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FEDERAL ENERGY ADMINISTRATION

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON GOVERNMENT OPERATIONS HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

FIRST SESSION

ON

H.R. 11793

TO REORGANIZE AND CONSOLIDATE CERTAIN FUNCTIONS OF THE FEDERAL GOVERNMENT IN A NEW FEDERAL ENERGY ADMINISTRATION IN ORDER TO PROMOTE MORE EFFICIENT MANAGEMENT OF SUCH FUNCTIONS

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DECEMBER 10 AND 11, 1973

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CONTENTS

	Page
Hearings held on—	
December 10	1
December 11	157
Text of H.R. 11793	3
Statement of—	
Ash, Roy L., Director, Office of Management and Budget; accompanied by Frank Zarb, Assistant Director; and Charles Bingman, Deputy Assistant Director	17
Dunlop, John T., Director, Cost of Living Council; accompanied by James McLane, Deputy Director; and Charles Owens, Head, Energy Division	73, 151
Holifield, Hon. Chet, a Representative in Congress from the State of California, and chairman, Legislation and Military Operations Subcommittee: Opening statement	1
Jones, Roger, formerly with the Bureau of the Budget	97
Nassikas, John N., Chairman, Federal Power Commission; accompanied by Webster Maxson, Executive Director; Drexel Journey, Deputy General Counsel; Daniel Goldstein, Assistant General Counsel; and Emmett Gavin, Assistant to the Chairman	157
Riordan, Francis J., representative, National Association of Regulatory Utility Commissioners; accompanied by Kenneth E. Hardman, deputy assistant general counsel; and David Jewell, treasurer	108
Simon, William E., Deputy Secretary of the Treasury and Administrator of the Federal Energy Office; accompanied by John Sawhill, Deputy Administrator	115
Staats, Elmer B., Comptroller General of the United States, General Accounting Office; accompanied by Henry Eschwege, Director, Resources and Economic Development Division; J. Dexter Peach, Associate Director, Resources and Economic Development Division; and John Moore, Associate General Counsel, Office of General Counsel	171
Sweeney, David A., legislative and political director, International Brotherhood of Teamsters	106
Whitaker, John, Under Secretary, Department of the Interior; accompanied by Bart McGarry, Assistant Director, Office of Energy Conservation; and John Morgan, Acting Director, Bureau of Mines	59
Letters, statements, etc., submitted for the record by—	
Ash, Roy L., Director, Office of Management and Budget:	
Federal Energy Administration organization chart	51
Information regarding employment of the Cost of Living Council in fiscal year 1974	31
Information regarding last time President waived any provision of the oil import quota	46
Casey, William J., Under Secretary of State for Economic Affairs, Department of State, statement	191
Dunlop, John T., Director, Cost of Living Council:	
Chart of oil company profits	76
Phase IV petroleum exceptions summary	153
Phase IV petroleum prenotifications summary	151
Statement	88–96
Summary of phase IV retail gasoline investigations through December 10, 1973	153

Letters, statements, etc.—Continued
Nassikas, John N., Chairman, Federal Power Commission: Page
Letter, dated December 12, 1973, to Representative Fernand St Germain, re Passamaquoddy tidal project and Dickey-Lincoln hydroelectric project 163–164
Letter to Representative Don Fuqua regarding delayed nuclear units and antitrust reviews pursuant to section 105c of the Atomic Energy Act 164–165
Riordan, Francis J., representative, National Association of Regulatory Utility Commissioners, statement 112–114
St Germain, Fernand J., a Representative in Congress from the State of Rhode Island: Article from the New York Times magazine of December 9, 1973, by Brit Hume, entitled "Why Was There a Shortage Before the Shortage?—The Case Against Big Oil" 131–135
Simon, William E., Deputy Secretary of the Treasury and Administrator of the Federal Energy Office:
Energy resource development 150
Information regarding fuel projections 118
Investment banking services for petroleum companies in the last 2 years 147
Relationship of Frank G. Zarb to Hayden-Stone, Inc., and to petroleum interests 147–148
Relationship of Salomon Brothers to petroleum industry 146–147
Shortfall estimate for the first quarter of 1974 148
Trading transactions involving petroleum companies in the last 2 years 147
Treasury proposals that could affect U.S. oil operations abroad 149
Staats, Elmer B., Comptroller General of the United States, General Accounting Office: Excerpts from Senate bill 70 186–187
Whitaker, John, Under Secretary, Department of the Interior: Additional information regarding transfers from Department of Interior to Federal Energy Administration 67–72

APPENDIXES

Appendix 1.—Documents relating to the Federal Energy Office and the proposed Federal Energy Administration 193
Part 1.—Executive Order 11748 193
Part 2.—White House fact sheet, Federal energy organization, December 4, 1973 194
Part 3.—Proposed component offices and missions of the Federal Energy Administration, supplied by the Office of Management and Budget 199
Appendix 2.—Resolutions and correspondence by the National Association of Regulatory Utility Commissioners 210
Part 1.—Resolutions by the National Association of Regulatory Utility Commissioners 210
Part 2.—Letter from the Chairman, FPC to the President, NARUC 220
Part 3.—Amendment to H.R. 11793 proposed by the National Association of Regulatory Utility Commissioners 220
Appendix 3.—Treasury Department proposals for tax change and related memorandum 222
Appendix 4.—Federal Power Commission documents relating to delays in electric plant operations 242

FEDERAL ENERGY ADMINISTRATION

MONDAY, DECEMBER 10, 1973

House of Representatives,
Legislation and Military Operations Subcommittee
of the Committee on Government Operations,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m. in room 2154, Rayburn House Office Building, Hon. Chet Holifield (chairman of the subcommittee) presiding.

Present: Representatives Chet Holifield, Benjamin S. Rosenthal, Jim Wright, Fernand J. St Germain, Don Fuqua, William S. Moorhead, Torbert H. Macdonald, Frank Horton, Clarence J. Brown, and Richard W. Mallary.

Also present: Herbert Roback, staff director; Charles Goodwin, counsel; Michael McGinn, defense analyst; Elmer Henderson, general counsel; Miles Romney, counsel-administrator; Warren Buhler, minority professional staff, Committee on Government Operations.

Chairman Holifield. The committee will be in order.

OPENING STATEMENT OF CHAIRMAN CHET HOLIFIELD

Today, the Subcommittee on Legislation and Military Operations will take testimony on H.R. 11793, a bill to establish a Federal Energy Administration. The hearings will continue in afternoon and evening sessions, at 2 p.m. and 7 p.m., so that we can complete them today.

We are working against time to report out this bill, which is essential to provide an administrative mechanism for the emergency conservation measures and related emergency actions which will be authorized under separate legislation, soon to be enacted by the Congress.

To keep in perspective our committee and subcommittee activities of recent days, the energy crisis requires that two types of organizations be established.

First, an agency to deal with the immediate pressing problems in insuring fair and equitable distribution of scarce energy supplies, and taking such other measures as are necessary to step up energy production and conservation. H.R. 11793, which is before us today, would create that agency.

Second, an agency to develop and direct the research and development programs which will tap new energy sources and enable the United States to become self-sufficient in energy. Such an agency is provided in H.R. 11510, which the committee approved on Wednesday, December 5, 1973. We are trying to get both bills cleared for House action as soon as possible.

Events are moving quickly, and this committee is working very hard to provide, by law, the basic organizations needed to deal with the energy crisis.

Our first witness today will be the Honorable Roy L. Ash, Director of the Office of Management and Budget.

Before we hear the witness, I yield to my colleague, Mr. Horton.

Mr. HORTON. Thank you, Mr. Chairman.

We now have an energy crisis far worse than any of us expected; largely because of the Arab boycott and the October Mideast war. Because this affects every aspect of our lives, especially our economy, it is important that appropriate emergency legislation be enacted as quickly as possible.

Mr. Chairman, I think the people should know that the Congress and the administration have been working night and day and weekends putting together the necessary organizations and policies to meet this crisis. The results of these efforts may not lead to perfect solutions, but at least we will give ourselves a better chance of avoiding disaster.

Today's hearings focus on legislation to create the management organization for this emergency, the Federal Energy Administration. Back in 1971, this committee began its review of legislation introduced by the chairman and myself which would reorganize Federal programs in the energy area.

As a result of these hearings in the last Congress and earlier in this Congress, we were able to identify the opportunities for improving the organization of Federal energy programs. As a matter of fact, earlier this year we introduced the natural resources proposal, and that was the subject of hearings during the summer months.

I hope we will be able to move forward quickly on this particular bill, H.R. 11793, realizing that a still broader reorganization of our natural resources programs will be necessary in the near future.

Mr. Chairman, last week our committee reported out the Energy Research and Development Administration bill. Very soon I hope we will be able to report out this bill with such changes as the committee feels necessary. We need this legislation along with the National Energy Emergency bill if we are to avoid an energy disaster.

Chairman HOLIFIELD. Mr. Ash, the committee will be glad to hear from you on this matter.

[The bill, H.R. 11793, follows:]

93D CONGRESS
1ST SESSION

H. R. 11793

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 5, 1973

Mr. HOLIFIELD (for himself and Mr. HORTON) introduced the following bill; which was referred to the Committee on Government Operations

A BILL

To reorganize and consolidate certain functions of the Federal Government in a new Federal Energy Administration in order to promote more efficient management of such functions.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Federal Energy Admin-
4 istration Act".

5 ESTABLISHMENT OF FEDERAL ENERGY ADMINISTRATION

6 SEC. 2. (a) There is hereby established an independ-
7 ent executive agency to be known as the Federal Energy
8 Administration (hereinafter referred to as the "Administra-
9 tion"). The Administration shall be headed by an Adminis-

1 trator and Deputy Administrator each of whom shall be ap-
2 pointed by the President by and with the advice and consent
3 of the Senate.

4 (b) (1) The functions and powers of the Administra-
5 tion shall be vested in and exercised by the Administrator.

6 (2) The Administrator may from time to time, and to
7 the extent permitted by law, delegate such of his functions
8 as he deems appropriate.

9 (c) The Administration is authorized to have six As-
10 sistant Administrators and three Assistants to the Adminis-
11 trator, each of whom shall be appointed by the Adminis-
12 trator.

13 (d) The Administration shall have a General Counsel,
14 appointed by the Administrator. The General Counsel shall
15 be the chief legal officer of the Administration.

16 (e) The Assistant Administrators, the General Counsel,
17 and the Assistants to the Administrator shall perform such
18 functions and duties as the Administrator may prescribe.

19 (f) The Administrator shall designate the order in
20 which the Deputy Administrator and other officials shall act
21 for and perform the functions of the Administrator during his
22 absence or disability or in the event of a vacancy in his
23 office.

24 FUNCTIONS OF THE FEDERAL ENERGY ADMINISTRATION

25 SEC. 3. (a) The Federal Energy Administration shall
26 be responsible for assuring that adequate provision is made to

1 meet the energy needs of the Nation for the foreseeable
2 future. To that end, the Administration shall plan, direct,
3 and conduct programs related to the production, conserva-
4 tion, use, control, distribution, and allocation of all forms of
5 energy.

6 (b) The Administrator of the Federal Energy Admin-
7 istration shall be the President's adviser with respect to the
8 establishment and integration of domestic and foreign poli-
9 cies relating to energy matters.

10 TRANSFERS

11 SEC. 4. (a) There are hereby transferred to and vested
12 in the Administrator all functions of the Secretary of the In-
13 terior, the Department of the Interior, and officers and com-
14 ponents of that department:

15 (1) as relate to or are utilized by the Office of
16 Petroleum Allocation;

17 (2) as relate to or are utilized by the Office of
18 Energy Conservation;

19 (3) as relate to or are utilized by the Office of
20 Energy Data and Analysis; and

21 (4) as relate to or are utilized by the Office of Oil
22 and Gas.

23 (b) There are hereby transferred to and vested in the
24 Administrator all functions of the Chairman of the Cost of
25 Living Council, the Executive Director of the Cost of Living

1 Council, and the Cost of Living Council, and officers and
2 components thereof as relate to or are utilized by the Energy
3 Division of the Cost of Living Council.

4 ADMINISTRATIVE PROVISIONS

5 SEC. 5. The Administrator of the Federal Energy Ad-
6 ministration may—

7 (1) appoint, employ, and fix the compensation of
8 such officers and employees, including attorneys, as are
9 necessary to perform the functions vested in him and
10 prescribe their authority and duties; except that fifty-five
11 officers and employees may, under this provision, be
12 compensated at rates not in excess of the rate prescribed
13 for GS–18 under section 5332 of title 5 of the United
14 States Code, and that of such fifty-five officers and em-
15 ployees, fifteen may, under this provision, be appointed
16 without regard to the provisions of title 5 of the United
17 States Code governing appointments in the competitive
18 service;

19 (2) employ experts, expert witnesses, and consult-
20 ants in accordance with section 3109 of title 5 of the
21 United States Code, and compensate such persons at
22 rates not in excess of the maximum daily rate prescribed
23 for GS–18 under section 5332 of title 5 of the United
24 States Code for persons in Government service employed
25 intermittently;

1 (3) appoint advisory committees composed of such
2 private citizens or officials of Federal, State, and local
3 governments as he deems desirable to advise him, and
4 compensate such persons other than those employed by
5 the Federal Government at rates not in excess of the
6 maximum daily rate prescribed for GS–18 under section
7 5332 of title 5 of the United States Code for each day
8 they are engaged in the actual performance of their
9 duties (including traveltime) as members of a commit-
10 tee and pay such persons travel expenses and per diem
11 in lieu of subsistence at rates authorized by section 5703
12 of title 5 of the United States Code for persons in Gov-
13 ernment service employed intermittently;
14 (4) promulgate such rules, regulations, and proce-
15 dures as may be necessary to carry out the functions
16 vested in him;
17 (5) utilize, with their consent, the services, per-
18 sonnel, equipment, and facilities of Federal, State, re-
19 gional, local, and private agencies and instrumentalities,
20 with or without reimbursement therefor, and transfer
21 funds made available pursuant to this Act to Federal,
22 State, regional, local, and private agencies and instru-
23 mentalities as reimbursement for utilization of such serv-
24 ices, personnel, equipment, and facilities;
25 (6) accept voluntary and uncompensated services,

1 except where such services involve administrative pro-
2 ceedings, investigations, or enforcement powers notwith-
3 standing the provisions of section 3679 of the Revised
4 Statutes;

5 (7) adopt an official seal, which shall be judicially
6 noticed, and the provisions of section 709 of title 18
7 of the United States Code shall apply to the use of the
8 seal, after its adoption and publication in the Federal
9 Register, except as provided by regulations prescribed
10 by the Administrator;

11 (8) accept unconditional gifts or donations of
12 money or property, real, personal, or mixed, tangible
13 or intangible;

14 (9) subject to appropriation Acts, enter into and
15 perform contracts, leases, cooperative agreements, or
16 other transactions with any public agency or instru-
17 mentality or with any person, firm, association, corpo-
18 ration, or institution; and

19 (10) perform such other activities as may be neces-
20 sary for the effective fulfillment of his duties and func-
21 tions.

22 COMPENSATION

23 SEC. 6. (a) Section 5313 of title 5 of the United States
24 Code is amended by adding at the end thereof the following
25 new paragraph:

1 "(2) Administrator of the Federal Energy Admin-
2 istration.".
3 (b) Section 5314 of title 5 of the United States Code
4 is amended by adding at the end thereof the following new
5 paragraph:
6 "(62) Deputy Administrator of the Federal Energy
7 Administration.".
8 (c) Section 5315 of title 5 of the United States Code
9 is amended by adding at the end thereof the following new
10 paragraph:
11 "(99) Assistant Administrators, Federal Energy
12 Administration (6).
13 "(100) General Counsel, Federal Energy Admin-
14 istration.".
15 (d) Section 5316 of title 5 of the United States Code
16 is amended by adding at the end thereof the following new
17 paragraph:
18 "(132) Assistant to the Administrator, Federal
19 Energy Administration (3).".
20 (e) In the event that any individual at the time of
21 entering upon any one of the positions described in subsec-
22 tions (a) through (c) of this section then holds another
23 position in the executive branch, he may continue to hold
24 such original position but shall be entitled, for as long as he
25 holds both positions, to receive the pay for only one such

1 position: *Provided,* That he shall be entitled to receive the
2 greater pay if different rates of pay are prescribed for the
3 two positions.

4 (f) Appointments to the positions described in sub-
5 sections (c) and (d) of this section may be made without
6 regard to the provisions of title 5 of the United States
7 Code governing appointments in the competitive service.

8 TRANSITIONAL AND SAVING PROVISIONS

9 SEC. 7. (a) All orders, determinations, rules, regula-
10 tions, permits, contracts, certificates, licenses, and
11 privileges—

12 (1) which have been issued, made, granted, or
13 allowed to become effective by the President, any Fed-
14 eral department or agency or official thereof, or by a
15 court of competent jurisdiction, in the performance of
16 functions which are transferred under this Act, and

17 (2) which are in effect at the time this Act takes
18 effect,

19 shall continue in effect according to their terms until
20 modified, terminated, superseded, set aside, or revoked by
21 the President, the Administrator, or other authorized offi-
22 cials, a court of competent jurisdiction, or by operation of
23 law.

24 (b) The provisions of this Act shall not affect any
25 proceeding pending, at the time this section takes effect,

1 before any department or agency (or component thereof)
2 regarding functions which are transferred by this Act; but
3 such proceedings, to the extent that they relate to functions
4 so transferred, shall be continued. Orders shall be issued in
5 such proceedings, appeals shall be taken therefrom and
6 payments shall be made pursuant to such orders, as if this
7 Act had not been enacted; and orders issued in any such
8 proceedings shall continue in effect until modified, termi-
9 nated, superseded, or revoked by a duly authorized official,
10 by a court of competent jurisdiction, or by operation of law.
11 Nothing in this subsection shall be deemed to prohibit the
12 discontinuance or modification of any such proceeding under
13 the same terms and conditions and to the same extent that
14 such proceeding could have been discontinued if this Act
15 had not been enacted.

16 (c) Except as provided in subsection (e)—

17 (1) the provisions of this Act shall not affect suits
18 commenced prior to the date this Act takes effect, and

19 (2) in all such suits proceedings shall be had, ap-
20 peals taken, and judgments rendered, in the same manner
21 and effect as if this Act has not been enacted.

22 (d) No suit, action, or other proceeding commenced
23 by or against any officer in his official capacity as an officer
24 of any department or agency, functions of which are trans-
25 ferred by this Act, shall abate by reason of the enactment

1 of this Act. No cause of action by or against any department
2 or agency, functions of which are transferred by this Act,
3 or by or against any officer thereof in his official capacity
4 shall abate by reason of the enactment of this Act. Causes
5 of actions, suits, actions, or other proceedings may be as-
6 serted by or against the United States or such official as
7 may be appropriate and, in any litigation pending when this
8 section takes effect, the court may at any time, on its own
9 motion or that of any party, enter any order which will give
10 effect to the provisions of this section.

11 (e) If, before the date on which this Act takes effect,
12 any department or agency, or officer thereof in his official
13 capacity, is a party to a suit, and under this Act any function
14 of such department, agency, or officer is transferred to the
15 Administrator, or any other official, then such suit shall be
16 continued as if this Act had not been enacted, with the
17 Administrator, or other official as the case may be, sub-
18 stituted.

19 (f) Final orders and actions of any official or compo-
20 nent in the performance of functions transferred by this Act
21 shall be subject to judicial review to the same extent and
22 in the same manner as if such orders or actions had been
23 made or taken by the officer, department, agency, or instru-
24 mentality in the performance of such functions immediately
25 preceding the effective date of this Act. Any statutory require-

1 ments relating to notices, hearings, action upon the record,
2 or administrative review that apply to any function trans-
3 ferred by this Act shall apply to the performance of those
4 functions by the Administrator, or any officer or component.
5 (g) With respect to any function transferred by this
6 Act and performed after the effective date of this Act, ref-
7 erence in any other law to any department or agency, or
8 any officer or office, the functions of which are so transferred,
9 shall be deemed to refer to the Administrator or other offi-
10 cials in which this Act vests such functions.
11 (h) Nothing contained in this Act shall be construed
12 to limit, curtail, abolish, or terminate any function of the
13 President which he had immediately before the effective
14 date of this Act; or to limit, curtail, abolish, or terminate
15 his authority to perform such function; or to limit, curtail,
16 abolish, or terminate his authority to delegate, redelegate,
17 or terminate any delegation of functions.
18 (i) Any reference in this Act to any provision of law
19 shall be deemed to include, as appropriate, references there-
20 to as now or hereafter amended or supplemented.
21 (j) Except as may be otherwise expressly provided in
22 this Act, all functions conferred by this Act shall be in addi-
23 tion to and not in substitution for functions existing imme-
24 diately before the effective date of this Act and transferred
25 by this Act.

26-725 O - 74 - 2

1 (k) The provisions of this section shall apply to func-
2 tions transferred to the Administration pursuant to section
3 4 (c) of this Act, except that reference in this section to
4 the effective date of this Act shall be deemed to be references
5 to the date of the transfer of the functions involved.

6 INCIDENTAL TRANSFERS

7 SEC. 8. The Director of the Office of Management and
8 Budget is authorized to make such additional incidental
9 dispositions of personnel, personnel positions, assets, liabili-
10 ties, contracts, property, records, and unexpended balances
11 of appropriations, authorizations, allocations, and other funds
12 held, used, arising from, available to or to be made avail-
13 able in connection with functions transferred by this Act,
14 as he may deem necessary or appropriate to accomplish
15 the intent and purpose of this Act.

16 DEFINITIONS

17 SEC. 9. As used in this Act—
18 (1) any reference to "function" or "functions" shall
19 be deemed to include references to duty, obligation,
20 power, authority, responsibility, right, privilege, and
21 activity, or the plural thereof, as the case may be; and
22 (2) any reference to "perform" or "performance",
23 when used in relation to functions, shall be deemed to
24 include the exercise of power, authority, rights, and
25 privileges.

1 EFFECTIVE DATE AND INTERIM APPOINTMENT

2 SEC. 10. (a) Any of the officers provided for in sec-
3 tion 2 of this Act may be nominated and appointed, as pro-
4 vided in that section at any time after the date of enactment
5 of this Act. Funds available to any department or agency
6 (or any official or component thereof), any functions of
7 which are transferred to the Administrator by this Act, may,
8 with the approval of the President, be used to pay the com-
9 pensation and expenses of any officer appointed pursuant
10 to this subsection until such time as funds for that purpose
11 are otherwise available.

12 (b) In the event that any officer required by this Act
13 to be appointed by and with the advice and consent of the
14 Senate shall not have entered upon office on the effective
15 date of this Act, the President may designate any officer,
16 whose appointment was required to be made by and with
17 the advice and consent of the Senate and who was such an
18 officer immediately prior to the effective date of this Act,
19 or any officer who was performing essentially the same func-
20 tions immediately prior to the effective date of this Act, to
21 act in such office until the office is filled as provided in this
22 Act. While so acting, such persons shall receive compensa-
23 tion at the rates provided by this Act for the respective
24 offices in which they act.

1 APPROPRIATIONS

2 SEC. 11. There are hereby authorized to be appropriated
3 such sums as may be necessary to carry out the purposes
4 of this Act.

5 EFFECTIVE DATE

6 SEC. 12. This Act shall be effective on such date as
7 the President shall prescribe and publish in the Federal
8 Register, and shall terminate two years after such effec-
9 tive date.

STATEMENT OF ROY L. ASH, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET; ACCOMPANIED BY FRANK ZARB, ASSISTANT DIRECTOR; AND CHARLES BINGMAN, DEPUTY ASSISTANT DIRECTOR

Mr. ASH. Thank you, Mr. Chairman, members of the subcommittee.

First, I would like to introduce my associates who will help answer any questions that you may have; Mr. Frank Zarb, Assistant Director of OMB and Mr. Chuck Bingman, Deputy Assistant Director. Together, they have been working extensively on this subject matter, and we will be prepared to answer any questions you may have.

I am most pleased to be here as the committee opens hearings on H.R. 11793—a bill that would create a new Federal Energy Administration, that we are referring to as FEA, to provide an urgently needed management capability for dealing with the energy crisis.

As you know, it was hardly more than a week ago that I and other administration witnesses appeared before this committee to urge the prompt creation of the Energy Research and Development Administration. Now with the proposal for a new Federal Energy Administration, we are urging the prompt establishment of the other major organization to help resolve the Nation's critical energy problems.

These fast breaking events are a result of greatly accelerated efforts both in the Congress and in the executive branch. They reflect a growing recognition that the energy crisis is indeed serious, that it will not be resolved easily nor quickly, and that Federal resources must be marshaled and organized in the best way possible to help the Nation through its present difficulties and to avoid new ones.

PRESIDENTIAL ACTIONS

Toward that end, the President requested on December 4, 1973, that the Congress establish a new Federal Energy Administration in order to consolidate energy resource management programs and to provide the basis for rapid expansion of activities to deal with the energy emergency.

Also on December 4, the President created by Executive order a Federal Energy Office to take immediate actions under existing authority for creating the framework of the proposed statutory agency and to take other currently authorized actions to improve the management and coordination of Federal energy resource activities.

As you know, the President has named William E. Simon to head the new Office, and John C. Sawhill as Deputy Administrator. These officials have already begun working with the heads of units that would be transferred to FEA by H.R. 11793. Mr. Simon will be present later to provide further information on the purpose and goals of the proposed energy agency. When FEA is enacted, FEO's operating functions will be absorbed by FEA.

NEED FOR CENTRAL AGENCY

Mr. Chairman, the fundamental and urgent need at this time is for unified leadership and strong management over the many Federal activities aimed at easing the national energy shortage. This is essen-

tial for providing the tools necessary for the Federal Government to cope with the energy situation on a more comprehensive and cohesive basis than is now possible.

Moreover, we recognize that other legislation now before the Congress anticipates placing major new energy emergency responsibilities in the President and agencies of the Government. Therefore, a central statutory agency will be all the more necessary for orchestrating Federal energy actions throughout the executive branch.

The new agency is proposed to be built around a nucleus of several programs now located in the Department of the Interior and the Cost of Living Council. From Interior would come the functions now assigned to the Offices of Petroleum Allocation, Energy Conservation, Energy Data and Analysis, and Oil and Gas. Similarly, the FEA would also receive the functions now performed by the Energy Division of the Cost of Living Council. These programs will provide the initial resources and proven expertise necessary for taking immediate action to alleviate the effects of the energy crisis.

Estimates of the resources involved in these programs are about $39 million and 1,430 employees. We are already seeking a supplemental appropriation from the Congress of $9.36 million which would allow us to increase the FEA staff to about 2,500 by the end of fiscal year 1974.

Later, FEA will be provided with additional special expertise and resources as its programs and activities are expanded to permit the full implementation of its statutory mandate. The extent of this further buildup will be uncertain until the additional energy emergency legislation now in Congress is finally worked out.

FEA ADMINISTRATIVE ORGANIZATION

Under the President's proposal, the FEA will be headed by an Administrator and Deputy Administrator, both appointed by the President and confirmed by the Senate. These officials would be assisted by a strong management team consisting of six Assistant Administrators, and a General Counsel.

FEA's line programs will be carried out by the Assistant Administrators in the following areas: policy, planning, and regulation; operations and compliance; economic data and analysis; international policy and programs; energy conservation and environment; and energy resource development.

The Assistant Administrator for Policy, Planning, and Regulation will develop broad strategies for dealing with overall shortages, analyze various options for dealing with specific product shortages including allocation, surcharges, a rationing program if one should prove necessary, and other operating programs. In addition, he must develop the overall policy and planning for the Nation which will enable us to get on top of the energy problem for the future.

The Assistant Administrator for Operations and Compliance will administer petroleum and gas distribution and consumption programs. He will administer at the Federal level all allocation and rationing programs, insuring; (1) A fair and equitable distribution of fuel in accordance with published procedures; and (2) that adequate supplies of fuel are made available to meet high priority, es-

sential needs. The office will also be charged with maintaining strong State and local ties as they relate to both planning for, and operation of, these programs, and will be the central action office to respond to calls for assistance from the public and industry adversely affected by the fuel shortages.

The Assistant Administrator for Economic Data and Analysis will be responsible for collecting and analyzing information with respect to energy resources, production, distribution, and demand with respect to all forms of energy. In addition, the Office will analyze the impact of energy actions on the economy, including the secondary consequences of Government actions. This Office will have primary responsibility throughout the Federal Government for the collection, analysis, and publication of energy data.

The Assistant Administrator for International Policy and Programs will focus on all international and national security factors that are specifically energy oriented. The Office would monitor and manage international programs for the Director, including mandatory oil import program and energy export regulation, coordinate with Departments of State, Defense, and other Government agencies on policy matters, develop policy and advise the Director on international and national security issues.

The Assistant Administrator for Energy Conservation and the Environment will be responsible for actions to reduce the demand for scarce fuels, promote efficiencies in the use and development of energy resources, coordinate Federal, State, and local energy conservation programs, identify needs for research and development into methods of improving the efficiency of use, develop a broad public awareness program of the need for energy conservation, and analyze environmental implications of energy initiatives.

The Assistant Administrator for Energy Resources Development will be responsible for facilitating implementation of the President's program to develop the capability for national self-sufficiency in energy supplies and to insure that this goal is met with adequate protection for the environment. This is the main thrust of what the President called Project Independence in his energy message of November 7, 1973.

FEA will also have the necessary staff offices for such activities as policy analysis, congressional relations, and public affairs. In addition, FEA will seek to develop close ties to various key groups in our socioeconomic system by creating and supporting advisory groups in such areas as consumer affairs, environment, labor, business, and agriculture.

The foregoing description of FEA reflects the way in which the administration would prefer to see FEA organized and operated. It does not preclude adjustments that time and experience may later prove necessary, and the bill is cast with sufficient flexibility to permit later modifications by the FEA Administrator.

ROLES OF ENERGY AGENCIES

Let me also take this opportunity to clarify the respective roles of FEA, ERDA, NEC, and DENR—all of which are energy-related agencies currently proposed by the President for establishment by the Congress.

FEA will be an operations-oriented agency reporting directly to the President and concerned with immediate actions to manage the Nation's energy resources in the best and most equitable manner possible.

The Energy Research and Development Administration, ERDA, will be a technology-oriented agency reporting directly to the President and will be centrally responsible for conducting an accelerated and expanded energy R. & D. program for all sources and utilization of energy in order to make available adequate amounts of clean energy at competitive costs in the years to come.

I want to emphasize that creation of both FEA and ERDA should cause no confusion because the respective responsibilities of the two agencies are entirely different. FEA concentrates on the immediate planning and operational needs of minimizing the adverse impact of the fuel shortage, increasing our energy supplies and reducing our energy demands. ERDA deals with the research and development dimension where technology can yield new solutions to creating and using energy.

When ERDA is created, it will initially be based largely on the R. & D. and production functions and resources of the AEC, leaving in the AEC only the licensing, regulation, and related safety and environmental activities of the Commission. These will continue to be carried out under the renamed Nuclear Energy Commission—a title more accurately describing the nature of the agency's work.

The President is urging the creation of FEA and ERDA/NEC during this session of Congress.

The Department of Energy and Natural Resources, DENR, will be a Cabinet-level department concerned with the improved management of our natural resources, including the energy-related activities that will be administered by the FEA. It is proposed that FEA be transferred to DENR when that department is established, and when we are sure that FEA is no longer needed as a separate functioning agency with its direct Presidential reporting relationship.

I must also emphasize that FEA cannot exercise policy direction over other Federal agencies, except to the extent this is provided by the special powers vested in the President or provided by the new emergency powers which the Congress is enacting.

FEA URGENTLY NEEDED

In summary, Mr. Chairman, the Federal Government now lacks a crucial element in its total capabilty for grappling immediately with the national energy problem. The Federal Energy Administration is the best answer to filling that gap. It is urgently needed now to cope with the immediate emergency situation, to manage the many operational programs which are going to be needed, and to provide the President and Congress with the planning and policy recommendations which will enable us to get ahead of the problem and make our enormous energy resources once more the servants of our needs.

As the President noted in his address to the Nation and message to the Congress on November 7, 1973, the successes of the Manhattan and Apollo projects did not just "happen." We organized and marshaled our resources in the best manner possible to achieve those goals. This is exactly what is needed now, and while good organization is not suffi-

cient by itself, it is absolutely essential for prompt and productive results in getting the Nation through its energy problems.

On behalf of the President, Mr. Chairman, I again wish to thank you personally and the members and staff of this committee for the swift and expert manner in which you are addressing these issues. We in the executive branch pledge every assistance and cooperation in these critically important and urgent endeavors.

Thank you, Mr. Chairman.

Chairman HOLIFIELD. Thank you, Mr. Ash, for your testimony.

Mr. Horton.

Mr. HORTON. Mr. Chairman, thank you.

Thank you, Mr. Ash, for your testimony, and for outlining the purpose of this bill.

How important is FEA?

Mr. ASH. We believe that FEA is very important at this time. There is no secret that we have a major crisis to be dealt with. We must marshal the resources of the Federal Government as soon as possible, as effectively as possible. We regard it as a very important matter before the Congress.

FEA AND ERDA

Mr. HORTON. I was interested in your comments with regard to ERDA, FEA, NEC, and DENR. I would like to have you elaborate a little bit on these various organizations. ERDA, as you have indicated, is a research and development administration; it would be an independent agency.

What communication would it have, what line of authority would it have, what direction would it receive from this Federal Energy Administration, if any?

Mr. ASH. First, I would like to say, Mr. Horton, that both of these agencies report directly to the President and separately to the President; that the President himself is taking a high personal interest and spending considerable of his time working on the energy matters; and therefore, will be giving direct guidance and providing direct leadership to them both. But that is still not enough.

While neither of these agencies has a superior authority over the other, it nevertheless is essential, given their respective tasks, that they work closely together; because certainly some of our short-term problems can benefit by ERDA's technology and by understanding the technological implications of early actions. And ERDA would have that kind of expertise.

Similarly, ERDA, in doing its own work, must be mindful of the FEA short-term activities, because those in many ways provide some of the initial thrust toward longer range answers. We now feel that for a short-term objective we must move to a greater use of our coal resources; at the same time ERDA must give equal attention to the technology necessary to use those coal resources with minimum adverse effects on the environment.

So I think in summary I would say that while both of these organizations independently report to the President, and will take their direction and guidance from the President, they must nevertheless work laterally quite closely together because of the very nature of their functions and the need for each to support the efforts and activities of the other.

TWO-YEAR TENURE OF FEA

Mr. HORTON. You have asked in this legislation that the FEA exist for only 2 years. Why is that?

Mr. ASH. It is our belief at this time that the emergency we have, and particularly the dimension that today characterizes that emergency, is one that hopefully will be reduced over time, and particularly that the DENR organization will come into being between now and then. With those two factors going on simultaneously, we should develop a greater ability to deal with our problems as we move into future years and into the succeeding DENR organization. Therefore, we believe that FEA should be given a limited and finite life.

This is an emergency. We should react to it as an emergency and at the same time look to the day when we have successfully met that emergency and then can deal with the remaining issues and problems in the more comprehensive organization of DENR—or an agency that we hope then would exist.

Mr. HORTON. I am interested in getting your view as to the order of priorities among FEA, ERDA, and also the Department of Energy and Natural Resources.

Which has the highest priority?

Mr. ASH. I think in terms of priorities we would consider FEA and ERDA about running neck and neck in terms of relative importance. While it is true that FEA will deal with issues of this month and next month and next year, and therefore must have a high priority, ERDA also has a high priority.

The results of research and development may not be available to us so soon, but we must start soon so that it can pick up the role of solving our energy problems through technology.

We consider those two running pretty much neck and neck in terms of immediate priority.

Mr. HORTON. Well, to be very succinct, what the administration is asking for is the enactment of the ERDA bill and the FEA bill before this session of Congress concludes.

Mr. ASH. We do, Mr. Horton. We believe it is important, very important, that that be the case. We have a major challenge. We are convinced that together we can all respond to it, and those two bills will take us a long way. In addition, of course, the Emergency Energy Act, which is even now being considered, will round those out so that all together we can get on top of this problem, even during this month of December.

DENR STILL FAVORED

Mr. HORTON. There have been some questions asked of me and others about the administration's support of the DENR bill. Do you still place a high priority on DENR?

Mr. ASH. We do. We would find quite acceptable, though, consideration of that proposal next month rather than this month. But we believe DENR is such a fundamental requirement for the structure of the Government for the longer run, that it also has a high priority, but we realize that there are limitations to what each of us can do today and tomorrow and this week. And we would certainly recommend that that be given very important attention when the Congress reconvenes early next year; but we would understand that with so much to do, the other two would precede it in attention.

Mr. HORTON. But your desire that DENR be enacted has not been dissipated in any way?

Mr. ASH. Not only not diminished, but I think we are beginning to see the even greater need to have a DENR for the long run, and would hope that in the considerations that will be given to that, the actions we are taking even now further point out the need for a DENR.

We do have a long-term need in this country to give important attention to, not only energy resources, but all of our natural resources. When we look at the energy shortage at this time, I think we should all keep in mind that if we do not give similar attention to other resources, we may find that 2 or 3 or 5 years from now, some other resource may be a similarly limiting factor on our society and our economic growth.

So I think we have here the best example of the need to get on with DENR as well.

Mr. HORTON. To express it in another way, we have had before us the DENR proposals that the administration submitted. The chairman and I introduced the bill. We have had witnesses testify on the proposed DENR. But then with the advent of the energy crisis, the President asked that we move forward with ERDA. We had the nucleus of that in earlier legislation, and much work had been done to set up that organization.

