

**To:** Dravis, Samantha[dravis.samantha@epa.gov]  
**From:** POLITICO Pro Energy  
**Sent:** Fri 8/25/2017 9:44:12 AM  
**Subject:** Morning Energy: Texas braces for fearsome Hurricane Harvey — Report: Three monuments targeted by Zinke — Four parts of DOE's grid study with legs

By Anthony Adragna | 08/25/2017 05:41 AM EDT

*With help from Annie Snider and Ben Lefebvre*

**HARVEY MESSES WITH TEXAS:** Hurricane Harvey is closing in on the Texas coast, with the bullseye painted right on Corpus Christi. The storm will be the first to hit the Texas coast since the Category 4 Hurricane Ike slammed into Houston in September 2008. Harvey looks likely to reach at least Category 3 by the time it makes landfall early Saturday, according to forecasts. It has already caused BP, Exxon Mobil, Anadarko and other oil companies to evacuate their deepwater rigs. BSEE estimated the shutdowns took 10 percent of the Gulf of Mexico's oil production offline as of mid-day on Thursday, and that number is only likely to be higher when the agency's next bulletin comes out later today. Harvey will also throw a wrench into U.S. oil exports, much of which leaves the country via Corpus.

**Harvey could prove to be the first big test of FEMA's new head,** Brock Long, who won Senate confirmation in June. FEMA set up an Incident Support Base at near Seguin, Texas, complete with supplies, a spokeswoman said, but so far there have been no requests for support.

**Bolstering the case for the Ike Dike?** The petrochemical and refining operations around Galveston and the Houston Ship Channel aren't expected to be at the epicenter of this storm, as of Thursday's forecast, but emergency planners there have been worrying ever since Hurricane Ike inflicted \$29.5 billion in damages and killed 74 people in 2008. Texas politicians and business leaders have been pushing the idea of a massive seawall to protect Galveston and Houston, and in April asked President Donald Trump for \$15 billion for the project. Hurricane Harvey could help them continue to make the case as they fight for federal funding. But environmental groups are wary of the effort, dubbed the "Ike Dike," arguing it could hugely alter the salinity patterns and block key fish species in Galveston Bay, where millions of dollars, including money related to the 2010 Deepwater Horizon oil spill, have been spent on environmental restoration.

**What about New Orleans?** A dozen years after Hurricane Katrina ravaged the city, the Big Easy may not be prepared to handle heavy rains this time around with three of five turbines that power drainage pumps for the low-lying city not working, the New Orleans Advocate reports. In addition, 15 of the city's 120 water pumps are offline as the city braces for between five and 10 inches of rain.

**Reupping:** How bad can it get for Houston? This bad.

**TGIF EVERYBODY!** I'm your host Anthony Adragna, and Parametrix's Dwight Miller correctly identified Tonga as the country that once issued banana-shaped stamps. For today: Who is the oldest still-living former U.S. governor? Send your tips, energy gossip and comments

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**PROGRAMMING NOTE:** [Morning Energy](#) will not publish from Aug. 28-Sept. 4. Our next [Morning Energy](#) newsletter will publish on Sept. 5. Please continue to follow Pro Energy issues [here](#).

**REPORT: THREE MONUMENTS IN BULLS EYE:** Interior Secretary Ryan Zinke didn't make public his report on what to do with 22 national monuments under review, but his recommendations call for shrinking three of the most controversial sites — Bears Ears and Grand Staircase-Escalante monuments in Utah and Cascade-Siskiyou in Oregon, the [Washington Post reports](#), citing "multiple individuals briefed on the decision." Remember a final decision to reduce the size of any of the national monuments will be almost immediately challenged by environmental and conservation groups, as well as sympathetic attorneys general.

