational Science Graduate Fellowship program to support training in advanced scientific computing. These investments will ensure continued U.S. leadership of this critical capability in a very competitive global environment.

The Budget provides funding at the FY 2015 level for the U.S. contributions to the ITER project, a major international fusion facility currently under construction in France. ITER will be the world's first magnetic confinement long-pulse, high-power burning plasma experiment aimed at demonstrating the scientific and technical feasibility of fusion energy, and the request includes support for important critical-path items.

We will continue in this Budget to grow the Energy Frontier Research Center (EFRC) program by initiating five new centers and continuing support for existing Centers, for a total investment of \$110 million in FY 2016. This EFRC program is our flagship investment in basic science that underpins future energy technologies.

With our Budget Request, we support Fermilab operations at a total of \$135 million for operations, which includes operations of the NOvA neutrino experiment. We are also investing \$20 million to move forward planning and design for the Long Baseline Neutrino Facility at Fermilab. Last year, the particle physics community came forward with a visionary strategic plan for the High Energy Physics program, and our Budget Request responds to their recommendations, specifically by aiming to develop a strong international consortium for the next generation of neutrino physics experiments.

Energy

All-of-the-Above Energy Approach for a Clean Energy Economy

Preparing for the clean energy economy in order to address climate change and energy security, principally through science and technology, is an essential focus of the Department of Energy. The President's Climate Action Plan is a guiding document for our efforts to mitigate climate change risks through clean energy technologies. The Administration remains committed to an all-of-the-above energy approach, and we believe that we need to enable technologies across all fuel sources to become competitors in a future clean energy marketplace.

In the last year, we have seen important accomplishments across the Department's technology portfolio that highlight our all-of-the-above approach. We have geologically sequestered over 9 million metric tons of CO₂ through DOE-supported projects. Two commercial-scale cellulosic ethanol facilities supported by

DOE grants or loan guarantees have commenced operations. We have commissioned one of the world's largest battery storage systems at the Tehachapi Wind Energy Storage Project. We have issued ten final appliance energy efficiency standards in calendar year 2014, which altogether will help reduce carbon dioxide emissions by over 435 million metric tons through 2030. Standards enacted since 2009 are projected to avoid a cumulative total of 2.2 billion metric tons of carbon emissions through 2030. The Office of Energy Efficiency and Renewable Energy (EERE) has achieved 70 percent of the SunShot goal of cost parity for utility scale solar energy.

The Advanced Research Projects Agency—Energy's (ARPA-E) grant program has attracted more than \$850 million in private follow-on funding to 34 ARPA-E projects, with 30 ARPA-E teams forming new companies.

EERE has launched the Frontier Observatory for Research in Geothermal Energy (FORGE), a first-of-a-kind field laboratory to deploy enhanced geothermal energy systems, and we have seen battery technology improvements that are projected to reduce battery costs for electric vehicles by 40 percent. The Office of Nuclear Energy has successfully completed the first 5-year program at the Consortium for Advanced Simulation of Light Water Reactors (CASL) nuclear modeling Hub at Oak Ridge and has initiated a second award for design and licensing support of a small modular nuclear reactor with advanced safety features.

Consistent with an all-of-the-above energy strategy, the DOE Loan Programs Office has issued loan guarantee solicitations for innovative technologies in four areas, including \$4 billion for renewable energy and energy efficiency, \$8 billion for fossil energy, \$12 billion for nuclear energy, and \$16 billion for advanced vehicle technology manufacturing.

Projects that this program has supported include one of the world's largest wind farms; several of the world's largest solar generation and thermal energy storage systems; Tesla Motors; and more than a dozen new or retooled auto manufacturing plants. This program's accomplishments include issuing loan guarantees for projects that avoided more than 6.1 million metric tons of carbon dioxide cumulatively in 2014, and for companies that produced more than 2.1 million fuel-efficient vehicles in 2014. We are moving aggressively in finding good projects to

deploy innovative energy technologies using the remaining \$40 billion in loan authority in the coming years.