So, while we have moved very quickly, I think we have been very deliberative in our method of handling it as far as our committee has been concerned. As you know, the ERDA bill has been reported out unanimously from this committee, and the chairman and I go before the Rules Committee tomorrow to ask for a rule so that we can take it up on the floor this week.

On the FEA, we have not had as much time to do the exploration that is necessary. But I think that what you are saying is that we need this policy and operating FEA organization on an emergency basis. You are asking only for a 2-year life for this agency, and ultimately you hope it would fold into the Department of Energy and Natural Resources. So what you are asking for now is an emergency step that is important in order to resolve the immediate problems in this energy field.

Mr. ASH. That is exactly right, Mr. Horton. And we certainly do appreciate, and we all are benefited by the work that this committee has now done, starting with its DENR work, because it has provided impetus and guidance to all of us that we now are able to benefit from.

And that goes back some time, since this committee itself has been working very assiduously on making sure that we deliberately think through everything involved in DENR.

COMMERCE COMMITTEE PROVISION

Mr. HORTON. The Interstate and Foreign Commerce Committee has reported out a bill with which I am sure you are familiar, the energy emergency bill, and they have put into that bill an amendment which would create something that they call a Federal Energy Administration.

Now, that could be contradictory to what we are doing here. That bill is going up before the Rules Committee tomorrow for a rule; and I think it is important to have before us and before the Congress your view with regard to what that bill purports to do, and what this bill before us purports to do.

Mr. ASH. First, I would like to observe that it is our thought that the kind of deliberation and consideration that this committee is giving is necessary for an organizational change so important as this; and that particular amendment on the Emergency Energy Act, as indicated by the processes of putting it on, does not have the benefit of the kind of hearings the committee here is conducting.

We certainly believe that this is an important process and that it also helps to make sure that the bill does get fully considered by the full committee.

Secondly, that amendment itself provides a very skeletal basis for an FEA-type organization; and furthermore, has some deficiencies of its own that we think should be given greater attention by the kind of proceedings such as the hearings you are having here.

Let me ask Mr. Bingman who may wish to add to that.

Mr. BINGMAN. We have not had an opportunity, Mr. Horton, to see the provisions which may have come out the last few days on the bill that is now in the Interstate and Foreign Commerce Committee. Earlier examination of it indicated that it was a very skeletal proposal, and it did not in fact furnish an adequate basis for the creation of a fully functioning organization. It did not treat the question of what constituent activities would have to be brought into a Federal Energy Administration.

I think the bill which your committee is considering is already a superior basis and does explain how the proper elements of the Federal Government now engaged in energy activities would be brought together; the kind of management that would be provided; the key leadership that would be provided.

In my judgment, if only that provision of the Energy Act were to be passed, it would not be an adequate basis for the formulation of an agency, and I believe this committee would still have to act to provide that organization.

Mr. HORTON. Well, Mr. Ash, what you were saying is that you support the provisions of the bill that the chairman and I introduced, which is H.R. 11793.

What you are saying is that this proposal we have before us here would provide a complete organizational statute for this Federal Energy Administration; and that the bill reported out by the Interstate and Foreign Commerce Committee is an inadequate attempt to create an FEA. You do not, as I understand it, support the organizational provisions in that Interstate and Foreign Commerce bill.

Mr. ASH. That is correct. Mr. Bingman has looked at both of them, one alongside the other; and as he indicated, the one that we are here testifying on is a complete, fully developed view of what we believe the FEA structure should be, and one that I am sure allows this committee to work with in a more substantive way than the highly embryonic one that we see in the other bill.

Mr. HORTON. Mr. Chairman, I have other questions.

Chairman HOLIFIELD. Would you yield?

Mr. HORTON. Yes.

Chairman HOLIFIELD. Mr. Ash, we have before us the amendment that was offered, I understand by Mr. Moss, in the Staggers' committee, and the indication is that it was hurriedly drawn. We understand that there was very little discussion of this in the Interstate and Foreign Commerce Committee.

It is a very simple amendment. It really does not go into the organizational structure, or any of the activities, or the grouping of related activities necessary for a functioning organization.

Nevertheless, there is a possibility that this will come to the floor before we could possibly get our bill to the floor. In that case we are going to be faced with a fait accompli as far as the establishment of a Federal Energy Administration is concerned.

Now, if that bill is passed—and I know that you want the emergency bill passed—by the Interstate and Foreign Commerce Committee, we will be faced with the fait accompli of the amendment which has been offered, if included in the bill when it is passed.

Now, what position does that put us in to go before the Rules Committee and ask for a rule on establishing an administration that is already established?

Mr. ASH. Mr. Chairman, in picking up from Mr. Horton's earlier remarks about the necessity of proceeding with due deliberation, I think it might be very useful for this committee to understand the amount of deliberation and work that has gone into preparation of the proposal before you now, particularly including the work with your staff. That should help point out that in back of the bill that you are now considering is a lot more deliberation, and we think a lot more useful deliberation, than lies behind that amendment.

Mr. Zarb may want to elaborate on that.

Chairman HOLIFIELD. Well, I will agree with that, because we received the draft of this legislation on December 4, and the bill was introduced the same day and came out on the morning of December 5.

Now, our staff has been working full time, including Saturday and Sunday, on this; and Mr. Horton and I have been working with them. And we have made some changes in H.R. 11793 which we believe are improvements. They are along the lines of making it a more effective and a more stable organization and not basically contradictory to the purpose of H.R. 11793. But we are faced with inadequate time to really have the hearings that we would like to have on this bill. And yet, we are faced with the announcement of the leadership that they are going to close next Saturday, a week from now; I frankly do not like to legislate this way, and only a great emergency would cause me to do this.

I have never done this in the many years that I have been here. I take pride in the work of this committee and in the preparatory work on the bills that are reported out.

Is there any reason why this bill could not wait until after the first of the year to be put out, which would give us more time to deliberate on it and maybe do a better job even than we are doing?

NEED FOR IMMEDIATE ACTION

Mr. ZARB. Mr. Chairman, I think it, first, important to note that the organization proposed in H.R. 11793 was conceived and developed primarily by the Administrator-designate, Mr. Simon, who will be with you later this afternoon with his top team. Having looked at the mission that they need to accomplish on an almost-emergency basis over the coming weeks, and having developed the organization necessary to achieve the mission, it seems to me very important that we move on it, and move quickly.

We have several appropriations questions now before the Congress related to this activity. We need to get this organization in place and insure that the appropriate people are recruited, the best qualified, with some degree of substance and continuity. And, therefore, I think it is absolutely critical that we have consideration during this session.

Mr. HORTON. Mr. Zarb, would there be some possible legal question with regard to the authority of the agency if it was only set up by Executive order, rather than by statute, which is what we are dealing with here?

Mr. ZARB. Well, Mr. Horton, in addition to those considerations is the most meaningful consideration of putting together a team of people who are the best qualified, who realize that they have a mission that needs to be completed, and that there is some permanence to the activities in which they are engaged. Good planning and the actual staffing of this organization requires a legislative base early.

I am sure there are some legal implications, but I will not comment on those at this time.

ORGANIZATIONAL BASE

Mr. ASH. May I add one further thing?

The Emergency Energy Act itself calls upon the administration to carry out many operational programs to solve the crisis of the moment. If the administration is to carry out those requirements imposed upon it, and do so effectively, it needs a structure fitted to that need.

The FEA is to be that structure, to carry out many of the functions that are right now being included in the Emergency Energy Act. So, in that sense, to have the whole program work requires not only the legislation that specifies what the administration should be doing, but similarly, the legislation that provides the basis for doing it effectively. And that is why we believe it is essential to proceed with the FEA.

And while I agree with you, Mr. Chairman, that this is a very unusual pace in which to proceed, given the enormity of the organizational problem, we also have the enormity of an energy problem that does require it, in our estimation.

Chairman HOLIFIELD. Well, now, as I understand it, the emergency bill, which is before Mr. Staggers' committee, is a very broad bill, and it gives a great deal of power to the President to take the emergency actions necessary to move along and do the best he can in this energy crisis, in allocating petroleum products, in rationing, if it becomes necessary, and in dealing with all of the other problems.

And yet, unless he has an operational organization, what position is he in, with this Emergency Act which is coming out of the Interstate and Foreign Commerce Committee?

Mr. ASH. It would be very difficult for the administration to effectively carry out all of the roles that it would be required to carry out under that Emergency Energy Act without a good, strong organization. And when we see that particular amendment in that bill, our worry is that it does not provide an organization adequate to the task. It is an embryonic and only skeletal form of organization, not fitted to the quite substantial burdens that will be placed on the President in carrying out the provisions and responsibilities of the Emergency Energy Act. That is not an organizational framework, we believe, sufficient to the task, in contrast to H.R. 11793, which we believe will be.

Chairman HOLIFIELD. Mr. Rosenthal.

MORE HEARINGS FAVORED

Mr. ROSENTHAL. Thank you, Mr. Chairman.

My view, Mr. Ash, is perhaps somewhat stronger than the chairman's. The Congress will be here long after the energy crisis is solved, I hope, and I certainly cannot support this legislation, based on one day's hearings. I understand and sympathize with the need for it; I am not overly impressed by your presentation, because most of us around here have known there was an energy crisis for some years now. I am thoroughly aware of current events not only here at home but abroad.

But I am equally impressed by the third paragraph of the additional views of Hon. Jim Wright, which is appended to the committee report (p. 63) on the ERDA bill. Wright says the following:

> The public will not be well served if the primary congressional initiative consists merely of turning over yet another wide range of discretionary policy-making powers to the executive branch of government. Not only is such a posture ludicrously at odds with our protestations against Presidential usurpation of legislative prerogatives; it would also represent a copout by the people's elected representatives on the hard decisions that shaped the future in the single most significant domestic problem of our time.

My view is that, based on one day's hearings, we could not fully understand the impact of the organizational structure; we could not understand the delegation of authority; we could not understand the various transfers that are inherent and necessary for the President to act responsibly and wisely. And I do not think we should be panicked or rushed or hysterically driven into passing a piece of legislation which we will all regret 6 months from today.

I understand the question of adjournment. I understand all of the problems vis-a-vis the Commerce Committee. I think you should refrain from becoming involved in any jurisdictional difficulties between the respective committees. I think if this committee acts in an adult, responsible fashion, we can take this issue to the floor and, hopefully, strike out the Moss provision, and urge the Congress to act responsibly.

Now, the President has, in fact, established by Executive order the infrastructure that Mr. Simon will head. Is that not correct?

Mr. ASH. Yes, as an interim organization, he has.

EXTENT OF EXECUTIVE AUTHORITY

Mr. ROSENTHAL. Right. Mr. Horton asked you the question to which there was no precise response. What, if any, are the legal difficulties inherent in the interim Executive order organization, vis-a-vis a legislatively mandated organization?

Mr. ASH. I will let Mr. Bingman address the legal difficulties, but before doing so, let me address the equally important operating difficulties.

We do have an emergency that we believe we must respond to in the most effective possible way. Under that Executive order, while it is possible to get going, nevertheless, it is only by allowing the head of the Federal Energy Office, created by Executive order, to work with the departments and agencies separately, that we get everyone started in carrying out his own part of this total energy problem-solving effort.

The statutory base is to put those activities directly under his leadership, so that instead of having many channels of coordination, he has channels of direction and can get the job done by direction.

Now we will go to the legal——

Mr. ROSENTHAL. The legal—I understand the problem of coordination and direction. In the meantime, he is acting under the express mandate of the President and has all of the authority and support that that office brings to this temporary structure.

Mr. ASH. Let Mr. Bingman, then, answer the legal part of it.

Mr. BINGMAN. I think the principal concern, Mr. Rosenthal, is that we are now in a position of asking organizations staffed with employees in other departments and agencies, principally the Interior Department and the Cost of Living Council, to respond to the direction of Mr. Simon in this interim mode, and yet they are doing so under statutes which are directed at the Secretary of the Interior with moneys that have been appropriated by the Congress to the Interior Department for purposes defined in the hearings for which the moneys were appropriated. We are concerned——

Mr. ROSENTHAL. Let's assume we cannot get this thing finished by adjournment, whether it is this Saturday or next Wednesday, whenever it is.

Can you operate between now and January 21 in an efficacious fashion?

Mr. ASH. We will do the best we can, but it will be less effective.

Mr. ROSENTHAL. I understand it will be less effective, but I also understand that this thing has been bubbling for 2½ or 3 or 4 years now, and all of a sudden Congress cannot just dissipate its responsibilities to report out thoughtful legislation. You do not want to destroy the legislative process as part of this emergency.

Mr. ASH. Clearly not. But I think something that we all have to keep in mind is that we are now beginning the winter season. The winter season, particularly in the northeast area, is going to be a bad one, as far as energy is concerned.

Mr. ROSENTHAL. You mean there is a shortage of oil, there is a shortage of fuel oil, and there is a shortage of gasoline. We know that.

Mr. ASH. And we need, therefore, the organization here being established to make sure that we do the best job possible to get fuel and other resources into that area at this time. If we wait too long, the problem will have grown on us to the point that it cannot be solved to the degree that it must be for the months immediately ahead.

Mr. ROSENTHAL. In other words, if we do not report out this legislation under your direction, the monkey will be on our back for those people whose homes are cold. Is that what you are telling me?

Mr. ASH. We are going to do the best we can, in any event. But I think that we can do much better, and I think we should. I would hope that we would have the benefit of the legislative base to do so. We will do the best we can, but it could not possibly be as good without the legislative base for FEA.

Mr. ROSENTHAL. Where have you been the last few years? I mean, we all knew this situation was critical.

Mr. ASH. We started out in March 1971 proposing a Department of Energy and Natural Resources, then called the Department of Natural Resources, but in substance it also included the energy element which covered about the same ground that we are now talking about. So in terms of——

Mr. ROSENTHAL. That is not so. It would not have been about the same. It had no provision for energy administration; it had a much larger, broad jurisdictional base.

Mr. ASH. But it certainly was the base from which to take other, ancillary actions related to it, had we had a DENR. But we do not have one.

And the President, you may remember, made a statement in 1971, the first Presidential statement on energy, and then, in turn, made another one in April of this year. We have made a number of statements with the objective of raising the level of attention to the energy issues.

Mr. ROSENTHAL. Will Mr. Simon have to be confirmed by the Senate?

Mr. ASH. He will, yes, sir.

Mr. ROSENTHAL. It does not say that in the bill.

Mr. HORTON. Yes; it does.

Mr. ASH. Well, it certainly is our intention that he be so confirmed.

Mr. HORTON. If the gentleman will yield; the bill does require confirmation of the Administrator, the Deputy Administrator, and the six assistants.

Mr. ROSENTHAL. OK. I am glad. If it does do that, I am very pleased.

Do you think that process can be completed before the Senate adjourns for the recess or whatever it is?

Mr. ASH. That process may not be completed, but that does not mean that we cannot move on the rest of the process.

Mr. ROSENTHAL. Well, I have a whole host of substantive questions which I will defer until later this morning. But I want to tell you that I for one cannot support this bill, notwithstanding everything you say, based on 1 day of hearings, and I think it is in questionable taste for you to come up here and ask us to do this.

Chairman HOLIFIELD. Well, I might say that the Chair has invited the gentleman to appear before the committee. The gentleman from New York may be against the bill, and he may be against any action on the bill, but certainly, it does not mean that the witnesses that have been invited are not entitled to courtesy and attention. They do not come up here voluntarily, they come at the invitation of the Chair.

Mr. HORTON. Mr. Chairman, I would like to make a statement, especially in view of what Mr. Rosenthal has said.

I, frankly, feel that we can still be deliberative and yet move expeditiously on this legislation. One of the criticisms that we have had in the country today is that the Congress cannot move.

26-725 O - 74 - 3

Now, we have an energy crisis, and reorganization proposals for the energy programs have been before this committee for at least the last 3 years. The gentleman from New York indicated that the earlier proposal for a Department of Natural Resources did not deal with energy, and I say to the gentleman that it did. One of the administrations in there was an Energy and Mineral Resources Administration. The DENR proposal formed the basis, as Mr. Ash said here earlier, for the Department of Energy and Natural Resources proposal which the chairman and I have worked on. We have had hearings on the DENR proposal before this very committee, talking about ERDA and the Department of Energy and Natural Resources.

Now we are faced with an emergency situation which requires legislation, and I think it behooves us to work and to do whatever is necessary to try to get this bill out.

Now, it is a temporary bill——

Mr. ROSENTHAL. Would the gentleman yield for one question?

Mr. HORTON. No, I do not want to yield at this point. I would like to finish my statement.

The statement I want to make is that if we have to move expeditiously, I see no reason why we cannot. The chairman and I have been meeting, as the chairman indicated earlier, with the staff. We have been going over this bill. My own personal staff, the staff of the committee, and the chairman and I have met long hours. We worked on Saturday; and the staff, as the chairman indicated, worked Sunday to go over the preliminary work. So we are not talking about just 1 day of hearings. We are talking about a considerable amount of extra time that has been spent by members of this subcommittee and the staff.

Now, I would urge the cooperation of the members of this subcommittee to try to move expeditiously, because we do have an emergency situation, and it has to be met. I do not see any reason why the Congress cannot respond in the time involved.

Mr. ROSENTHAL. Would the gentleman yield?

Mr. HORTON. I would be glad to yield.

Mr. ROSENTHAL. Well, I have dozens and dozens of questions for Dr. Dunlop about the Cost of Living Council apparatus that is going to be included in this bill. The public is deeply interested in the pricing situation, their method of operation, their ability to have subpenas, their ability to have information from the 20 oil companies that control 95 percent of the natural resources in this country. I want to know how that is all going to work.

Mr. HORTON. May I say to the gentleman——

Mr. ROSENTHAL. I do not think we can accomplish that in 1 day's hearings.

Mr. HORTON. I would say to the gentleman that, as far as I am concerned, we are meeting this morning, this afternoon at 2 o'clock, tonight at 7 o'clock, and if the gentleman will cooperate, I am perfectly willing—and I am sure the other members of the subcommittee would be willing—to meet tomorrow, the next day, and the next day, whatever is necessary so that the gentleman from New York and the other gentlemen on this subcommittee have an equal opportunity to ask whatever questions they want.

I do not want to cut off testimony. I see no reason why we cannot move and move expeditiously so that we can report this bill out.

TRANSFER FROM CLC

Chairman HOLIFIELD. The Chair would like to ask one question at this moment. You say the new agency is proposed to be built around a nucleus of several programs now located in the Department of Interior and the Cost of Living Council, and you go on to describe what would come from Interior. And similarly, the FEA also would receive the functions now performed by the energy division of the CLC. Just exactly what functions of the Cost of Living Council are being transferred over?

I wonder if you or Mr. Bingman could tell us that.

Mr. ASH. In the Cost of Living Council, their structure is organized by major segments of industry, and there are approximately 55 people in the Cost of Living Council that deal specifically with price matters having to do with the energy areas of industry. It would be that group of people that would be brought into the Federal Energy Administration.

Chairman HOLIFIELD. All right.

Now, how many people in the Cost of Living Council do you now have?

Mr. ASH. Altogether there are over 1,000, and I will get that number. But I think it is somewhat over——

Chairman HOLIFIELD. Let us find that out for the record. My memory is that it is over 1,000 also, and we will put the correct number in.

Mr. ASH. All right.

[The information referred to follows:]

Total employment of the Cost of Living Council in fiscal year 1974 is 1,075 of which 900 are full-time permanent positions.

Chairman HOLIFIELD. Now, as I understand it, the only people coming over from the Cost of Living Council with the unit that is being transferred under this plan, are those people that have to do with the energy function, and not all of the rest of the functions of the Cost of Living Council. Is that true?

Mr. ASH. That is correct, and I am sure that Dr. Dunlop can elaborate at any length on that if you or Mr. Rosenthal wish.

Chairman HOLIFIELD. Well, Mr. Dunlop, who will be before us today, is from the Cost of Living Council, and I think he should be prepared—the word should be gotten to him, if he is not here. Is he in the room now?

Mr. ASH. Not yet.

Chairman HOLIFIELD. Then I would ask that he and his deputy be prepared to give us a complete story on the functions that will be transferred, because I would not want the record to show that the Cost of Living Council is being transferred over here. The transfer is limited to those areas which have to do with evaluating the energy portion of our cost of living.

Mr. ASH. He is prepared for that, Mr. Chairman, and he will be before you, I understand, this morning.

Chairman HOLIFIELD. I will say to the gentleman from New York that I will yield him all the time that he wants to ask the questions, and I think they are important.

Mr. ROSENTHAL. I appreciate that, Mr. Chairman. The point is they are going to have 55 people and make all the decisions as to pricing,

that is what the public pays for. Those 55 have enormous authority and power.

Chairman HOLIFIELD. They have that power now, I might add, and they are going to function, whether they are in this organization or not, under the statutes which have established them and established their function. This is a matter of coordinating their work with other related work in the energy program, as I understand it.

But we will go into that in some detail when Mr. Dunlop and his staff come before us. I yield to Mr. Brown.

COMMERCE COMMITTEE ACTION

Mr. BROWN. Well, Mr. Chairman, first let me make an observation, and that is that I spent all last week on the Interstate and Foreign Commerce Committee along with another couple of gentlemen from this committee, working on the Energy Emergency Act legislation.

And we started out with something like 108 amendments to that piece of legislation. But the committee succeeded in its task, at least to the extent that it got a bill out. It had some amendments I did not like, and I am sure I got some amendments into the bill that others on the committee did not like. But we do have legislation in a very complex area as a result.

And I would say to the gentleman from New York, that if we could get the same kind of cooperation on this committee that apparently we had on the Interstate Committee, I am sure that we could get the job done of establishing the Federal Energy Administration and doing it in a sound way.

One of the members of that committee from the same side of the aisle as the gentleman from New York, in fact, put an amendment into that legislation to establish the Federal Energy Administration, but there is no meat on the bones of that amendment. I would respectfully suggest to him, and to the rest of the committee, that if we are going to have an effective organization we must put the meat on the bones in this committee.

Chairman HOLIFIELD. Would the gentleman yield on that?

Mr. BROWN. Yes, sir.

Chairman HOLIFIELD. I was told that there was very little discussion on this particular amendment, which I believe was offered by Mr. Moss, and I am not saying this in a derogatory sense at all, because a request for this was not made by the administration to the Interstate and Foreign Commerce Committee, as I understand it, but the request was made to this committee to do the job on organization, which we are well suited to do.

And while we might not be giving as many days of time, I might point out that three sessions are equivalent to 3 days of hearings, because we very seldom have over one session a day, and we are going to have three today. If it is necessary to carry over, we can have some tomorrow. We have been working to try to put meat on the bones of this very sparsely expressed amendment, which has passed, as I understand.

If the gentleman was there, would he verify my understanding that there was a limited amount of discussion of this particular amendment?

Mr. BROWN. The chairman is correct; there was an unfortunately limited amount. I raised the question of whether the Interstate Committee should refer the matter, and let it be handled entirely by the Government Operations Committee, because the amendment, as it was presented, was a very limited amendment. And as I said, it establishes only the Federal Energy Administration and its Administrator; but does not provide the much more thorough administrative provisions and the subordinant positions which are included in this legislation.

So it was a precipitous action, but the action, nevertheless, has been taken by the other committee. As I say, I raised the question at the time as to whether it did deserve some more consideration, preferably by the committee which deals with the organization of administrative agencies.

And I might say also to the gentleman from New York, that that committee where I have sat now for the last several years, has had before it a wide variety of energy legislation presented by the administration to the Congress, including such things as powerplant siting.

And we have not been always successful in getting the support that is needed on the committee on both sides of the aisle to get that legislation through. So I cannot feel that the administration has been unaware of the energy crisis over the past several years, though I think I might question to some extent the speed with which some of the proposals have come up to us over the last 6 or 8 months, and the method by which we have gotten those proposals.

But I am delighted to see you here this morning, Mr. Ash, and to know that we have now a plan for a centralized energy agency.

SUPPLY AND PRICE

May I ask you with reference to that agency, and particularly with reference to the Cost of Living Council and the functions that it performs in connection with energy costs, is it your feeling that they would be able to operate as well separately now that we have a real shortage of oil, in particular?

Or should the pricing policies of our country be related to the need for energy from whatever source?

Now, our first shortage of energy, as I understand it, was in natural gas. Some economists would argue, and I would concur with their argument, that one of the reasons for that shortage is the artificial price controls on natural gas set in the interest of protecting, supposedly, the consumer.

But the result has been that our first energy shortage appeared. The consumer has been so protected in terms of the price that he must pay, that we do not have enough natural gas available for distribution in this country. And the New England States, the part of the country from which the gentleman from New York comes, felt that crunch apparently earlier than some of the rest of us.

Can these two functions, prices and supply, be effectively separated?

Mr. ASH. Let me answer as best I can, Mr. Brown, that first, the Federal Power Commission has a role that is more determining than even the Cost of Living Council with regard to natural gas, and as you know, one of the pieces of proposed legislation allows the Federal

Power Commission to deal with the very problem that you have identified.

Mr. BROWN. To deregulate the cost of natural gas?

Mr. ASH. Yes, and that is a substantive matter before the Interior Committee, because we do believe that has been the very factor that you have described it to be. Over and above that, however, there are many other price considerations relating to the energy area that have determined, and will continue to determine to a great extent, the supply-demand relationships there are in the marketplace, and our ability to affect them.

While the proposed legislation would put into the new Federal Energy Administration the responsibilities for dealing with energy price matters, nevertheless, they would not be totally separated from the Cost of Living Council's remaining activities. They still have to work together. But we believe in this case that such a big part of the answer to our present energy problem deals with all of the price control mechanisms, and how they are operated, and whether prices go up or down, that the Cost of Living Council's energy functions should be brought right into this organization.

A very good example, just last week, of the cooperative relationship between Mr. Simon, on the one hand, and the Cost of Living Council on the other, was their work to induce the change of refinery mix from gasoline output to distillates. In this case, a price reduction was imposed on gasoline, and a price increase permitted on distillates, in order to induce the refineries to produce the product that best fits the needs of the Nation at this time.

Mr. BROWN. Simply by making it less profitable to produce gasoline for an extended period of time?

Mr. ASH. Exactly, and so the price mechanism, the price control mechanism is an integral part of dealing with the energy crisis at the moment, and that is why we believe it should be brought in.

It would be nice, also, to be able to deal with natural gas at the wellhead price through the same route, but that, of course, goes to the Federal Power Commission.

FEA AND CONGRESS

Mr. BROWN. In the legislation that we reported out of the Interstate and Foreign Commerce Committee, there was unfortunately an amendment which provided that any of the energy conservation plans that the President might propose, or that the Administrator might propose—many of the President's responsibilities were reposed in the Administrator—that the energy conservation plans come back to the Congress for enactment. Not for approval or disapproval, but for enactment, which means that we would have to start all over again with a new legislative effort to approve the energy conservation and development plans.

Now, is that what you had in mind with reference to the Administrator and Assistant Administrator for Energy Conservation? Were their proposals to be only suggestions or were they to have immediate effect without congressional action?

Mr. ASH. We believe, Mr. Brown, that it is essential, again given the nature of the crisis, that this organization be able to effectively act as it perceives the need to act.

Now, I want to make one statement here, that I think may be of interest to Mr. Rosenthal, and to anybody who worries about the administration of these programs. Mr. Simon, when he testifies tonight, I am sure, is prepared to point out to you the many ways that he intends to work very closely and continually with the Congress as he proceeds with the work that he will have to do as head of that agency; so that he will first make sure that he obtains the maximum amount of thinking of the Congress long before he comes to any decisions.

But we believe, given the way that this consultation will be a close, mutual effort, it will be much more effective to be able to move ahead without coming to the Congress on each specific conservation move that we believe should be made. This is an emergency that needs to be acted on as an emergency, and that degree of consultation would be a very difficult thing to do effectively under the circumstances.

Mr. BROWN. I presume then what you are suggesting is that there would be consultation with the Public Works Committee, for instance, in setting highway speed regulations, and there would be consultation with the other appropriate committees as actions were taken in their areas of responsibility.

Mr. ASH. Absolutely.

INTERNATIONAL ENERGY ASPECTS

Mr. BROWN. Now, let me ask you about the Assistant Administrator for International Policies and Programs. What would be the parameters of his function in terms of political or military foreign policy? Or is it your thought that he would be dealing only with such questions as the importation of energy and its exportation?

Mr. ASH. The Administrator will contribute his views, his recommendations to the President and to those on the President's staff dealing with the area, to the Secretary of State and to the Secretary of Defense. He will not assume from existing responsible officers their roles in dealing with international matters, but he will make contributions of recommendations for policy to them.

Mr. BROWN. So that if he feels there should be some adjustment in our Middle Eastern policy because of the oil situation, he may make a recommendation. But it will be ultimately up to the Secretary of State and the President as to whether such a recommendation will be implemented.

Mr. ASH. That is right, sir.

Mr. BROWN. So there is not really a likelihood that the Federal Administrator would change our Middle Eastern policy on his own hook. That certainly would have to be presented to the President for a broader determination than just the impact of that policy on our energy needs.

Mr. ASH. Clearly so; and as I said, the President himself is very personally involved in these energy matters, and we all know how involved he is in international matters, so we can be assured that there will not be any action by the Federal Energy Administrator that will in any way run contrary to, or have the effect of making independent policy in this field. But we certainly do want his contribution to the formulation and carrying out of international policy.

Mr. BROWN. As a matter of fact, if we can arrange to import some liquid natural gas from Algeria, or, as has been suggested, from Russia—although I understand that that is some years down the road in a technical sense—do I understand that this is the kind of relationship that would concern the Administrator, and not anything that would be more substantive in foreign policy?

Mr. ASH. He would clearly make his thoughts known to those that have the primary responsibility for relating this country to the other countries of the world, because basically his view is energy oriented. That is what we want it to be.

Whereas the responsibilities of others, particularly those of the President, are to consider the many, many ramifications that are implicit or explicit in virtually any decision or judgment they have to make.

Mr. BROWN. Fine.

Thank you, Mr. Chairman. I think my time is up.

Chairman HOLIFIELD. Thank you, Mr. Brown.

Mr. Fuqua.

STATE/LOCAL RELATIONSHIPS

Mr. FUQUA. Mr. Chairman, I was concerned in talking with the people in my State about the relationship this is going to have to the local areas in the States.

Where do you have someone designated in the States to carry this out, by statute, as is now apparently being done without authority or perhaps with emergency authority?

Mr. ASH. There are a number of ways in which the Federal Energy Administration relates to States and local governments: (1) In the consultation that precedes actions by the Federal Energy Administration; (2) by a set of regional activities in the 10 regions across the country that will be onsite and available to work with the States and cities on issues of their own; and (3) being responsive in an operational manner and having a special place in the Federal Energy Administration where States, local governments, and any local official can call directly into the Federal Energy Administration in order to discuss matters that are pressing them at that time.

Mr. Zarb may want to add to this. He has been especially working on the relationship of the Federal Government's activities to State and local governments' activities in this area and may like to amplify the comments that I have just made.

Mr. ZARB. Well, the relationship is at two levels: One at the consultative level and the other at the operational level. Mr. Simon has already had discussions with the Governors' Conference Committee on Energy and will be meeting with the chairman of that committee here in Washington this week.

He also plans to meet this week with a broader base of Governors who plan to be in Washington to consult on the direction we are taking. On the operational plane, each State now has an energy office, and they are built into the mechanism, particularly with respect to fuel oil. There is a Federal allocation officer in each State, and at the 10 Federal regional levels there is a field presence just now getting underway. We are about 50-percent staffed in those locations, and hope by the end of this week, we will be 100-percent staffed.

And they will have regional responsibilities for not only application of the regulations, but also liaison consultation, not only with Governors but with mayors and other elected officials.

Mr. FUQUA. So you think the language in the bill is adequate to make sure of this liaison between the States and the National office here?

Mr. ZARB. Yes, sir. We sure do.

Mr. FUQUA. You mention regional offices. They are not mentioned in the bill, but are you planning the 10 regional offices that are presently existing or are commencing to operate?

Mr. ZARB. Yes, sir. The Assistant Administrator for Operations and Compliance has within that structure, if you will note, not only the field responsibilities for regional offices, but also State and local relationships. And that certainly is provided for in the substance of what we have been proposing.

REPORTING PROVISION

Mr. FUQUA. In the other part of the bill, where certain reports are required to be submitted in order for the agency to function—I assume, business and consumer groups—are there any penalties for failure to comply?

Mr. ASH. The reporting? There is no specific change or any specially requested legislation here dealing with the subject. We believe that there is a fully adequate authority to get all of the information and reports that we need. If it turns out that is not the case, we will clearly be back asking for it, but we believe the existing authorities and sanctions that go along with them are fully adequate to meet the needs of this entity.

ADDITIONAL TRANSFERS

Mr. FUQUA. Mr. Ash, if 6 months from now we decide, or maybe the President decides, that he needs some other functions transferred into this agency to more fully coordinate and make it operate more effectively, could the President, under the reorganization authority, then transfer the powers, subject to the approval of the Congress?

Mr. ASH. There is in this proposed legislation a very specific and a narrow provision that would allow changes to be made, that is moving new activities into here, but in turn require congressional concurrence. And we believe that will serve the need at this stage just as this is being formed.

We, as part of the discussion here this morning, indicated that we want to make sure that we give full deliberation to what is going on, and feel that we do not want to act so precipitiously as to foreclose future changes that we may need to make; yet, we do not need that flexibility for a very long period of time, just until we get this agency settled and going well. We would hope that that provision in the legislation would be found satisfactory.

Mr. FUQUA. Thank you, Mr. Chairman.

Chairman HOLIFIELD. Mr. Mallary.

Mr. MALLARY. Thank you, Mr. Chairman.

Mr. Ash, I gather that if this Administration were provided, you would want to disband the Federal Energy Office?

Mr. ASH. Yes, sir. This will take care of it all. The Energy Policy Office has no statutory base at the moment.

Now, if it is just the Federal Energy Administration that is created, we believe there is still the need for a small White House coordinating activity over and above the operational endeavors that are built within this organization.

Mr. Bingman, do you wish to add anything further to that?

Mr. BINGMAN. I know that there has been a good deal of uncertainty and concern over the numbers of pieces of organizational apparatus that have been described here. We are proposing in the Federal Energy Administration a 2-year organization which has got to handle the operational aspects of our energy activities, and in that process also do the planning and the formulation of policies that we think will be necessary to get us out of the problem and make sure we do not get into this problem in the future.

I think that still leaves a concern in the minds of many as to whether we do not need a regular, continuing, small policy group, largely in the capacity of giving advice to the President, which looks beyond the immediate operational activities and can advise the President on the longer term or enduring policies that the Presidency should follow.

Mr. MALLARY. So it is then your intention that there would be within the Executive Office of the President an ongoing energy advisory group of some sort?

Mr. ASH. We believe there should be, because the Federal Energy Administration should be perceived as a highly operational organization. It is dealing with action in the field—getting that coal moving, and getting that refinery changed over, and getting that utility doing what it should be doing. In addition, though, to this highly operational mode of activity, we believe there should be a continuation of a small policy advisory activity in the Executive Office that does make sure that policy advice across the breadth of energy issues is brought to the President in the most objective and complete way.

Mr. MALLARY. I thank you.

Just one more question, if I may; and that is, does the present Oil Policy Committee continue to exist? And would that be changed in any way?

Mr. ASH. It continues to exist for the time being, but will fold later on.

Mr. MALLARY. It will fold in. There is no specific wording that indicates it would be merged. I gather it is attached to Treasury at the present time.

Mr. ASH. It would fold into the line structure, and then not exist as it heretofore has existed, because it now has a place with many other related functions.

Mr. MALLARY. So it would be folded into the FEA?

Mr. ASH. Yes, sir.

Mr. MALLARY. Its present chairman, I believe, is Mr. Simon who is also Deputy Secretary of the Treasury. It is my understanding that he would, or it is proposed that he would, continue to keep that responsibility as well as being Administrator of the FEA?

Mr. ASH. The Deputy Secretary of the Treasury?

Mr. MALLARY. Yes.

Mr. ASH. That has been the proposal. I know that there are arguments that go both ways. The Senate, since it would be called upon to confirm him, I am sure would make that final judgment.

We believe he should keep both of those jobs for one very important reason. This FEA is, first, an organization of limited duration; but second, when you really look at the enforcement side of all of the activities it carries out, the enforcement side is to a great extent carried out by the Internal Revenue Service, one of the key functions of the Treasury Department. And, as he would have both of these responsibilities simultaneously, although spending almost full time on the FEA, he will still have the authority over a very important part of the whole activity that has to go on, including enforcement; and the Internal Revenue Service has a big part in that. As you know, they now work with the Cost of Living Council and do provide the enforcement function for the Cost of Living Council. This would facilitate the continuation of these roles.

So it is our recommendation that he hold them both, and I am sure that he himself will testify more completely on this at the time of confirmation, because both of these jobs would be confirmable jobs.

Mr. MALLARY. Thank you.

Mr. HORTON. Would the gentleman yield at that point?

Mr. MALLARY. If I have time, I will yield it.

Mr. HORTON. Is it contemplated that if Mr. Simon for some reason leaves the administration, that the next Administrator would serve in both capacities?

Mr. ASH. Not necessarily. It depends on where we stand at that time in terms of solving the problem. I am particularly talking about the immediate need to do everything possible to muster all of the resources as effectively as we can; for instance, I would not suggest that the legislation fix the Deputy Secretary of Treasury as head of FEA. Quite the contrary, I would suggest, as I believe the legislation reads, that this officer hold this job, merely include the proviso that if the Senate saw fit, he could be confirmed in two jobs simultaneously. So that as any other person may hold that job, it would be subject to the Senate view at the time as to whether they felt it was proper for him to hold both of these jobs simultaneously.