**Groups slammed the decision** by the Interior Department not to release the draft report, and the complaints grew louder throughout the day Thursday. "This summary is not transparent and this is not how our government should do business," Sen. [Tom Udall](#) (D-N.M.) said in a statement. "The American people have the right to see his entire report. A proposal to strip protections from public lands should be made public immediately," Sen. [Dianne Feinstein](#) (D-Calif.) added in her own statement. The Center for Biological Diversity announced it had already filed a [FOIA request](#) for the document.

**One monument spared:** A source briefed on Zinke's decision told the [Bangor Daily News](#) the draft recommends keeping the Katahdin Woods and Waters National Monument intact while making "some changes on allowable uses." That goes against the wishes of bombastic Maine Gov. Paul LePage, who urged Congress and the Trump administration to [undo the designation](#).

**READY, STEADY, CAN DOE GO?** It's unclear whether any of the recommendations from Energy Secretary's Rick Perry much-anticipated grid study have legs, but that answer may depend on how much weight the administration throws behind them, Pro's Darius Dixon [reports](#). "If these recommendations, as a suite, are something that the administration really wants to do, someone in the White House is going to have to quarterback that," said Greg Gershuny, who served as chief of staff in DOE's Energy Policy and Systems Analysis office during the Obama administration. "How engaged Perry is and how many times a week he's going to the Hill and talking to other agency heads is going to tell us a lot about how serious they are about this."

**Four issues Darius suggests watching:** Efforts to have FERC "expedite" its work to reformulate how electricity markets pay power generators; research and development dollars toward grid reliability, which the Trump administration's first budget suggested cutting deeply; a push to speed and reduce the cost of "licensing, relicensing, and permitting of grid infrastructure" and calls for EPA to revisit its New Source Review permitting program that requires power plants to tighten emissions controls when they upgrade. **A caution:** Several of those issues have proven to be thorny matters for agencies to address over several administrations.

**API SOUNDS WARNING ON NAFTA:** In [an op-ed](#) published Thursday, the American Petroleum Institute's Jack Gerard urged the Trump administration not to tinker with key energy trade provisions as it worked to negotiate NAFTA. "By maintaining successful provisions on zero tariffs, market access, trade liberalization and strong investment protection, the Trump administration can modernize NAFTA without jeopardizing energy trade flows," he wrote. Among the most-watched provisions, Gerard voiced strong support for preserving the investor-state dispute settlement provision, which he said is "a neutral arbitration system for enforcing these protections, safeguarding American investments."

**ACCESS DENIED:** EPA leadership has adopted a new social media policy that will see employees barred from accessing many popular sites, according to an email from the agency's human resources office obtained by ME. "Due to recent events in the news we are going to start blocking many of the popular social media sites for employees who do not need them for justified, business purposes," it says. Employees must now complete a mandatory survey on their behavior before a default block takes effect.

**MORE GROUPS OPPOSE CLOVIS:** Dozens of environmental and food groups are out this morning with [a letter](#) urging senators to oppose Sam Clovis' nomination to be USDA's chief scientist. "Without competent, science-based leadership, the USDA will be unable to protect our environment and help thousands of farmers and their communities adapt to these worsening burdens," the letter, led by Friends of the Earth and the Health, Environment, Agriculture, Labor Food Alliance, says. The groups argue the nomination of Clovis, who lacks any formal scientific training, also violates the law.

**REPORT: DEMOCRAT BACKS BLM MOVE WEST:** Sen. [Michael Bennet](#) became the latest Colorado politician to back moving three federal agencies — the Bureau of Land Management, the Bureau of Reclamation and the U.S. Fish and Wildlife Service — to the Denver area, according to a report in [Western Wire](#), a project of the Western Energy Alliance. "I think anything we can get out of Washington, D.C. and into Colorado, I'm for," the Democrat said. Republican Sen. [Cory Gardner](#) and Gov. John Hickenlooper are among the other proponents of the move west.