Together, these accomplishments illustrate how DOE's programs invest in an all-of-the-above spectrum of energy technologies, and the FY 2016 Budget Request continues forward on that strategy with a \$5.4 billion request for our applied energy programs.

Advanced manufacturing will continue to be a major focus of our investments. We will continue to help support an American manufacturing renaissance. The FY 2016 Budget fully funds two new clean energy manufacturing innovation institutes and continues funding for four institutes, as part of the larger National Network for Manufacturing Innovation, including the advanced composites manufacturing institute in Tennessee the President announced in January. To support these institutes, the Request provides \$196 million out of a total request of \$404 million for EERE's Advanced Manufacturing program.

In energy efficiency, the Request invests \$264 million, an increase of \$92 million, to develop and promote the adoption of technologies and practices that, when fully deployed, would reduce U.S. building-related energy use by 50 percent from the 2010 Annual Energy Outlook baseline. It also provides \$228 million, \$35 million above FY 2015, to support competitively selected projects, training and technical assistance, and residential energy efficiency retrofits to approximately 33,000 low-income households nationwide.

The FEMP Budget includes \$15 million for the Federal Energy Efficiency Fund which provides direct assistance to agencies for investing in priority energy projects for efficiency and renewables. By providing direct funding and leveraging cost sharing at other agencies, the fund creates greater opportunities to develop Federal projects that may not otherwise be implemented.

The Request increases our investments in sustainable transportation, including \$40 million for the SuperTruck II initiative to develop and demonstrate technologies to double class 8 freight truck efficiency by 2020 from a 2009 baseline. The Request also continues our focus on electric vehicles by investing \$253 million in the EV Everywhere initiative, which aims to enable domestic production of plug-in

vehicles that are as affordable and convenient as gasoline vehicles by 2022. By continuing to make progress in core component technologies such as the dramatic reductions we are seeing in battery and fuel cell costs, we are looking to achieve transformative performance improvements for electric vehicles in the marketplace.

In biofuels, the Budget continues our focus on drop-in fuels, which can take advantage of existing infrastructure, and we will provide \$45 million for the jointly funded USDA/DOD/DOE commercial scale biorefineries program to produce military specification drop-in fuels. We will also continue research and development efforts on supplying, formatting, and converting cellulosic and algae-based feedstocks to bio-based gasoline and diesel, with a \$138 million investment in the FY 2016 Request.

The Budget continues to support accelerated advances in renewable energy. The SunShot Initiative has helped accelerate the reduction in solar costs, and our request of \$337 million, an increase of \$104 million, aims to continue progress to achieve cost parity without subsidies by 2020. For wind energy, the Request of \$146 million, an increase of \$39 million, includes funding for year five of a six fiscal-year Offshore Wind Advanced Technology Demonstration program supporting three offshore wind projects on track to begin operation in 2017. Our request of \$96 million for geothermal energy, \$41 million above FY 2015, implements the FORGE, an experimental facility aimed to advance enhanced geothermal systems, and pursues new approaches to hydrothermal development with a special focus on collaborative efforts with the Office of Fossil Energy on subsurface science, technology and engineering.

As we witness the transformation of our Nation's electric grid, the Department continues to drive electric grid modernization and resilience. In May 2014, with cost-share funding provided by the Office of Electricity Delivery and Energy Reliability (OE), Southern California Edison constructed and installed equipment for a prototype 8 megawatt/32 megawatt-hour battery storage plant for wind integration at Tehachapi, CA. The Tehachapi Wind Energy Storage Project is positioned to demonstrate the effectiveness of lithium-ion battery and smart inverter technologies to improve grid performance and assist in the integration of variable energy resources. In addition, we continue improving the security of the Nation's energy infrastructure. Oak Ridge National Laboratory announced in

January 2015 the licensing of its Hyperion software, which helps detect software that has been maliciously altered. Today, more than 20 new technologies that OE investments helped support are now being used to further advance the resilience of the nation's energy delivery systems.