Mr. HORTON. Is there a precedent for this type of procedure?

Mr. ASH. Yes. I think a number of years ago Sargent Shriver held both the Peace Corps and the OEO job simultaneously, there being good reason at that time for him to do so.

Mr. BROWN. Would the gentleman yield?

Mr. MALLARY. I yield.

Mr. BROWN. I have one suggestion and one rather substantive question. First, for cosmetic reasons it might be desirable to call the Energy Resource Development Assistant Administrator the Assistant Ad-

ministrator for Energy Resource Development and Environmental Protection in view of the fact that that is part of his responsibility apparently under the plan that you have laid out.

Mr. ASH. I believe, Mr. Brown, on the other Assistant Administrator for Energy Conservation and Environment there is very special attention given, and a very special responsibility for environment, that was built into that.

Mr. BROWN. I beg your pardon? I read the text, and I see you are calling it Energy Conservation and Development on that line. I gather that that is——

Mr. ASH. That is an error. It should not have been that. It is Energy Conservation and Environment, and Energy Resource Development.

Mr. BROWN. Good. Okay.

Mr. ASH. I do think it might be also useful at this time to observe that in the advisory groups that would be making recommendations directly to the Administrator and Deputy Administrator, we plan to get important environmental advice.

CONFLICT-OF-INTEREST PROBLEM

Mr. BROWN. I note that the estimate of resources involved would be $39 million and 1,430 employees. It seems to me that the development of expertise in such technical areas as extraction and conversion of resources, the operating of refineries, and so forth, would take people of rather specific backgrounds and skills.

Now, is there a problem in getting qualified people from the private sector of the economy? Is there a conflict of interest problem? And if so, how do you intend to deal with that problem?

Mr. ASH. Yes, sir. There is a potential problem. It is one that Mr. Simon particularly would like to discuss when he testifies before this committee a little later. We believe the problem can be solved because, among other things, while we do need the expertise that you indicate, we do not believe that all of that expertise should come from the large oil companies. There is considerable expertise outside of that group; and the people, when brought together with the ones that we might want to draw from large oil companies, will help to make sure that we have a balance of input that does not result in any adverse consequence from a conflict of interest.

Now, Mr. Bingman may want to augment that by the work that he has been doing over the weekend. We realize the problem and feel a strong necessity to deal with it.

Mr. BINGMAN. I just wanted to add, Mr. Brown, that we are also at this time pursuing a supplemental appropriation which would allow us in fiscal year 1974 to bring the level of employment of FEA up to about 2,500 people. That would mean an additional $9.36 million in that supplemental.

And we are concerned that we have the appropriate, well-defined organization. Knowing that it is going to be a 2-year proposition, it is still the kind of challenge that will attract people of very high caliber to work in this organization. And I think there is a concern that we will have to build up quite rapidly, trying to get the best people, people who have some expertise in understanding not only

the oil industry but all of the other parts of the industrial sector and the national economy.

Mr. BROWN. Well, Secretary Morton made some interesting headlines the other day when he said that in one of his regional offices he had to deal with a chicken farmer on oil policy questions.

Now, how do you tend to get around this question of the conflict of interest provisions; or is that Secretary Simon's testimony?

Mr. ASH. Mr. Zarb has been working on that very poultry inspector problem, because it was a real one at the time; and I think it has been blown up to characterize the whole thing. But it really was a problem, and Mr. Zarb has been working on that.

Mr. ZARB. Well, Mr. Brown, I just returned to the table, and the only words I heard were the last few. So I will tell you what I think the answer is, and if I am not responsive, please let me know.

The initial problem that we had in staffing the regional offices to create a Federal presence out in the regions was that we were bringing in people from various agencies without a lot of quality control in terms of specific knowledge, background, and expertise.

We have undertaken in the last week to correct that by working through the Federal family already out in the regions; and we are making really marked success in getting good people in Federal offices who know something about what this program is about or is going to be about. And we are staffing up very quickly now. I am not sure that answered the question that you raised.

Mr. BROWN. I am still concerned about how you intend to get around, if it is necessary to get around, the conflict of interest provisions of law.

Mr. ASH. Let me try, and I certainly realize it is a problem we are all struggling with; and the answer is not a clear one that solves itself.

Even though the Agency would be of limited duration, we are going to work very hard to hire into that Agency full-time people that have the expertise necessary to do the job. But because it has limited duration, we might not be fully successful. Not everybody wants to take on a job of this kind, only to know that it is coming to an end in a short time.

So we are going to make use of outside advisers. We would intend to put almost all of them in staff or advisory functions rather than line functions. And second, we want to make sure that, collectively, those outside advisers bring with them a mix of points of views and outside affiliations so that we do not have just one group from one kind of industry.

And what we will do—we are working closely with the Justice Department here to do this—is to make sure that every single person that comes aboard does come aboard in a fully legal and a fully proper manner. It is a problem that has to be worked on, and these are the ways that we are trying to work on it. We certainly feel that we should not approach this difficult job with only amateurs. We need expertise, and now we have to make sure that expertise is brought on board without a conflict of interest problem.

Chairman HOLIFIELD. The Chair is going to ask the gentleman to yield at this time. Time is running out, and Mr. Moorhead has been

waiting patiently all morning to get his time. And we will come back to this question if you need to later.

Mr. Moorhead.

Mr. MOORHEAD. Thank you, Mr. Chairman.

Mr. Ash, if Mr. Simon continues to be Deputy Secretary of the Treasury, I presume he will still only receive one salary, is that correct?

Mr. ASH. That is absolutely correct.

POSSIBLE TRANSFER OF COAL FUNCTION

Mr. MOORHEAD. In your testimony, you list functions that would be transferred from the Department of the Interior, and my question to you, sir, is why coal is not one of them?

Mr. ASH. There is a possibility that coal programs should be there; and that is one of the reasons that we had hoped that we would have some limited authority to think through that type of problem more thoroughly. The matter of coal, of course, is central to energy. On the other hand, the particular functions that are now going on in the Interior Department may still better be continued there because of the relationship to other activities—coal mine safety and that sort of thing.

And so, in our own thinking we have discussed the pros and the cons. We have not come down one way or the other, seeing these pressures from both sides. There are valid reasons to either leave or move that function; we would like the opportunity for some further thinking. And, if we do believe that would be desirable, the provision in this proposed legislation is similar to the reorganization plan approach, but a little more limited in what we can do; for instance, only a 6-month period during which we could consider these possibilities.

So the transfer of coal activities from the Interior is one that is, in our minds at least, still open at this moment.

Mr. MOORHEAD. It seems to me that converting utilities from burning scarce oil to not-so-scarce coal would be one of the conservation methods that a Federal Energy Administrator should exercise.

Mr. ASH. We certainly can do that and are doing that. The issue is whether that particular organization in the Interior enables the FEA to do that or whether it has stronger ties to mine safety and other Interior functions. So many activities interact with others that you have to consider the stronger line of interaction rather than the weaker one.

In this case we are not exactly sure where the best place is for that function. There is similarly an oil research function that we are not exactly sure about. So we felt that rather than take precipitous action in putting it in FEA or leave it out for all time, we would like to have the opportunity to think it through a little further.

INFORMATION SOURCE

Mr. MOORHEAD. Mr. Ash, the Energy Data and Analysis Office, is this the Office that should be able to give us the answer to, let's say, how much gasoline we have on hand now; what is our rate of consumption; and what is our rate of production, so that a rational decision on rationing could be made?

Is that the Office we should turn to?

Mr. ASH. Yes, sir. We think that one of the important requirements at this time, particularly as we go almost week by week, is that the Congress and the public should know exactly what our factual situation is, and what is our best outlook into the future. In fact, it would be our plan, the plan of the FEA, to make public weekly for the benefit of all of those who are concerned and interested, the score card of where we stand at that moment—what are the demands, the supplies, the differences, the inventory changes, and what are our projections.

And we believe an important part of the job ahead of us is to make sure that everybody knows the facts that are so important to this crisis at this time.

Mr. MOORHEAD. The main function of the Federal Energy Administration, if we set it up, would be to carry out the legislative mandate of the Emergency Energy Act, is that correct?

Mr. ASH. Yes, sir.

Mr. MOORHEAD. Thank you, Mr. Ash. Thank you, Mr. Chairman.

Chairman HOLIFIELD. Mr. St Germain.

Mr. ST GERMAIN. Mr. Chairman, I defer my questioning. Unfortunately, I was done in by the airlines, and I am going to have to apologize for my tardiness and hope to catch up with this in the next half hour or so.

Chairman HOLIFIELD. Thank you, Mr. Ash.

Mr. ROSENTHAL. Mr. Chairman, I have some additional questions.

Chairman HOLIFIELD. Excuse me, Mr. Rosenthal.

DATA COLLECTION AUTHORITY

Mr. ROSENTHAL. Thank you, Mr. Chairman.

Mr. Ash, some of the background material furnished with this bill states that FEA will—and I quote now—"will have primary responsibility throughout the Federal Government for data collection and publication concerning energy statistics," and part of the dialog you had with Mr. Moorhead affirms that.

I do not find any language in the bill which provides for either unusual or even ordinary data gathering and disclosure authority, although some such authority may be evolved in the various transfers to FEA.

My question is this: Since we so frequently hear that the Federal Power Commission and other agencies are forced to rely on the voluntary cooperation of the oil and energy industries for data, can you tell us what the situation is as far as availability of the new Administration to obtain these data? And if it is inadequate, in your opinion, do you favor additional data gathering and disclosure powers for FEA; and, if so, what are they?

Mr. ASH. Mr. Rosenthal, we believe that between the Defense Production Act and the Economic Stabilization Act we have all the authority necessary to get all of the information to deal with the issues before this administration, and will proceed under those authorities to get the information needed from all sectors of the public.

If it turns out that is not the case, we will clearly be back before you for additional authorities; but at this moment—and Mr. Simon and I have discussed it—we believe those acts will clearly allow us to get the information that is essential to do the job here.

Mr ROSENTHAL. Would you, for example—and this is one of the possibilities I thought of—would you favor giving the General Accounting Office authority to verify some of the voluntary data submissions that come under both of those acts?

Mr. ASH. We would certainly be pleased to get any and all assistance that the General Accounting Office could give to this task, because I think we agree with you that we should make sure we rest our energy decisions on good, solid, complete, factually correct information.

LICENSING AUTHORITY

Mr. ROSENTHAL. Another question occurs to me. The energy resource development material speaks of expeditious licensing of Federal coal and shale lands and oil exploration of the Outer Continental Shelf. Will FEA, for example, take over the Interior Department's oil and gas licensing authority?

Mr. ASH. I think Mr. Zarb can answer this one.

Mr. ZARB. Mr. Rosenthal, the original anticipation was that that licensing authority will remain where it is, and that this organization would provide the linkage between those organizations now performing that function and the need to expedite some of these activities as perceived by the new Energy Administration.

Mr. ROSENTHAL. Do you not think that that is kind of an uncoordinated approach?

Mr. ASH. It may be that we should be more explicit in that. I think, Mr. Rosenthal, you have a point there, and we shall give some further work to a more precise definition.

EXPEDITING ACTIONS

Mr. ROSENTHAL. The backup material also speaks of expediting nuclear electric power facilities. And, for example, how will FEA do this, since the Atomic Energy Commission has nuclear reactor licensing authority?

Mr. ASH. I think I can answer that one quite clearly. I myself have met with the heads of a number of utilities, met with the members of the Atomic Energy Commission, and we find that some of the main problems right now have nothing to do with statutory authority or lack of it, or even licensing. They have to do with just the physical construction of the nuclear plants, the availability of materials, the availability of labor in certain classifications to do that job.

We look to the Federal Energy Administration as having an expediting role in helping to break the bottlenecks where there is a particular part or material or subcontract element that needs to come out of some part of our industry to go into that plant. We would hope to have this Federal Energy Administration be of assistance in attempting to break that bottleneck and move ahead in the construction process.

Mr. ROSENTHAL. How could they be of assistance?

Mr. ASH. By using their persuading powers which they shall try to use.

Mr. ROSENTHAL. Well, once they do not have the licensing authority, they lose the powers of persuasion.

Mr. ASH. Not necessarily. When they are working with labor unions and labor union leaders, and working with members of the many industries that supply the materials for these powerplants, they will have the full opportunity to exercise their persuasion.

Furthermore, under the emergency energy legislation, they will be given the authority to set priorities, let's say, on certain kinds of products out of industry that go into our energy-producing capability. So they will have the Emergency Energy Act authorization as a good backup to all of the persuasion that they have to use. And even more than that, they will be able to use that statutory authority itself.

REPORTS TO CONGRESS

Mr. ROSENTHAL. In the bill submitted to the Congress, H.R. 11793, by Mr. Holifield and Mr. Horton, I did not find any report to Congress section. Are you aware of that?

Mr. ASH. There has been, I think, one added over the weekend, and certainly, we would be quite pleased that there be one.

Mr. ROSENTHAL. Well, I mean there was not in the original legislation that the administration sent up.

Mr. ASH. I think that is quite possible. But, certainly, in the work over the weekend, we join with you in the belief that——

Mr. ROSENTHAL. That is one of the things that could be corrected.

Mr. ASH. And has been, it is my understanding. It is now there.

Mr. ROSENTHAL. It is where?

Mr. ASH. In the present markup draft that is being worked upon.

Mr. ROSENTHAL. Mr. Chairman, what is the committee working from or on?

Mr. HORTON. If the gentleman would yield.

Mr. ROSENTHAL. This is the bill that we have that we——

Chairman HOLIFIELD. This is the bill that you have before you, a draft that is the result of the weekend work.

Mr. ROSENTHAL. This was staff work over the weekend?

Chairman HOLIFIELD. Staff work with Mr. Holifield and Mr. Horton.

Mr. ROSENTHAL. Which is before the committee? I do not know which is before the committee.

Chairman HOLIFIELD. They are both before the committee. The draft is the latest that we have, but it is not in the form of a print.

Mr. ROSENTHAL. Has this been reintroduced in this fashion?

Chairman HOLIFIELD. No; it has not.

Mr. ROSENTHAL. When we come to the amending stages, what are we working from? We have got to work from this, right?

Chairman HOLIFIELD. When we come to the amending stage, the words in the present bill will be stricken and this will be substituted if it is accepted by the committee.

Mr. ROSENTHAL. Well, it will have to be done section by section. I just want to know, in the process of preparing amendments, are these sections the same as those sections?

Mr. HORTON. If you make amendments, make amendments to the draft that you have before you.

Mr. ROSENTHAL. How can you do that under the proper legislative procedure?

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Chairman HOLIFIELD. The members of the subcommittee will mark up the bill. When the subcommittee marks up the bill, this draft will be offered, in effect, as a substitute for this. It will be also subject to amendments in the subcommittee at the markup time.

Mr. HORTON. If the gentleman will yield; the problem is this, that we have before us the bill which you have just shown, 11793——

Mr. ROSENTHAL. I thought this was the only bill the committee had before us.

Mr. HORTON. That is what we have before us.

Mr. ROSENTHAL. I understand somebody has been doing some work and there is another draft available.

Mr. HORTON. You have it right there.

Chairman HOLIFIELD. You have it before you, and the only thing that was done yesterday—this was worked out on Saturday and Sunday—the draft of the bill, is perfected in many instances, including the reporting section.

Mr. HORTON. Now, for example, on page ——

Mr. ROSENTHAL. OK.

No, no, no. I do not want to yield any further. Let me finish.

I just want to know in preparation of amendments, are the paragraphs in this draft the same as the ——

SUBCOMMITTEE PROCEDURE

Mr. HORTON. If the gentleman will yield; let me explain the procedure.

What will happen is, in the subcommittee meeting, these amendments will be offered. Hopefully, they will be accepted.

Mr. ROSENTHAL. This will be offered as a package with a whole host of amendments in it?

Mr. HORTON. Yes.

Mr. ROSENTHAL. Without knowing—well, let's work this out later on.

Let me finish with Mr. Ash.

Mr. HORTON. Well, the amendments should be made to the revision because it includes new provisions—for example, one to cover the point you made about congressional reports ——

Mr. ROSENTHAL. I was really wondering why the administration did not see any necessity for that section, but apparently my colleagues have seen the necessity and the administration has joined in the correction.

Mr. ASH. We join in that.

OIL IMPORT QUOTAS

Mr. ROSENTHAL. When was the last time that the President waived any provision of the oil import quota?

Mr. ASH. I do not know. We will have to find that and put it in the record. I just do not know.

[The information referred to follows:]

Pursuant to authority in Section 232 of the Trade Expansion Act of 1962, as amended (19 USC 1862, paragraph (b)) the President last amended the Oil Import Control Program with Presidential Proclamation 4227 on June 19, 1973 (38 FR 16195) to make a number of technical improvements in the program. Earlier, on April 18, 1973, the President issued Proclamation 4210 which removed all volumetric controls on oil imports and established a license fee system.

Mr. ROSENTHAL. Would this new FEA have any jurisdiction over the oil import quota which the Interior Department had?

Mr. ASH. It will assume the functions that the Interior Department had in that. But, of course, all of the functions it assumes are in turn ones that come under Presidential guidance.

Mr. ST GERMAIN. Would the gentleman yield on that point?

Mr. ROSENTHAL. Yes.

OEP ROLE

Mr. ST GERMAIN. Now, the Office of Emergency Planning that was headed up by General Lincoln was responsible for watching over import quotas, and the tickets that were very valuable—yes, sir; you have got a gentleman nodding the negative—they made recommendations that had to be concurred in by Interior. Lincoln and his predecessors at OEP were the ones we had to deal with all the time, and subsequently Peter Flanigan at the White House. I have very vivid recollections of this as a member from New England.

Now, has OEP been done away with?

I do not see a transfer of OEP's functions. Have they been phased out?

Mr. ASH. Mr. Bingman can answer that.

Mr. BINGMAN. I was nodding on a different aspect of your point, sir.

The Office of Emergency Preparedness was headed by General Lincoln. He was the chairman of the Oil Policy Committee, and he did have staff working for him in OEP to support him in that role. The purpose of the Oil Policy Committee was to take recommendations prepared by the Department of the Interior, make sure that the other concerned Federal agencies who had representatives on the committee were by that means able to put their views into a final recommendation, which, as I understand it, went to the President for his action.

At the time that the OEP was abolished earlier this year, the chairmanship function was transferred to Mr. Simon shortly after his appointment as Deputy Secretary of the Treasury, and the supporting staff was also transferred at that time, either to Treasury or to Interior to continue to support that function.

Mr. ST GERMAIN. You mean we are still stuck with those individuals who made such grievous errors over the years, the supporting staff, the people who, as General Lincoln told us from New England last fall—yes, last fall and January of this year—had called around and been told by the majors there were no shortages? As a result, we were calling each other liars, General Lincoln and myself.

Of course, subsequent events have proved who was a liar and who was not, or who was efficient and inefficient.

Do you mean to tell me that the supporting staff that took as gospel truth—that is a followup to Mr. Rosenthal's questions—the answers they got on the telephone, not by looking at any figures or any books, from the majors about the adequacy of our supplies of heating oil for the Northeast, and particularly New England, are still with us, sir?

Mr. BINGMAN. I do not know. The positions were officially transferred, but I do not know whether the same people are still employed.

Mr. ST GERMAIN. I thank the gentleman for yielding.

WHY A 2-YEAR AGENCY?

Mr. ROSENTHAL. Let me just ask two other questions.

Mr. Ash, I myself do not understand the logic of forming an agency by statutory authority for a 2-year period, and my own view is that this crisis, if it be one, is going to take a good deal longer than 2 years to resolve, and that the management of it should continue for a good deal longer than 2 years.

What is your feeling on the subject?

Mr. ASH. Within 2 years, we would hope to have a Department of Energy and Natural Resources, and as I said in my opening statement, the Federal Energy Administration would then become an integral part of the Department of Energy and Natural Resources.

Now, if at that time we all look around again and decide that the crisis is of bigger proportions than we hope it is by that time, if it is still of bigger proportions than just a normal routine of Government, we may want to extend the life of this organization and keep it that much closer to the President. But I think that the Congress should have a chance to look at it again at the end of 2 years and determine, in the light of circumstances at that time, whether it is desirable to perpetuate, or whether it is desirable to fold into a Department of Energy and Natural Resources. That is the basic thinking we have.

We have a very special problem that we think should be addressed in the most effective way today. At the same time we do not wish to build permanently into the Government a structure that might better be located elsewhere when the problem is more normalized.

RATIONING AND ALTERNATIVES

Mr. ROSENTHAL. Do you yourself have any input into the debate or dialog or discussion as to how we resolve this difficulty, by rationing versus price rises plus excess profit taxes?

Do you yourself have any input into that dialog?

Mr. ASH. Yes, sir.

Mr. ROSENTHAL. And what is your view on the subject?

Mr. ASH. My view is that we should consider a number of alternatives. We are considering a number of alternatives, and rationing is one of those alternatives. It is one that should be viewed as a last resort; (1) because it has so very many problems and inequities attached to it, and (2) if it is the one decided upon, it should be done as efficiently as possible.

My mind is open at this moment, because we are considering many different possibilities; probably during this very month, that consideration will come to a point where a specific decision will be reached.

Mr. ROSENTHAL. Do you expect a decision by the end of December?

Mr. ASH. I would think that would be the timing, yes, sir.

Mr. ROSENTHAL. Now, from a structural point of view, the new head of FEA, presumably Mr. Simon, if he can be confirmed by the Senate, what will his role be in that decisionmaking process?

Mr. ASH. At the moment, as you know, the President has convened an Energy Emergency Action Group. He personally is the chairman. Others of his subordinates whose functions relate to this subject meet with him. Mr. Simon is one of those members, and this group is discussing among itself the pros and cons of the many alternatives and the many possibilities. And I know that before a decision is made, those thoughts will all get in front of the President, who will then have the overview of all of the different thinking as the basis for making the final decision.

Mr. HORTON. Would the gentleman yield on that?

Mr. ROSENTHAL. Yes.

Mr. HORTON. Who else is on that Cabinet-level Energy Emergency Action Group?

Mr. ASH. It is Secretary Shultz, Secretary Kissinger, Secretary Morton, Secretary Dent, Secretary Schlesinger or his deputy, Clements. Also, Secretary Brinegar, myself and Mr. Simon, as well, and Mr. Laird.

Mr. HORTON. All right.

Thank you, Mr. Rosenthal.

Mr. ROSENTHAL. I have no further questions.

PHASEOUT OF EPO

Mr. HORTON. Mr. Ash, what happened to the Energy Office that Governor Love headed?

Mr. ASH. That one is going to be folded into these new activities, assuming that the legislation is in place to do so, and it will then be phased out from the work that it had been doing. It was a very small organization with just a handful of people, and the main activities that were going on in the agency was dealing with broader policy. Now we are going into a highly operational mode, so that the activities will all be brought together, and this will be phased into that organization.

Mr. HORTON. Who will make energy policy after FEA and ERDA are set up?

Mr. Ash. In the broadest sense, energy policy is made at the Presidential level, because energy permeates so many of our departments and agencies. What we cannot do is to put into the Federal Energy Administration or the proposed Federal Energy Office the ultimate authority on energy. The Department of Defense has very important energy matters that have to be integrated with defense matters. Certainly for environmental considerations, we have to have the EPA retain and exercise its authorities. So that the ultimate authority for energy in its broadest sense—Mr. Brown mentioned international matters—the ultimate authority is still in the President. There is no useful way to place it farther down, because it so permeates this Government.

But on this particular class of issues that we are talking about now, trying to match supply and demand together in an equitable way that closes the gap to the greatest degree we can, there the policies and operations will be under Mr. Simon. But those have to in turn relate to many other policies across the whole of the Government that relate to energy.

ADMINISTRATIVE ORGANIZATION

Mr. HORTON. I have a couple of organizational questions, here.

Included in our folder is a chart which I assume is the recommended structure of the FEA. With the exception of the Administrator, Deputy Administrator, and the Assistant Administrator, this chart, of course, is not a part of the statutory organization; it is not written in the statute. But I think it would be helpful if you could include that chart as a part of your testimony, so that we will have it before us.

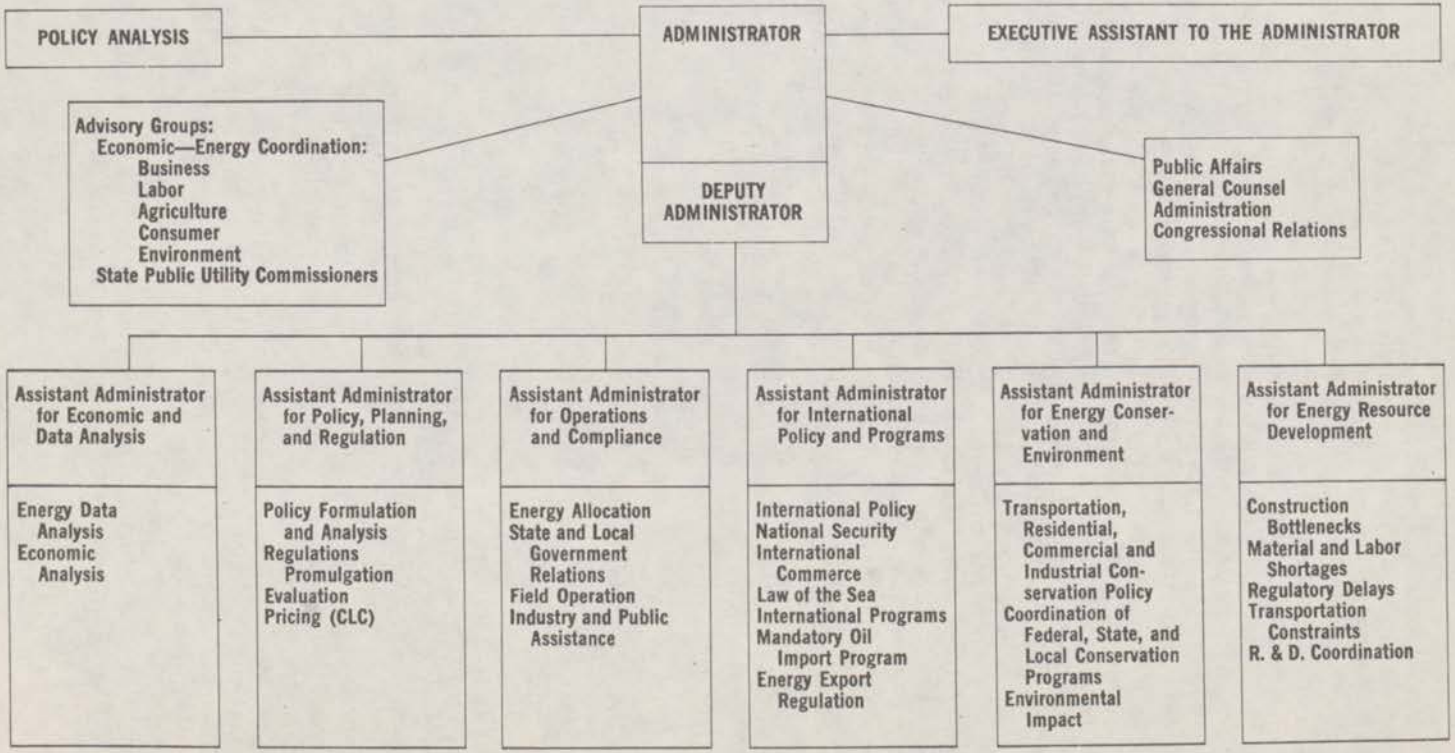
Mr. ASH. We would very much like to.

Mr. HORTON. Mr. Chairman, I ask that that be put in.

Chairman HOLIFIELD. Without objection, it will be received.

[The information referred to follows:]

FEDERAL ENERGY ADMINISTRATION



Mr. HORTON. Now, that is your recommendation at the present time, and we understand that it might be changed later, with the exception of the Assistant Administrators. Also, as I understand it, the Administrator would be a level II, the Deputy Administrator would be a level III, and the six Assistant Administrators would be level IV.

Now, you have also asked that the General Counsel, be a level IV. Why is that necessary?

Mr. ASH. Mr. Zarb can answer that one.

Mr. ZARB. Mr. Horton, as we proceed to implement the wide range of regulations which will come from the emergency legislation that we need to implement, many, many material legal questions will be posed to the Administrator, and he will need significant support.

I think, in addition to that, we need to build into the system a method of appeals to decisions made within this organization. And to do that and do it properly, to staff it correctly, we need a senior person from the law profession. It is the judgment of Mr. Simon, and one in which I concur, that a level 4 will enable us to accomplish that.

On the same point, Mr. Horton, while we are talking about the quality of people within the organization, may I respond to Mr. St Germain's observation of a short while ago, since I do not believe we were sensitive enough to the implications of his comments.

I have worked with Mr. Simon now day and night for the last 7 or 8 days on both organizational and staffing questions, and I can assure you, from my perspective, of two things. First, he is going to insist on the best people to do these jobs. There is no question but what that is so. And second, he would be most anxious to hear observations with respect to both personnel and leadership structure from any committee or Member of Congress.

Chairman HOLIFIELD. Mr. St Germain.

MR. SIMON'S TREASURY ROLE

Mr. ST GERMAIN. Yes.

Mr. Ash, I believe in answer to one of Mr. Moorhead's questions you stated that Mr. Simon would continue to be associated with Treasury as well as take on this new position?

Mr. ASH. Yes, sir. We believe there are considerable advantages in doing that. Of course, the Senate in confirmation hearings, I am sure, will want to take up that question very specifically.

Mr. ST GERMAIN. Well, the point is, among the advisors you named is Secretary Shultz. In one instance, as head of the FEA, Mr. Simon would be supposedly taking recommendations from all these people, but one of the advisors would be his superior at Treasury. It just might be a rather precarious situation, and not probably the ideal one, if you follow my reasoning here.

In the one instance, wearing one hat, he has Secretary Shultz as his superior; in the other instance, wearing the other hat, he is taking recommendations from a group of people, among them his superior with his other hat.

Mr. ASH. I understand the point you make and I certainly agree, as I think Mr. Horton earlier suggested, that the statute itself should not provide for these jobs being linked as one. But given even the kind of problem that you identify, we believe there are some needs that run in the other direction. This is probably the best thing to do, and we

would strongly recommend this approach at this time and would put that in front of the Senate in the confirmation process so they can have the opportunity to judge that kind of an issue for themselves.

Mr. ST GERMAIN. Mr. Ash——

Mr. HORTON. Would the gentleman yield on that?

Mr. ST GERMAIN. Certainly.

Mr. HORTON. With reference to personnel, as I understand it, we are going to transfer functions here and not personnel. Is that right?

Mr. ASH. We will be transferring functions first, but personnel, say, the people out of the Cost of Living Council, the people out of Interior, would also physically be transferred.

And I think there is one other point that I should make. We believe that it is also important, given the nature of the problem to be worked on here, that they be colocated as well, so that we truly have a tight organization working on this problem.

PROTECTION OF JOB RIGHTS

Chairman HOLIFIELD. Will these people who are being transferred from the old line agencies—I am thinking now of career people—will they be protected as to their tenure and that sort of thing?

Mr. BINGMAN. I think that is the point, Mr. Chairman, that when you transfer a function from one Federal agency to another, the civil service regulations provide that the employees are entitled to transfer with that function; so that they would be covered, at least to the extent that they can retain their positions in transferring to the new organization. We do not make any further provision beyond that in this legislation.

Mr. HORTON. Just so the committee has it clear; take, for example, the Office of Oil and Gas that is now in Interior. That function and those personnel would be transferred to FEA?

Mr. BINGMAN. Yes, sir.

Mr. HORTON. But the Office of Oil and Gas would remain in Interior, and then you would have to lapse it?

Mr. BINGMAN. That is the point. We would lapse the organization in Interior, transfer its functions to the Federal Energy Administration, and the people would be authorized to go with that function.

Mr. HORTON. Well, when you say lapse, what do you mean?

Mr. BINGMAN. It would no longer have a statutory basis in Interior after the functions and personnel are transferred to FEA. With no statutory base, functions or personnel, the Secretary would then terminate the organizational units involved.

Mr. HORTON. Suppose we do not do anything about DENR? What about reversion?

Mr. ASH. The 2-year period?

Mr. HORTON. At the end of the 2-year period.

Mr. ASH. When FEA comes to an end?

Mr. HORTON. Right.

Mr. ASH. I think we should make certain that, as we come to that point and if there were no DENR, that we come before the Congress with a proposal that preserves all of the rights that those in the civil service would have.

Mr. HORTON. Thank you, Mr. St Germain.

PUBLIC REACTIONS

Mr. ST GERMAIN. Mr. Ash, I have found in going back and forth to Rhode Island every weekend a few things. Evidentally the people in the greater Washington area, from news reports, and the people in New England and Rhode Island, are really doing their utmost to comply, and we find that the power companies are putting out less power. There has been a decrease in demand.

In other words, it is evident that the consumer, the average citizen, is doing his utmost, turning down his thermostat and probably turning it down even more than has been requested by cutting down on voltage or electricity usage. That is wonderful. I think the people are happy to do this because they realize that there is an emergency.

However, we in the Congress are receiving questions, telephone calls, myriads of telephone calls and letters from our constituents. Now, let us take Rhode Island. We were paying 22 cents for heating oil, just about 3 months ago. We are now getting calls in our local office where they have just had a delivery of 46 cents and 48 cents per gallon.

This individual has cut back maybe 10 or 15 percent his or her consumption, but that individual is facing an increase of over 100 percent in cost. That individual is living on a budget, perhaps budgeted $150 to $200 or $300 for heating and now he finds that even though he cut way back and is a lot colder than before, his costs have soared. Here, the price is up so high. We are told that the imports have been shut off from the Arab nations, and that the bulk we are getting is from domestic production, with some from Venezuela and Canada that has increased in price.

But my people and the people in New England that are really suffering here say, how come over a 100 percent increase, and then we read in the paper that the Cost of Living Council—last week, I think, Thursday or Friday—said we will give then another 2-cent increase for fuel oil to perhaps encourage them to refine more fuel oil than gasoline, where there are no controls.

Now, I have not been able, and no one in our delegation from New England meeting with the officials from the Boston region last week is able, to get answers concerning pricing.

When I look at your statement, you say the new agency is proposed to be built around the nucleus of several programs, and you say similarly FEA would also receive the functions now performed by the energy division of the Cost of Living Council. Beyond that in your statement, there is no mention of price whatsoever.

In looking at the chart, you have an assistant administrator for policy planning and regulation, and at the very end of that you have pricing, the Cost of Living Council. I think that if we are going to ask the American people to cooperate, and they have been cooperating, we have to insure and guarantee to them, and convince them that they are not being gouged by the big oil companies.

SQUEEZE ON INDEPENDENTS

You are familiar with this letter from the 22 Senators on the increased oil profits this quarter as compared to last year, which they said was a very bad year. The New York Times magazine section had

an excellent article yesterday taking in the 18 major oil companies. It pointed out that with this shortage they are really doing a job on the independents that they have been attempting to get rid of for many, many years. They further state, you never see Exxon advertise anything about price. They tell you Texaco is the man with the star. The Sunoco man wants his daughter to have champagne and roses at her wedding, so he's going to be friendly when you come in. But they never talk about price competition.

We have driven, or we are evidently driving, the independents out of business. We are not able to answer the questions as to pricing.

I will bring out one other point. In 1969, the Wall Street Journal ran an article on the United States National Bank of San Diego and the machinations of C. Arnholdt Smith with many companies, the Westgate Corp., the U.S. Holding Co., and many others. This was evidently completely ignored by the Federal regulatory agencies because it was 3 years later before they came up with the first report indicating the inside dealing on loans and the complete domination by C. Arnholdt Smith of this bank.

I am hoping that this new agency, when it comes to pricing and the domination by the major oil producers, will pay a little attention to some of these splendid investigative reporters that are looking into the major companies profiteering by control over price. And that we do not look, as OEP did before, to staff people who pick up telephones and call the majors asking how the oil situation is. Have we got enough for this year? And they say, yes, certainly. We have got plenty for this year. And that is the end of it.

I hope we are going to think of the consumer. If we are going to ask the consumer, the American citizen to cooperate, let us show him the Government can think of him and his pocketbook rather than the pocketbook of the stockholders of the major oil companies.

Are there provisions going to be made, beyond what I see in your testimony and in this chart, to look at the pricing aspect, and the competitive aspects among the majors?

Mr. ASH. Certainly, I join with you in commending the American people on the actions that they have taken here in these last few weeks, and it has gone a long ways toward solving the problem. You may remember also in response to your specific question here about gouging, that immediately upon hearing that the truckers were being gouged, which in turn translates to prices all the way down the line, in less than 12 hours the Internal Revenue Department was set in motion and was out going up and down those freeways and throughways stopping at the individual service stations to make sure that they were not charging illegal or improper prices.

There was a very immediate, and we believe very effective response to that, and certainly the attitude of the Federal Energy Administration was evidenced by the action that they took in that very instance.

It is important, while we are asking for a sacrifice that we make sure that neither the oil companies nor anyone else takes advantage of the problems at this particular moment. I think we will all agree, though, that we must have more energy resources, more oil, more coal and more gas; and we have to be, therefore, mindful of the costs of getting those additional supplies. Certainly, we are not about to impose upon any citizen, company or foreign government an obligation to

deliver a product at less than cost. We just will not get the product. So another reason for bringing this pricing function into the Federal Energy Administration is to be able to make those kinds of determinations that require the oil companies, and require everybody, to do their part.