**WHAT A MESS!** Even as he takes pot shots at congressional leadership, President Donald Trump is trying to set up a meeting with Senate Majority Leader [Mitch McConnell](#), House Speaker [Paul Ryan](#), Minority Leader [Chuck Schumer](#) and House Minority Leader [Nancy Pelosi](#) in the near future to stave off a federal default and a government shutdown, POLITICO's Kyle Cheney and Seung Min Kim [report](#). Ryan predicted Thursday that Congress would pass a debt ceiling increase and said there are "a lot of options" about how to structure the legislation. He also said a short-term government funding bill would likely be needed to keep the lights on through December, though there's no guarantee Trump would sign that if it doesn't include border wall funding.

**ZINKE'S STILL ON THE MOVE:** He may be facing heat over his private national monument report, but Zinke travels to the Great Smoky Mountains National Park and the Blue Ridge Parkway today to commemorate the 101st anniversary of the founding of the National Park Service.

**ME's off next week,** but Energy Secretary Rick Perry travels to Astana, Kazakhstan on Aug. 28 for a "Future Energy" expo along with Rep. [Kevin Cramer](#) and Overseas Private Investment Corporation CEO Ray Washburne, among others.

**CALIFORNIA REPUBLICANS OUST LEADER OVER CLIMATE VOTE:** California Assembly Republicans voted unanimously Thursday behind closed doors to oust Chad Mayes as their leader following his vote last month in favor of bipartisan climate change legislation, the Mercury News [reports](#). "The Republican caucus just elected a new Republican leader," Mayes announced on the floor following the 25-member caucus' vote. The new leader of the bloc, farmer Brian Dahle, voted against the extension of the state's cap and trade program.

**MAIL CALL! N.H. LAWMAKERS SEEK UPDATE ON WATER CONTAMINATION:** New Hampshire's two Democratic senators — [Jeanne Shaheen](#) and [Maggie Hassan](#) — and Rep. [Carol Shea-Porter](#) sent [a letter](#) to the Air Force requesting an update on efforts to decontaminate water supplies fouled with perfluorinated chemicals at the former Pease Air Force Base. They sought a public meeting as well as an opportunity for local elected officials to receive an update.

**REPORT: HOW TO GET HYDROPOWER DEPLOYED FASTER:** The R Street Institute released [a report](#) Thursday detailing a series of changes to the hydropower licensing process that it said would speed deployment of the renewable power source. "Congress and the administration should prioritize the reduction of uncertainties and delays in hydropower licensure, which largely stem from duplicative processes, poor dispute resolution and lack of schedule discipline," the report said. Among the top suggestions are making FERC the sole federal decision-maker and studying the possibility of privatizing federally owned dams.

**NO MORE HOLDING ON RENEWABLES:** Green America launched a [new campaign](#) Thursday urging AT&T and Verizon to publicly commit to fuel their operations with 100 percent renewable energy by 2025. "AT&T and Verizon both recognize the urgency of climate change and the need for action, now we need to see that concern translate into commitments to purchase of wind and solar power," Beth Porter, climate campaigns director at Green America, said in a statement. Both companies are currently using less than two percent renewable energy to power their massive servers, according to Green America.

**RECORDS SOUGHT OVER AUTO REVIEW:** The Center for Biological Diversity filed an [open records request](#) Thursday seeking copies of all communications between representatives of the auto industry and EPA and NHTSA over the federal reassessment of vehicle fuel economy standards. "The public deserves to know the truth about whether backroom deals are influencing the agency," Vera Pardee, a senior attorney with the group, said in a statement.

**TROLL SO HARD:** 314 Action, a new group hoping to get scientists elected to public office, [tweeted](#) a picture of several copies of "Environmental Science for Dummies" that they sent to EPA Administrator Scott Pruitt at the agency's headquarters.

**NEW DAY, NEW WEBSITE:** The House Energy and Commerce Committee unveiled a shiny new website Thursday that includes, among other things, an improved search system. Take a

glance [here](#).

## QUICK HITS

— Texas oil industry boasts of near-infinite supply — but what if the world stops buying? [Houston Chronicle](#)

— Billionaire Carl Icahn Has Lost More Money This Year Than Almost Anyone in the World. [Time](#).