In fossil energy, we will continue our across-the-board focus on carbon capture and sequestration and improving the environmental performance of natural gas development. In particular, the FY 2016 Budget includes funding to conduct initial R&D towards demonstration of carbon capture and storage for natural gas plants. While natural gas is an important bridge fuel, natural gas, as well as coal, will need carbon capture and sequestration to compete in a future clean energy economy.

And while the FY 2016 Budget does not request new authority in these areas, the Department has \$8 billion in loan guarantee authority for advanced fossil technologies, as I mentioned earlier, and the Department will continue to work with prospective applicants. Through the President's Budget Request for the Treasury Department, the Administration is also proposing a new, \$2 billion refundable investment tax credit, including support for the infrastructure for carbon capture and sequestration, as well as a sequestration credit for commercial carbon capture use and storage (CCUS) deployment to allow for enhanced oil recovery or injection into deep saline aquifers.

In the area of nuclear energy, the Request includes \$62.5 million to continue technical support for moving a small modular reactor to the Nuclear Regulatory Commission licensing stage by the end of 2016, as a step towards industry's demonstration of this important technology early in the next decade. The Request includes \$326 million to support research and development on reactor aging issues, advanced reactor concepts, and the fuel cycle. This request continues to support R&D on nuclear fuel issues at the Idaho National Laboratory. It also supports research on accident tolerant fuels and includes funding to continue laying the groundwork for implementing the Administration's Strategy for the Management and Disposal of Used Nuclear Fuel and High-Level Radioactive Waste, including a consent-based approach to the siting of storage and disposal facilities for nuclear waste. The Request also focuses resources on maintaining operational readiness at the Idaho National Laboratory, including \$23.2 million for major power

distribution infrastructure refurbishments and \$11.7 million for critical security infrastructure investments.

The Request includes \$325 million for ARPA-E, an increase of \$45 million from FY 2015, to continue to grow this important program. The program, which received its first appropriation in 2009, is now showing impressive results. It has over 400 projects to date, and the first group of completed projects has led to 30 new companies, of which five have been acquired by large strategic investors. Altogether, 34 ARPA-E projects have attracted over \$850 million in follow-on funding.

Through ARPA-E, we will continue to invest in early-stage innovation with the potential to lead to transformational energy technologies.

For the loan programs, while the Request does not propose new authority for the Title 17 or Advanced Technology Vehicles Manufacturing loan programs, the FY 2016 Budget does include \$9 million for credit subsidy to support a new loan guarantee solicitation for new clean energy projects on Tribal Lands.

In addition to the new loan program, the Request provides \$20 million for the Office of Indian Energy Policy and Programs, an increase of \$4 million, for its technical and financial assistance programs, with increased emphasis on remote communities and the National Strategy for the Arctic Region.

The Department's final FY 2015 Budget supported a new workforce development effort for graduate and post-doctoral training in three areas of specific mission need for the Department: high performance computing in the Office of Science, advanced manufacturing in the Office of Energy Efficiency and Renewable Energy, and subsurface topics and project management in the Office of Environmental Management. These DOE traineeships are modeled in part after other federal programs for university-led graduate traineeships and include components that are uniquely focused on DOE mission workforce training needs. Our FY 2016 Budget Request proposes to add a fourth traineeship on radiochemistry, supported by the Office of Nuclear Energy, where we see a specific mission need.

Transforming Energy Systems, Investing in Resilient Energy Infrastructure

In addition to the clean energy investments I just discussed, our Nation's energy infrastructure is an area that needs—and is now getting—more attention.

We have had several recent accomplishments relating to our energy infrastructure. Following the aftermath of Superstorm Sandy, the Office of Electricity Delivery and Energy Reliability committed \$500,000, along with EERE, totaling \$1 million for Sandia National Laboratories to provide technical assistance to New Jersey Transit and the Board of Public Utilities to assess NJ Transit's energy needs and help develop a conceptual design of an advanced microgrid system that will avoid disruptions and make it easier to get the power back on after a major disaster.