In this recent action just taken by the Cost of Living Council, but working closely with those dealing with energy, the shift in the refinery mix was done by reducing the price that a refinery could charge for gasoline, while increasing what he could get for his heating oil, thus making it economically necessary——

Mr. ST GERMAIN. Excuse me. You say they, at the same time, are reducing the price on gasoline?

Mr. ASH. Yes, the price the refiner can charge for the gasoline he sells. Now, that has not gone through the system yet because it was just last week, but in order to deal equitably with this need to change refinery mix, it was done not by just increasing the price of the product we wanted more of, that is, distillates; rather, it was done by also reducing the price that a refiner could charge for the gasoline output of his refinery. So this is by way of saying that the administration of this new activity will be giving very special concern to prices and profits to make sure that the public interest, the interests of the consumers of these products, is best served.

Mr. ST GERMAIN. Are you now telling me that the Cost of Living Council reduced the allowable price being charged by the refiners for refining gasoline below their cost?

Mr. ASH. Below what their price had been the day before.

Mr. ST GERMAIN. But they are still making a profit on refining of gasoline.

Mr. ASH. They are still making a profit, I did not say below cost. I said they reduced it below what it had been in order to induce the refineries to make more of the product that we needed this wintertime; that is more heating oil, more distillates generally.

Mr. ST GERMAIN. The order to Internal Revenue to look at the price being charged for diesel fuel along the highways, this particular order emanated after—was that before or after—the meeting with the president of the Teamsters Union, Mr. Fitzsimmons?

Mr. ASH. I believe it was all before. It was before any meetings took place.

My recollection of it is it went over the night. There was a problem the night before, and before the beginning of the work day, the next day, the orders had gone out. I think that you have seen and will continue to see considerable evidence that the administration of this agency will be conducted consistent with this kind of pattern when it deals with prices and profits.

SPREADING THE BURDEN

Mr. ST GERMAIN. Now, Mr. Ash, over the years we in the Northeast have been dependent upon imported oil. That is why those of us from that section of the country are so familiar with import quotas. You know, we have been suffering under these price wars and emergencies now for a period of years.

With the cutoff of imported oil, imported crude from the Arab nations, we are really facing—in other words, we are in the position of bearing the brunt of the shortage in the Northeast area of the country. Evidently, I have not looked at the price of oil in other areas of the country—here is something like a 6 cents or 8 cents differential listed in the Oil Daily, that published a lot of figures, per gallon of heating oil between New York and Boston and Providence. There is that big a spread.

Of course, I imagine there is a larger spread when you go to other areas of the country. But we have the dubious distinction of paying the highest prices in the Nation for our oil in the Northeast.

Now, if we are called upon to sacrifice, to turn down our thermostats, which we are doing and are happy to do, are you also going to, under this new Administration, devise a means to share the burden, pricewise? Secondly—and this will be my last question—I would like to know, where am I going to be able to go, once the Federal Energy Administration has been created? Where am I going to be able to go to find out for, and on behalf of, my constituents whether or not the price they are paying for oil is a fair price or are the majors gouging the consumers?

Where will we be able to go for reliable, factual information, and not a lot of balderdash? Those are two questions that I conclude with: (1) The spread of the price; and (2) Where do wo go for reliable information?

Mr. ASH. On that first question, I think that it could be very useful to particularly inquire of Dr. Dunlop, who I gather will be appearing before you soon, as to how that has been administered to this point, because that will be carried over into the new agency. It will have the benefit of all of the work that has been done in the Cost of Living Council on setting up the mechanisms to make sure that the kind of thing that you state is achieved; that is a division, an equitable division——

Mr. ST GERMAIN. The burden.

Mr. ASH [continuing]. Of the burden that we all have to carry, and I am sure that he can, more than I, discuss exactly how that is done. In the agency itself——

Mr. ST GERMAIN. You have an Assistant Administrator for Policy, Planning and Regulation. Under that you have Pricing, CLC, the last one down on your chart.

OMBUDSMAN

Mr. ASH. The Assistant Administrator for Operations and Compliance has a function called public assistance. This is the ombudsman, the point to which you can refer your constituents directly. You can yourselves inquire on any problem for which a satisfactory answer might not have been provided, or might not be available; because dealing well with a big part of this problem, we believe, is dependent upon good, complete public information. And this should be an important part, therefore, of this whole organization.

Mr. ST GERMAIN. Are you telling me that this is where I go, because I will go on behalf of my constituents?

Mr. ASH. By all means.

Mr. ST GERMAIN. Is this where I will go to find out about the price, how it is arrived at, and whether or not they are being charged a fair price, and that the profits of the majors are not that high?

Mr. ASH. If I were you, I would go directly to the Administrator, and maybe your constituents might find that they can get answers here; in your position, I would go directly to the Administrator and get answers to any questions that I wished.

Mr. ST GERMAIN. I have been going to Mr. Dunlop since he has been with the Cost of Living Council for a long period of time now, and the ordinary inquiry takes maybe 10 weeks to 14 weeks for a reply.

Now, that is not very satisfactory—going to the Administrator, because I thought if we had someone with knowledge who could just give us an answer about the price underneath this, who could be definitive, and whom we could rely upon, maybe we could cut that timespan down.

Mr. ASH. Certainly, here is the place to inquire, but I think I would try to make sure that you got good response from the top of an organization. I might even suggest that you call me. I might be able to find out something for you.

Mr. ST GERMAIN. You have got plenty of problems as it is.

PROBLEMS IN PRICE CONTROL

Mr. ASH. Back to your other point, I just wanted to make a comment that I think it is important to realize what sometimes gives rise to prices higher than we would all want. You have already indicated that we cannot control the price that foreigners charge us, and of course, we still will be importing, and are importing, 4 million barrels a day based upon foreign-set prices.

Not that it adds up to a lot, but it does make the problem more difficult. The recent Alaskan Pipeline bill had with it a rider that freed from price control certain domestically produced oil, and that domestically produced oil, along with others, is a sufficient part of our total, domestically produced oil to make it difficult to deal with domestic prices.

So I guess I am saying that sometimes price increases come by a rider to another bill that turns them loose from price control; that is what happened on the Alaskan Pipeline bill. It is an aside, but it is a fact.

Mr. ST GERMAIN. Mr. Chairman, I would like to take the opportunity, just for a moment here, to commend and thank Mr. Zarb for his assistance to us in Rhode Island. He has been in Rhode Island several times, and he has been very, very helpful.

I want to commend him, and let you know how appreciative we are.

Mr. ASH. Thank you.

Mr. ST GERMAIN. Thank you, Mr. Chairman.

Chairman HOLIFIELD. Thank you, gentlemen. We did not expect to keep you on the stand this long, but the interest on this bill, as you can see, is intense. So we will excuse you now, and thank you for your appearance.

We are going to ask Secretary Whitaker to come forward—is he still here?

Mr. ASH. Thank you very much, Mr. Chairman; not only for expediting the process, but for working with us so long this morning to make sure we developed all of the information that we need to.

Chairman HOLIFIELD. Mr. Whitaker. Mr. Secretary, you have been here long enough to know why you were so late getting to the table; and we apologize. You may proceed, and we will try to get out so that we can get back by 1:30 p.m., to continue with Dr. Dunlop.

STATEMENT OF JOHN WHITAKER, UNDER SECRETARY, DEPARTMENT OF THE INTERIOR; ACCOMPANIED BY BART McGARRY, ASSISTANT DIRECTOR, OFFICE OF ENERGY CONSERVATION; AND JOHN MORGAN, ACTING DIRECTOR, BUREAU OF MINES

Mr. WHITAKER. Thank you, Mr. Chairman.

I have with me, on your left, Dr. John Morgan, the Acting Director of the Bureau of Mines in the Department of the Interior; and on your right, Mr. Bart McGarry, the Assistant Director of the Office of Energy Conservation.

I am frankly delighted your committee has so expeditiously scheduled these hearings on the President's proposals to establish a Federal Energy Administration. We are now confronting a very serious energy supply shortage which can have a drastic effect on our Nation's economy, security, and general welfare.

A number of significant steps have already been taken to deal with the problem. However, it is apparent that if we are to be truly effective in minimizing the impact of this shortage on the country, we need a centralized, well-coordinated organization to develop necessary policies and carry them out effectively.

FUNCTIONS OF TRANSFERRED OFFICES

The Department of the Interior wholeheartedly supports the establishment of the Federal Energy Administration. I will not go into any details of that organization except to concentrate on those parts of the Department of the Interior which would be transferred to the Federal Energy Administration. Specifically, these include No. 1, the Office of Oil and Gas; second, the Office of Energy Conservation; third, the Office of Energy Data and Analysis; and finally, the Office of Petroleum Allocation. These Offices combine a variety of talents and pursue a variety of missions. Perhaps it would be instructive for me to take a moment to describe the Offices as they have existed within the administrative framework of the Department of the Interior.

The Office of Oil and Gas has seniority among the offices under consideration here, all of the others having been established only in the last few months within the Department of Interior. The Office of Oil and Gas serves as the principal focal point for Federal Government contact with the petroleum industry. It administers the oil import program. For some time it has been regarded by other Interior Department agencies as an important source of information on petroleum industry operations. Some Interior agencies will continue to require access to the Office of Oil and Gas expertise and maintaining liaison when the Office of Oil and Gas moves to the Federal Energy Administration.

Second, the Office of Energy Data and Analysis was set up last spring to collect and evaluate statistics on the Nation's energy resources. A small organization, the Office has drawn extensively on mineral statistics compiled by other Interior agencies, and in particular the Bureau of Mines.

The Office of Energy Conservation was likewise established last spring as the Government's principal instrument for reducing energy demand throughout the country. Its chief missions thus far have been to coordinate energy-saving efforts within the Federal Government itself; second, to provide support and assistance for State and local energy conservation efforts; third, to create, through education and information programs, an awareness of the need for energy conservation among the general public. Finally, this Office also conducts and supervises research for more efficient uses of energy.

The Office of Energy Conservation's future involvement with the Interior Department will probably be limited to coordinating the Department's participation in the Federal energy-saving program.

Newest of Interior's energy-oriented operations is, of course, the Office of Petroleum Allocation. Its function, as the name implies, is to divide up the Nation's petroleum resources as equitably as possible. The mission will be difficult and requires substantial staff and funding, depending on the dictates of national allocation policies in the future. Its transfer from Interior should have little effect on other parts of the Department.

A great deal of work has been done by the four offices I described above. Their expertise and experience will be essential to the proper functioning of an administration charged with responsibility for meeting the energy needs of the Nation.

Within Interior, these offices have enjoyed ready access to the wealth of information and expertise from other departmental agencies that have been assembled over the years. As components of FEA, they will doubtless continue to have use for Interior Department resources. We look forward to cooperating with them to the fullest extent possible.

Establishment of FEA, though important, is probably not the last restructuring effort that the Government will have to make in order to safeguard our energy resources. Creation of the Energy Research and Development Administration and, eventually, a Department of Energy and Natural Resources, will require similar transfers and realinements. It is my hope that the orderly transfer of expertise from Interior to FEA can serve as a model for the urgently needed organizational measures that lie ahead.

Again, Mr. Chairman, I strongly urge the prompt enactment of H.R. 11793.

Thank you very much.

VIEWS ON ADDITIONAL TRANSFERS

Chairman HOLIFIELD. Thank you, Mr. Whitaker.

What are your views regarding the need for a provision by which the President, within the next 6 months, could transfer additional energy functions from the Department of the Interior, the FPC, and other agencies?

Mr. WHITAKER. Well, as Mr. Ash indicated, we have a provision in the bill which in effect would ask for a 6-month period whereby parts of other Government agencies might possibly be transferred to a Federal Energy Administration.

Let me give you a practical example, if I may, Mr. Chairman, of the dilemma we have in this regard. We propose the transfer of an Office of Energy Data and Analysis to the Federal Energy Administration. That is a rather small office whose job, rather than to collect data—and here I make the fundamental distinction—is to analyze and integrate data.

Now, we have in the Department of the Interior many data-collecting agencies. Large portions of the Bureau of Mines, for example, large portions of the Bureau of Land Management, are connected with collecting good data. We do not think that the proper thing to do is to move all of these entire organizations into the Federal Energy Administration. Instead, we would properly operate as we have proposed in the bill without further transfers. If there were further transfers, they would probably be of the nature of liaison men, a small cadre of liaison men from some particular branch of the Department of Interior to further expedite getting the kind of data you need and as quickly as you can to serve the functions of the Office of Data Analysis in the Federal Energy Administration.

Chairman HOLIFIELD. You are aware, of course, that the basic Reorganization Act has expired.

Mr. WHITAKER. Yes, I am.

Chairman HOLIFIELD. One of the reasons why it has not been renewed has been the reluctance of the Congress to confer wide authority for reorganization at this time upon the President.

Now, any authority that might be written into this bill would have to be confined to the purpose of the act, which is energy conservation and the administration of emergency measures, would it not?

Mr. WHITAKER. That is correct. That is my understanding.

Chairman HOLIFIELD. And you would not be in favor of giving the President wide authority to transfer agencies or functions for any purpose other than the purpose of this act?

Mr. WHITAKER. No. I think it would be very much in the limited area I just discussed, that of transferring further people from Interior to the Federal Energy Administration, if we found in the process that you could more effectively get the data needed more expeditiously.

Chairman HOLIFIELD. Well, what would you think of a provision something like this:

> For a period of 6 months from the enactment of this act, the President shall have the authority to transfer to the Administrator, by complying with the procedures established by sections 901–913 of title 5, U.S. Code—

That is the Reorganization Act which is expired—

> if he determines that such transfer would further the accomplishment of the intent and purposes of this act, any functions of any other department or agency of the United States or of any office or organizational entity thereof which relate primarily to energy functions provided in this act.

Mr. WHITAKER. Yes, that would sound like ample authority to me; because I think fully the intention here is, sir, to give the administration limited authority to transfer areas solely connected with the bill that is before us now.

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Mr. GOODWIN. Mr. Whitaker, do you think that the President under this provision could transfer any of the functions of the Environmental Protection Agency with respect to energy use and to emission standards and things of that sort?

Mr. WHITAKER. I do not think so. No. I had better answer that only with respect to my Department. I do not offhand see a purpose of transferring any functions from the Environmental Protection Agency to the Federal Energy Administration.

Mr. GOODWIN. As far as you know, that is not contemplated.

Mr. WHITAKER. That is not contemplated as far as I know, but I have not personally looked into the EPA situation which you address.

REVERSION PROSPECTS

Mr. GOODWIN. When the FEA comes to an end in 2 years, is there any problem from your point of view with respect to the reversion of functions to the Department of Interior under the provisions of this bill?

Mr. WHITAKER. No. What I think is the proper course of action, if I may suggest one, is that we have basically three separate pieces of energy-related legislation—the one we are discussing today; second, the Energy Research and Development Administration; and third, a Department of Energy and Natural Resources.

I think frankly passage of the last piece I referred to, DENR, during the next session, after January, would certainly be a good thing for this committee to pursue. However, a real question in my mind is precisely when the Federal Energy Administration authorities should lapse back to Interior.

The purpose of the FEA in my mind frankly is one of quick, rapid reaction, if you would—crisis management by a rather lean, high-powered organization. And I think that is what we need first, and that is, of course, why I think it has the highest priority.

There will be a fuzzy period, I think, about a year to 2 years from now, as to when some of those elements in the FEA might revert back and be invested in a Department of Energy and Natural Resources. Of course, in the DENR proposal there are many elements which are not specifically related to energy, like the controversies on transfer of the Forest Service into the new DENR, and NOAA into the new DENR, and so forth.

Mr. GOODWIN. Are you at all concerned about the possibility that the DENR legislation might not be enacted in 2 years?

Mr. WHITAKER. Yes, I am. I think we very much need to further integrate our natural resources. I think there are cost savings. I think there are tradeoffs that are beneficial in that respect.

Mr. GOODWIN. Thank you, Mr. Chairman.

PROTECTION OF JOB RIGHTS

Chairman HOLIFIELD. In the reversion section of the bill, would you have any objection to the protection of the job rights of people who may be transferred? I am not talking about schedule C; I am talking about the regular people that are in Civil Service, about protecting their rights.

Mr. WHITAKER. No. Their rights should be protected when they are transferred.

Chairman HOLIFIELD. In other words, if this agency should die at the end of 2 years, and if the DENR were not established at that time, what I am asking is, would there be an objection to putting in a protection clause for the Civil Service people that might be transferred out of an old line agency into a temporary agency and give them the right to be transferred back on the basis of their seniority rights?

Mr. WHITAKER. Unequivocally, I would not want to say it, but I see no problem with that. Two years from now, I think that problem will go away if—particularly it will go away if a DENR is established—DENR and ERDA are established in the interim. Then when FEA goes out of existence, they would revert back to the newer agencies which would be authorized under future legislation.

Chairman HOLIFIELD. Well, that is true. I was thinking of——

Mr. WHITAKER. If they are not, it would sound fine to revert them back.

Chairman HOLIFIELD. I mean, if a person has built up 15 or 20 years' service, let us say in Interior, and his function is transferred over to this temporary agency, and if the functions are transferred back, I should see no reason why the personnel should not also be transferred back.

Mr. WHITAKER. Oh, I do not either, from an initial look at it, just thinking about it now. The only point I am trying to make, if the new legislation passes, there would be no Interior to transfer back to; but they would logically go back to the new Department of Energy and Natural Resources.

Chairman HOLIFIELD. Well, I am thinking of where they are transferred back, whether it is the DENR or the Department of Interior. I am thinking about the preservation of their job rights.

Mr. WHITAKER. Oh, indisputably those job rights would be preserved, yes.

Chairman HOLIFIELD. Mr. St Germain.

CONSERVATION

Mr. ST GERMAIN. In your statement, you talk about the Office of Energy Conservation which was "established last spring as the Government's principal instrument for reducing energy demand throughout the country. Its chief missions thus far have been to coordinate energy-saving efforts within the Federal Government itself; to provide support and assistance for State and local energy conservation efforts; and create, through education and information programs, an awareness of the need for energy conservation among the general public."

Now, do you drive around Washington at night, Mr. Secretary, in the evening?

Mr. WHITAKER. Yes.

Mr. ST GERMAIN. Are the lights still on at Commerce, lighting the side of that building up?

Mr. WHITAKER. No, they are not, after——

Mr. ST GERMAIN. The spotlights.

Mr. WHITAKER. I have forgotten—it is 10 or 12. Those lights have been turned off, for example, in all of the National Capital Park—for example, Lincoln Memorial, Washington Monument, et cetera, go off at 10 p.m. now.

Mr. ST GERMAIN. Well, the reason I asked that question is that there were some constituents in Washington during the past 2 weeks, and they went home and they said, "Gee, the State capitol in Rhode Island is no longer lit. We have got a beautiful capitol. It overlooks Providence, and you drive in from all sections of the State. Fortunately, it is placed in the right place. We have turned the lights out there; and yet, when we came into Washington, all of the monuments are still lit up, and the Department of Commerce and some of these others."

You know, I was told a long time ago you lead best by example. And it would help if Big Brother, the Federal Government, would be a little more conservative. You say they turn the lights off at 10 or 12 around some of these buildings other than the monuments. Why do they have to have them on at all?

Mr. WHITAKER. That is an option we are considering. It has its tradeoffs, for example, bluntly put, in terms of crime rates.

Mr. ST GERMAIN. I appreciate that fact, but there are a lot of people who used to have floodlights around their homes that have turned them out. They are taking a chance on the crime rate, and they are putting in burglar alarm systems as an alternative.

Another thing—I know you are very busy; we all are—but I get to watch the TV news over the weekend, particularly when I am at home, and during the news they have commercials. Have you seen any of these that are running at the present time?

I have the people from the Office of Energy Conservation or whatever it is here. I wonder if they are looking at any of these. Because here we are asked to conserve energy, and we know one of our problems is that along the way we have just increased, you know day after day, hour after hour, our demand upon our resources, our energy resources. You watch television and they have got the toaster oven they tell you to buy—and of course, that is a big user of electricity—and now for denture wearers, instead of just putting it in a cup overnight, you put it in an electronic denture cleaner.

Every commercial—you know, it is Christmastime and they want to unload all of these gimmicks that are a further drain on the energy resources of this country.

Has this particular agency of government spoken to some of these manufacturers—some of them are major manufacturers with a lot of other products that are necessities of life—to determine whether or not they could stop trying to foist these really unnecessary items on the general public?

Mr. WHITAKER. We have discussions with regard to what you might call overenthusiastic advertising which leads to further energy drains. However, these are largely through the Federal Trade Commission.

Second, there is a voluntary labeling program going on right now, a consumer program—it is voluntary so far, because it is incredibly complicated to make it mandatory, although that is under consideration—

to display on all sorts of appliances the actual amount of electricity that is being used.

Third, with the educational problem—for example, getting and repeating the message to drive 50 miles an hour, to reduce your thermostat, et cetera—through the Advertising Council an ad is being prepared—the film being shot last week and this week—which we hope to be putting on. It is a public service.

If that ad is very good, we have a voluntary option here of the networks to pick it up. Potentially it is worth about $30 million in advertising. You may, for example, Congressman, remember the ad that is running now. I think it is called Keep America Beautiful; it is the ad with the Indian with a tear in his eye. I think that has had some effect on cleaning up the environment.

We are hoping to come up with good ads. I, for example, talked to Jimmy Stewart last week. He unfortunately became sick so he could not do it; but he was going to do an ad in a football stadium, very cold, with his coat on, the bottom line of which would have been, "you know, if you do not cut down, you are not going to watch football games next year." Another ad showed a car coming out of a tunnel, a high-powered car; and then it was followed by the cloppety cloppety, clop of a horse coming out dragging a sports car with its hood up with no engine in it, again making the point.

So I think we would all agree that television is the most powerful medium. And I only give these examples to show that we are working along those lines, too.

Mr. ST GERMAIN. Incidentally, there was an article, I think in this morning's paper or yesterday's, by Sylvia Porter on labeling. I agree with you, if it were done voluntarily it would be a whole lot easier. I think the American people today are eager to do everything they can. A little hint to them such as insisting before they buy a product that it be labeled so that the purchaser knows how much energy it is going to consume would help.

Mr. WHITAKER. That is one of the tag lines in the Ad Council ad. That is one of the tag lines being considered in the ad I was just referring to—just what you said, a message to look before you buy, so to speak.

The dilemma is, of course, where can you save the most energy quickest with the shortest message, a constant advertising problem. And we are concentrating in the short term on the 50-mile-an-hour speed limit and the reduction of thermostats.

Mr. ST GERMAIN. One last question, Mr. Chairman, to this same group on the conservation of energy. Could you, for the record, furnish what their efforts have been with the major automobile manufacturers to determine what could be done to reduce substantially the consumption of gasoline; in other words, by the automobile manufacturers attempting to develop the type of automobile that would consume less gasoline.

Could you furnish that for the record?

Mr. WHITAKER. May I just summarize what we are doing very quickly? It will only take a second.

Mr. ST GERMAIN. Certainly.

Mr. WHITAKER. We have several proposals, contract studies going on right now. These deal with questions like should there be a tax on horsepower; should there be a regulatory procedure to reduce horsepower; should there be a tax based on miles per gallon of a car, that is, should you penalize the Cadillac owner versus the Pinto owner.

Mr. ST GERMAIN. Who is going to pay the tax, sir?

Mr. WHITAKER. Who would pay the tax?

Mr. ST GERMAIN. Yes.

Mr. WHITAKER. The consumer who buys it. In other words, the Cadillac owner would pay more for his car if he made the choice to buy a car that consumes much more gas per mile. Those studies are going on.

Mr. ST GERMAIN. How about a tax on the profit of the automobile manufacturer manufacturing that car with the higher horsepower and that consumes more gasoline?

Mr. WHITAKER. Well, that is a possibility, too.

Mr. ST GERMAIN. Why is it always the consumer?

Mr. WHITAKER. Because it would be a consumer choice.

Mr. ST GERMAIN. Not a tax, sir, that would increase the cost of the automobile. That hits the consumer in contrast to a tax on the profits of that division of that particular automobile manufacturer.

Mr. WHITAKER. The Office of Energy Conservation is not looking into what I presume you are talking about, a tax of that sort.

Mr. ST GERMAIN. Well, you just mentioned taxation.

Mr. WHITAKER. Yes, not a taxation on the automobile manufacturer itself. Treasury is looking into the possibilities like that. I am just breaking it down.

The option you present is an option. You can tax the automobile manufacturer, or you can tax the consumer for his choice to buy a high gas consuming car. Those are the sort of things that we are looking at.

Mr. ST GERMAIN. But once again, this group has been talking about tax options, as opposed to Treasury that has been talking about taxes on the consumer rather than taxes on the profits of the automobile manufacturer who manufactures——

Mr. WHITAKER. That is correct.

Mr. ST GERMAIN [continuing]. The automobile that consumes a great deal of fuel.

Mr. WHITAKER. There are several answers. A tax on the weight of the car could be either way, on the manufacturer or on the consumer. Ditto for its efficiency with regard to gasoline.

Mr. ST GERMAIN. Thank you, Mr. Chairman.

Chairman HOLIFIELD. Thank you. Any other questions?

Mr. HORTON. I do not have any questions, Mr. Chairman. I want to thank Mr. Whitaker for being so patient this morning.

Mr. WHITAKER. That is all right. If you are willing to work this hard on this bill, the least I can do is sit here and wait my turn. I appreciate your work on it.

Chairman HOLIFIELD. The Chair wishes to thank you also, and I know you understand the delay. We will now adjourn for a brief 30-minute lunch period. We will be back at 1:30, and our first witness will be Mr. Dunlop. Our second witness will be Mr. Roger Jones.

Mr. WHITAKER. Thank you, Mr. Chairman.

Chairman HOLIFIELD. The meeting is adjourned.

[The following additional information was received regarding the authorities underlying the establishment of the offices in the Department of Interior proposed for transfer to the Federal Energy Administration:]

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., May 7, 1973.

Order No. 2953

Subject: Reorganization of Bureaus and Offices

Sec. 1. *Purpose.* This Order outlines the implementation of the reorganization plan described in Secretary's Order 2951 dated February 6, 1973. Provided herein are brief functional descriptions of new organizations created, the transfer of various functions between organizations, and the assignment of bureaus and offices to Assistant Secretaries for Secretarial direction and supervision.

Sec. 2. *Responsibilities.* Assistant Secretaries named in Secretary's Order 2951 will be responsible for implementing the provisions of this Order as well as the development of new or revised organization statements for publication in the Departmental Manual. The Assistant Secretary—Management is responsible for the approval of all reorganization actions made pursuant to this Order as provided in 101 DM.

Sec. 3. *Authority.* This Order is issued in accordance with the authority provided by Section 2 of Reorganization Plan No. 3 of 1950 (64 Stat. 1262).

Sec. 4. *Secretarial Officers.* The functions, authorities, and responsibilities of all Secretarial officers, except the Solicitor, have been revised as provided in Secretary's Order 2951. The following Sections and the chart attached to this Order delineate the transfer and alignment of existing and new organizations. A description of each Secretarial officer position and the organizational entities under its jurisdiction are described below.

Sec. 5. *Assistant Secretary—Energy and Minerals.* The Assistant Secretary—Energy and Minerals discharges the duties of the Secretary with the authority and direct responsibility for programs associated with energy conservation; energy and mineral data and analysis; generation, transmission and marketing of electric power except for those functions performed in the Bureau of Reclamation; mine health, safety and training programs; topographic, geologic and mineral resources matters; oil and gas activities, including import allocations; energy, metallurgical and mining research and development; and emergency preparedness and natural disaster energy and minerals functions. The Assistant Secretary—Energy and Minerals exercises Secretarial direction over the described functions of the following organizations:

(a) *Geological Survey.*—The Geological Survey retains its present functions and is transferred from the former Assistant Secretary—Mineral Resources.

(b) *Bureau of Mines.*—The Bureau of Mines is transferred from the former Assistant Secretary—Mineral Resources and retains its traditional functions of energy, metallurgical and mining research and development, mine health and safety research, and mineral supply. Other functions related to mine health and safety are transferred to the Mining Enforcement and Safety Administration described in Section 5(c) below.

(c) *Mining Enforcement and Safety Administration.*—A new Mining Enforcement and Safety Administration is established and is responsible for administering the Federal Coal Mine Health and Safety and the Federal Metal and Nonmetallic Mine Safety Act. Mine health and safety, assessment and compliance, and education and training functions are transferred to this office from the Bureau of Mines.

(d) *Power Administrations.*—The Bonneville, Southwestern, Southeastern and Alaska Power Administrations retain their present functions and are transferred from the former Assistant Secretary—Water and Power Resources.

(e) *Office of Oil and Gas.*—The Office of Oil and Gas retains its present functions and is transferred from the former Assistant Secretary—Mineral Resources.

(f) *Office of Coal Research.*—The Office of Coal Research retains its present functions and is transferred from the former Assistant Secretary—Mineral Resources.

(g) *Office of Energy Data and Analysis.*—A new Office of Energy Data and Analysis is established to serve as the focal point in the Department for coordinating functions related to gathering and analyzing energy data. The Office

develops appropriate information systems, analyses, and studies to assist in economic forecasting and policy decision-making. The Office also evaluates and reviews energy data-gathering programs and functions performed in the bureaus and offices reporting to the Assistant Secretary—Energy and Minerals.

(h) *Office of Research and Development.*—A new Office of Research and Development is established to coordinate energy and minerals research and development activities. The Office sets priorities and formulates research and development budgets, oversees development of new research and development programs, and evaluates the progress and results of all research and development conducted or sponsored by the Department. The Office administers a Central Energy Fund and directs the underground electric power transmission research program which is transferred to this office from the former Assistant Secretary—Water and Power Resources.

(i) *Office of Energy Conservation.*—A new Office of Energy Conservation is established to promote efficiencies in the use and development of energy resources; to coordinate all Federal Energy Conservation programs; to conduct research on methods of improving the efficiency of energy usage; to promote consumer awareness of the need for energy conservation; and to develop contingency plans for nationwide power, fuel and mineral resources emergencies caused by natural disasters, civil defense emergencies or other interruptions of the Nation's energy and mineral supplies. The activities associated with the emergency minerals and emergency solid fuels functions are transferred to this office from the former Assistant Secretary—Mineral Resources. The Defense Electric Power Administration is transferred to this office from the former Assistant Secretary—Water and Power Resources.

Sec. 6 *Assistant Secretary—Land and Water Resources.* The Assistant Secretary—Land and Water Resources discharges the duties of the Secretary with the authority and direct responsibility for programs associated with land use and water planning; public land management; construction and operation of multi-purpose dams and water distribution facilities; marketing of water and specified Bureau of Reclamation hydroelectric power projects; conversion of saline water and water resources research; and emergency preparedness water resources functions. The Assistant Secretary—Land and Water Resources exercises Secretarial direction over the following organizations:

(a) *Bureau of Land Management.*—The Bureau of Land Management retains its present functions and is transferred from the former Assistant Secretary—Public Land Management.

(b) *Bureau of Reclamation.*—The Bureau of Reclamation retains its present functions and is transferred from the former Assistant Secretary—Water and Power Resources.

(c) *Office of Land Use and Water Planning.*—A new Office of Land Use and Water Planning is established to be responsible for policy development and interagency coordination on use of public land and water resources, liaison with the Water Resources Council, coordination of River Basin Commission activities and interagency coordination with State and other Federal land use and water planning agencies. The Office of Regional Planning, under the former Assistant Secretary—Program Policy, is abolished and its functions are transferred to this office.

(d) *Office of Saline Water.*—The Office of Saline Water retains its present functions and is transferred from the former Assistant Secretary—Water and Power Resources.

(e) *Office of Water Resources Research.*—The Office of Water Resources Research retains its present functions and is transferred from the former Assistant Secretary—Water and Power Resources.

Sec. 7 *Assistant Secretary—Fish and Wildlife and Parks.* The Assistant Secretary—Fish and Wildlife and Parks discharges the duties of the Secretary with the authority and direct responsibility for programs associated with the development, conservation, and utilization of fish, wildlife, recreation, historical, and national park system resources of the Nation. The Assistant Secretary—Fish and Wildlife and Parks exercises Secretarial directions over the following organizations:

(a) *National Park Service.*—The National Park Service retains its present functions.

(b) *Bureau of Sport Fisheries and Wildlife.*—The Bureau of Sport Fisheries and Wildlife retains its present functions.

(c) *The Bureau of Outdoor Recreation.*—The Bureau of Outdoor Recreation retains its present functions and is transferred from the jurisdiction of the former Assistant Secretary—Program Policy.

Sec. 8. *Assistant Secretary—Congressional and Public Affairs.* The Assistant Secretary—Congressional and Public Affairs discharges the duties of the Secretary with the authority and direct responsibility for programs associated with legislative and Congressional liaison activities; public information and communications matters; and the Department's Johnny Horizon program. The Offices of Congressional Liaison, Communications, and Legislation and the Johnny Horizon Program Office are transferred to the jurisdiction of the Assistant Secretary—Congressional and Public Affairs.

Sec. 9. *Assistant Secretary—Management.* The Assistant Secretary—Management discharges the duties of the Secretary with the authority and direct responsibility for the functions carried out by the former Assistant Secretary—Management and Budget through the Offices of Management Consulting, Management Operations, Survey and Review, Organization and Personnel Management, Library Services, Secretarial Operations, Manpower Training and Youth Activities, International Activities, and Accounting Management Policy. The Office of Budget assigned to the former Assistant Secretary—Management and Budget is transferred to the Assistant Secretary—Program Development and Budget as described in Section 10.

Sec. 10 *Assistant Secretary—Program Development and Budget.* The Assistant Secretary—Program Development and Budget discharges the duties of the Secretary with the authority and direct responsibility for the functions carried out by the former Assistant Secretary—Program Policy through the Offices of Environmental Project Review, Policy Analysis, Economic Analysis, and Budget. The Office of Budget is transferred from the former Assistant Secretary—Management and Budget.

Sec. 11 *Solicitor.* The authorities, functions and responsibilities of the Solicitor remain unchanged.

Sec. 12 *Commissioner of Indian Affairs.* As provided for in Secretary's Order 2951, the Commissioner of Indian Affairs reports directly to the Secretary and directs the activities of the Bureau of Indian Affairs.

Sec. 13 *Other Secretarial Offices.*

(a) *Office of Hearings and Appeals.*—The Office of Hearing and Appeals retains its present functions, responsibilities and organizational placement.

(b) *Office of Territorial Affairs.*—As provided for in Secretary's Order 2951, the Director, Office of Territorial Affairs, reports directly to the Secretary.

(c) *Office for Equal Opportunity.*—The Office for Equal Opportunity retains its present functions, responsibilities and organizational placement.

(d) *The Office of the Science Adviser.*—The Office of the Science Adviser retains its present functions and responsibilities.

Sec. 14 *Secretarial Delegations of Authority.*

(a) Broad delegations of the Secretary's authority have been made to the Assistant Secretaries by 210 DM 1.2, and such delegations are not affected by the provisions of this Order. All other delegations of authority in effect preceding the date of this Order remain in effect to the extent they are compatible with the organizations, functions and responsibilities provided in this Order.

(b) Delegations of authority which have been affected by transfer of program responsibility or abolishment of positions are reassigned to the head of the bureau or office to which the program responsibility is transferred by this Order. Such officials are responsible for immediately initiating action for appropriate amendments to the Secretary's delegations of authority provided in the 200 Series of the Departmental Manual. The Assistant Secretary—Management, in cooperation with the Solicitor, is responsible for the timely conversion and revision of affected Secretary's delegations of authority.

Sec. 15 *Administrative Provisions.*

(a) The Assistant Secretary—Management and the Assistant Secretary—Program Development and Budget will take appropriate actions to accomplish the transfer of personnel, funds, and property to implement the provisions of this Order.

(b) Detailed organization statements providing for the reassignment of all functions affected by this Order will be prepared and published in the DM within a 90-day transition period beginning with the effective date of this Order.