— Small mining company seeks to kill Ironwood Monument designation. [Tuscon.com](#).

— Duke pipeline plan delayed over environmental concerns. [Cincinatti.com](#).

— China's Solar Appetite Eats Into India's Effort on Clean Energy. [Bloomberg](#).

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\*Cricket\*

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## Stories from POLITICO Pro

**Perry's grid study: 4 things that may have legs** [Back](#)

By Darius Dixon | 08/24/2017 06:56 PM EDT

The Energy Department's study of the electric grid arrived late Wednesday, but it's not yet clear whether Secretary Rick Perry's efforts to help support nuclear and coal-fired power plants will have legs.

The 187-page [report](#) called for DOE to focus mostly on R&D and coordinating efforts to prepare for disasters, and left the heavy lifting for other agencies, such as FERC, EPA, the National Science Foundation and the Nuclear Regulatory Commission.

Among the recommendations are for FERC to "expedite" its work to reformulate how electricity markets pay power generators, and for EPA to revisit its New Source Review permitting program that requires plants to tighten emissions controls when they upgrade their plants — both issues that have proven difficult for the two agencies.

"If these recommendations, as a suite, are something that the administration really wants to do,

someone in the White House is going to have to quarterback that," said Greg Gershuny, who served as chief of staff in DOE's Energy Policy and Systems Analysis office during the Obama administration and worked on the Quadrennial Energy Review.

"In the next four or five weeks, as Congress gets back, we'll see if these things are going to move," he said. "How engaged Perry is and how many times a week he's going to the Hill and talking to other agency heads is going to tell us a lot about how serious they are about this."

DOE, which did not submit the report for OMB review before its release, is now taking [public comments](#) on the study. Here's a breakdown of the issues.

**Wholesale electricity markets:** The new report calls on FERC to speed its work with states, grid operators and market players to "improve" how power producers are paid in the wholesale markets under the agency's jurisdiction. FERC had been grappling with the issue under its "price formation" initiative over the past three years, rolling out proposals and new rules to try to adapt to the increasing complexity of the electric grid — and to make sure power generators are fairly compensated.

However, grid operator PJM has [argued](#) regulators were thinking too small, and it released a trio of working papers earlier this year highlighting FERC's initiative while quickly noting that "fundamental" price formation issues hadn't been addressed. DOE suggested that FERC consider "fuel-neutral" markets to pay for essential grid reliability services.

So far, FERC seems sympathetic.

Soon after President Donald Trump gave him the gavel this month, FERC Chairman Neil Chatterjee stressed that generators, including coal and nuclear plants, "need to be properly compensated to recognize the value they provide." FERC has broad authority to alter market pricing rules, but that can be a slow process, and can have vastly different impacts in different states and regions — and draw sharp political pushback.

ClearView Energy Partners analysts warned against dismissing opposition to market rules that raise electricity prices on consumers.

"FERC-led initiatives can often create strange bedfellows, strong alliances and more opposition than state-led proposals," a ClearView report issued Thursday said. "We are reluctant to assume this all goes as quickly as the change advocates hope."

DOE's study also argued that "negative offers should be mitigated to the broadest extent possible," a reference to the fact that renewables like wind power can still make money even if power prices go negative because they can rely on a federal production tax credit.

**Grid reliability R&D:** The new report says that DOE should "focus R&D efforts to enhance utility, grid operator, and consumer efforts to enhance system reliability and resilience." That view stands in contrast to the Trump administration's first budget proposal, which suggested cutting DOE's electricity office by 42 percent from current levels, to \$120 million.

Nevertheless, Perry has said he wants his agency to focus on "early-stage" research, with the intention of transitioning that work to the private sector as quickly as possible.

DOE's study says more research should be done on technology that will make it easier for grid operators to integrate increasing amounts of renewable power, facilitate technical coordination with Canada and Mexico, and increase "targeted" R&D to boost the efficiency of coal-fired power plants.