Led by our Office of Energy Policy and Systems Analysis, we have also completed a nationwide public stakeholder process and analytical work in support of the upcoming release of the first-ever Quadrennial Energy Review (QER) of U.S. energy infrastructures.

The QER is a four-year interagency process, with the first year focusing on energy infrastructure—the transmission, storage, and delivery of energy. We expect the first QER installment to be released soon, and many of you may be interested in that document for its systematic analysis of the breadth of challenges with our current energy infrastructure. The QER will also include recommendations to drive future program directions.

The electricity grid underpins many other infrastructures, and the FY 2016 Budget Request includes \$356 million, an increase of \$160 million, for a major crosscutting initiative led by the Office of Electricity Delivery and Energy Reliability to focus on the modernization of the electricity grid. This initiative invests in technology development, enhanced security, and modeling to enable the electricity grid of the future. This initiative includes \$10 million for R&D to improve resilience of large-scale electricity transformers and \$14.5 million to transition to an integrated system at the distribution level and develop a platform for market-based control signals. In addition, the Request establishes a virtual collaborative environment for conducting real-time advanced digital forensics

cybersecurity analysis, which can be used to analyze untested and untrusted code, programs, and websites without allowing the software to harm the host device.

The Request includes \$15 million to develop advanced technologies to detect and mitigate methane emissions from natural gas transmission, distribution, and storage facilities, and \$10 million to improve methane leakage measurements.

We will focus new attention on state grants for energy assurance and reliability, recognizing that many authorities and actions in this area depend upon the states. The FY 2016 Request includes \$35.5 million to provide grants to state, tribal, and local governments to update energy assurance plans to address infrastructure resilience, as well as \$27.5 million that is part of the Grid Modernization crosscutting initiative to provide competitive grants to states and multi-state entities to address electricity reliability.

Finally, while we move toward implementation of recommendations on the first installment of the QER on infrastructure, DOE will move forward on future installments of the 4-year QER. The Budget includes \$35 million for the Office of Energy Policy and Systems Analysis to provide integrated energy systems analysis and follow-on QER support activities.

In addition to the longstanding major mission areas of nuclear security, science and energy, and environmental cleanup, emergency response is an important mission for the Department. While we have had an ongoing responsibility for nuclear and radiological incident response, the Department has intensified its efforts for energy infrastructure emergency response, working with FEMA. Our Budget proposes an increase from \$6 million to \$14 million for Infrastructure Security and Energy Restoration, the lead program for these responses. While the budget for this emerging responsibility is relatively small, it is an increasingly important focus.

Enhancing Collective Energy Security

The Department's work in energy security is modest in budget requirements but greatly important for the Nation. Particularly given the events in Europe and Ukraine, we have an increased global focus on collective energy security—energy security for the United States and its allies.

In the last year, we worked with the G-7 and the European Commission to achieve a G-7 Leaders Agreement on a new collective energy security framework. Led by our Office of International Affairs, we also worked directly with Ukraine to provide technical support in developing its first ever energy emergency management plan, especially for the winter. In December, we also signed a Memorandum of Understanding with Canada and Mexico to initiate improved coordination of North American energy data. Led by DOE's Energy Information Administration (EIA), this will help us develop stronger active collaboration moving forward.

To continue on this progress for collective energy security, the FY 2016 Budget Request includes \$24 million for the Office of International Affairs. While the funding level is not large compared with other parts of the Department, the Office of International Affairs is taking on increased responsibility, as I just highlighted, and funding at this level is needed to fulfill its important mission and strengthen international energy technology, information and analytical collaborations.

Similarly, the Budget increases investment in the EIA to \$131 million, in order to fill gaps in current energy data, including transportation of oil by rail and integrating energy data with Canada and Mexico. The EIA recently initiated a data reporting program on oil and natural gas production trends by region, and the requested increase is needed to continue with this and other improvements in our data collection, analysis, and reporting.