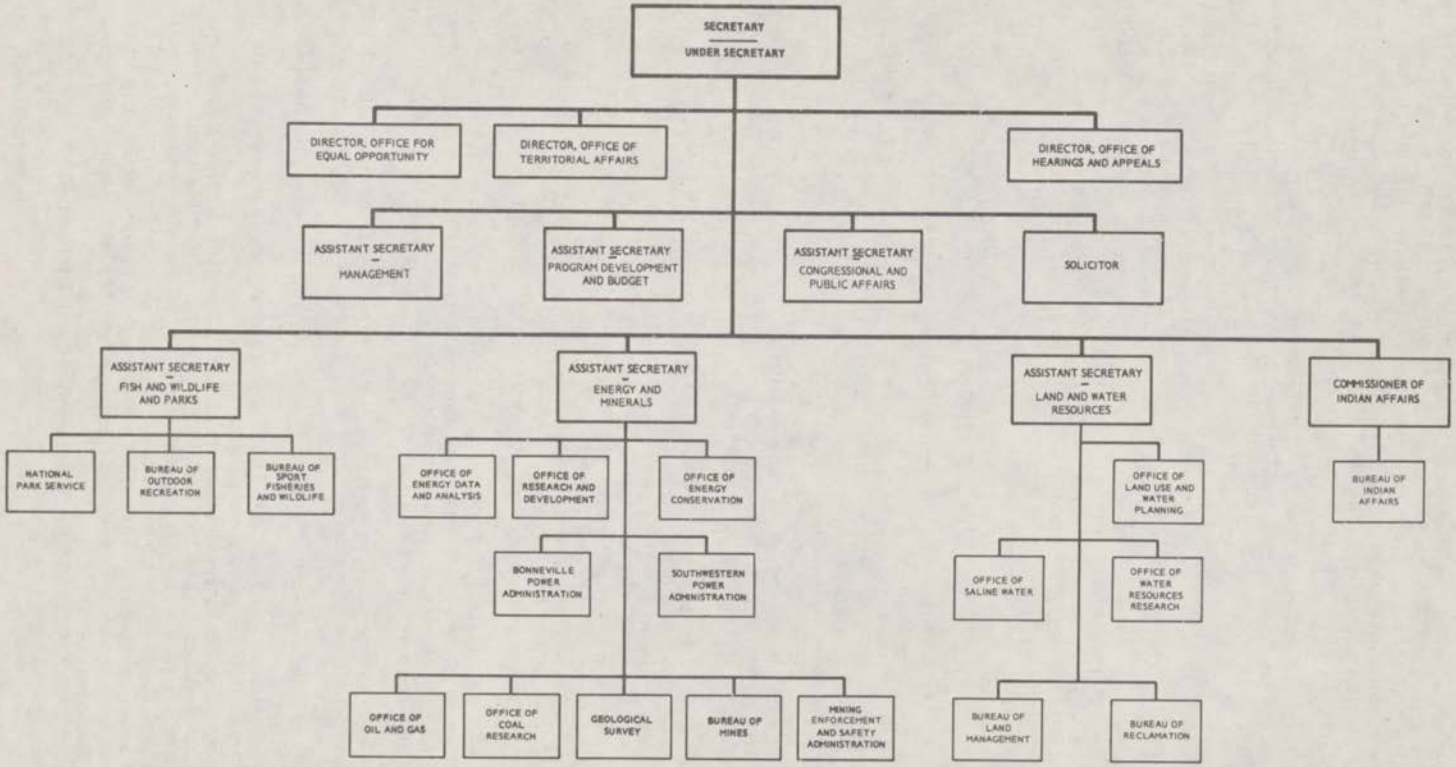
(c) Employees of bureaus and offices whose functions are reassigned from the bureau or offices in which they are employed are to be detailed to the bureau or office to which the functions are assigned by this Order during the 90-day transition period.

Sec. 16 *Effective Date.* This Order is effective immediately.

ROGERS C. B. MORTON,
Secretary of the Interior.

Attachment.

DEPARTMENT OF THE INTERIOR ORGANIZATION, MAY 1973



U.S. DEPARTMENT OF THE INTERIOR,
Washington, D.C., May 6, 1946.

Order No. 2193

Subject: Establishing an Oil and Gas Division

Pursuant to the President's letter of May 3, 1946, to the Secretary of the Interior, there is hereby established in the Department of the Interior an Oil and Gas Division under the immediate charge of a Director.

The Oil and Gas Division with a view to the conservation of the oil and gas resources of the Nation and the achievement of petroleum security, shall:

1. Assist the Secretary in the execution of the President's instructions to:

(a) Coordinate and unify policy and administration in respect to the functions and activities relative to oil and gas carried on by the several departments and agencies of the Federal Government;

(b) Serve as the channel of communication between the Federal Government and the petroleum industry;

(c) Serve as liaison agency of the Federal Government in its relations with the appropriate State oil and gas bodies; and

(d) Review technological developments in the field of petroleum and synthetic hydrocarbon fuels and coordinate Federal policy with respect thereto.

2. Obtain and analyze information as to oil and gas matters in which the Federal Government has a proper interest and, in this connection, serve as the central Federal and clearing house for statistics, technical data, and other information relating to oil and gas.

3. Keep the Secretary informed with respect to the adequacy and availability of supplies of petroleum and its products to meet the current and future needs of the Nation, and with respect to significant developments in the petroleum field, and make recommendations with respect thereto.

4. Develop proposals looking to the centralization of Federal functions and activities relating to oil and gas in keeping with the President's letter.

5. Coordinate all oil and gas policies and activities in the Department of the Interior.

Pursuant to the Executive Order of May 3, 1946, terminating the Petroleum Administration for War, the personnel, records, property and funds of the Administration are transferred to the Oil and Gas Division, which Division shall proceed to wind up and liquidate the affairs of the Administraton.

Upon the issuance of an Executive order amending Executive Order No. 7756, dated December 1, 1937, and the regulations and amendments, approved October 27, 1942, for the administration and enforcement of the act of February 22, 1935, as amended, "to designate the Oil and Gas Division in lieu of the Petroleum Conservation Division, the Oil and Gas Division shall assume all the authority and duties of the Petroleum Conservation Division, funds, personnel, equipment and records of the Petroleum Conservation Division shall be transferred to the Oil and Gas Division, and the Petroleum Conservation Division, shall cease to exist."

This Order shall be effective immediately,

J. A. KRUG,
Secretary of the Interior.

Order No. 2602

U.S. DEPARTMENT OF THE INTERIOR,
Washington, D.C., December 1, 1950.

Subject: Assistant Secretary for Mineral Resources

Sec. 1 *Responsibilities.* The Assistant Secretary for Mineral Resources shall within the limits of the authority delegated to him by Order No. 2509, as amended, discharge the duties and perform the functions of the Secretary of the Interior in the field of the development and utilization of minerals and fuels and exercise Secretarial direction and supervision over the Bureau of Mines and the Geological Survey.

Sec. 2 *Office of the Assistant Secretary for Mineral Resources.* (a) *Establishment.*—There is established an Office of the Assistant Secretary for Mineral Resources. This Office, in addition to the immediate Office of the Assistant Secretary, shall consist of the Minerals and Fuels Division, the Division of Geography, and the Oil and Gas Division.

(b) *Minerals and Fuels Division.*—The Minerals and Fuels Division shall advise the Assistant Secretary for Mineral Resources on the development, coordination, and management of programs for his area; shall review, evaluate, and make recommendations on the development and utilization of minerals and fuels; and shall assist the Assistant Secretary in supervising and coordinating the execution of these programs by the bureaus and other agencies. The Division shall perform the following functions:

(1) *Program Development.*—Recommend and provide assistance in establishing general standards and policies to guide the bureaus and other agencies in the mineral resources area in program development, review and prepare recommendations on long-range and annual programs of the Bureaus for consistency internally with their various programs and for consistency externally with the programs of the water and power and the public land management areas; participate with the Program Staff in the development of the over-all departmental program in so far as it affects the management of mineral resources; and recommend a legislative and budgetary program to achieve mineral resources program objectives.

(2) *Program Management.*—Review and prepare recommendations on existing and proposed policies and procedures for the management of mineral resources; provide advice and assistance to the bureaus and other agencies in the mineral resources area on program management problems including the standards and procedures to follow, the means of effecting coordination both inside and outside the mineral resources area, and other aspects of program operations; exercise staff supervision over the programs of the bureaus and other agencies in the mineral resources area; and establish and supervise the operation of a program reporting system, review performance and progress made, and initiate and supervise program adjustments to achieve mineral resources objectives.

Sec. 3 *Transfer of Functions.* Except with respect to the performance of functions relating to the administration and enforcement of the Act of February 22, 1935 as amended (15 U.S.C. 1946 ed., secs. 715–715k) and except with respect to the performance of functions relating to the operations of the Bureau of Mines, the Geological Survey, and the functions of the Bureau of Land Management and Bureau of Indian Affairs respecting the leasing of minerals lands, the functions of the Oil and Gas Division, provided for in Order No. 2193, shall be performed by the Petroleum Administration for Defense. The personnel, files, records, papers, and equipment of the Oil and Gas Division, except these required in the administration of the Act of February 22, 1935 and in the administration of the additional functions referred to above, are transferred to the Petroleum Administration for Defense.

(Sec. 2, Reorganization Plan No. 3 of 1950, 15 F.R. 3174; 5 U.S.C., 1946 ed., sec. 22.)

OSCAR L. CHAPMAN,
Secretary of the Interior.

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., November 6, 1973.

Order No. 2956

Subject: Office of Petroleum Allocation

Section 1. By virtue of the authority provided by Section 2 of Reorganization Plan No. 3 of 1950 (64 Stat. 1262), there is hereby created an office under the Office of the Secretary to be known as the Office of Petroleum Allocation. This Office shall be under the supervision, management and direction of an Administrator to be appointed by the Secretary of the Interior.

Section 2. The authority with respect to petroleum products under Section 203(a)(3) of the Economic Stabilization Act of 1970, as added by Section 2(b) of the Economic Stabilization Act Amendments of 1973, delegated to the Secretary of the Interior by the Director, Energy Policy Office, by notice published in the Federal Register on October 24, 1973 (38 Federal Register 29379), is hereby redelegated to the Administration, Office of Petroleum Allocation, and all previous redelegations of this authority by the Secretary are hereby withdrawn. This redelegation to the Administrator, Office of Petroleum Allocation, includes the redelegation of the power and duty to make the determinations and take the actions required or permitted by the Economic Stabilization Act, as amended, and the power to redelegate any authority thereunder.

Section 3. Subject to the limitation in 200 DM 1.4, the Administrator, Office of Petroleum Allocation, is authorized to issue amendments of and additions to the material published in the Code of Federal Regulations under Title 32A, Chapter XIII.

ROGERS C. B. MORTON,
Secretary of the Interior.

[Whereupon, the hearing in the above-entitled matter recessed for lunch at 1 p.m., to be reconvened the same day at 1:30 p.m.]

AFTERNOON SESSION

Chairman HOLIFIELD. The committee will be in order.

We have as our first witnsss this afternoon, Dr. John T. Dunlop, Director of the Cost of Living Council.

Would you please introduce your associates to the committee, and then proceed with your statement.

STATEMENT OF JOHN T. DUNLOP, DIRECTOR, COST OF LIVING COUNCIL; ACCOMPANIED BY JAMES McLANE, DEPUTY DIRECTOR; AND CHARLES OWENS, HEAD, ENERGY DIVISION

Mr. DUNLOP. Yes, Mr. Chairman.

I talked with you earlier, and regret that by arrangement I must leave at 2:45, that I will therefore only briefly summarize the statement. On my left is Mr. McLane, who is the Deputy Director of the Cost of Living Council; and on my right, Mr. Owens, who is the head of the Energy Division of the Cost of Living Council staff.

PRICING AND ALLOCATING CLOSELY CONNECTED

The statement, that I believe has been distributed to the members of the committee, perhaps can be highlighted with the following major points. From the very outset those of us on the Cost of Living staff have taken the view that if allocation authority were to be exercised by an agency or when that authority was clearly available, that the price authority and the price decisions ought to be closely correlated in the same agency both from a policymaking level, and from an administrative level. We have urged that matter for some months, and we are happy to see it now possible to have these two authorities closely correlated in the same agency.

The statement, Mr. Chairman, then goes on to summarize briefly the present structure of petroleum pricing regulations and the exhibits at the back are designed to summarize those in a little more detail.

PETROLEUM PRICE CONTROLS

It might be useful to conceive of our price regulations in the petroleum field as consisting of four general bands, four places where we have instituted controls. The first of those is at the produce level, the price of crude oil. The second is at the refinery level; the third, the reseller level; and finally, the retail level.

At the crude level, our regulations in general provide for a May 15, 1973, price of domestic crude plus 35 cents. It was our intention that that level of prices would be periodically reviewed, and perhaps ad-

justed upward as the general level of prices of crude oil rose in the world.

At the present time as exhibit 2 at the back makes clear, you may see there the sketch of a barrel of oil. You will see that 76 percent of the domestic crude production is under the ceiling which I have just specified. Twenty-four percent of the domestically produced crude oil at the present time is free to seek its own level; that 24 percent figure, as you will note, derives in part from the fact that the Congress recently, in the amendments to the Alaska pipeline legislation, provided that stripper wells, that is wells producing less than—or 10 barrels or less a day—woud be free of our controls.

Earlier in the year, Mr. Chairman, in order to stimulate the output of the domestic oil industry, we had provided an incentive price system, so that if a producer produced say, 1 barrel more of domestic crude in 1973 over 1972, that additional barrel plus 1 barrel of old oil would be free to seek its own price level; thereby providing an incentive for the expansion of domestic crude production.

So as of this point, 24 percent of the domestic crude is not subject to the rule I mentioned earlier.

Chairman HOLIFIELD. How much did you say?

Mr. DUNLOP. Approximately 24 percent of the domestic crude production, and 76 percent of it is subject to the rule of the May 15, 1973, price plus 35 cents a barrel.

Chairman HOLIFIELD. Well, now, does not that bonus for new production—is that the 76 percent or is that the 24 percent?

Mr. DUNLOP. That is in the 24 percent, Mr. Chairman.

Chairman HOLIFIELD. That is under the title of new oil?

Mr. DUNLOP. Yes, sir.

So that briefly is the rule, our present rule, with respect to the producer level.

At the refinery level, our controls in principle, simply stated, provide for the May 15, 1973, prices subject to a profit margin limitation that is applied to all companies, with a proviso, however, that they may pass through to resellers and on to retail the added cost, dollar-for-dollar, of imported crude, or the higher-priced domestic crude or product.

The purpose of that regulation earlier in the year was to provide no limit on the import of domestic crude—or foreign crude—at higher world prices, but at the same time not to afford an opportunity for the companies to make an added profit on that larger volume of imports. Dollar-for-dollar pass through has been our rule from the outset, Mr. Chairman.

Chairman HOLIFIELD. So the imported oil, this increase from $3 a barrel to $7 a barrel, as has occurred in some of the Middle Eastern oil imports, that is passed through to the consumer on a dollar-for-dollar basis?

Mr. DUNLOP. Yes, that is correct, Mr. Chairman.

Chairman HOLIFIELD. No exorbitant profits allowed on that?

Mr. DUNLOP. That is correct, and may be passed through, Mr. Chairman, just once a month, as specified in our regulation.

Chairman HOLIFIELD. Now, on these charts that—in the economic stabilization program, which you are no doubt familiar with——

Mr. DUNLOP. Yes.

Chairman HOLIFIELD. It shows that the five major internationals are up 67 percent. Exxon is up 81 percent; Gulf, 91 percent; Mobil, 64 percent; Standard Oil Corp., 51 percent; and Texaco, 48 percent. As I understand, that is earnings.

Mr. DUNLOP. Yes, sir.

Chairman HOLIFIELD. That is an increase in earnings.

Mr. DUNLOP. Those are the figures of increases in their earnings in 1973, third quarter over——

Mr. ST GERMAIN. Excuse me.

Their earnings or profits, Mr. Chairman?

Chairman HOLIFIELD. Are they gross earnings or net profit?

Mr. ST GERMAIN. Those are increases in net profits, are they not?

Mr. DUNLOP. Earnings.

Mr. MCLANE. Net earnings. It is the same thing.

Chairman HOLIFIELD. It says profits in the caption at the top, and then it says increase in earnings.

Mr. MCLANE. Absolutely. There is a difference, of course, between sales or revenues and earnings or profits. We are using the term earnings and profits interchangeably here.

Mr. ST GERMAIN. In other words, is this after taxes?

Mr. MCLANE. This is after taxes.

Mr. ST GERMAIN. But the profit—in other words, earning and profit—you are using synonoymously?

Mr. MCLANE. Synonymously, yes, sir.

Mr. DUNLOP. Those figures you were citing, Mr. Chairman, are the increases in the third quarter 1973 over the third quarter 1972, and in the charts that you are looking at, which I do not think we brought copies—they are not in the testimony, although we will be happy to furnish this same chart for all members of the committee—shows both the return on equity and the return on assets for 1972, 1973, the second quarter, and for the 5 years, 1968 to 1972.

[The chart referred to follows:]

OIL COMPANY PROFITS

- 60 % increase in earnings in industry 1973 (III Quarter) over 1972 (III Quarter)
  - Adjusted net income of major oil companies up about $1 billion since 1972 low point
  - Five major internationals up 67% (Exxon up 81%; Gulf 91%; Mobil 64%; Standard Oil-California 51%; Texaco 48%)
  - Domestic smaller increase -- 38% (ARCO up 16%; Continental 38 %; Cities Service 60%; Phillips 43%)
  - Over 5 year period (1968-72) earnings increases about the same as all manufacturing
- Return to equity

	1972	1973II	5 years 1968-72
• Petroleum refining and related industries	8.7%	10.8%	10.8%
• All manufacturing	10.6%	14.0%	10.6%

- Return to assets

• Petroleum refining and related industries	5.2%	6.5%	6.6%
• All manufacturing	5.5%	7.4%	5.6%

Mr. DUNLOP. Now, if I might just briefly go on, at the reseller and retail level, our price regulations provide for the price to be that of the May 15, 1973, level plus again the dollar-for-dollar pass-through of product cost of the resellers and the retailers on a one-to-one basis.

Those briefly, Mr. Chairman, are the present Cost of Living Council pricing regulations that have been placed into effect, were placed into effect starting in August, and have been revised from time to time since that date.

Now, the statement at page 6 goes on to describe, which I will not take a great deal of time to summarize, the compliance and exceptions provisions that are available in the Cost of Living Council to deal with the petroleum area. We have announced again today certain sweeps and actions by the Internal Revenue Service in connection with possible violations at truck stops of the ceiling prices.

RECENT PRICE ACTION

The statement speaks in general, otherwise, for itself. Perhaps I should have commented on one matter—a recent action by the Cost of Living Council going back to the refinery level. Last week, the Cost of

Living Council, in order to encourage the refiners to produce more distillate and relatively less gasoline, permitted an increase in the price of distillates by 2 cents and decreased the price that the refiners could charge for gasoline by 1 cent in order to shift the production of our refineries in the country in the direction of the much needed distillates.

We combined those two price actions because by such a combination it was our view that the net effect upon the profits of the oil companies would be to prevent any windfall profits. Had we, for example, simply increased the price of distillates by 3 cents, we felt that that would have lead to a very substantial increase in those profits. This way of doing it averaged out without any increase.

The proposals in the legislation before you, as they affect the Cost of Living Council and its staff, as you know, would be to transfer to the Federal Energy Administration the present energy organization within the Cost of Living staff. And I ask Mr. McLane, if he would, with your permission, Mr. Chairman, to say just a word about that staff and its transfer as we envision it.

And then we will be prepared to answer your's or other questions, Mr. Chairman.

Chairman HOLIFIELD. All right.

TRANSFER OF ENERGY DIVISION

Mr. MCLANE. Thank you, Mr. Chairman.

On exhibit 3, you will see an organization chart of the Cost of Living Council. Noted there is the Office of Price Stabilization, down at the bottom, one of our principal line operating offices. On exhibit 4, you will then see the organization chart of the Office of Price Stabilization, and you will see an Energy Division in this office.

Chairman HOLIFIELD. Over to the left side?

Mr. MCLANE. Yes.

Chairman HOLIFIELD. That is a function that will be transferred?

Mr. MCLANE. Yes, Mr. Chairman.

Chairman HOLIFIELD. The line with its personnel, such personnel as the Administrator decides should go over?

Mr. MCLANE. Yes.

Chairman HOLIFIELD. And such additions to that personnel as he is permitted to make?

Mr. MCLANE. Yes.

Chairman HOLIFIELD. I understand you have about 46 people in the Administration now, in that division now?

Mr. MCLANE. That is correct, Mr. Chairman.

Chairman HOLIFIELD. And you plan to hire several more? Seven or eight more?

Mr. MCLANE. Our intention is to transfer 55 positions, including those 46 and a few additional positions which are currently assigned to other parts of the Cost of Living Council on energy related matters, particularly in the area of exceptions.

Chairman HOLIFIELD. All right.

All the rest of your divisions remain just where they are?

Mr. MCLANE. Exactly.

Chairman HOLIFIELD. Now, how many do they represent?

Mr. MCLANE. They represent about 900 people. Taking out 55, you are down to 845 remaining in the Council.

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Chairman HOLIFIELD. Is that in Washington only?

Mr. MCLANE. That is in Washington. There also are 2,800 Internal Revenue Service agents in Washington and in 29 key district offices that are assigned to stabilization activities full time.

Chairman HOLIFIELD. And they all stay right where they are?

Mr. MCLANE. They do, Mr. Chairman.

Chairman HOLIFIELD. All right.

What is the statutory authority for your functions?

Mr. MCLANE. The Economic Stabilization Act of 1970, as amended.

Chairman HOLIFIELD. Will there be any change in your statutory authority by this reorganization?

Mr. MCLANE. No, Mr. Chairman. We do not expect there to be any change.

Chairman HOLIFIELD. What happens to your regulations on price control, of energy I am speaking now?

Mr. MCLANE. Our regulations as they apply to energy will be under the jurisdiction of the Administrator of this new Administration. They would be reissued in accord with the provisions of the Emergency Petroleum Allocation Act in conjunction with the allocation regulations on or before December 12.

Our intention is to simply reissue the regulations that are in effect.

Chairman HOLIFIELD. The part that I had hoped to establish, it is my understanding of the bill that this does not change your statutory functions. You go ahead under your basic Economic Stabilization Act, and such other acts that pertain to your function. And this is merely a transfer of an organization with the personnel, and records and so forth, in the Energy Division.

Can you affirm that?

Mr. MCLANE. That is correct, Mr. Chairman; entirely correct. Only the energy pricing functions and responsibilities are transferred to the new agency.

Chairman HOLIFIELD. Proceed.

Mr. FUQUA. Mr. Chairman, just one brief question along those lines.

Chairman HOLIFIELD. Mr. Fuqua.

Mr. FUQUA. We have the block Minerals and Chemical Division. How about the petrochemical industry and some of those that are related to energy?

Mr. MCLANE. No, the petrochemical industry would remain with the Cost of Living Council. Of course, energy has ramifications in many, many industries. As we have in the past, we will continue to work very, very closely with Mr. Simon and his associates on matters related to energy.

Mr. FUQUA. So there will be some overlap continued between the Cost of Living Council and the new Federal Energy Agency?

Mr. MCLANE. Yes. However, our major function that is related specially to energy is represented by the Energy Division, and that will go in its entirety to the Federal Energy Administration.

Mr. FUQUA. Thank you, Mr. Chairman.

Chairman HOLIFIELD. Proceed with your statement.

Mr. DUNLOP. I think, Mr. Chairman, that is all except to draw one or two points in conclusion. Mr. Simon has worked closely with the Cost of Living Council staff and myself, from very early in this year on energy matters. We meet with him every morning at 8 o'clock or a little before for a time, and have all year long.

I do not envisage any serious problems of coordination. I agree with the remarks made just a moment ago, that there are a number of points which abut energy and other areas. But I am sure that by coordination and conversation those can be worked out in a mutual way, since we have established a very good working relationship.

Therefore, since I have from the beginning been of the view that the allocation authority and pricing authority ought to be together, that in a sense allocation is, by administration, in part a substitute for allocation by price; and allocation by price is necessarily in part, a substitute for allocation by administration; it seems to me those two ways of dealing with this important range of questions ought to be in one place and not split. And that is the basic reason, since for some months I have favored this sort of fundamental action you are talking about.

Thank you, Mr. Chairman. We stand ready to answer questions.

Chairman HOLIFIELD. The Chair notes that an agreement was made to release Mr. Dunlop at 2:45 o'clock for a previous engagement. Is that right?

Mr. DUNLOP. Yes, and my colleagues. We have——

Chairman HOLIFIELD. Your colleagues have to go with you?

Mr. DUNLOP. Yes.

Chairman HOLIFIELD. Now, if it is necessary to bring you back for any reason, will you come back?

Mr. DUNLOP. Yes, sir.

Chairman HOLIFIELD. All right.

Mr. Rosenthal.

Mr. ROSENTHAL. Thank you very much, Mr. Chairman.

Dr. Dunlop, it has been reported in the press that 20 major oil companies own or control 95 percent of the natural energy resources in the United States. Is that essentially correct, that statement?

Mr. DUNLOP. I do not know.

Mr. ROSENTHAL. Well, do you have any judgment at all what percentage of the natural resources of the United States are controlled or owned by at least the 18 or 20 major oil companies?

Mr. DUNLOP. Well, I would be glad to look into it, but I do not know offhand. Why I am having difficulty with your question, I think, is partly the definition of energy. For example, powerplants. Does this intend to include powerplants, coal reserves, shale, natural gas?

Are all of those to be included within the purview of your use of the word "energy"? If so, I would be surprised, but I do not know.

Mr. ROSENTHAL. Could you, at least, conduct a preliminary investigation and get it to us within a reasonable period of time, within whatever definition that you consider relevant?

Mr. DUNLOP. Well, I would be glad to do what we can. That is really a little beyond our normal responsibility, but if it would suit you, sir, we will try to get you the information.

AVAILABILITY OF INFORMATION

Mr. ROSENTHAL. Well, the point I am getting to, if that statement is essentially correct or reasonably close to correct, and I have heard it reported so, at least it makes me wonder about it.

I wonder if we ought to include in this bill some more extensive authority for economic investigation similar to Federal Trade Commission investigations. In other words, if the public is prevented from a legitimate disposal of these energy resources by controlled private enterprise operations, then one way to make those resources available would be to break up or—in an extreme case—to nationalize these organizations.

I think that would be an element that the new FEA ought to be interested in.

Mr. DUNLOP. Well, Mr. Rosenthal, I would have thought that—it is really more appropriate that you ask that question of Mr. Simon than of me. In administering the Stabilization Act, I can say, I think truthfully, that in the year that I have been associated with the endeavor, I do not recall any serious difficulty in securing from the companies, or the unions for that matter, which are within our jurisdiction, any relevant economic information that we want.

Now, if this same authority is transferred to Mr. Simon, I would have thought that any relevant economic information which he wanted, he could also receive. But I think it more appropriate, since this authority is to be transferred to him, for him to respond to that than for me.

We have had no trouble getting data.

Mr. ROSENTHAL. I think that is a fair comment, but what intrigues me, or makes me persistent is that in the Congressional Record of December 4, Senator Jackson, when he introduced a related bill, S. 2776, in the submission of background material under mode of operations, had this to say:

> There is a strong and widely recognized need for management and credible data and statistics regarding energy supplies and consumption, both domestic and world-wide. Most of this information has in the past been obtained on a voluntary basis, while maximum cooperation is required for industry; for much of their data it is imperative that statutory authority exist to obtain whatever information may be required.

And thus, I conclude that if this is an area of legitimate concern, perhaps we should include in this bill the necessary statutory authority for procuring that data. And I myself do not know the necessary data, and I would expect to receive that information from the experts.

Mr. DUNLOP. Well, I come back to the observation, if I may, that I think you should ask Mr. Simon about that. We have been concerned primarily with price information and cost information, and I can repeat, we have no problems with that.

PRODUCTION INCENTIVES

Mr. ROSENTHAL. Well, then, let me go to your statement itself. On page 2 the last paragraph reads:

> The purpose of the pricing regulation of the petroleum products industry is to contain the rate of increase in petroleum product prices while at the same time encouraging additional supplies of these needed products.

Now, how much profit is it necessary for these companies to obtain to encourage more production?

Mr. DUNLOP. I think the answer to that, Mr. Rosenthal, depends very much on each particular branch of the industry. At the crude producer level, the crude oil production, I would remind you that it was the Congress that decided that more incentives than we in the Cost of Living Council had provided were essential in the small wells, and so the Congress determined of its own, I may say over my opposition, that the small wells below 10 barrels should be decontrolled. That is a judgment which I, of course, accept.

Now, with respect to other domestic oil production, I told you that in August of this year we decided that some incentives were necessary, so we provided a larger price increase for new oil, for additional output over what had been produced in 1972, and we felt that was an appropriate and necessary stimulus—this was in August—to increase our domestic output of crude oil.

Mr. ROSENTHAL. As a result of that decision, what percentage increase was there, for example, to the small homeowner for the fuel oil?

Mr. DUNLOP. Well, the average price of new oil was about $1.30 a barrel over and above old oil until very recently. Let me ask Mr. Owens to do the mathematics. There are 42 gallons in a barrel. How much a gallon is that?

And that constitutes about 7 percent of the total. So it is a very small number, Mr. Rosenthal.

Mr. ROSENTHAL. Well, newspaper reports from my area—Long Island Press reports an increase of 34 percent on upward, 34 percent to 40-percent increase in home fuel oil.

Now, should the homeowners subsidize these companies when they have fantastic increases in profits?

Mr. DUNLOP. Well now, let me try to be very clear about that, Mr. Rosenthal. Most of that increase in domestic price of home heating oil is the result of the higher cost, not of domestically produced crude at this time, but of imported No. 2 heating oil, or rather the higher price.

Mr. ROSENTHAL. That is the fuel that the administration kept out of the country until very recently by quotas, is that not correct?

Mr. DUNLOP. Well, I am saying that is the higher price of imported fuel oil and heating oil.

Mr. ROSENTHAL. Mr. Owens, your colleague, is a man who is going to be transferred?

Mr. DUNLOP. Yes.

Mr. ROSENTHAL. I just wonder if you could tell us briefly what his background and previous associations were?

Mr. DUNLOP. Well, suppose he does it.

Mr. OWENS. I have worked with the Cost of Living Council for approximately the last 18——

Mr. ROSENTHAL. Could you push the microphone closer?

Mr. OWENS. I worked with the Cost of Living Council for approximately the last 18 months. I have also served as a consultant on energy to the Ford Foundation. I served as a consultant to the American Bankers Association on international monetary affairs and other affairs. I also wrote extensively for McGraw-Hill publications in the energy area.

Mr. ROSENTHAL. How long were you with the American Bankers Association?

Mr. OWENS. For roughly a year, but then again it was not directly as an employee.

Mr. HORTON. Would the gentleman yield?

What is your educational background?

Mr. OWENS. I am a graduate of the University of Texas in economics.

Mr. ROSENTHAL. Now, maybe Dr. Dunlop deferred to you on a question. This No. 2 oil for which a price increase was granted, a 2-cent price increase, that is the oil that the administration kept out under the oil import quota laws. Am I correct on that?

Mr. OWENS. The 2-cent increase that was granted this past week was given on domestic fuel oil. It was not imported fuel oil.

Mr. ROSENTHAL. But that—we are talking about the same thing.

Chairman HOLIFIELD. Well, the Chair is going to make a statement that we have only a limited amount of time, and there are several other members here. I will give up my time on it, and Mr. Rosenthal, you have had 8 minutes.

Mr. HORTON. I will give the gentleman my time, also. That is 5 additional minutes.

Mr. ROSENTHAL. Mr. Chairman, let me just say this. I have a host of questions to Dr. Dunlop on his own statement.

Chairman HOLIFIELD. I understand. He is leaving at 2:45, and you have colleagues here.

Mr. ROSENTHAL. I will quit now.

Can we fix a time he will be back, like 10 tonight, or 11, or 12 o'clock?

Mr. DUNLOP. Make it midnight, Mr. Rosenthal. I will be here.

Chairman HOLIFIELD. We will try to make it a little earlier than that.

Mr. HORTON. Mr. Chairman, I will be glad to yield my time. I am the one to be recognized.

Mr. ROSENTHAL. Let us hope we will not get bogged down on this stuff. Mr. St Germain will pick it up.

What percentage of oil company requests for price increases have been denied by the Cost of Living Council?

Mr. DUNLOP. We have not had any requests from the refiners, except one small refiner, and there are no pending requests for prenotification of price increases.

PRODUCTION OF DISTILLATES

Mr. ROSENTHAL. Now, you stated yesterday that the Cost of Living Council permitted petroleum refiners to adjust the relative prices of distillate fuel and gasoline to encourage increased production of distillates.

Why do we not mandate that changeover production?

Why do we have to let it go to price increases subsidized by the consumers to get that changeover?

Mr. DUNLOP. Well, let me go back. There are two answers to that, quickly.

One is, the Cost of Living Council changed the relative prices. We did not provide for any net increase in revenue to the oil companies. We raised the price of distillates 2 cents and we dropped the price of gasoline 1 cent. The net effect was no increase. That is one answer.

Mr. ROSENTHAL. To the person who is buying home fuel oil you raised the price to him.

Mr. DUNLOP. That is correct.

Now, the second answer is that a refinery is a complicated piece of machinery and capital. The ideal combination to produce heating oil varies with the age of the equipment. It varies with the kind of crude that is being used. It varies with the rate of utilization and capacity. And I do not think, Mr. Rosenthal, that there is any administrator wise enough to mandate the precise way in which an oil refinery shall be run.

Mr. ST GERMAIN. Would you yield to me for a minute?

Mr. ROSENTHAL. Yes, I would be happy to yield.

Mr. HORTON. I would be glad to yield to the gentleman from Rhode Island.

Mr. ST GERMAIN. Mr. Chairman, I ask unanimous consent to be introduced into the record, and I think this is an ideal time, the article from yesterday's New York Times magazine section at page 40 written by Britt Hume, Washington-based investigative reporter for ABC News, "The Case Against Big Oils".

Chairman HOLIFIELD. Well, the Chair will say that he hopes the members will confine their questions and remarks to the purpose of the bill. We are going into the economics of this matter, and the Chair has no desire to cut off time if we had enough time, and we will come back and we will have more time.

But if we are going to be fair to all of the members present—we have got only about 12 minutes left. Mr. Rosenthal has had 10 minutes now, and if the other members are going to have their time, we are going to have to ask him to yield at this time. Mr. Brown is here, and there are three members of the Democratic side who have not spoken.

Mr. ROSENTHAL. Mr. Chairman, I will yield. But I have at least a half-hour's worth of questions for Dr. Dunlop.

Chairman HOLIFIELD. We will try to make an arrangement to get Dr. Dunlop back tonight, and give the gentleman——

Mr. ROSENTHAL. I do want to say this for the record, and then let me conclude.

The thrust of my questioning is whether this energy shortage ought to be corrected by the movement in the price field, or whether they ought to be corrected by mandated orders of the Federal Government. Now, it is my judgment, and I am convinced that eventually we are going to have to go to some kind of rationing or controls, that this price increase——

Chairman HOLIFIELD. Now, the gentleman is taking up the other members' times and this may be true, but it is not a function of this committee to set price controls.

Mr. ROSENTHAL. Right, Mr. Chairman.

Chairman HOLIFIELD. And it is not within the purview of this bill, and I will read Committee Rule 15: "All questions put to the witnesses before the committee shall be relevant to the subject matter before the committee for consideration, and the Chairman shall rule on the relevance of any question put to the witness."

Now, the Chair has no desire to strictly enforce the rules, the 5-minute rule or any other rule. But that is the way the ball bounces,

and if the gentleman persists the Chair is going to have to rule him out of order.

Mr. ROSENTHAL. Mr. Chairman, if the Chair does that, this gentleman will then rely on the violation of the rules of holding these hearings with inadequate notice to the members. And I had no intention of doing that.

Chairman HOLIFIELD. If it is all right with the other members for the gentleman to take their time, why, he may proceed.

Mr. ROSENTHAL. I will ask one more question, and I wish the Chair would rule on its relevance or not.

Dr. Dunlop, you refer to the energy division, including "a group which deals with policy analysis, one dealing with data collection and operational economic analysis, one dealing with processing of price increase requests."

Now, the full Cost of Living Council makes the price decisions. How will these price decisions be reached in the new FEA?

Is that a relevant question, Mr. Chairman?

Chairman HOLIFIELD. It seems relevant to me.

REACHING PRICE DECISIONS

Mr. DUNLOP. Let me answer it to the best of my ability, although again I think the question is more appropriately put to Mr. Simon.

In our present arrangement, our staff reports to Mr. McLane and myself through the Office of Price Administration, and we, Mr. McLane and myself, consult with the Council in making decisions in the name of the Council. That has been our practice for some time.

As to the procedures that Mr. Simon will use, I do not know and you would have to ask him. The staff, as I assume it, would gather the same data, present the same sort of factual analysis, shape up the issues to be considered, and put the issue to him or his associate for decision. But how that is done is a matter he will have to respond to later. I only described how we did it.

Mr. ROSENTHAL. Mr. Chairman, I will defer until later.

Chairman HOLIFIELD. Thank you.

Mr. Brown.

Mr. BROWN. Thank you, Mr. Chairman. I might suggest to the gentleman from New York that it might be appropriate to submit some of the questions in writing. Particularly those dealing with the economics of the industry which may or may not relate to this particular organization legislation. Approximately how many people are to be moved from the Cost of Living Council to the Federal Energy Administration?

Mr. DUNLOP. Fifty-five, Mr. Brown.

CONFLICT OF INTEREST

Mr. BROWN. And do these people have a background in economics or in the Federal Government or in the oil industry? What are their particular backgrounds?

The thrust of my question relates to the question of conflict of interest, which I think can be a problem in finding sufficiently sophisticated people to fill these high-level positions in the new Federal Energy Administration.

Mr. DUNLOP. Mr. Brown, we have been very conscious of that matter in the Cost of Living Council from the very outset. I think as to the specifics of this, Mr. McLane might say a word, and if you would like, Mr. Owens can supplement, because the people involved work directly for him.

Mr. MCLANE. First, Mr. Brown, on the transfer, we are transferring 55 positions, of which 46 are actual personnel involved with the Energy Division today. We are transferring a couple of other positions because they relate to people that are on the Cost of Living Council staff that work sometimes in the energy area, in the General Counsel's Office, et cetera.

Second, on the conflict of interest question, we have been, as Dr. Dunlop has pointed out, exceedingly careful. A very broad range of backgrounds is represented by people in the Energy Division, coming from the academic world, the consulting world, and others.

Mr. Owens, do you want to describe some of that?

Mr. OWENS. Mr. Brown, I was just going through my mind, trying to recall anyone on the energy staff at the Cost of Living Council who has actually worked for a major oil company, or any oil company for that matter. I recall only one, and his work involved the operations in the North Sea while he was a student at the University of Texas. He was a pipe pusher, as he likes to call himself. So, other than that, I do not think that we have anyone on our staff who has been an employee of an oil company.