**Infrastructure development:** The new push calls on the federal government to "accelerate and reduce costs for the licensing, relicensing, and permitting of grid infrastructure" — including power plants and transmission — which could easily involve a half-dozen federal agencies.

DOE, the study says, "should review regulatory burdens for siting and permitting for generation and gas and electricity transmission infrastructure and should take actions to accelerate the process and reduce costs."

The Obama administration sought to quicken the electric transmission permitting process in 2013 with a memo to the chiefs at the departments of Agriculture, Commerce, Defense, Energy and Interior, which resulted in a final rule last year. Several members of Congress have also pressed the issue in legislation, including in the 2015 highway bill that included directives to more than a dozen agencies to join a new permitting council tasked with speeding up the federal process for large infrastructure projects.

DOE also recommends that the NRC "ensure the safety of existing and new nuclear facilities without unnecessarily adding to the operating costs and economic uncertainty of nuclear energy" and, without much explanation, "[r]evisit nuclear safety rules under a risk-based approach."

The report doesn't target specific NRC regulations, but does discuss the agency's license renewal process and the expenses associated with equipment upgrades, which may make it a prime target for cost reductions.

**Breaking down barriers for coal power:** The study recommends that policymakers "encourage EPA to allow coal-fired power plants to improve efficiency and reliability without triggering new regulatory approvals and associated costs." That's a reference to the New Source Review permitting program, which was created under the 1977 Clean Air Act amendments to prevent coal plants and other major emitters from making equipment changes or upgrades that would increase their emissions.

Reforming the program has been an industry priority for decades, with companies arguing that power plants have held back on making upgrades that would increase their efficiency because of concerns that they would have to go through the NSR permitting process. A collection of unions earlier this summer, for example, called for NSR reform as part of any replacement rule for the Clean Power Plan.

But multiple Bush administration attempts to weaken permitting requirements show that NSR

reform is much easier said than done. A 2002 rule was partly struck down by the D.C. Circuit Court of Appeals, which said several new exemptions were not allowed under the Clean Air Act. Another 2003 rule introducing another major exemption was completely tossed out by the D.C. Circuit. A third NSR rulemaking, issued in the final days of Bush's presidency, dealt with how sources report emissions changes. Environmentalists sued, and the rule remains under reconsideration at EPA to this day.

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### **Trump takes potshots at GOP leaders as fiscal crisis looms** [Back](#)

By Kyle Cheney and Seung Min Kim | 08/24/2017 03:40 PM EDT

President Donald Trump on Thursday reignited his feud with GOP leaders, taking fresh potshots at Senate Majority Leader Mitch McConnell and House Speaker Paul Ryan. But underneath the bluster, there's a recognition that Congress and the White House still need to work together to avoid fiscal disaster in September.

Trump is working to convene a meeting with McConnell and Ryan as well as Senate Minority Leader Chuck Schumer and House Minority Leader Nancy Pelosi soon after the August recess ends, according to congressional sources. Avoiding a federal default and a government shutdown will likely be chief among the topics of discussion.

It could be an awkward meeting.

Trump blamed McConnell and Ryan in a pair of tweets Thursday for creating a "mess" over the debt ceiling, contending they rejected his call to attach an increase in the nation's borrowing limit to a bipartisan veterans bill.

"I requested that Mitch M & Paul R tie the Debt Ceiling legislation into the popular V.A. Bill (which just passed) for easy approval," Trump wrote Thursday morning. "They didn't do it so now we have a big deal with Dems holding them up (as usual) on Debt Ceiling approval. Could have been so easy-now a mess!"

The tweets underscore the absence of a strategy heading into a delicate month of negotiations that could rock the U.S. economy as well as Trump's refusal to call a truce in the GOP's growing civil war.

The White House had said Wednesday that Trump and McConnell will meet following the August recess to discuss the fall agenda, though it did not mention Democratic leaders. A White House spokesperson didn't immediately respond to a question about a bipartisan meeting, but press secretary Sarah Huckabee Sanders said Trump intends to work closely with congressional leaders on shared policy goals.