Last year, the Department also completed a 5 million barrel test sale for the Strategic Petroleum Reserve (SPR) to look at infrastructure challenges resulting in large part from pipelines now flowing in opposite directions from when the SPR was originally established. Through the test sale, we found challenges confronting the SPR's distribution system, and the FY 2016 Budget proposes an increase of \$57 million above FY 2015 for the SPR to begin addressing the operational readiness issues found through the test sale to enhance distribution flexibility and reliability and to begin to address the existing backlog of deferred maintenance projects.

Strategic Partnerships with National Laboratories to Advance DOE Missions

The Department is continuing its focus on building the strategic partnership with the National Laboratories. DOE is a science and technology agency, and our efforts across all of our mission areas are heavily grounded in science and technology. The National Labs are a major core asset in executing our missions, and strengthening our partnerships is critical to our success.

We are doing that in a variety of ways. For example, DOE is engaging the laboratories very early on in our program planning. The National Laboratories Ideas Summit helped shape FY 2016 budget initiatives and was instrumental in forming a special consortium of 14 National Laboratories arranged to implement the crosscutting grid modernization research.

We also have begun using the National Laboratories' expertise in science and technologies in some of our major challenges outside of the science and energy arena. When faced with what looked like major problems with the cost and schedule of the Uranium Processing Facility (UPF) at the Y-12 National Security Complex in Oak Ridge, or the major problem we had at the Waste Isolation Pilot Plant (WIPP), we engaged Laboratory leadership to help reformulate our approach to those issues. In those two examples, Oak Ridge National Laboratory led the Red Team review and restructuring of UPF, and the Savannah River National Laboratory led the forensics effort to investigate the cause of the failure of the waste canister at WIPP.

The Laboratory Operations Board (LOB), a body that we put in place in 2013, performed the first-ever uniform assessment of general purpose infrastructure at all Laboratories and NNSA plants. That has led to identifying over \$100 million in the FY 2016 Budget in new investments for priority general purpose infrastructure projects guided by LOB assessments, while also avoiding an increase in deferred maintenance.

Finally, we have developed new strategies to strengthen institutional capability of the National Laboratory system based on advice from the Secretary of Energy Advisory Board (SEAB)

Enhancing Impact: Crosscutting Initiatives in Key Technology Areas

The FY 2016 Budget expands the crosscutting initiatives introduced in the FY 2015 Budget designed to advance key technology areas that have multiple energy resource applications. Each crosscut reflects an integrated plan of work to optimize programmatic objectives by efficiently allocating resources. Through deliberate and enterprise-wide planning and coordination of these research efforts, the crosscutting initiatives will help bolster DOE's efforts to institutionalize enhanced program management and coordination across program offices, while accelerating progress on key national priorities.

The programs and budgets within the three mission areas include over \$1.2 billion in crosscutting R&D across six initiatives focusing on: electricity grid modernization, subsurface technology and engineering, supercritical carbon dioxide technology, energy-water nexus, exascale computing, and cybersecurity. These initiatives are the product of a concerted coordination effort among all three DOE Under Secretariats and program offices across the Department in close collaboration with the National Laboratories.

The FY 2016 Budget continues to build on the five crosscutting initiatives established in FY 2015. The Exascale Computing initiative invests to make progress toward a thousand-fold improvement over current high performance computers. Grid Modernization supports technology development, enhanced security, and stakeholder support to enable evolution to the grid of the future. The Subsurface Engineering initiative invests in new wellbore systems, seismic research, and other areas supporting a wide variety of energy sources. The Supercritical Carbon Dioxide initiative establishes a 10 MWe-scale pilot Supercritical Transformational Electric Power facility aiming to increase the efficiency of power generation, and the Cybersecurity crosscutting initiative strengthens cybersecurity across DOE's federal and laboratory sites, and improves cybersecurity for the nation's electric, oil, and gas sectors.