Chairman HOLIFIELD. The Chair is going to have to call the time of the gentleman.

Mr. St Germain.

Mr. ST GERMAIN. These are your two top men on energy that have been working on the Cost of Living Council on energy, I take it?

Mr. DUNLOP. Well, Mr. McLane is my deputy, who works through all parts of ——

Mr. ST GERMAIN. Mr. Owens is your top man?

Mr. DUNLOP. Yes, sir.

PRICING OF IMPORTED OIL

Mr. ST GERMAIN. Now, the three of you state you are not aware of the fact that the oil you said was uncontrolled, the imported oil, was, as Mr. Rosenthal asked, the oil that was, up until 1972, April of 1972, under the import quota system—is that what you said earlier?

Mr. DUNLOP. No. What I said, I thought, was that under our regulations we provided that higher foreign prices could be passed through to the American consumer.

Mr. ST GERMAIN. Then Mr. Rosenthal asked, "Is this the oil that up until April of 1972 was under the quota system?" and you stated you did not know, and no one at that panel stated that yes, it was the case.

Mr. DUNLOP. Your question somewhat confuses me, if I may say.

Mr. ST GERMAIN. It does?

Mr. DUNLOP. I do not know what you mean by "this oil."

Mr. ST GERMAIN. The imported oil.

Mr. DUNLOP. It is true.

Mr. ST GERMAIN. That you say is not under price control, the crude oil. They have to pay the price. In other words, if they pay $2 a barrel to foreign producers, they then get $2, right?

Now, that is the oil you say is not under controls.

Mr. DUNLOP. Imported oil may be passed through under our regulations at a higher price than domestic.

Mr. ST GERMAIN. And is that the oil, you were asked, that was under the import quota system until April of 1972?

Mr. DUNLOP. Just a moment.

Mr. OWENS. There have been quota systems on both products and crude petroleum.

Mr. ST GERMAIN. Sir, we are short on time. The answer here is easy, either yes or no, the imported oil is not the oil that was under the quota system until April of 1972.

Mr. OWENS. I would suggest that April of 1972 is the wrong date, if you are looking for a date for the termination of the mandatory oil imports program. I was one of the architects of the revision of that program, and as I recall it was instituted as of May 1 of this year.

Mr. ST GERMAIN. But there was a temporary suspension in 1972.

Mr. OWENS. On December 17, 1972, there was a temporary suspension of the import quotas on imports of heating oil, but not on crude oil

Mr. ST GERMAIN. That is right.

All right, now. Mr. Owen, you are the man who advises on the price of home heating oil, correct, and gasoline?

Mr. OWENS. Yes, sir.

OIL ADVERTISING OUTLAYS

Mr. ST GERMAIN. All right, now, what percentage of the cost of that oil goes into advertising, and of gasoline?

Mr. OWENS. I am sorry, I do not know.

Mr. ST. GERMAIN. You do not know?

Mr. OWENS. The cost of that oil, I suppose, is the cost of purchasing it. I do not understand what you mean by the cost of the oil. The cost to the company——

Mr. ST GERMAIN. The cost to the consumer who is paying now 45 cents a gallon in Rhode Island as opposed to 22 cents a gallon 3 or 4 months ago.

What percentage of that cost goes into advertising? You know, the Exxon tiger, the Texaco man with the star and all those. What percentage goes into advertising?

Mr. OWENS. I cannot recall off the top of my head. I am sorry.

Mr. DUNLOP. But may I——

Mr. ST GERMAIN. Excuse me, Mr. Dunlop.

Mr. Owens, answer this question for me. When did the shortage begin, this crisis? When were you aware of the shortage in home heating oil and gasoline?

Mr. OWENS. Are you talking about the response to the Arab embargo?

Mr. ST GERMAIN. Well, at any point in time.

Mr. OWENS. There was a point in time, I suppose, last winter at which concerns began to be raised that we would not have a sufficient amount of heating oil. I cannot——

Mr. ST GERMAIN. Do you recall the date of the President's energy message on national television?

Mr. OWENS. There have been more than one.

Mr. ST GERMAIN. His original one.

Mr. OWENS. It was some 2 years ago.

Mr. ST GERMAIN. There was one even more recently, but the point is, at the present time we face a shortage, nationally and internationally, of home heating oil and gasoline, correct?

Mr. OWENS. Yes, we do. I would say gasoline is a more debatable question.

Mr. ST GERMAIN. Well, of home heating oil, and you do not think there is a shortage of gasoline? You think that is debatable?

Mr. OWENS. I think there is some uncertainty as to the shortage in the international market for gasoline.

Mr. ST GERMAIN. In this country?

Mr. OWENS. A shortage of gasoline in this country?

Mr. ST GERMAIN. Yes.

Mr. BROWN. Would the gentleman yield for a comment?

Shortages are relative matters here. There are parts of the country where heating oil is more scarce. The gentleman, as I am sure we all know, represents one of those areas where there is a significant shortage. But I am confused about whether the gentleman means that it was in New England or in the South that the shortages first developed?

Mr. ST GERMAIN. Well, as far as home heating oil is concerned, and gasoline, we are watching television newscasts from throughout the country indicating the exceptional increase in price and the shortages. Therefore, I feel that there is a national shortage. What bothers me is that Mr. Owens, who has been charged with—and he is going to be transferred as part of this legislation, and therefore I think it is relevant—with setting the price or recommending what the price should be to Mr. Dunlop of the Cost of Living Council, is not aware of the percentage of the cost to the consumer represented by advertising. I cannot see why we allow these firms to spend millions of dollars of advertising—the tiger, the star, and these other things—and put that on top of the consumer's costs that have risen over 100 percent in many areas of this country. I cannot see why we have not looked into the price of advertising and say, look, as long as there is this kind of shortage, there is no competition. You can sell all you can produce. All you can produce you can sell. So why spend all that time on advertising?

Mr. DUNLOP. None of the increases in prices to which you refer is due at all to the price of advertising, not one penny.

Mr. ST GERMAIN. True, but the price of advertising, sir, is still in there. Do you not look to see what costs are in there that can be eliminated?

Why allow these great big television programs that cost millions of dollars, and the 1-page ads in the national publications, to advertise one brand against the other. They have never competed on the basis of price in their ads. They only compete on displays. One fellow is going to give you a friendly smile. Another one is the fellow with the star. Another fellow has got the Exxon tiger. But never have they competed on price. And that being the case, why do we add this to the cost of the product to the consumer?

Mr. DUNLOP. Mr. St Germain, I am aware that the statutory authority of the Economic Stabilization Act permits me to deduct from costs of companies their advertising or any other particular cost with which I may not be in agreement.

Mr. ST GERMAIN. Well, it seems to me, sir——

Chairman HOLIFIELD. The Chair might note it is now 2:47 p.m. Would the gentleman yield to the other members for 2 minutes apiece?

Mr. ST GERMAIN. Just a short comment in answer to that one. If we are looking at these people coming in and asking for price increases, we should also look to see what costs are irrelevant and can be eliminated. You do not need any statutory authority for that.

Mr. BROWN. Mr. Chairman, I take exception to that comment. You certainly would need statutory authority to eliminate somebody's advertising as a part of the cost of doing business. It seems to me it is perfectly inappropriate, and if the gentleman wants to get rid of advertising and get rid of other costs——

Chairman HOLIFIELD. The Chair would like to hear further comment, but by agreement with the witness we must let him go at 2:45 p.m. Can you be here tonight at 9:30?

Mr. DUNLOP. I will be here at any time you specify, Mr. Chairman.

Chairman HOLIFIELD. That will give us 2½ hours to deal with Mr. Simon and Mr. Staats.

Is there any objection to that?

Mr. HORTON. Yes, Mr. Chairman. My objection would be that we check with Mr. Staats, and perhaps ask him to come in tomorrow morning, and ask Mr. Dunlop to come in about 8:30.

Mr. DUNLOP. If the committee will be in touch with Mr. Bradford, we will arrange our schedule this evening to be here at the committee's pleasure.

Chairman HOLIFIELD. Thank you very much, and would you please leave your phone number with one of the staff. Mr. Henderson, would you please get the phone number for us to get in touch with the gentleman.

Now, I will say to the members that the Chair is not trying to act in an autocratic way. He is trying to accommodate the members of the committee. We will try to get Mr. Dunlop back at 8:30.

[The prepared statement of Dr. Dunlop follows:]

PREPARED STATEMENT OF JOHN T. DUNLOP, DIRECTOR, COST OF LIVING COUNCIL

I think it is appropriate to begin my statement at this hearing to consider the Federal Energy Administration Act by saying that I am in complete agreement with the transfer of the petroleum product price stabilization authority from the Cost of Living Council to the proposed Federal Energy Administration, and in the interim to the Federal Energy Office in the Executive Office of the President. Once it became clear that the allocation of petroleum supplies was a necessity for this country, and the allocation office was established in the Department of Interior, I favored close coordination and, in fact, consolidation of the policy-making and administrative responsibility covering both the allocation of fuel supplies and the control of fuel prices.

The organizational combination of the price and allocation functions will provide the country with coordinated design and implementation of both price control and allocation policies. Such consolidation should ensure these functions are executed in a complementary and efficient manner.

In my judgment, the continued use of price controls in the petroleum industry is essential to the twin objectives of increasing supplies of scarce petroleum products and containing prices within some limits. At the moment and for the foreseeable future demand substantially greater than available supply dominates the petroleum energy market. In a free market product with considerable uncertainty, product prices would sharply rise above current levels in an uncontrolled fashion, resulting in excessive inflation, windfall profits and undesirable economic dislocation.

CLC PETROLEUM PRICING STRUCTURE

Phase IV petroleum regulations apply to all sales and purchases of crude petroleum (SIC Code 1311, excluding natural gas), natural gas liquids (SIC Code 1321), and refined petroleum products (SEC 2911) and to leases of real property used in the retailing of gasoline. No firm involved in the production, manufacture or sale of these covered products may utilize the small business exemption to avoid adhering to the Economic Stabilization Program's Phase IV regulations applying to petroleum and petroleum products.

The purpose of the pricing regulations for the petroleum products industry is to contain the rate of increase in petroleum product prices while at the same time encouraging additional supplies of these needed products.

The price control structure applies equitably to the four principal levels of the domestic petroleum industry—producer, refiner, reseller, and retailer. These rules include ceilings on domestic crude prices, profit margin limitations on larger firms, once-a-month pass through of increased costs of crude oil and petroleum products on a dollar-for-dollar basis by all petroleum marketers, and posting of ceiling prices and octane ratings by gasoline retailers. A summary of Economic Stabilization Program price controls on these four levels is contained in Exhibit 1.

The Council administers regulations which control prices on about 76% of domestic crude production as shown in Exhibit 2. Of particular note is the exemption of stripper well oil from controls and the exemption of new oil from controls. From the very beginning the Cost of Living Council has been anxious to encourage production of more oil and therefore exempted all production in excess of 1972 levels as well as freeing from controls a barrel of old oil for every barrel of new.

Yesterday, the Cost of Living Council permitted petroleum refiners to adjust the relative prices of distillate fuel and gasoline to encourage increased production of distillates. The Council is allowing refiners to increase the price of distillate two cents per gallon and is requiring refiners to reduce the price of gasoline by approximately one cent per gallon. This combination of price moves must be reflected in refiners' January product adjustments made in accordance with Economic Stabilization Program regulations.

This action was the first step implementing the Stabilization Program's Refinery Balance Incentive Program. A second step to further encourage the production of distillate will be announced next week.

This one-time shift in relative prices is designed to encourage a shift in existing refiner production emphasis away from gasoline to those fuels which heat our homes, offices, and factories. It is an attempt to use the price control mechanism to assure adequate distillate supplies for American industry. Continued operations and expansion of industrial capacity is essential to the country's economic stability and the maintenance of jobs.

After extensive consultation with technical and industry experts, our data indicated that refiners are operating below the physical limits of their capacity to produce these distillates. These relative price adjustments in distillates and gasoline should stimulate increased distillate production while preventing windfall profit to refiners. The one-time increase may be passed through the petroleum marketing chain on a cent-for-cent basis.

CLC ENERGY ORGANIZATION

The focal point for the administration of Phase IV policies and regulations related to the energy industry is the Office of Price Stabilization's Energy Division. Exhibit 3 outlines the Cost of Living Council organization. Exhibit 4 outlines the position of the Energy Division within the CLC Office of Price Stabilization. I believe this structure will enable the office to continue to function effectively in the new context of the Federal Energy Administration.

The Energy Division is comprised of 46 professional and support personnel who have been engaged in the design and implementation of petroleum price control strategies for approximately 10 months. The Energy Division includes a group which deals with policy analysis, one dealing with data collection and operational economic analysis, one dealing with processing of price increase requests, and a technical assistance group which tends to deal more directly with firms which are affected by controls. The policy group evaluates policy alternatives and designs regulations to carry out the intent of established policies. There is a management information group that collects, analyzes and reports on data characterizing supplies, prices, margins and other pertinent factors within the petroleum industry. This group also coordinates with the compliance activities heretofore carried out by the Internal Revenue Service. The technical assistance group is responsible for providing advice to industry associations, individual firms, public interest groups, and groups within the current CLC staff on a variety of matters having to do with price control policy in the petroleum industry. Finally, the case analysis group analyzes and audits requests from refiners for price increases. They also monitor the compliance of the major refiners to assure that they are meeting their obligations with respect to the rules governing the pass-through of cost increases for crude and domestic petroleum.

COMPLIANCE AND EXCEPTIONS

In the compliance area the level of activity has been accelerated since the Council amended its petroleum regulations on October 31, allowing a pass-through of increased costs of gasoline, home heating oil and diesel fuel at all levels of distribution on a once monthly basis. Since that date, some 10,000 retailers of gasoline and diesel fuel and nearly 9,000 distributors of home heating oil have been spot checked. From these checks, 2,500 violations were uncovered and price rollbacks have been obtained in over 800 of those cases.

Yesterday, the Council directed the Internal Revenue Service Stabilization Office to expand its compliance checks to include all truck stops on the major interstate highways in certain regions of the country, covering 16 states and 48 major interstate highways. The action was taken in response to information the Council received concerning the sale of diesel fuel at reportedly inflated prices to truckers.

The IRS will obtain information from truck stops concerning the price at which it has been selling diesel fuel and determine whether that price is or has been in excess of its legal selling price permitted by the regulations of the Economic Stabilization Program. If it is determined that a truck stop has sold diesel fuel at an illegal price, strong enforcement action will be taken. This will include an order from the IRS to roll back the price to the lawful selling price and further, to refund to customers the amount of money obtained by selling fuel at an illegal price. Further legal penalties against violators will be sought as appropriate.

Another major activity in the overall area of petroleum price control is the processing of requests for exception to the existing rules. To date, over 1,200 exception requests have been received. Approximately 700 have been resolved and 500 remain in an active state of consideration. The processing of exceptions at the Cost of Living Council is performed by a centralized Exceptions and Reconsiderations Division, rather than by the Energy Division. The transition plan will separately address the orderly transfer of petroleum related exceptions processing responsibility to the Federal Energy Administration. The IRS also processes some exception requests (retail price increase requests of less than one cent) which will likewise be transferred to the Federal Energy Administration and its field offices.

ANTICIPATED ACTIONS

The Emergency Petroleum Allocation Act requires publication of a single regulation governing both price and allocation. We anticipate the price portion of that regulation will be republication of the Cost of Living Council Phase IV petroleum price regulations in effect on the date of publication. We have already begun consultations with the Federal Energy Administration on procedures for carrying out this statutory requirement.

The Council also has under analysis a number of important programs and activities which have significant implications for both price control and the supply of petroleum products. As I mentioned previously, a second step in the

Refinery Balance Incentive Program to further encourage the production of distillate is under review. Beyond this, the question of forward impact of price controls on the supplies and prices of contiguous industries such as petrochemicals, is being studied; an analysis of our current two-tier pricing system on crude oil production is under way, as is an evaluation of reported shortages of material and equipment needed for oil production. The problem of volume reduction on downstream operations and on the petroleum marketing system is also under evaluation.

CONCLUSION

A number of coordination meetings between the Cost of Living Council staff and representatives of the Federal Energy Administration have occurred and will continue to insure that ongoing tasks and commitments are fulfilled during this transition period in consonance with the needs and expectations of the Federal Energy Administration.

Again, I am completely committed to the organizational transfer which we have been discussing and have every confidence that the price control function which has been practiced by the Cost of Living Council will be conducted in an effective manner in its new organizational location within the Federal Energy Administration.

Thank you very much.

EXHIBIT I

ECONOMIC STABILIZATION PROGRAM PHASE IV PETROLEUM PRICE CONTROL STRUCTURE

- PRODUCER
- REFINER
- RESELLER
- RETAILER

EXHIBIT I (cont'd.)

ECONOMIC STABILIZATION PROGRAM CONTROLS

PRODUCER

OLD OIL	1972 production levels on a property by property basis	May 15 posted Price +.35c
NEW OIL	Production in excess of 1972 levels on a property basis	Free market price
RELEASED OIL	On properties with production during 1972 any new crude from that property releases an equal amount of the oil from that property from controls	Free market price
STRIPPER OIL	Oil produced from leases on which the average production per well is less than 10 barrels per day. (Alaska Pipeline Bill)	Free market price

EXHIBIT I (cont'd.)

ECONOMIC STABILIZATION PROGRAM CONTROLS

REFINER

	May 15 Price +	
GASOLINE # 2 HEATING OIL & DIESEL FUEL	Increased costs of imports ıd domestic crude (dollar-for-dollar) (sec. 150.356)	Price increases permitted only once per month
OTHER PETROLEUM PRODUCTS	Increased costs of imports and domestic crude (dollar-for-dollar)	Increases may be implemented as soon as they accumulate

EXHIBIT I (cont'd.)

ECONOMIC STABILIZATION PROGRAM CONTROLS

RESELLER

	May 15 Price +	
GASOLINE # 2 HEATING OIL & DIESEL FUEL	Increases passed through to the reseller (dollar-for-dollar)	Price increases permitted only once per month
OTHER PETROLEUM PRODUCTS	Increases passed through to the reseller (dollar-to-dollar)	Increases may be implemented as soon as they accumulate

EXHIBIT I (cont'd.)

ECONOMIC STABILIZATION PROGRAM CONTROLS

RETAILER

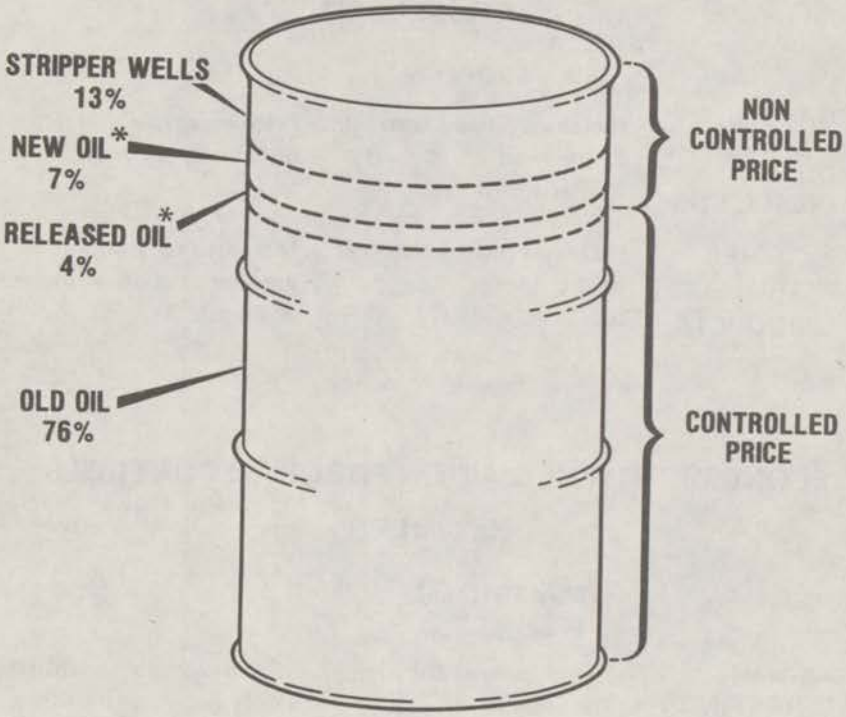
	May 15 Retail Price +	
GASOLINE #2 HEATING OIL & DIESEL FUEL	Increases passed through to the retailer (dollar-for-dollar)	Price increases permitted only once per month
OTHER PETROLEUM PRODUCTS	Increases passed through to the retailer (dollar-for-dollar)	Price increases may be implemented as soon as they accumulate

Posting of maximum gasoline price allowed and octane ratings by all gasoline retailers required.

26-725 O - 74 - 7

EXHIBIT II

CONTROL OF DOMESTIC CRUDE PRODUCTION



*REFER TO CLC PHASE IV OIL REGULATIONS — SECTION 150.354

EXHIBIT III

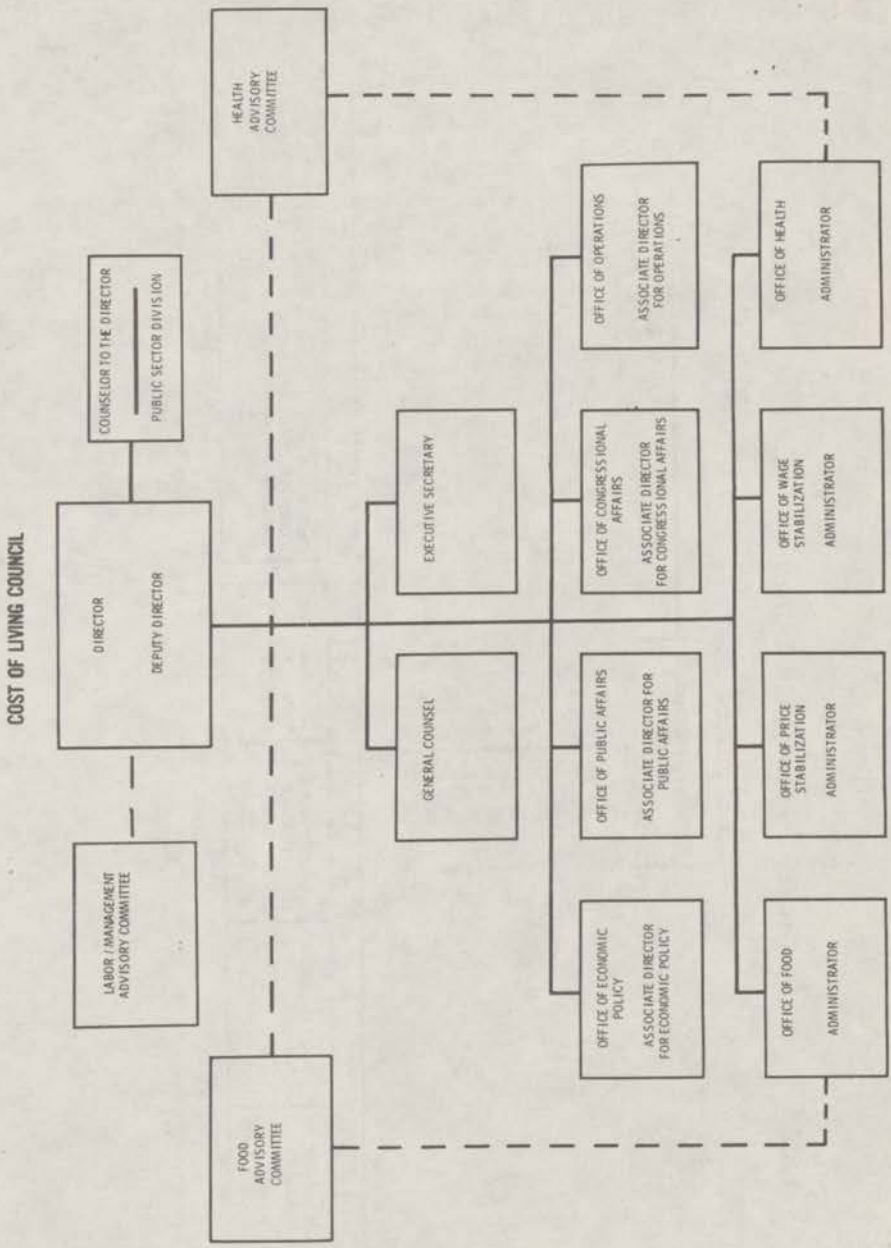
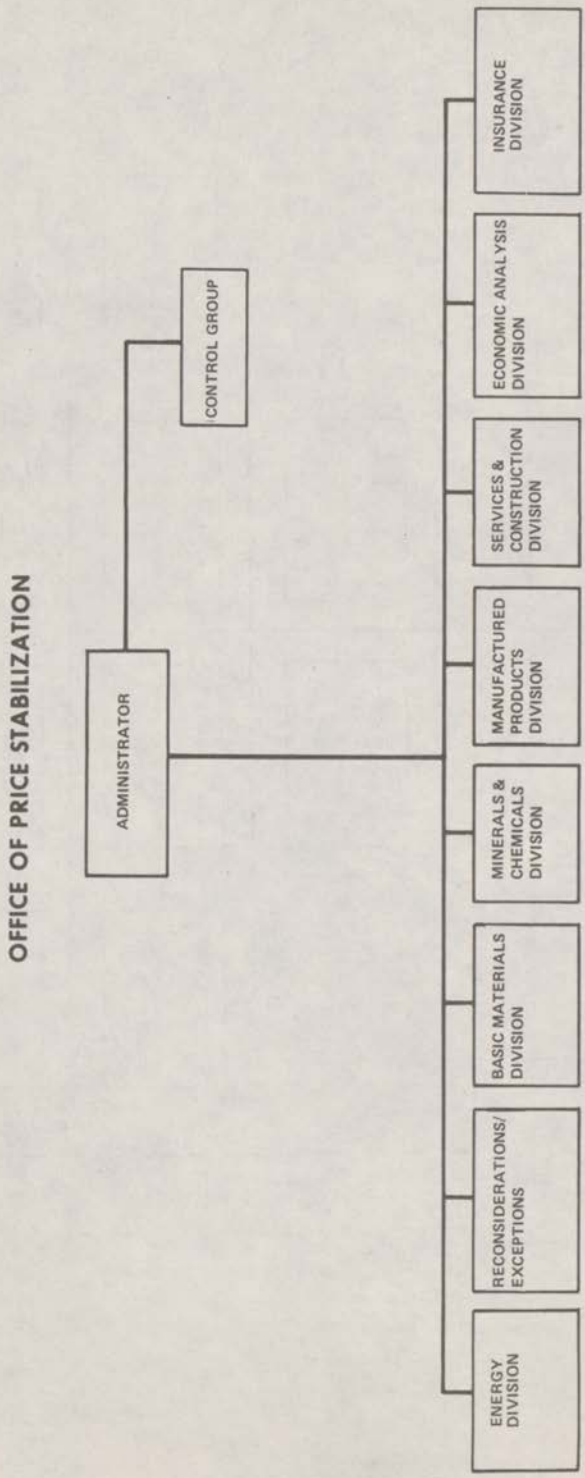

COST OF LIVING COUNCIL
DIRECTOR
DEPUTY DIRECTOR
COUNSELOR TO THE DIRECTOR
PUBLIC SECTOR DIVISION
LABOR / MANAGEMENT ADVISORY COMMITTEE
FOOD ADVISORY COMMITTEE
HEALTH ADVISORY COMMITTEE
EXECUTIVE SECRETARY
GENERAL COUNSEL
OFFICE OF ECONOMIC POLICY
ASSOCIATE DIRECTOR FOR ECONOMIC POLICY
OFFICE OF PUBLIC AFFAIRS
ASSOCIATE DIRECTOR FOR PUBLIC AFFAIRS
OFFICE OF CONGRESSIONAL AFFAIRS
ASSOCIATE DIRECTOR FOR CONGRESSIONAL AFFAIRS
OFFICE OF OPERATIONS
ASSOCIATE DIRECTOR FOR OPERATIONS
OFFICE OF FOOD
ADMINISTRATOR
OFFICE OF PRICE STABILIZATION
ADMINISTRATOR
OFFICE OF WAGE STABILIZATION
ADMINISTRATOR
OFFICE OF HEALTH
ADMINISTRATOR

EXHIBIT IV


OFFICE OF PRICE STABILIZATION
ADMINISTRATOR
CONTROL GROUP
ENERGY DIVISION
RECONSIDERATIONS/ EXCEPTIONS
BASIC MATERIALS DIVISION
MINERALS & CHEMICALS DIVISION
MANUFACTURED PRODUCTS DIVISION
SERVICES & CONSTRUCTION DIVISION
ECONOMIC ANALYSIS DIVISION
INSURANCE DIVISION

Chairman HOLIFIELD. Our next witness is Mr. Roger Jones, formerly with the Bureau of the Budget.

STATEMENT OF ROGER JONES, FORMERLY WITH THE BUREAU OF THE BUDGET

Mr. JONES. Thank you, Mr. Chairman.

As the Chair has indicated to members of the committee, my name is Roger Jones. Now retired, I spent over 30 years with the Bureau of the Budget and the Office of Management and Budget. In addition, I have been Chairman of the Civil Service Commission and also Deputy Under Secretary of State. I was in Federal Government service for 40 years.

On Friday afternoon, the staff of the committee, at the suggestion of the chairman, asked if I, as a man who had had long experience with organization and management matters, would be willing to come before the committee and make a short statement with respect to the parts of this bill that have to do with organization, with personnel, with conflict of interest, with the management authorities, and with the functions.

Knowing that the bill was undergoing further potential revision by work of the staff, the chairman, and the ranking minority member, I did not attempt to put together a formal statement to put into the record, but rather spent the weekend looking at the original bill and trying to keep advised on the changes which were under discussion between the chairman and the ranking minority member, and the members of the staff, both here and at the Office of Management and Budget.

I came this morning and sat here while the testimony was given, and also this afternoon, to hear Mr. Dunlop's testimony. I think I can summarize my views from my experience, which goes back over a good number of years, with the following rather short statement. Then I will be glad to answer questions.

ORGANIZATIONAL FEATURES

With respect to the organizational aspects of the bill, both the original bill and the bill as revised or suggested for revision over the weekend, it seems to me that the organization which is proposed is sound. It seems to me that it takes into account three major aspects.

First, the transfer into FEA of those functions which are clearly necessary to deal with the organizational aspects of the emergency. Second, it makes adequate provision for further transfers if the President so determines, and the Congress does not disapprove such transfers. And, third, it deliberately does not interfere with long-standing organizational patterns on such things as statistics and matters of that kind.

PERSONNEL PROVISIONS

On the personnel front the bill, I believe, is quite adequate. There are problems, of course, which could be raised, and probably will be raised in the course of the committee's consideration in connection with such things as the number of supergrades, perhaps, or the de-

gree of protection that is granted to civil servants who may be moved from one agency and later revert to another agency, and, perhaps, even with respect to the executive levels.

I probably know as much about the executive pay schedule as most people in government, and I looked particularly carefully at that. I think the placement of the Administrator in level II, his Deputy in level III, the Assistant Administrators in level IV, and the General Counsel, which now follows the pattern of General Counsels generally in departments, in level IV, is sound. And the provision, first, of a limited number—I think it was five, and then under the proposed revisions, nine—level V's to give general staff support to the other necessary functions that would have to be carried on is quite appropriate, quite in keeping with the organizational and executive level patterns in other departments and agencies. And to that extent I have no further comment about it.

The Chair this morning suggested that perhaps the bill should contain language which specifically protects people who are transferred in under civil service status and who might thereafter revert to another agency. I believe that under the civil service rules, on the basis of a quick telephonic check, that would not be necessary, but certainly it is not undesirable if the committee chooses to write it in.

Chairman HOLIFIELD. Would it be all right if we would handle that in the report?

Mr. JONES. Yes, sir; it could be absolutely adequately handled in the report. This kind of thing, Mr. Chairman, has been done in the legislative history and reports many times in connection with Government reorganization legislation or reorganization plans.

Mr. BROWN. Mr. Chairman.

Chairman HOLIFIELD. Mr. Brown.

Mr. BROWN. Mr. Chairman, as a matter of personal privilege, could I interrupt the witness just a minute? I wonder if, when the witness is testifying and the rest of us are questioning, would it be possible to turn the camera lights off in the room?

Chairman HOLIFIELD. Who is in charge of the lights?

Which one of you men is in charge of the lights?

VOICE. At times we have questions that are asked between people, and we would like to, if we could, get the lights on them at times, so the wish of the——

Mr. BROWN. There has been no coverage of the witness' testimony, it seems to me, on the questions that we asked on this side, so why don't you turn the lights off until the gentleman from New York is asking questions, and let the rest of us be comfortable in the meantime?

VOICE. Very well, Mr. Congressman.

Mr. BROWN. Thank you.

Chairman HOLIFIELD. If the gentleman will just indicate when he wants us to pause, why, we will, and he may turn on the lights.

VOICE. Thank you, Mr. Chairman.

Mr. JONES. Shall I proceed, Mr. Chairman?

Mr. HORTON. Mr. Chairman.

I did not mind too much. I thought it kind of heated up the room and made it nice and comfortable.

Chairman HOLIFIELD. Go ahead, Mr. Jones.

Mr. JONES. The very small number of authorized positions outside of the civil service and the competitive service seems to me to be adequate as a starter. I am not sure in handling this emergency whether it may be necessary at some time to come back and ask for a further exemption from civil service and the competitive rules, but at the moment it seems adequate.

MANAGEMENT AUTHORITIES

On the management authorities in the bill, I think that the provision for transfers in and the authorities which the revised bills, or proposed revisions of the bill, would place on the President with respect to additional transfers, give the necessary management flexibility to support the Administrator in the job which he is given by this bill.

The reporting provisions were added, I believe, as a proposed amendment over this weekend, and questions were raised this morning as to whether there were adequate reporting provisions to the Congress. Certainly there is with respect to the language that now exists, in the event that it is decided that this organization will disappear at the end of a 2-year period. If it should be decided that further requirements for reports to the Congress would be desirable, I am sure that that language which has been pretty standard in many bills could be incorporated.

The reversion provisions are adequate for management purposes, as is the provision—standard in organization and reorganization legislation for many years—for the Director of the Office of Management and Budget to preside over the process of transfer of files, miscellaneous personnel records, property, and approve the money transfers and things of that kind.

The functions given to the Office, I must say, I cannot speak with any authority about, because I am not a substantive expert in the field of energy. But it appears to me, from a general comparison of this with other organizational legislation, that the functions proposed for the Administrator, and particularly the slight changes in those as proposed in the amendments that were worked out over the weekend, are very adequate. They will do the job. They should be entirely acceptable, as I see it, to the executive branch.

CONFLICT-OF-INTEREST PROBLEMS

Finally, on the difficult issue of conflict of interest, as I am sure the committee is aware—but perhaps they will bear with me if I repeat—there are three kinds of conflict of interest, all of which appear to be proscribed by the provisions of title 18 of the code.

The first is the direct conflict of interest in which a person who comes from industry or some other walk of life is given duties in the Federal Government that directly relate to the kinds of duties that he had before. This has been most carefully guarded against in, I think, all of the operations that have gone on to date under the acts that Mr. Dunlop described and under other substantive laws that have pertained particularly to handling the energy crisis. I believe that it is not necessary to do anything more than to say that

the rule of reason and consultation with the Attorney General will take place and that no one would think of violating conflict of interest of this kind.

In other words, I do not believe that industry people would come in and be given functions deliberately by the new organization which would involve a conflict of interest in dealing with matters which they had been charged with in their industrial position.

The second kind of conflict of interest is a different one. It has come into focus only in recent years, and it presents a very difficult kind of problem. It has to do with collateral benefits, very largely, that are available to people in industry—their pension rights, their bonus rights, their leave rights, insurance rights, health benefit rights, and things of that sort. Under, I think I would have to say, a general but unwritten rule which the Congress has adopted, persons coming into any administration, particularly in confirmed posts, have been asked to give up that kind of collateral benefit, lest they be charged with a conflict of interest under one of the special provisions of title 18, which refers to the payment to individuals for carrying on any function on behalf of the Government.

I do not know to what extent it will be necessary for Mr. Simon to talk at length with the committee about this. He has raised this question before the Senate in connection with some testimony there, and I am sure he will want to raise the issue tonight.

If indeed the Federal Energy Administration is to have a limited life of only 2 years, it is very difficult for me to believe that it would be possible to get some of the kinds of expertise that would be needed to carry on these functions unless it were possible for at least some of the indivduals concerned to have a limited waiver of conflict of interest in order to protect things, for example, like pension rights, or their life insurance, or their health benefits. I do not think this kind of waiver would be contrary to the basic intent of the conflict of interest statutes when they were put on the statute books.

Chairman HOLIFIELD. Well, what do you think about the conflict that might exist when they are passing on policy matters?

Mr. JONES. This was the third one I was coming to, Mr. Chairman.

Chairman HOLIFIELD. All right.

Mr. JONES. The question of the conflict of interest statutes and their possible application in connection with giving advice on policy issues or taking a substantive part in the determination of policy issues also represents the kind of situation in which I doubt whether statutory prohibitions really are adequate to cover the situation in all cases.

In many circumstances, the participation in preparing advisory opinions on policy does not really represent a conflict of interest.

Here again I do not know what the answer is. The committee, in the bill as introduced, has a provision that makes it possible for the Administrator to distinguish between his full-time or even part-time experts and consultants who are Federal employees and the utilization of State, local, and nongovernmental persons of all kinds in an advisory role to make up advisory committees and, under certain circumstances, to pay their expenses and even to pay a per diem.