Trump's tweet aside, passing a debt limit increase was never going to be easy.

The White House favors a "clean" debt ceiling hike. But conservatives in the House and Senate are loath to back any measure that increases the nation's borrowing authority without corresponding spending cuts and reforms. Connecting a "clean" debt ceiling hike to a veterans bill would have put them in an untenable position of either voting against their fiscal priorities or against the bipartisan VA measure.

Though the notion of tying a debt ceiling increase to the veterans measure was always likely to be doomed, one GOP source said the Senate had been preparing to support it, only to be stymied when House leaders opted to adjourn for the August recess.

Ryan said on CNBC on Thursday that the House had looked at linking the debt ceiling to the VA bill but the deadline came up and "we weren't able to do that then." Recess was also fast approaching, and House GOP leaders didn't want to keep Republicans in town for a toxic vote and then send them home feeling demoralized and angry.

Two House Republican sources also note that leaders in their chamber were worried that some GOP lawmakers would fume at being squeezed into supporting veterans and a debt increase they hated — or voting against those who served the country and sticking to their fiscally conservative principals.

At one point in early August, according to the same sources, the White House suggested the House, which left a week before the Senate, return for a debt ceiling vote. House GOP leaders rejected the idea outright because they knew it would upset their members to return for despised legislation.

Still, Ryan predicted Thursday that Congress would pass a debt ceiling increase and said there are "a lot of options" about how to structure the legislation.

Ryan also said he expects the House to pass bills to keep the government open about a week after Congress returns. But he said the Senate's heavy workload in September — which, unlike the House agenda, includes confirmation of judges, subcabinet officials and ambassadors — will likely require a short-term funding measure to keep the government open until December.

Trump, though, has signaled that he's open to playing hardball for border wall funding, raising the prospect of a shutdown next month if he doesn't sign the short-term funding extension.

Trump is increasingly furious at Senate Republicans for failing to repeal Obamacare and not doing more to curb the Russia investigations. He vented to Sens. Bob Corker (R-Tenn.) and Thom Tillis (R-N.C.) over the phone, is seeking a primary challenger to Sen. Jeff Flake (R-Ariz.) and has expressed frustration at Sen. John McCain (R-Ariz.). He's also drawn criticism from senators for his handling of the violent white supremacist march in Charlottesville, Virginia.

Trump has particularly tangled with McConnell, shouting at him in a phone call earlier this

month, while the Senate majority leader later questioned Trump's political acumen.

After hitting McConnell and Ryan over the debt ceiling, Trump added another broadside in his morning tweetstorm.

"The only problem I have with Mitch McConnell is that, after hearing Repeal & Replace for 7 years, he failed!" Trump tweeted. "That should NEVER have happened!"

Trump's attack on the Republican leaders came just a day after the White House and McConnell's office issued conciliatory statements intended to tamp down talk of a breach and after the two men had not spoken for two weeks. McConnell's statement also listed preventing a government default among his and Trump's shared goals.

And even as Trump showed no inclination to lighten up on his fellow Republicans, GOP lawmakers on Thursday appeared to try to lower the temperature around their squabble with the president.

Asked about Trump's debt-ceiling swipe, Ryan told CNBC, "I don't really take it as going after me." McConnell also praised Trump at a public appearance in Kentucky on Thursday.

Sen. Lindsey Graham (R-S.C.), a frequent Trump critic, said during an interview with conservative radio host Hugh Hewitt that Trump is right to criticize Congress and encouraged lawmakers to take tough votes.

Even Sen. Jeff Flake told Fox News he was "glad" Trump visited Arizona this week to tour the border, despite Trump's repeated attacks on him.

Still, Flake also poked at Trump in a separate interview, with CNN reporting Flake said Trump was "inviting" a 2020 challenger by how he is governing.

*Elana Schor and Rachael Bade contributed to this report.*

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