The FY 2016 Budget also proposes one new crosscutting initiative, the Energy-Water Nexus. This initiative recognizes that the Nation's energy system uses large quantities of water, and the Nation's water system uses large quantities of energy,

and that DOE's coordinated science and technology efforts can contribute to the Nation's transition to more resilient energy-water systems.

Nuclear Security

The FY 2016 Budget Request provides \$12.6 billion for the NNSA, an increase of \$1.2 billion over FY 2015, to carry out our missions for the nuclear deterrent, nuclear nonproliferation programs, and propulsion for the nuclear Navy.

Effective Stewardship of the Nuclear Deterrent

The Request includes \$8.8 billion for Weapons Activities, \$667 million above FY 2015, to maintain a safe and effective nuclear deterrent while continuing to reduce the size of the active stockpile.

In pursuit of this mission, we have recently achieved a number of major accomplishments. We have, first and foremost, had another year of science-based certification of the stockpile as safe, secure, and effective without nuclear testing. It is important to remember the remarkable story that a science research program has enabled the paradigm to shift since nuclear testing ceased to allow us to consistently certify the stockpile as safe and reliable without testing, even as it shrinks.

In the major life extension programs, we have now passed the halfway mark in Life Extension Program (LEP) for the W76-1 warheads for the Navy, and our FY 2016 Budget Request of \$244 million will keep us on track to complete the program in 2019. We have conducted successful first integration testing of the B61-12 LEP for the Air Force on or ahead of schedule, and the Request of \$643 million supports delivery of the First Production Unit in 2020. By the end of FY 2024, completion of the B61-12 LEP will shrink the number of active and inactive weapons, reduce the mass of nuclear material used in these weapons, and allow us to retire the B83, the last U.S. megaton class weapon. Our Request of \$220 million for the W88 ALT 370 supports delivery of the First Production Unit with conventional high explosives refresh by FY 2020.

This Budget supports the Nuclear Weapons Council decision to accelerate a new cruise missile capability, and the selection of the W80 as the warhead for the Air

Force's Long Range Stand-Off system (LRSO). The FY 2016 Budget Request includes \$195 million to accelerate the program by two years, to be completed in 2025, in order to meet military requirements.

We have begun operations in the new Kansas City Responsive Infrastructure Manufacturing and Sourcing (KCRIMS) facility with half the footprint and an improved operating environment compared to the old environment. And at the National Ignition Facility, we have significantly increased the shot rate and achieved impressive advances in experimental results in closer alignment with modeling predictions.

As I mentioned earlier, we have used strategic partnerships with the National Laboratories to rethink some of our challenging projects. As a result of the Red Team review of the Uranium Processing Facility at the Y-12 National Security Complex in Oak Ridge, led by the Director of the Oak Ridge National Laboratory, and a similar review of the Chemistry and Metallurgical Research Replacement Facility (CMRR) capability at Los Alamos National Laboratory, we are developing a disciplined modular approach for both sites that will remove risks early in the process and build to a more rigorous budget and schedule. This rigorous process will be an important and recurring project management theme at the NNSA and across the Department of Energy—in particular, at the Office of Environmental Management.

Controlling and Eliminating Nuclear Materials Worldwide

The FY 2016 Budget Request includes \$1.9 billion for Defense Nuclear Nonproliferation, \$325 million above FY 2015, to continue the critical missions of securing or eliminating nuclear and radiological materials worldwide, countering illicit trafficking of these materials, preventing the proliferation of nuclear weapon technologies and expertise, and ensuring that the U.S. remains ready to respond to high consequence nuclear and radiological incidents at home or abroad, and applying technical and policy solutions to solve nonproliferation and arms control challenges around the world. The Request is a \$75 million, or 4 percent, increase from the comparable FY 2015 enacted level after adjusting for a budget structure change moving counterterrorism efforts from the Weapons Activities appropriation to the Defense Nuclear Nonproliferation appropriation.