Here I believe that some kind of controls will have to be set up to make it very certain that there is no conflict of interest. And, certainly in the history of the legislation enacted not very long ago with respect to the utilization of advisory committees, I think that you can come a long way toward avoiding any potential conflict of interest there, in view of the fact that they are not to be—no member of an advisory body is permitted to be given really substantive authorities. The meetings must be convened by Government personnel, presided over by Government personnel, and, indeed, except under the most urgent circumstances which I could not foresee here, they are open meetings.

These, I believe, are the kind of provisions that provide what we refer to as the goldfish bowl surveillance of Government operations, which is wise and which gives the major protection against conflict of interest.

Mr. ROSENTHAL. Mr. Chairman, would you yield for a question at this point?

Chairman HOLIFIELD. Sure.

Mr. ROSENTHAL. About a year ago I think it was, a subcommittee of this committee issued a report, Chairman Monagan issued a report, being highly critical of these advisory commissions. And in there, it said that they were not goldfish bowl operations, that they were closed to the public, and that they had, for example, enormous influence on the Bureau of the Budget and OMB that has dozens and dozens of these advisory commissions.

Chairman HOLIFIELD. Well, is it not true that there is a law that has been passed on the subject since then, the Federal Advisory Committee Act?

Mr. JONES. There is a law.

Mr. Rosenthal is correct that there was criticism, even after the passage of the law, of the way in which advisory committees were conducted. All I can say to that, Mr. Rosenthal, is that with literally hundreds and hundreds of these scattered around the Government, many of them authorized by statute, it takes time for the gospel to filter down, as it were.

I do not believe that there is any instance in which an advisory group of the Office of Management and Budget, since the enactment of this law, has not had its deliberations opened to surveillance by the public, if anybody wanted to come in.

Chairman HOLIFIELD. Well, that is the Federal Advisory Committee Act, Public Law 92–463?

Mr. JONES. That is correct, sir.

Chairman HOLIFIELD. And on page 9 of the draft, we have, "The Administrator is authorized to establish advisory boards in accordance with the provisions of the Federal Advisory Act, Public Law 92–463. to advise with and make recommendations to the Administrator on legislation, policies, administration, research and other matters."

Mr. JONES. That is correct, sir.

Chairman HOLIFIELD. Well, now, can that apply to individuals, as well as to advisory boards?

Mr. JONES. I see no reason why it cannot, just by plain administrative order sir.

Mr. MACDONALD. Would the chairman indulge me?

Chairman HOLIFIELD. Yes, Mr. Macdonald.

Mr. MACDONALD. One problem which strikes me, while you might be 100 percent correct about the goldfish bowl going on at the time they were in an advisory capacity, what happens if some of these so-called advisors come out of the industry—and I do not know where else you would get expertise, so I understand the problem—but after they give everyone the benefit of their views, what then happens when they go back to their original jobs? At that time they will have either advised or made decisions on a long-range basis, which over the long range would certainly benefit whatever companies, or the industry itself, from which they spring.

What would you suggest, how to handle that?

Mr. JONES. I do not believe you can handle that adequately, either by prohibitory statutes, Mr. Macdonald, or by a broad grant of administrative sanctions. What is involved here is the conduct of the public's business and the interest of the general welfare in the constitutional sense, and I do not believe there is any substitute for good judgment and high morals and good ethics.

Mr. MACDONALD. Well, we all understand that, and I do not mean to interrupt, and I do not want to impinge on the time of this subcommittee, of which I am not officially a member, but we have seen very recently that you cannot legislate morality. I guess this has been a cliche here in Washington for a long time.

But what is not a cliche, but which equally is true, if not even truer, you cannot legislate greed. It seems to me, inasmuch as greed is one of the fundamental causes of this entire problem, that you just cannot brush it off, saying that everyone is going to have high moral character, as much as that is fervently to be hoped for. I believe you would agree with me that greed is prevalent in many industries, and it is especially prevalent in this industry.

Do you have any suggestions at this point?

Mr. JONES. No. I have no suggestion on this, Mr. Macdonald. I have had to deal with it over the years in many different kinds of situations. The only thing that I can say is that, by and large, I do believe that our democracy works; I do believe that people who are willing to undertake an advisory role for the Federal Government usually do so with good motives and with a high degree of intelligent perception about what they may and may not do. I have known a number of them who have felt that they could not undertake such a role because it would be contrary to their own interest and the interest of the companies from which they came.

Mr. MACDONALD. I am not now talking about—and I will not say another word, Mr. Chairman, after this—I am not now talking about transferring their assets into a blind trust.

Mr. JONES. No, neither am I.

Mr. MACDONALD. That sort of thing.

Mr. JONES. No.

Mr. MACDONALD. I am talking about, they know that they are here for maybe a year or 2 years—as I understand, the bill runs for about 2 years—but then they know also that they are going back from whence they came, which is in the bosom of that rather greedy industry, and it seems to me we have to take extraordinary care concerning that matter.

Do you agree or not?

Mr. JONES. Well, I agree, but I do not know how you legislate it, I do not think there is any way that you can legislate it. If a man leaves the Federal Government, Mr. Macdonald, and goes to a private concern after many years of service in the Federal Government, he cannot participate in any matter for quite an extended period of time that came under his charge when he was in the Federal Government.

Now, this kind of rule, by and large, I think generally has been observed, even by the short-termers when they go back home. But if you are addressing the situation in which somebody comes in, we will say from an oil company, and gives advice which is ultimately accepted, perhaps naively, but which could result in a long-range benefit to his company, I do not believe there is any way in the world that we can legislate effectively to prevent that kind of thing happening, except to try to give it the full glare of whatever publicity we can under the circumstances.

During World War II——

Mr. MACDONALD. I thank the gentleman, and I——

Mr. BROWN. Will the gentleman yield, and may I pursue the line of questioning for just a minute?

Mr. JONES. May I just finish up one statement, Mr. Brown?

Mr. BROWN. Yes, please do.

Mr. JONES. During World War II, for example, in connection with the War Production Board and the Petroleum Administration and censorship and all the other war agencies, this question was raised time and time and time again, because it was absolutely necessary to go to the industries that were basically affected and to get their people to come in.

And, by and large—even though then we had a different situation in terms of patriotic response to the war emergency and so on—but, by and large, from a very careful study of war organizations, how they were manned, how they operated, and what happened to their people afterward, I am convinced that you could tabulate a very, very small number of the kinds of things which you are worried about. I do think we have to stay worried about them.

Excuse me, Mr. Brown.

Mr. BROWN. As a matter of fact, the law now prohibits those people from coming into the Government, either on a paid basis or otherwise. It prohibits certain other things, such as coming into the Government, staying for awhile, then going back home and taking back his job in industry. That is prohibited.

And the issue here, and in other emergency energy legislation is whether or not you have it done by Federal officials who are chicken farmers or whether you have it done by somebody who knows something about the business. In World War II, Elmer Davis came in to head the Office of War Information. He came from the news industry and had some expertise about that industry and about the subtleties of not withholding any more information for the benefit or protection of the Government or its citizens than necessary. And then he went back to private industry, as I recall.

I think that is right, is it not? Did he not go back to work for CBS or somebody? We had that happen in many different industries in World War II when we did not have those protections that are now written into Federal law. We did not have them in the Korean war.

That situation was covered by law in 1962, and so statutes exist to deal with the problem in this crisis. I am interested in whether it is more desirable for the Federal Government with employees lacking expertise to try to operate the oil industry—because that is the authority we gave the Government under the Mandatory Fuel Allocation Act.

The Federal Government controls crude oil in this country from the well right on through to the gasoline pump. And the question is, whether you have it done by somebody who is 100-percent bureaucrat, who has never seen any part of the oil industry, the refinery industry, the marketing industry, the oil transportation industry——

Mr. MACDONALD. Will the gentleman yield?

Mr. BROWN [continuing]. Or whether you have it done by somebody who has a little background for it, and we have to resolve that problem, I think, either by suspending or modifying the legislation, temporarily, as it applies to these people, or in saying no, the prohibition stays, and we will have it done by people who have no experience in the industry. Now is that not essentially the problem?

Mr. JONES. That is essentially a good part of the problem and I agree with you.

Mr. MACDONALD. Would the gentleman yield on that point, just before you have an absolutely untrue statement within the record?

Mr. BROWN. Which part of it?

Mr. MACDONALD. About mandatory allocation. The Federal Government did not nationalize oil.

Mr. BROWN. I do not think I used the term "nationalize".

Mr. MACDONALD. You said they took over control from crude to the pump, and if that is not nationalization I do not know what is.

Mr. BROWN. That is true in terms of the distribution of the crude oil to the refinery part of the industry; and from the refinery part of the industry through the distribution system.

Mr. MACDONALD. I remember the gentleman very well, fighting very strongly, at the conference with the Senate, against controlling any prices of crude oil at the wellhead and that did not happen. I know the gentleman knows that.

Mr. BROWN. I am not talking about the prices, if I may say so to the gentleman from Massachusetts. I am talking about the distribution of the product. Crude oil, under the Mandatory Allocation Act, can be assigned to various refineries, and it can be moved from there to various parts of the country for utilization. Is that not correct?

Mr. MACDONALD. I am on the chairman's indulgence. We will take it up at a later time. I understand we go to another conference next week, and I am sure we will go into it again.

Mr. JONES. Mr. Chairman, if I may summarize, I think that this issue does represent these three different kinds of problems in the field of conflict of interest.

They are not problems with which the Congress has not—I started to say "dealt", I think I should sav "wrestled"—over a long period of time. And I have no doubt that the answer which the Congress comes up with will be adequate to the circumstances. If it is not, why the executive branch will have the privilege of coming back to you and telling you exactly why not.

But certainly, American ways of life today do not present, so far as I can tell from a quick look this weekend at various and sundry

kinds of occupational data, the kind of expertise and the knowledge that will be needed to handle this energy thing, unless we go to the industries which are responsible for handling it now. I think they are going to have to be brought in under one device or another, and as many as can come in as full Federal employees is to the good. But they are going to have to be advisory bodies, and I think they are going to have to come from industry.

In short, Mr. Chairman, not to take too much of the committee's time, reasonably hard work at this thing convinces me that in terms of the organization, personnel, management, and functional authorities of the legislation as proposed, for amendment, are adequate to do the job. It is something with which the committee has had so much experience that I believe they can come to grips with it in very short order here.

And, as the committee generously calls me a consultant, I believe that the legislation before you, with some further modifications, is quite adequate. I will answer any questions, Mr. Chairman.

Chairman HOLIFIELD. I want to say that that is very gratifying to the members of the committee and our staff that have worked hard on this matter, because it comes from a man who has given us tremendous help and cooperation over the years, and we have tremendous respect for your background of service in the Bureau of the Budget and elsewhere, as far as that is concerned.

We have got, really, a reorganization job to do, and while it touches on all of these matters that we have been talking about today, such as pricing, conflict of interest, and so forth, these are difficult areas and we cannot, at this time, impose upon the Congress as a whole a body of new law on these different subject matters, because it just will not be accepted.

The committees which have statutory jurisdictions over these different facets will have something to say about that. This committee has always been very conscious of its jurisdiction, and while in my heart I would like to see something done about it, I recognize that if you try to do all of these things in this one piece of legislation, it just means that the legislation will not be passed.

Now if there is an emergency, as has been testified to and I believe there is, we must have a program and an organization to administer that program, and it seems to me that this is at least one way—the best way I know of and the best way the administration knows of—to do it, and that is why we are working long hours and plan to work tonight. We worked on Saturday and Sunday to try to get this in shape for the limited number of days we have before adjournment.

So, we do appreciate your testimony very much.

Mr. JONES. Mr. Chairman, may I say to the committee that after many years of working with your staff and many appearances before this committee, I have very, very few instances that I could ever point to in which I think this committee has made an organizational mistake on legislation it has reported.

I think your record is extraordinary in this respect and that is why, if my testimony gives you any belief that perhaps this, too, is a good job, I am very happy and very gratified. Thank you very much.

Chairman HOLIFIELD. Thank you very much. If there are no further questions of Mr. Jones, we will excuse him at this time.

We have a statement here of Mr. Frank Fitzsimmons, general president of the International Brotherhood of Teamsters. Is he here, or does he have a representative here? Would you please introduce yourself, sir, to the members and the record?

STATEMENT OF DAVID A. SWEENEY, LEGISLATIVE AND POLITICAL DIRECTOR, INTERNATIONAL BROTHERHOOD OF TEAMSTERS

Mr. SWEENEY. Mr. Chairman, I am Dave Sweeney, legislative and political director of the International Brotherhood of Teamsters, and I would like to express Mr. Fitzsimmons' regrets at not being able to be here this afternoon, but we have him on a rather busy schedule, and he simply was not able to make this particular hearing.

As the previous witness stated, we had rather short notice on the committee hearing, and for the record, I would like to say that our statement is based on a rather rapid and quick appraisal of the legislation, and we would like the record to be held open if, at some further time we would have some additional views.

Chairman HOLIFIELD. Well, it would be difficult unless it comes within the next 2 or 3 days, for us to include it in the printed record.

Mr. SWEENEY. With your permission, I will proceed, Mr. Chairman?

Chairman HOLIFIELD. Yes; proceed.

Mr. SWEENEY. Mr. Chairman, members of the subcommittee, the International Brotherhood of Teamsters appreciates the opportunity to appear here in support of H.R. 11793, a bill proposing the creation of an executive agency which is to be known as the Federal Energy Administration, FEA. This agency will provide the necessary regulatory function which will be needed to administer a comprehensive national energy policy.

Since our energy situation is presently in a crisis status, short-term solutions are necessarily imperative. We believe the bill is designed to effectuate these solutions inasmuch as certain functions of the existing agencies, such as the Department of Interior, the Federal Energy Office, and the Cost of Living Council will be absorbed into the new agency.

In addition, the bill is also designed to provide for implemenation of long-range policies, as it would authorize the FEA to plan, direct, and conduct programs related to the production, conservation, use, control, distribution, and allocation of all forms of energy.

Thus, the language of the bill provides maximum flexibility in implementing overall national energy policy. This is especially important in light of the fact that the agency proposed by H.R. 11510, the Energy Research and Development Administration will be developing, through research activities, proposed solutions for energy resource allocations. However, we would add a word of caution.

CONGRESSIONAL MONITORING

The FEA will possess a great deal of power and it will require active oversight on the part of Congress to assume a fair and equitable energy policy. As Congressman Culver, a member of the full committee, stated in his additional views on H.R. 11510, the ERDA bill:

I think it is important for the committee to set definite policy goals and to monitor their achievements through stringent oversight of the Administration's performance.

We agree. This is especially important because overall policy decisions will, for the most part, be housed in one agency. A centralized agency such as this is essential because it provides continuity and depth. However, it also provides the opportunity for inequity. For example, one energy source could receive more favorable treatment than others, either intended or unintended.

Therefore, active oversight on the part of Congress will help insure maximum input from each affected interest. Although vigorous oversight on the part of Congress is essential, we also believe that members of the public should be given the opportunity to participate in the decisionmaking process. This bill appears to be designed for such a purpose, but we believe it might be strengthened, either through a specific amendment, or in the legislative history which accompanies the bill.

ADVISORY COMMITTEES

First, section 5 presently provides that the Administrator of FEA may perform certain acts, such as the appointment of advisory commissions. We believe this should be made more imperative and less voluntary.

Thus, we would recommend supplanting the term "to the extent practicable, shall," for the present language, "may."

Under section 5, paragraph four, "The Administrator is authorized to appoint advisory commissions." We believe that the members of the advisory commission should represent the broadest spectrum of interest which would be affected by any proposal of the Administrator.

This is especially important with regard to long-term policies. Thus, workers, producers, consumers, or their representatives should be given the opportunity to serve on these advisory commissions. If members of the public are given adequate consideration during the course of the regulatory process, it will assure a workable and fair resolution of the issue.

In sum, we support the purpose of this bill and ask that the Congress enact it in order that we may be able to begin the task of solving our Nation's energy situation. Thank you very much, Mr. Chairman.

Chairman HOLIFIELD. Thank you very much.

Your remarks were predicated on H.R. 11793, were they not?

Mr. SWEENEY. I believe so.

Chairman HOLIFIELD. And the staff has—we have been working over the weekend to try to clean up some of the ambiguous areas. On your suggestion of substituting the phrase "insofar as practicable shall" for "may," I am not sure exactly if that would—we do not want to make it mandatory as to these numbers.

What we are trying to do is to set a ceiling where these experts and consultants may be compensated at rates not in excess of the rate proscribed for GS–18, and so forth; and I think it is customary language to say "The Administrator may employ experts, expert witnesses, and consultants in accordance with section 3109. . . ."As to advisory committees, we have changed that somewhat. "The Administrator is authorized to establish advisory boards, in accordance with the provi-

sions of the Federal Advisory Committee Act," that is a recent law on the conduct of those advisory committees, "to advise with and make recommendations to the Administrator on legislation, policies, administration, research, and other matters."

Now, I agree with the gentleman that the people that are recruited for these jobs should be from as wide a base as possible, and it may be that we can, without being explicit—it is very hard to be explicit without excluding others, you know. We may be able to take care of that thought in the report. We may be able to take care of that at the point that it is submitted to the will of the committee that these things be accomplished.

But the Chair wishes to thank the gentleman for his appearance here today, and I yield to Mr. Horton.

Mr. HORTON. Mr. Chairman, I do not have any questions. Thank you, Mr. Sweeney, for appearing.

Chairman HOLIFIELD. Mr. St Germain?

Mr. ST GERMAIN. No questions. I thank the witness for appearing.

Chairman HOLIFIELD. Mr. Brown?

Mr. BROWN. Mr. Chairman, just one observation in connection with the reservation that the gentleman made on page 3 about the public being involved in the development of policies and the procedures by which those policies should be implemented. I want to reassure him that in the legislation passed by the Interstate and Foreign Commerce Committee, where there were to be plans developed, as I understand it, that legislation now calls for full participation by the public. I assume this is a major area of concern to the gentleman because of the organization he represents.

I would assume that this legislation also presumes that kind of public participation in terms of advisory boards. And certainly, if not, those of us who are interested in dealing with the problem in this way would not be as enthusiastic about it.

Chairman HOLIFIELD. Well, the Chair agrees with the gentleman, and we hope the staff will prepare language for the report that would indicate the opinion of the committee on this matter. Thank you very much, sir.

Mr. SWEENEY. Thank you very much, Mr. Chairman.

Chairman HOLIFIELD. Mr. Riordan is our next witness, Francis J. Riordan, commissioner of the New Hampshire Public Utilities Commission.

Mr. Riordan, will you introduce your associates to the members, and also state who you are representing on this?

STATEMENT OF FRANCIS J. RIORDAN, REPRESENTATIVE, NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS; ACCOMPANIED BY KENNETH E. HARDMAN, DEPUTY ASSISTANT GENERAL COUNSEL; AND DAVID JEWELL, TREASURER

Mr. RIORDAN. Mr. Chairman, members of the committee: On my left is Mr. Kenneth E. Hardman, who is a deputy general counsel for the National Association of Regulatory Utilities Commissioners. On my right is David A. Jewell, treasurer of the same organization. My name is Francis J. Riordan. I am a commissioner on the New Hampshire Public Utilities Commission, a position I have occupied since Jan-

uary 3, 1964, and a past president of NARUC, and a member of its executive committee. I am appearing before you as a representative of the National Association of Regulatory Utility Commissioners, commonly known as NARUC.

I was to be accompanied here today by George I. Bloom, chairman of the Pennsylvania Public Utility Commission, and also past president, and a member of the executive committee. But he is tied up at the present time in a meeting over at the Federal Power Commission.

The NARUC is a quasi-governmental nonprofit organization founded in 1889. Within its membership are the governmental bodies of the 50 States and of the District of Columbia, Jamaica, Puerto Rico, and the Virgin Islands engaged in the regulation of carriers and utilities. The mission of the NARUC is to improve the quality and effectiveness of public regulation in America.

The members of the NARUC appreciate the opportunity you have given me as their spokesman to make their views known on H.R. 11793, a bill to reorganize and consolidate certain functions of the Federal Government in a new Federal Energy Administration in order to promote more efficient management of such functions.

One, my statement contains various references to the bill and its purposes, and as I am sure you are all aware, Mr. Chairman, the State regulators of America are on the front lines of the battle to provide Americans the energy they need to function as a nation, and at prices that are both just and reasonable.

I might add that my colleagues have occupied these front line positions for many years now, and in all modesty have done an outstanding job in the face of a never-ending series of trials and vicissitudes. From their position in the field, the State regulators have long been aware of the steadily encroaching energy dilemma that now faces our Nation, and over the years have taken whatever measures were at their disposal to try and prevent and/or alleviate them. And we have made our share of mistakes, right along with everyone else.

We have at times been frustrated by the proliferation of Federal agencies concerned with energy matters with which we have had to deal. My statement further goes along to contain major energy-related resolutions passed by NARUC over the past few years, running from 1971 on through.

Chairman HOLIFIELD. That list will be printed in the record.

[See app. 2, p. 210.]

Mr. RIORDAN. Thank you very much.

All of which leads me, Mr. Chairman, to a central point that I would like to make this afternoon. That is that the Administrator of the FEA and his staff should make every effort to consult both fully and frequently with the States. The State regulators of America comprise a tremendous resource of talent and experience in this very field, which not only should be utilized by the Federal Government but, in my opinion, must be utilized if we are to triumph over the adversity we now face.

STATE OFFICIALS' IMPLEMENTING ROLE

I am sure that I do not have to remind the members of this committee that, while it is all well and good for broad policy decisions in fields such as energy to be made in Washington, it still must fall

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to those on the State level to implement these policies. State officials are close to the people, aware of their needs, and can be responsive to them far more so than administrators stationed in far-off Washington.

For instance, last Tuesday Chairman John N. Nassikas, of the Federal Power Commission wrote to the President of the NARUC asking for a meeting to be held today between Commissioners of the FPC, representatives of the FEA, and commissioners from as many State regulatory agencies as can attend on such short notice. Appendix B to my prepared statement carries a copy of the letter.

The purpose of this meeting is to consider actions which all of the affected agencies may undertake to meet the current fuel emergency.

I am pleased to state, Mr. Chairman, that we know that 32 State commissions are represented at this important meeting, which is dealing with such vital questions as how to transfer power from one region of the Nation to another. This meeting is going on at this very moment, while I am here at this particular hearing.

I would submit that this is vivid proof of my contention that the State commissioners and other appropriate State officials must be made a part of the equation.

CONSULTATION WITH STATE REGULATORS

For that reason, Mr. Chairman, we are submitting for the committee's consideration two proposed amendments to the bill which would require the FEA Administrator to consult, on a continuing basis with the appropriate State officials, including State Public Utility regulators, responsible for assuring the availability of adequate energy supplies to consumers at prices that are both just and reasonable. A copy of these amendments are attached to my testimony under the heading appendix C.

One specific issue I would like to raise is the question of fuel allocation. Ours is, after all, a technological society and a very complex one at that. In order to decide which industries and groups of people will receive priority and what criteria will be used to arrive at these decisions, the FEA must engage in full consultation with the State regulators and other appropriate officials who are, by experience and training, uniquely qualified in this area.

In this manner the people of our 50 States can rest assured that they will have an effective advocate acting on their behalf within the councils of government.

The State regulators are familiar with such issues as:

What will the impact of fuel allocations be on the employment situation within a given State?

The need to arrive at such decisions in a manner that is both open to the public and fair to all parties concerned.

The need to allocate energy producing facilities fairly among the various geographic regions of our Nation.

The necessity of designing regulations that will accomplish the job with a maximum amount of fairness and effectiveness and a maximum amount of bureaucracy.

The need to keep Federal thinking focused on the vital issue of energy conservation, which must play such a key role in our efforts.

The great need to promote a cohesive and far reaching program of energy research and development, without which America can never achieve the energy independence it so badly needs.

There are many States, and regions comprising more than one State, that have energy problems peculiar to their own geographic boundaries. These problems, by their very nature, would seem to defy solution by some broad brush approach conceived at a distant Federal level. In short, these statewide and regional problems can only be solved by including the appropriate State authorities in the decisionmaking process.

For instance, the recently completed New Brunswick tie-in contrbutes a substantial amount of our regional requirements. Other regions, I am sure, have their own situations, equally unique.

As the members of this committee know, there are many facets of the energy dilemma, almost all of them requiring a substantial input from State regulators.

Suffice it to say that those of us on the front lines of this battle are ready, willing, and able to assist the Federal Government in its efforts to combat this emergency, whatever those efforts might be. Our only plea is that our expertise, developed over these many years, be put to use in a vigorous and meaningful manner.

The NARUC strongly supports the immediate passage of this vital legislation. And to that I add my own personal support in the strongest possible terms. This legislation is a logical and necessary first step to confront and meet head on this Nation's greatest challenge, the energy emergency. Because we have a problem we need not panic or despair. From the current adversity must emerge what has been called the new energy ethic. Conservation, environmental concern, and prompt development of domestic resources will assure the continued strength, development and progress of the Nation.

I would thank the chairman and member of this committee.

Chairman HOLIFIELD. Thank you, Mr. Riordan.

Mr. HORTON. There is one comment I have. You make reference to a proposed set of amendments which you list under appendix C, which would require consultation. I think generally the idea is good. I am not sure whether we could include that specific language, but I assume that, in lieu of the language, we could put into the report recommendations along these lines. That would probably meet your suggestion, would it not?

Mr. RIORDAN. I believe it would. This statement was predicated somewhat on the bill that appeared before the Senate, and as a consequence we have had not the ability or the opportunity to scrutinize closely the House bill, and perhaps any tailoring of it that would achieve the broad objectives which we have set forth in my statement would certainly be acceptable. Our Washington office would stand ready to assist.

Mr. HORTON. That is very helpful, and I would like to thank you again for your testimony, and for the time that you took in analyzing this bill. I think it is very helpful.

Mr. RIORDAN. Thank you very much.

[The prepared statement of Mr. Riordan follows:]

PREPARED STATEMENT OF FRANCIS J. RIORDAN, REPRESENTATIVE, NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

Mr. Chairman and Members of the Committee:

My name is Francis J. Riordan. I am a Commissioner on the New Hampshire Public Utilities Commission, a position I have occupied since January 3, 1964, and a past President of NARUC, and a member of the Executive Committee. I am appearing before you as a representative of the National Association of Regulatory Utility Commissioners, commonly known as the "NARUC."

I am accompanied here today by George I. Bloom, Chairman of the Pennsylvania Public Utility Commission. Chairman Bloom is also a past President of NARUC and also a member of the Executive Committee.

The NARUC is a quasi-governmental nonprofit organization founded in 1889. Within its membership are the governmental bodies of the *fifty* States and of the District of Columbia, Jamaica, Puerto Rico and the Virgin Islands engaged in the regulation of carriers and utilities. The mission of the NARUC is to improve the quality and effectiveness of public regulation in America.

The members of the NARUC appreciate the opportunity you have given me as their spokesman to make their views known on H.R. 11793, a bill to reorganize and consolidate certain functions of the Federal Government in a new Federal Energy Administration in order to promote more efficient management of such functions.

Mr. Chairman, the bill before this committee is the Administration's proposal for a Federal Energy Administration (FEA). The FEA would be an independent executive agency responsible for carrying out operational functions in the immediate energy emergency with a congressionally mandated lifespan of two years.

During those two years the FEA Administrator would be the President's advisor on all aspects of energy policies, both foreign and domestic, including the production, conservation, allocation and control of fuels. In short it will make decisions that will touch the lives of every American, and, by extension, citizens of many other nations in the world.

The FEA would gather unto itself the various threads of energy jurisdiction that are now scattered among a number of offices, and agencies of the Administration thus permitting the Administration to consider the various aspects of the energy crisis in a cohesive and coordinated manner.

The bill will provide for the development of systems for obtaining and analyzing data with respect to energy reserves, production and demand in all sectors of the economy.

It also provides for a policy, planning and regulations office to develop strategies for overall shortages and various options for dealing with specific product shortages—allocation surcharges, rationing, and publications of regulations. It will develop specific regulations and implementing procedures for allocating crude oil, residual, jet fuel, gasoline, middle distillate and other fuels, and set priorities and classify users.

The proposed Operations and Compliance Office will act as the operating, implementing body for administering petroleum and gas distribution and consumption programs.

The proposed Energy Conservation and Environment Office of FEA will promote efficiencies in the use and development of energy resources, and coordinate Federal, State, and local energy conservation programs.

The proposed International Policy and Programs Office will concentrate on all international and national security factors that are specifically energy oriented.

Finally, the proposed Energy Resource Office will facilitate implementations of the President's program to develop the capability for national self-sufficiency in energy supplies and to assure that this goal is met with adequate protection for our environment.

As I am sure you are aware, Mr. Chairman, the State regulators of America are on the front lines of the battle to provide Americans the energy they need to function as a Nation and at prices that are both just and reasonable. I might add that my colleagues have occupied these front line positions for many years now, and, in all modesty, have done an outstanding job in the face of a never-ending series of trial and vicissitudes.

From their position in the field the State regulators have long been aware of the steadily encroaching energy dilemma that now faces our Nation and, over the years, have taken whatever measures were at their disposal to try and prevent and, or alleviate it.

And we have made our share of mistakes right along with everyone else. We have at times been frustrated by the proliferation of Federal Agencies concerned with energy matters with which we have had to deal.

The following list contains the major energy-related resolutions passed by the NARUC over the past few years:

NARUC 1971 Convention Resolutions Re—

Shortage of Coal and Gas

Urging Prompt Approval of Pipeline Construction Permit by United States Department of Interior

(NARUC 83rd Annual Convention Proceedings (1971), pp. 182, 184.)

NARUC 1972 Executive Committee Resolutions Re—

Arctic Gas Supply

(NARUC Bulletin No. 12–1972, p. 9).

Air Quality Standards for Sulprur Dioxide Emissions

Shortage of Natural Gas Supply

(NARUC Bulletin No. 37–1972, p. 8.)

NARUC 1973 Executive Committee Resolutions Re—

Oil and Gas Pipelines from Alaska

Review of Fuel Supply

Environmental Impact Study of Oil and Gas Exploration and Development Off-Shore Atlantic Coast

(NARUC Bulletin No. 11–1973, pp. 14–15.)

Energy Shortage

Changes in the National Environmental Policy Act of 1969

Oil and Gas Pipelines from Alaska

Relief from License Fee for Imported Naptha, Other Distillates and Natural Gas Liquids as a Feedstock

(NARUC Bulletin No. 28–1973, pp. 7–10.)

NARUC 1973 Convention Resolutions Re—

In Support of Conservation of Natural Gas and Electricity To Be Offered Through Insulation Programs

Bidding for Off-Shore Oil and Gas Leases

Mandatory Fuel Allocation Program

Energy Conservation

Long Term Energy Research

(NARUC Bulletin No. 42–1973, pp. 16–24.)

I have appended copies of these resolutions to my statement and I would ask that they be made a part of the record. (See appendix 2, part 1, p. 210.)

All of which leads me, Mr. Chairman, to the central point that I would like to make this morning.

That is that the Administrator of the FEA, and his staff, should make every effort to consult both fully and frequently with the States.

The State regulators of America comprise a tremendous resource of talent and experience in this very field which not only should be utilized by the Federal Government, but, in my opinion, *must* be utilized if we are to triumph over the adversity we now face.

I am sure I don't have to remind the members of this committee that while it is all well and good for broad policy decisions in fields such as energy to be made in Washington, it still must fall to those on the State level to implement those policies.

State officials are close to the people, aware of their needs and can be responsive to them, far more so than administrators stationed in far off Washington, D.C.

For instance, last Tuesday Chairman John N. Nassikas, of the Federal Power Commission (FPC) wrote to the President of the NARUC asking for a meeting to be held today between Commissioners of the FPC, representatives of the FEA and Commissioners from as many State regulatory agencies as can attend on such short notice. (See appendix 2, part 2 for a copy of the letter p. 220.)

The purpose of this meeting is to consider actions which all of the affected agencies may undertake to meet the current fuel emergency.

I am pleased to state, Mr. Chairman, that we know that 32 State commissions are represented at this important meeting which is dealing with such vital questions as how to transfer power from one region of the Nation to another. The meeting is going on at this very moment.

I would submit that this is vivid proof of my contention that the State Commissioners, and other appropriate State officials, *must* be made a part of the equation.

For that reason, Mr. Chairman, we are submitting for the committee's consideration two proposed amendments to the bill which would require the FEA Administrator to consult, on a continuing basis, with the appropriate State officials, including State public utility regulators, responsible for assuring the availability of adequate energy supplies to consumers at prices that are both just and reasonable. A copy of these amendments are attached to my testimony under the heading appendix 3, part 3 (see p. 220).

One specific issue I would like to raise is the question of fuel allocation. Ours is, after all, a technological society and a very complex one at that. In order to decide which industries and groups of people will receive priority and what criteria will be used to arrive at those decisions the FEA must engage in full consultation with the State regulators and other appropraite officials who are, by experience and training, uniquely qualified in this area.

In this manner the people of our 50 States can rest assured that they will have an effective advocate acting on their behalf within the councils of government.

The State regulators are familiar with such issues as:

What will the impact of fuel allocations be on the employment situation within a given State?

The need to arrive at such decisions in a manner that is both open to the public and fair to all parties concerned.

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The necessity of designing regulations that will accomplish the job with a maximum amount of fairness and effectiveness and a minimum amount of bureaucracy.

The need to keep Federal thinking focused on the vital issue of energy conservation which must play such a key role in our efforts.

The great need to promote a cohesive and far reaching program of energy research and development without which America can never achieve the energy independence it so badly needs.

There are many States, and regions comprising more than one State, that have energy problems peculiar to their own geographic boundaries. These problems, by their very nature, would seem to defy solution by some broad brush approach conceived at a distant Federal level. In short these State-wide and regional problems can only be solved by including the appropriate State authorities in the decision-making process.

For instance, the recently completed New Brunswick tie-in contributes a substantial amount of our requirements. Other regions, I am sure have their own situations, equally unique.

As the members of this committee know there are many facets of the energy dilemma, almost all of them requiring a substantial input from State regulators.

Suffice it to say that those of us on the front lines of this battle are ready, willing and able to assist the Federal Government in its efforts to combat this emergency whatever those efforts might be. Our only plea is that our expertise, developed over these many years, be put to use in a vigorous and meaningful manner.

The NARUC strongly supports the immediate passage of this vital legislation. And to that I add my own personal support in the strongest possible terms. This legislation is a logical and necessary first step to confront and meet head on this Nation's greatest challenge, the energy emergency. Because we have a problem we need not panic or despair. From the current adversity must emerge what has been called "The New Energy Ethic". Conservation, environmental concern and prompt development of domestic resources will assure the continued strength, development and progress of the Nation.

Once again, Mr. Chairman, on behalf of the NARUC I thank the committee for this opportunity to present our views on this most important piece of legislation.

Thank you.

[NOTE.—Enclosures to Mr. Riordan's statement are printed as app. 2, p. 210.]

Chairman HOLIFIELD. Thank you very much for your testimony. We will take it into consideration.

The meeting will adjourn until 7 p.m. today, at which time we will have Mr. Simon, Under Secretary of the Treasury, and Mr. Dunlop, who was here today for a while. We will try to get him on by 8:30.

The meeting is adjourned.

[Whereupon, at 3:40 p.m., the subcommittee recessed, to reconvene at 7 p.m., the same day.]

EVENING SESSION

Chairman HOLIFIELD. The committee will be in order. We will continue our testimony on H.R. 11793. Tonight we are to have as our first witness Hon. William E. Simon, Deputy Secretary of the Treasury and Administrator of the Federal Energy Office. You are now head of the energy agency created by Executive order, are you not?

Mr. SIMON. Yes, sir; Mr. Chairman.

Chairman HOLIFIELD. Federal Energy Office?

Mr. SIMON. Yes, sir.

Chairman HOLIFIELD. This will become the Federal Energy Administration?

Mr. SIMON. Yes, sir.

Chairman HOLIFIELD. All right. Mr. Simon, you may proceed.

STATEMENT OF WILLIAM E. SIMON, DEPUTY SECRETARY OF THE TREASURY AND ADMINISTRATOR OF THE FEDERAL ENERGY OFFICE; ACCOMPANIED BY JOHN SAWHILL, DEPUTY ADMINISTRATOR

Mr. SIMON. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I appreciate the speed with which your committee has acted in scheduling these hearings and for the fine spirit of cooperation which you, Mr. Chairman, and the other members have displayed in responding to our request for rapid action.

Before discussing why this Federal Energy Administration is so important to the development of energy policy, I think it is important to outline for you where we have been with respect to energy policy, and where we plan to go from here. Traditionally, energy policy has been narrowly defined as a national security issue.

However, I view it as much more than that. Our security rests on our economic well-being, and our economic well-being rests in a significant way on the availability of plentiful supplies of energy at reasonable cost. Seen in this way, energy policy bears a direct relation to economic conditions and is essential to understanding how our economy functions.

LAGGING ENERGY SUPPLY

The first thing to understand is that the demand for energy has been increasing continually while our supply has not. With 6 percent of the world's population, we are consuming about 35 percent of the world's energy. Furthermore, the demand for energy in this country is growing at an annual rate of about 4 percent and, by 1990, our energy needs will have doubled that of 1973.

Much of this increase in demand will be reflected in an increase in the demand for oil, which has grown in part because there has been a shift away from coal to oil and in part because of the inability to obtain natural gas, another alternative to oil. Domestic demand for oil has increased from 15.1 million barrels a day in 1971 to 18 million

this year, and will increase to about 21 million in 1975 and to approximately 25 million in 1980. Oil and gas now account for about 65 percent of the world energy consumption and 78 percent of U.S. energy consumption.