We have completed the removal or disposal of a total of 190 kilograms of vulnerable nuclear material, through bilateral agreements, and trilateral agreements with Russia and countries with material of Russian origin. Despite a difficult relationship at the moment, we are continuing to work with Russia to repatriate weapons-usable material to the United States or Russia.

In 2014, we obtained a pledge from Japan at the 2014 Nuclear Security Summit in The Hague to remove and dispose of all highly-enriched uranium and separated plutonium from the Fast Critical Assembly in Japan. We also helped prevent the illicit trafficking of nuclear and radiological materials, technology and expertise by installing 37 fixed and 22 mobile radiation detection systems worldwide.

The FY 2016 Budget Request reorganizes the Defense Nuclear Nonproliferation program into four business lines: Global Material Security; Materials Management and Minimization; Nonproliferation and Arms Control; and Nonproliferation Research and Development. We have also strengthened Counterterrorism and Emergency Response by consolidating these efforts with Nuclear Nonproliferation programs in one account. Together, these reorganizations create a clearer set of business lines for the nonproliferation programs and represent the full continuum of our nonproliferation efforts as we prevent, counter, and respond to global threats.

In FY 2015, the Congress appropriated \$345 million to continue construction of the mixed-oxide (MOX) project at Savannah River. The FY 2016 Budget includes \$345 million, which is the current services projection from the FY 2015 enacted level, while we complete congressionally-directed studies on plutonium disposition costs and alternatives.

Advancing Navy Nuclear Propulsion

The FY 2016 Budget Request includes \$1.4 billion for Naval Reactors, \$142 million above FY 2015, to support the Navy fleet and maintain progress on current efforts to refuel the land-based research and training reactor. The Request increases funding for Naval Reactor's core objective of ensuring the safe and reliable operation of the Nation's nuclear fleet (73 submarines and 10 aircraft carriers), constituting over 40 percent of the Navy's major combatants.

The Naval Reactors programs achieved some significant accomplishments this year. In 2014, we began integrated testing of the lead A1B reactor plant of the next-generation FORD-class aircraft carrier and provided technical resolution support for the nuclear fleet which steamed over 2 million miles.

The FY 2016 Budget provides \$187 million to continue development of the advanced *Ohio*-Class Replacement Reactor, and \$133 million to initiate refueling of the Land-based Prototype reactor. We also provide \$86 million to continue construction of the Spent Fuel Handling Recapitalization Project.

Cleaning up the Cold War Nuclear Weapons Legacy

The FY 2016 Budget Request includes \$5.8 billion for Environmental Management, \$43 million below the FY 2015 enacted level, to position DOE to meet the nation's Manhattan Project and Cold War legacy responsibilities. DOE is responsible for the cleanup of millions of gallons of liquid radioactive waste, thousands of tons of used nuclear fuel and special nuclear material, disposition of large volumes of transuranic and mixed/low-level waste, huge quantities of contaminated soil and water, and deactivation and decommissioning of thousands of excess facilities.

I will discuss in a moment the difficult challenges we face with some of our remaining Environmental Management projects. But I would like to start by pointing out that when the program started, there were 107 sites to be closed, and we have cleaned up all but 16 sites. To be sure, the remaining sites are not the simplest to remediate; however, we started with over 3,000 square miles to remediate, and we're down to only 300 square miles. And so, by some metrics, we have cleaned 90 percent of our total footprint. However, it will be decades before we finish the most difficult remaining sites.

Though we are down to some of the most difficult sites, progress is steady. Last year, we completed demolition of the K-25 facility at Oak Ridge, the largest demolition project DOE has ever undertaken. We have converted 15 million pounds of liquid waste into solid glass at the Defense Waste Processing Facility at Savannah River, enabling closure of six high level waste storage tanks.

We have put forward and are beginning to implement an alternative phased approach to completing the Hanford Waste Treatment Plant (WTP). We have cleaned up 479 square miles of the 586 square mile area at Hanford, including 90 percent of the River Corridor.

Going forward in FY 2016, recovery of the Waste Isolation Pilot Plant in New Mexico is one of our high priorities. The FY 2016 Budget includes \$248 million to implement the WIPP recovery plan, leading to initial resumption of waste emplacement in the first quarter of calendar year 2016. The FY 2016 Budget will also support continued operations of the Integrated Waste Treatment Unit at Idaho and work towards closing the tanks.

With \$1.4 billion for the Office of River Protection, we will move forward on our phased approach to begin vitrifying low activity waste early next decade. The Budget moves forward with construction of the Low Activity Waste (LAW) facility at the Hanford Waste Treatment Plant, including design of a new pretreatment system required for our phased approach. We will also continue technical issue resolution at the site, and we will bring the Plutonium Finishing Plant (PFP) at Hanford, once the highest risk nuclear facility at Hanford, down to slab-on-grade by the end of FY 2016.

Finally, we will continue construction and prepare for commissioning of the Salt Waste Processing Facility at Savannah River, which is on schedule to complete construction by December 2016.

Management and Performance: Improving Efficiency and Effectiveness

Building on the Department's FY 2015 emphasis on management and performance, the FY 2016 Budget moves forward on initiatives that continue to identify and institutionalize improvements across the DOE enterprise.

In the Department's efforts to improve management and performance, we have adopted project management reforms, including strengthening the Energy Systems Acquisition Advisory Board (ESAAB) from an ad hoc process into an institutionalized regular process for situational awareness on project progress and issues, as they arise. ESAAB will be supported directly by a Project Management Risk Committee, which brings together DOE experts for a continuous look at the

risk profile of major projects and issues. We have also taken steps to improve the project peer review process and institutionalize other project management reforms.

We have also continually worked to improve management, increase efficiency, and support diversity on a number of fronts. We have recruited 30 high-level Ambassadors from industry, academia, and nonprofits to increase participation of minorities in energy. We have resolved hiring issues at the Bonneville Power Administration, providing additional Human Resources training and restoring hiring authority. The Department's management and operating contractors have reduced pension plan liability by \$100 million through lump sum buyouts. Our management and operating contractors have also established Health Reimbursement Accounts at 13 sites for their medical-eligible retirees, reducing long term financial statement liability by \$2.8 billion.

Going forward, the Budget includes \$25 million for the Office of the Human Capital Officer to implement a new Human Resources service delivery model to streamline our HR model and eventually consolidate 17 current service centers to five key delivery centers. We will also implement a new Energy Jobs Council to improve calculation of energy jobs data and strengthen technical support for state workforce development programs. We will also continue to strengthen Departmental cybersecurity programs, part of the Cybersecurity crosscutting initiative, through an enterprise-wide cyber council established in 2013 for securing personal data, our nuclear security data, and the privately-owned energy infrastructure.

Advancing the President's Vision: Implementing DOE's Strategic Plan

In conclusion, we have much to do to advance the President's vision and implement DOE's Strategic Plan.

We will continue implementing the President's Climate Action Plan, to reduce emissions at home and around the globe.

We remain committed to our all-of-the-above energy strategy, to encourage innovation, create jobs, enable economic growth, and contribute to domestic manufacturing and net exports.

We must maintain leadership in basic research in the physical sciences—and increasingly in the life sciences, develop the next generation of computation technology, and develop and maintain world-class scientific user facilities.

We will continue to maintain a safe, secure, and effective nuclear weapons stockpile in the absence of testing, and manage the infrastructure needed to meet national security requirements.

We must continue to reduce the global nuclear terrorism threat through measures to identify, control, and eliminate nuclear weapons worldwide.

We will address the legal and moral imperative of cleaning up legacy waste to protect human health and the environment.

We will strengthen DOE and its national missions through cross-cutting initiatives that leverage the science, technology, and engineering capabilities across programs and National Laboratory partners.

And we will continually improve DOE effectiveness and efficiency through project management reform and constant attention to maintaining a safe and secure workplace.

Thank you, and I would be pleased to answer your questions.