In the face of this increasing demand, however, our domestic petroleum industry has not been expanding:

Domestic production last year began a slow decline to which no early end was foreseen, even though virtually all of our wells were producing at 100 percent of capacity for the first time in history.

U.S. refining capacity actually decreased by 11,000 barrels per day in 1972, even though the demand grew by over 1 million barrels per day. Prior to the President's energy message on April 18, no new refineries were under construction. Furthermore, expansion of existing refineries had nearly ceased.

Growth in the capacity of the industry had come to an end for a number of reasons, including environmental restrictions which made it difficult to find acceptable sites for new refineries, oil import restrictions which created uncertainty about supplies of crude oil, and tax and other economic benefits which made it more profitable to invest abroad than in the United States.

As a result of these developments, oil imports rose dramatically in order to meet growing U.S. demand, and much of the new import supply came from the Middle East. Now, it is estimated that imports of foreign oil will increase from 27 percent of total U.S. consumption in 1972 to about 33 percent in 1973, to over 50 percent by 1980. It is for this reason that we are vulnerable to an Arab nations' boycott.

But let us briefly review some facts about the current shortage:

Roughly 85 percent of the energy consumed in the United States is available from domestic sources.

About half of U.S. energy requirements come from oil.

The impact of the Arab boycott is expected to be a shortfall of about 7.5 percent of total U.S. oil requirements for the fourth quarter of 1973 and about 17.3 percent for the first quarter of 1974.

This magnitude of shortage need not lead to despair concerning its impact on the economy as timely conservation and other measures are put into place. I do recognize that the impact of the shortage would differ throughout the economy because some industries, like transportation, exclusively utilize petroleum or its products, and in others, possibilities of substitution of energy sources are limited.

However, it is important to realize that we have been a nation of great energy wastrels. With 6 percent of the world's population, we consume over one-third of the world's energy and obviously there is a lot of waste in that consumption. We have been accustomed to an overabundance of cheap energy. That day has ended. We must change our lifestyles and be more thoughtful.

I believe that the American people will respond, and I do not accept dire forecasts that industry will bear the full burden of the shortfall. There is no question that industries will have to improve the efficiency of their energy utilization, but our main thrust will be to get the consumer to save, so that there will be the least possible effect in industrial production and employment.

CONSERVATION MEASURES

Our studies show that conservation measures affecting gasoline, heating oil, and electricity could meet much of this deficit. Along these lines, the President recently announced a number of conservation steps.

Among other things, he has asked that retail sales of gasoline be stopped on Sundays; he has proposed a mandatory gasoline allocation program covering wholesale and retail stores; he has asked refineries to reduce gasoline deliveries to wholesalers and retailers; he has asked for a voluntary 50-mile-per-hour speed limit for automobiles and a 55-mile-per-hour limit for buses and trucks, which will become mandatory as soon as Congress passes emergency energy legislation; he has proposed to ban promotional, display, and ornamental lighting by commercial establishments once legislative authority is granted. I believe these actions will produce results. They are the first steps, but many other measures must be taken.

As such, the Federal Energy Administration will provide us with the necessary framework to take the needed actions. A major problem in dealing with energy matters has been the fact that too many energy-related responsibilities have been dispersed throughout the Government. The Federal Energy Administration will pull all those elements together in one unified body, thus enabling us to act on energy policy immediately. We will be pursuing a number of interrelated goals.

FEA GOALS

We will seek to minimize the economic impact of the energy shortage through conservation of energy by the consumer and more efficient utilization of energy by industry.

We will maintain a flexible approach. We must put sound, long-range policies into place, but we must also be able to adjust to short-term needs.

We will actively seek the advice and cooperation of the Congress, State and local governments, industry, and the consumer. We will establish advisory groups representing every region of the country in order to assess their particular energy needs as we adopt various policies.

Further, it is only through a cooperative approach with the Congress that the public can be served. We have discussed plans for this new organization with a number of congressional leaders, and they assured us of their enthusiastic support. We will continually seek the advice and assistance of Congress as we formulate and implement energy policy.

Finally, we will act. Energy policy now calls for action, and we will do whatever is needed to put this country on the road to self-sufficiency.

Many actions have already been taken to bring our short-term emergency situation under control. Other actions are already in preparation for implementation as soon as possible. It might be useful to summarize these by type of fuel source involved.

I could skip this for the sake of time, Mr. Chairman. I am sure some of your questions will relate to this.

Chairman HOLIFIELD. It will be made part of the record.

[The information referred to follows:]

JET FUEL

The projected first quarter shortage is 400,000 barrels per day (32.2% of demand.

Beginning January 7, 1974, all carriers will be allocated 15% less than their 1972 levels.

GASOLINE

The projected first quarter shortage is around 1,480,000 barrels per day (22% of demand).

The decision to adopt a gasoline allocation program was announced on November 27. Initial allocations will be made at a rate of 15% below projected first quarter demand (5% below 1972 demand), consistent with expected initial shifts in refinery production.

Refineries have been asked immediately to begin reducing delivery to wholesalers and retailers by 15%.

The President has directed the Secretary of Transportation to give priority to grant applications for the purchase of buses for mass transit under the authority of the Federal Aid Highway Act of 1972 and the Urban Mass Transportation Act. (Approximately $1.8 billion per year is available for urban highway and urban mass transit capital assistance.)

The Cost of Living Council has announced price increases to encourage shifts in refinery output so as to increase supplies of fuel oils and vital petrochemical feedstocks.

MIDDLE DISTILLATES

Current shortages of 900,000 barrels per day (17.5% of demand) can be reduced by a refinery shift of 400,000 barrels per day.

Proposed regulations for rationing middle distillates to end users were published in the Federal Register on Tuesday, November 27. These require a 6° reduction in residential thermostats, a 10° reduction in commercial heating, and a 10% reduction in industrial use.

Priority will be given to fuel production activities, public passenger transportation, food production and processing, and essential community services. Final regulations will be effective December 27, 1973, but voluntary compliance is expected sooner.

RESIDUAL OIL

Current shortages are estimated at 860,000 barrels per day (24% of demand).

The conversion of oil burning electrical generation plants to coal will save 200,000 barrels per day by the end of the first quarter of 1974. Steps to implement the switches will begin this week.

Power will be diverted from the U.S. Atomic Energy Commission facilities producing enriched uranium for nuclear power plants when no alternate source of power exists; conservation measures are inadequate to meet the need; and the power is required to replace electricity lost temporarily while utilities convert from oil to coal.

Final regulations to prevent power plants and industries from switching from coal to oil were published on November 27 and will be effective December 7.

Switching of refinery outputs from gasoline to middle distillates and residual fuels, either by providing price incentives through COLC regulations or by governmental mandate when authority is available.

Allocation programs for crude oil, residual fuel oil, and other petroleum products as specified in the Emergency Petroleum Allocation Act of 1973.

Switching of twenty six utilities from oil to coal, principally in the east.

Negotiations for voluntary switching will begin this week with selected utilities.

Conversions will be mandated at selected plants once legislative authority is provided.

Mr. SIMON. Yes, sir.

In addition, Mr. Chairman, our office will be evaluating many further actions and ideas, many of which have been advanced here in Congress. As we reach the point of understanding the payoff and impact of each approach, we will want to discuss the results of these assessments publicly before we take action.

Some of these ideas include:

Use of coupons, price increases, taxes, or a combination of the three to bring gasoline consumption in line with demand at the lower levels of expected supply;

Conversion of commercial airliners from kerosene jet fuel to naphtha jet fuel;

Surcharges to discourage excessive use of natural gas and electricity;

Additional mandatory conservation measures, including: increased reductions in energy consumption by the Federal Government; prohibiting the use of off-road vehicles and power pleasure boats; banning the advertising and sale of central electric resistance heating systems.

Finally and perhaps most importantly, it will be the role of the Federal Energy Administration to expedite the development of every domestic energy resources as rapidly as we can. I want FEA to become a strong positive force which works with industry, the Federal Government, State and local jurisdictions, financial institutions, the transportation industry, and others to cut the redtape, overcome inertia, and find the fastest way to produce greater domestic supplies of energy of all kinds.

I also urge the Congress to continue its rapid action on the proposal to create the Energy Research and Development Administration. The Federal Government urgently needs this high quality research and development organization so that it can get working on an expanded and better balanced research and development for all sources of energy. The combination of EPA for policy and operations, and ERDA for R. & D. will give us the powerful institutions we now lack to carry the Federal Government's growing responsibilities to the Nation in the most effective manner.

In closing, I would point out that by placing all energy policy and implementation under one roof, we will make sure that in the shortrun we will institute policies and programs that will minimize the economic impact of this shortage, while providing assistance and incentives for the longer-run to build the necessary facilities to accomplish our goal of self-sufficiency.

DECISIONS MAY BE UNPOPULAR

Many of the decisions we will make will not be popular. The choices will be hard, but we will take whatever action is necessary. We are pointing toward voluntary actions backed up by simple self-regulating programs where necessary. We also feel that State and local government should have a large role to play, both in deciding how Federal programs will be set up and in actual on-the-ground administration of them.

Two things are required now. First, strong Government leadership, and second, and most important, the continuing cooperation of the American people. Americans traditionally respond to a crisis in a patriotic way. This is what has made our country so great. This way we will put policies and programs into place to bring on the alternate sources of energy in order to assure us that we will never again be subject to economic and political blackmail by any foreign power. We have the capacity and the resources to meet our energy needs if only we take the proper steps—and take them now.

Thank you.

Chairman HOLIFIELD. Thank you, Mr. Simon.

We have eight members present. If we allot 10 minutes apiece, that would take us to 8:40 on the clock. So we will start by replacing the 5-minute rule and make it 10 minutes. The Chairman will reserve his time until the last.

Mr. Rosenthal, you are recognized for 10 minutes.

Mr. ROSENTHAL. Thank you.

Mr. Simon, how would you describe the power and the authority that this new agency will have—enormous power, modest power, modest authority, enormous power?

How would you describe it?

Mr. SIMON. I would say we have sufficient authority to do the job. It would be comparable authority that already exists in many agencies downtown, Mr. Rosenthal.

TRANSFERRED FUNCTIONS

Mr. ROSENTHAL. On page 3 of the bill, section 4(a), it indicates what functions will be transferred to this new agency. I wonder if you could take a look at that. First of all, it says, "All the components of the Office of Petroleum Allocation will be transferred."

What does that office do?

What policy functions does it have?

Mr. SIMON. That basically is an implementing function, Mr. Rosenthal. That group is handling our mandatory allocation program to meet the law that was passed in Congress where we must allocate from crude oil to all the products involved. It is a very complex operation. It will be the largest part of this FEA. It will have 1,700 to 1,800 people with regional field offices to handle the allocation program.

Mr. ROSENTHAL. What policymaking functions if any is that component to have?

Mr. SIMON. Policymaking? It would not enjoy policymaking, Mr. Rosenthal.

Mr. ROSENTHAL. The next is the Office of Energy Conservation.

What functions or responsibility does that department have?

Mr. SIMON. That is without a doubt our single most important office in the near term, other than allocation, which directly implements getting the shortage spread around the country.

Conservation is the means to make it through this winter and reduce, as I said in my testimony, the 6 percent of the world's population using a third of the world's energy, the waste in our system. We have to have this area defined, the waste, where there will be minimum economic dislocations, and in defining the waste they will do the various economic studies to show us that we are not doing something that would be harmful to other individuals as consumers, homeowners, et cetera, or industries, that would create loss of jobs.

Mr. ROSENTHAL. In this area where you have mandatory quotas on the production of items such as distillates and things like that——

Mr. SIMON. The other day, when you talked about mandatory quotas, Mr. Rosenthal—I am not sure what you meant. We sent out telegrams to refineries asking them to shift the mix. Refineries in this country were built to produce gasoline. They produce about 47 percent——

Mr. ROSENTHAL. You requested them to make certain changes.

Mr. SIMON. To shift the refineries to emphasize No. 2 heating oil, distillates at the expense of gasoline.

ENFORCEMENT POWERS

Mr. ROSENTHAL. Let us assume that some cooperate and some do not.

What enforcement power would you have if necessary?

Mr. SIMON. When the emergency legislation passes we will have power. We sent out the first telegrams without power. We are sending out an additional one asking the question, what was your mix prior to receiving our telegram? What is your anticipated mix afterward? What is the timetable of the change? What can we expect?

I truly believe that we are going to get the cooperation. We will have the power to enforce it, Mr. Rosenthal.

Mr. ROSENTHAL. If you do not get the cooperation, we will go to a mandatory system of allocation of production?

Mr. SIMON. We would tell them that they have to maximize the production of the middle distillate at the expense of gasoline. The refinery industry is a very complex one. Some refineries are going to be able to bend and do more, due to the metallurgical set-up in that refinery, in comparison with others. The ones I have talked to since I have been on board, we are going to get their cooperation.

Let me assure you, I will have the accurate numbers for you. It will take us at least a month to get answers from them and respond, until we see definitive proof of what they are doing.

Mr. ROSENTHAL. In item No. 2, the Office of Energy Conservation, how would you balance off the contribution that each segment is making?

For example, the Northeastern section of the United States, in terms of heating oil, appears to be feeling the heaviest burden of any other part of the country.

How would you balance it around the country so all Americans feel that they are making, they are getting an equal share, or participating equally in the burden?

Mr. SIMON. We are going to do this through the thermostat method, 68 degrees. Obviously, New England is a little bit colder than certainly the Southeast and the South. They will get a larger portion of the supplies that are available.

ALLOCATION METHODS

Mr. ROSENTHAL. There are various levels of allocation. One is at the plant, one is at the distribution.

Are you going to use mandatory quotas in the distribution area?

Mr. SIMON. In the distribution area, at the present we have already announced 15 percent reduction through allocation at that level on gasoline, and we will get the balance on the thermostat as far as heating.

Mr. ROSENTHAL. That reduction in gasoline, is that a voluntary thing or mandatory thing?

Mr. SIMON. That will be mandatory, there again when the legislation has been passed. It has already been announced, so they can anticipate that they will get a percentage less.

Mr. ROSENTHAL. What I have been leading up to, there is much conversation presently among our citizens that there were some people in the administration who wanted prices to rise to reduce consumption. That would be the end of all balance in this society. I assume there are others who have felt there had to be an allocation program, such as rationing or something similar to rationing. I am curious what your views on the subject are.

PRICE INCENTIVES AND CONTROLS

Mr. SIMON. The allocation program will not create supplies. The reason that it would be advocated that a price increase is necessary is to induce additional supplies. Indeed, in the long run it will induce additional supplies. We are looking at a controlled price of domestic crude. A year ago it was $3.25. Today, it is controlled at $4.25.

In the two-tiered system that encourages exploration and drilling in this country, the Cost of Living Council allowed new oil to be free in price, and for each new barrel of oil that came onstream, they could match it with a barrel of old oil. This is selling at $6.25.

Now the price of foreign crude oil, after it starts to land again after these so-called negotiations with OPEC are completed, we estimate it to be between $9 and $10 per barrel. That is the supply that is going to be coming into this country.

What this tells us, if you will, now that we no longer have the supply to meet the demand domestically that we did for so many years, is that we have to have much more investment in the Outer Continental Shelf, the North Slope, and the alternate sources of energy.

Until they are brought on line, Mr. Rosenthal, when the alternate sources of energy are brought on line, at that point the price will begin to seek a level.

I believe that of the alternate sources of energy which will be in the area of today's prices, oil shale, $6.50–$7.50 a barrel equivalent——

Mr. ROSENTHAL. One of the significant transfer functions is the Cost of Living functions.

Can you tell us how that is going to work, what the policy decision apparatus is going to be?

Mr. SIMON. That will rest in my office, Mr. Rosenthal. It was felt and demonstrated, and I am sure John Dunlop has and will again talk to you in great detail, that if we are going to have an allocation system pricing can distort the allocation system in this very complex industry. It was felt that both the pricing and allocations should be under one roof. It would do it in a much more orderly fashion. It will indeed, sir.

Mr. ROSENTHAL. Will this legislation give you sufficient authority to obtain information from corporations and oil companies, what their pricing situation is, what their profit system is?

Mr. SIMON. We believe it does. We also believe that within a short period of time, 60 to 90 days, we will be back seeking what additional legislation we need for data itself. We believe we are going to be able to get sufficient data.

Let me assure you that we will be back to define what areas are undefined now.

Chairman HOLIFIELD. The gentleman's time has expired.

Mr. Horton?

NEED FOR LEGISLATION

Mr. HORTON. Mr. Simon, thank you for your testimony. We had some testimony this morning from Mr. Ash, and questions were raised with regard to the need for this agency. In other words, why the rush?

Why can you not operate now through the Federal Energy Office without having us create the Federal Energy Administration?

Is it important that the Federal Energy Administration bill be reported out and acted upon before this first session of the 93d Congress ends?

Mr. SIMON. Indeed it is, Mr. Horton. We have an organizational problem while you are moving ahead on a supplemental. We have to attract some awfully good people on a permanent basis, some competent professionals who understand, as I say, this very complex industry. To attract these people, the permanence will help us attract them.

Mr. HORTON. Is that the only reason why the agency is needed now? Could it wait to January?

Mr. SIMON. To put together the major energy offices of the Federal Government, finally integrated and located under one roof, I believe is critical at this time. We have to do lots of things, and to continue to go to the 7 to 10 different areas that are involved in energy in this Government, I think is going to be terribly time-consuming, and we no longer, Mr. Horton, have the luxury of time.

Mr. HORTON. Is it not a fact that some of these agencies that would be transferred by the bill; for example, the functions of the Office of Petroleum Allocation, the Office of Energy Conservation, the Office of Energy Data and Analysis, and the Office of Oil and Gas cannot be transferred by Executive order?

In other words if they are not legislatively transferred over, those functions would remain in their present agencies?

Mr. SIMON. That is correct. The allocation—I did not remember all the ones you mentioned—but the allocation function is run by the Department of Interior.

Mr. HORTON. Could there be a question about the legality of the activities you might undertake if this bill were not quickly passed?

Mr. SIMON. There could well be. All of our counsels, Mr. Horton, have urged that an immediate statutory base be established, so any actions that we take in attempting to solve the shortage problems could not be challenged in the courts. It has held up a lot of things that have to be done.

POLICYMAKING ROLE

Mr. HORTON. What role would you have with regard to policymaking in the event that this administration is established? What would your status be, at the Cabinet level, in the Energy Emergency Action Group?

Mr. SIMON. I will be the Executive Director, working director, if you will, of the Emergency Energy Action Group, which will be chaired by the President. I will report directly to the President and

advise him. I will also be the chief executive officer, if you will, of the Federal Energy Administration.

ADMINISTRATIVE ORGANIZATION

Mr. HORTON. A number of Assistant Administrators are named in the chart that was presented to us by Mr. Ash. You are familiar with those blocks, are you not?

Mr. SIMON. Yes, sir.

Mr. HORTON. Why is it important to set them up in the manner that you have set them up? Why do you pick that structural organization?

Mr. SIMON. The organization proposed represents an attempt to put related activities together under one head, which I believe we have achieved, and it also seems to be a businesslike way to set up an organization to get a job done as important as this one.

Mr. HORTON. The reason I am asking that question is, as I understand it, there was a bill, the energy emergency bill, reported from the Interstate and Foreign Commerce Committee, which had an amendment to set up a Federal Energy Administration. I have not read the amended bill yet. But as I read the amendment it would appear to provide a very incomplete organization. I would like to know what your position is with regard to that amendment, as compared to this bill to create the Federal Energy Administration?

Mr. SIMON. I have not seen the amendment, have you, John?

Mr. SAWHILL. Yes, we have given some study to the amendment but we have not seen a committee print of it. It is our position that we need the kind of organization we have proposed, with an Administration strong enough to get the job done. We need these functions of conservation, energy resource development, and data analysis. Mr. Rosenthal said, we need the authority and ability to go to the industry and get the kind of data that is necessary for policy decisions.

Unless you have this kind of large organization, organized in approximately this way, we do not think we can do the job that needs to be done.

Mr. BROWN. Would the gentleman yield?

Mr. HORTON. Yes.

Mr. BROWN. By referring to this, you mean the one we are studying in this committee?

Mr. SAWHILL. Yes.

Chairman HOLIFIELD. The Chairman is going to say that any time yielded by a member is counted against him.

DUAL POSITIONS

Mr. HORTON. There has been some question with regard to your holding both positions, Deputy Secretary of the Treasury and Federal Energy Administrator. Would you like to comment on that?

Mr. SIMON. Yes, sir. I think that at this point in time, energy and economic policy are inextricably related, and energy needs to remain in the mainstream of economic policy. Obviously my impact will be far greater if I continue to be the Deputy Secretary. Energy is affected by the tax policies set by the Treasury Department, and the Internal Revenue Service has a policing function in this field for example, the truck drivers this past weekend getting together with Don Alexander and discussing the price gouging on our highways.

TENURE OF FEA

Mr. HORTON. Why is it proposed that this Administration have a life of 2 years? Why not 3 years? Why not 4? What is proposed at the end?

Mr. SIMON. We would hope and expect that Congress would act on the DENR legislation, the Department of Energy and Natural Resources. We would then transfer the Federal Energy Administration to this new Department that the President has already proposed.

Mr. HORTON. What you are saying is that there is an emergency situation now; there is need for this type of legislation to set up an agency that can respond to the immediate urgent situation in which we find ourselves, and that ultimately it will go into the Department of Energy and Natural Resources, which is a department that is yet to be created?

Mr. SIMON. Yes, sir.

REGIONAL AND LOCAL OFFICES

Mr. HORTON. One further question. I notice in the Washington paper this morning that you indicated plans to set up 10 regional energy units. I want to commend you on that and to call to your attention a remaining problem. You set up one, for example, in New York City. In my own area in upstate New York, with which I am sure you are familiar, there is a feeling that New York City is too far away.

I recommend that you give some thought to satellite offices, in addition to the regional offices. I think the regional office idea is good. I think it is important to have additional offices located in the larger States, especially a State like New York and other populous States where you have these types of problems.

One other thought I would leave with you: There are, from my own personal experience, a lot of questions that are being asked about energy matters. My office gets approximately 100 questions a week. The people in the field are not getting the answers they need. I have material here which I will give you to illustrate the problem.

I do think that it is important for you to have offices that can respond to questions not only in the field, but here in Washington. Perhaps you would like to comment on that?

Mr. SIMON. There is no doubt about that. That was one of our first acts last weekend when we came in. Unfortunately we had to crank up these regional offices with great speed, but they are so critical to the success of this organization. We sent out a team last weekend to all the regions to beef up these offices, so they could provide exactly what you requested. For instance, I will be meeting with the Governors on Thursday of this week to discuss what the States and municipalities are going to do with regard to authority and responsibility in this area.

We are going to work with the local boards to be responsive to the needs of the local communities, and State boards, to be able to answer your questions. I will assure you, if that does not work, we would not hesitate to put other offices in critical areas.

Chairman HOLIFIELD. The gentleman's time has expired. The Chair recognizes the gentleman from Texas.

LONG-TERM PROBLEM

Mr. WRIGHT. Thank you, Mr. Chairman. Mr. Secretary, what disturbs me is the impression that I fear many people are getting to the effect that this is a short-term problem. That if we simply can manage to muddle through the coming winter, we will have it made. You do not see it that way do you?

Mr. SIMON. Mr. Wright, I think—as has been said by several people in the last month—I think the Arab boycott is really, in this one way, a blessing in disguise. I have been testifying on energy policy in this Government since I arrived, and I have told the same story again and again, so that people now are beginning to listen.

We were going to have shortages this winter. New England is going to have its problems, the upper Northwest——

Mr. WRIGHT. It has been coming on us for a long time. Some of the things we are doing now we should have done 5 years ago. Since we did not, we must adjust ourselves to them now, with some dispatch.

Mr. SIMON. That is exactly correct, Mr. Wright.

Mr. WRIGHT. Do you not perceive that the shortage problem, because of the exponential curve of consumption, will grow inexorably until we find some replacement for our profound reliance on petroleum?

Mr. SIMON. We are 78-percent reliant, in this country, on oil and gas: 46 percent on oil; 32 percent on gas—which is completely out of line. Coal has declined to 17 percent. We have allowed the coal industry to deteriorate. Nuclear is 1 percent, and it takes us 10½ years on an average to build a nuclear powerplant because of its problems. They have been built in Japan in 3½ to 5 years. We have exploited our refinery capacity. We are critically short of refineries today for the same reason, the siting problems. The companies buy the land; take leases on them; then they are held up in the courts for 4 or 5 years. They finally say, just as any businessman would, "I will go build it in the Caribbean or somewhere else, where I know I am welcome."

Mr. WRIGHT. Fundamentally then, we might say that the total problem consists of two components: (1) To curb wasteful consumption of energy, thus to save the finite resources that we have available to us. (2) To reach out and bring on line some replacements and some additions to those available resources that we presently have.

FEA AND ERDA

Do I understand that your agency primarily would be involved first, with the conservation of those finite resources of fuels that are now available. And that ERDA, an organization which this committee also has sanctioned, will look down the line towards the scientific development of other sources of energy as a replacement of petroleum?

Mr. SIMON. We really have a short, intermediate, and longer term. You are correct that ERDA is going to take the research and development of the oil shale, coal gasification, liquefaction, all the sophisticated alternate sources of energy. And one day, who knows, 10, 12, 15 years from now, these will become productive in our system.

Our short-term need is to meet the immediate supply problems caused by the embargo. The further short-run need is to continue to

deal with the shortage. With the demand growing at 4 percent a year in supply, current production continuing to decline slowly, our imports growing each year, obviously the state of the art that we understand, which is oil and gas exploration in this country, must be utilized, and we will utilize it.

ALASKA OIL RESOURCES

We have a Trans-Alaskan Pipeline Act which the Congress passed just recently, and oil from Alaska will be moving through the pipeline toward the end of this decade, hopefully before then. This is another thing FEA will do, begin to push, and break down roadblocks, on the construction of the pipeline.

Mr. WRIGHT. Do yo think we can bring that resource to useful applicability?

Mr. SIMON. I believe, by the late 1970's, we can be producing 2 million barrels a day. You understand, this starts at one-half million barrels—three-fourths. Geologists believe that we have 80 to 100 billion barrels of oil on the North Slope. We have presently proven reserves of 10 billion barrels. Nobody is going to drill for additional oil up there until they know they can get it out.

So, as the pipeline is being built, it will encourage exploration. We are going to triple the leasing on the Outer Continental Shelf, which potentially holds 40 to 50 percent of the reserves in this country as well as the Atlantic Shelf and the Bering Sea and the lower 48 States.

With oil and gas at these present prices, it has become economical for secondary and tertiary recovery as well as other drilling. Drilling is an expensive business. Ten years ago, when the oil and gas was relatively close to the surface, as compared to today, a well cost $50,000 or $75,000 to drill. We have found all the easy, if you will, oil and gas in this country. Now we have the very essential secondary and tertiary recovery as well as deeper drilling. It costs a quarter of a million dollars for a well—that is an approximation. On the Outer Continental Shelf it costs $500,000 to $2 million per well. They recently had a dry hole on the North Slope that cost $5 to $5½ million.

Mr. WRIGHT. Traditionally, eight out of every nine exploratory wells have been dry?

Mr. SIMON. Yes, sir.

INCENTIVES FOR EXPLORATION

Mr. WRIGHT. It becomes much more costly for the small, or moderately sized independent, who historically has been the source of our new discovery, to continue in that business. Have you given any thought to incentives that might be necessary in the exploratory end of the industry, to pay for the exploration that has to be done for new sources of petroleum?

Mr. SIMON. Yes, sir. Everything in the past few years has been to curb incentives. Depletions were cut to 22 percent. You are absolutely correct when you say the entrepreneur who finds oil in this country is the independent.

Mr. WRIGHT. The number of exploratory crews in operation has diminished alarmingly in the last 20 years.

Mr. SIMON. Yes, in the last 20 years, but we see a pickup with the price of crude oil on the increase. We have seen activity in this calendar year 1973 that we have not seen in quite a few years. Unfortunately we are running into other problems. We have rig problems—all the rigs are really being used here. We have tubular steel problems, the casing for wells. We have a shortage of tubular steel. People are taking the tubular steel out of some of the lesser producing strippers in Oklahoma and moving them to the more productive wells.

TAXES AND PRICES

Mr. WRIGHT. Let me just ask you a few more questions. You refer to new ideas that are in the process of examination. You say some of these ideas include use of coupons, price increases, taxes, or a combination of the three. You do not perceive this legislation as conferring upon your agency the power to tax, do you?

Mr. SIMON. The power to tax rests right here in the Congress. As the Deputy Secretary of the Treasury, no one is more sensitive than I to where tax policy rests.

Mr. WRIGHT. The EPA has announced some new taxes, selectively applied in some areas of the country, on parking facilities. I was interested in your answer. I thought I knew the answer, legally. I was interested in your answer. If it should come to a choice of curbing domestic consumption by letting prices rise inordinately, or by artificially taxing to the point where we discourage consumption on the one hand, or allocating it by some means of distribution, rationing if you will, on the other, which would be your preference?

Mr. SIMON. Really, there again, the greatest rationer, of course, is the price of the product. We cannot allow, due to the example I gave before—the price of domestically controlled crude at $4.25 and the upped price, at $6.25, and the foreign landing price at $9—we cannot allow what is called emotional price increases. That is totally unacceptable to the consumer.

Chairman HOLIFIELD. The gentleman's time has expired. The gentleman from Ohio?

CONFLICTS OF INTEREST

Mr. BROWN. Mr. Simon, what method do you use for getting qualified people to join your organization, particularly in the face of the 1962 regulations dealing with conflict of interest?

Mr. SIMON. Unfortunately, they are quite restrictive as far as bringing anyone in who is unable or unwilling to sever completely his ties, and to bring in somebody, as we would love to do in the allocation program, say for a 2-week period.

While we have written the regulations, and we think they are workable, I am not at all an industry man. It would be marvelous if we had a supply and logistic type from industry to say that looks good and sounds good, but that does not work. We are prohibited from getting that type, unless he were to give up his employment and come to work for us full time.

Mr. BROWN. Then he cannot go back to his previous employment right away, can he? Is there not a limitation as to how quickly he can return to an industry in which he has been involved?

Mr. SIMON. I do not believe there is any constraint to his returning. The only constraint, if I remember correctly, is that there be no prior deal that he will go back to his company. That is what was explained to me when I came to Washington.

Mr. BROWN. One would have to work for what the Government would pay him, he could not accept compensation from his present employer?

Mr. SIMON. That is correct, sir.

Mr. BROWN. Could he work for nothing?

Mr. SIMON. I do not know.

Mr. BROWN. Under the fuel allocation program, the Government now controls crude oil in its use in the refineries, is that correct? What limitations exist on your control under this program?

CONTROL OVER REFINERY MIX

Mr. SIMON. The answer to that is we do not control the limitation in the refinery because it is such a complex art, if you will. As I said before, certain refineries can do more as far as exchanging the mix, depending on the crackers that they have got in the particular mechanisms, the metallurgy of the plant. We know that we can order them to maximize production, as we have, of a given shortage, the middle distillate. We cannot say, you shall produce 37 percent gasoline, 42 percent distillate, because some people, physically cannot do it.

Mr. BROWN. Within the limitations of what physically can be done, that is the thrust of the mandatory fuel allocation legislation?

Mr. SIMON. No; this was a separate issue. The mandatory fuel allocation program is simply moving the shortage around the country; it is the sharing of the shortage, if you will.

Mr. BROWN. But you can order the crude to the refinery where it can be refined; can you do that under that legislation?

Mr. SIMON. Yes.

Mr. BROWN. You can determine, or encourage, the refinery to produce a certain kind of product, can you not?

Mr. SIMON. Yes, sir.

Mr. BROWN. Then, once that product is produced, you can encourage where that product goes for the end use, can you not?

Mr. SIMON. That is correct, sir.

Mr. BROWN. Literally, under that mandatory fuel allocation, you will control the product from the well to its ultimate use?

Mr. SIMON. Within the constraints of the way the refinery operates; yes, sir.

SENATE AND HOUSE ALTERNATIVES

Mr. BROWN. Now, let me ask you about proposed conservation programs. Under the Jackson bill, as I understand it passed the Senate, authority is given to the President to establish conservation programs. There is no reference to Congress. In the bill as proposed by Mr. Staggers, the authority was given to the President, with a veto, in effect, of parts of the emergency conservation plan by the Congress. As that bill has been amended, as it is coming out of committee, the President recommends emergency conservation programs, but if the Congress does not positively act on those programs, they die. Then there is no emer-

gency conservation program. Is that a fair difference between the three pieces of legislation, as you see it?

Mr. SIMON. Yes.

Mr. BROWN. Do you have a preference for one of those authorities?

Mr. SIMON. Our preference would be the flexibility of the Senate bill. We would like to have all the flexibility we can.

Mr. BROWN. You would like to have the authority to establish a plan and provide for its enforcement?

Mr. SIMON. Yes, sir.

Mr. BROWN. What other legal impediments to preparing and implementing plans do you see existing in the law at present? I refer, specifically, to several you might address—antitrust provisions and siting complications. I know that in one of my committees, we dealt with plant siting simplification and environmental limitations. I understand there have been some local restrictions created to block proposed plans, such as by the city of New York. Still another problem in existing law is price controls, such as on the wellhead price of natural gas.

What other areas are there to which the Congress should be directing its attention, so we can get the best and quickest results, in the face of our energy problems——

Mr. SIMON. Of course, Congressman, the President sent up a bill to deregulate the price of natural gas—new natural gas, and we would urge that that be considered.

Mr. BROWN. When was that bill sent up?

Mr. SIMON. I believe in June, sir. Is that correct?

Mr. SAWHILL. I think it was earlier, with the first energy message.

Chairman HOLIFIELD. The Chair will read rule 15: "All questions put to the witnesses before the committee shall be relevant to the subject matter before the committee for consideration, and the chairman shall rule on the relevance of any question put to the witness."

EXTENT OF AUTHORITY

Mr. BROWN. Thank you, Mr. Chairman, I am predicating my next question on these current limitations. I wish you would address yourself in writing, if you could, to at least those four areas: antitrust, siting simplification, environmental limitations, and price controls.

I wanted to ask if the authority you will be granted under this bill speaks sufficiently to these four areas of legal restrictions currently in the law. Do you feel that you will have, under this piece of legislation, sufficient authority to deal with those problems that have, to one degree or another, either contributed to the shortage of energy, or which would complicate the implementation of energy conservation plans?

Mr. SIMON. When we take this bill and the emergency energy legislation and the Defense Production Act and the Economic Stabilization Act, we believe we have the power to do the job.

Mr. BROWN. How long have the shortages existed or surpluses been diminishing, in such areas as electrical generation, natural gas, and oil?

Mr. SIMON. Really, exploration started to slowly decline in 1956. Production started a very slow decline in 1966. In 1971, it began to accelerate.

Mr. BROWN. I would just say, in conclusion, that the administration and the Congress have been slow in directing our attention to these problems. We have been slow at least in changing or reducing these legal limitations which have led to our current energy problems. Thank you, Mr. Chairman.

Chairman HOLIFIELD. The Chair recognizes the gentleman from Rhode Island, Mr. St Germain.

Mr. ST GERMAIN. Thank you, Mr. Chairman.

Mr. Chairman, earlier today I asked to have introduced into the record, an article from the New York Times Magazine dated December 9, 1973, which was yesterday. I did not get a ruling. I assure the Chairman that the subject matter, the content of this article, has to do with depletion allowances mentioned by Secretary Simon. It has to do with crude oil production. It has to do with statistics which are entirely on point in this article, and I think it is important that it be part of the record for the Administrator and the people who will be working in the Federal Energy Administration.

Chairman HOLIFIELD. Without objection, the article will be placed in the record.

[The material referred to follows:]

[From the New York Times Magazine, Dec. 9, 1973]

WHY WAS THERE A SHORTAGE BEFORE THE SHORTAGE?—THE CASE AGAINST BIG OIL

(By Brit Hume)

In September, 1972, supplies of home heating oil in the United States were dangerously low and stocks of crude oil, from which heating oil is refined, had fallen to their lowest level since World War II. A serious fuel shortage seemed inevitable as winter approached. President Nixon authorized the petroleum industry to import more foreign crude oil. It was the second time in five months he had increased the allowable imports of foreign oil, which had been under tight Government restriction since 1959. A few weeks later, in a speech to the National Petroleum Council, Gen. George Lincoln, head of the White House Office of Emergency Preparedness, which had charge of oil imports, strongly urged industry leaders to crank up their refineries to full capacity to head off a heating-fuel crisis. Simultaneously, the Interior Department sent telegrams to the major oil refineries urging them to do the same.

The response of the major oil companies, which control most of the nation's fuel production from the wellhead to the retail dealer, was to import only one-third of the additional crude oil the President had authorized and to run most of their refineries below capacity for the rest of the year. "This," concluded a staff study made for the Senate Permanent Investigations Subcommittee, "was the beginning of the first peacetime petroleum shortage in the United States."

In light of the present national fuel emergency, it might seem inconceivable that a major American industry would willfully contribute to the shortages which left this country vulnerable to the Arab oil embargo. Indeed, industry spokesmen cite steadily rising production figures as proof that the companies were actually doing their best. "Any implication that the industry was not concerned and aware of the problem is greatly unfair," says Frank Ikard, president of the American Petroleum Institute. Other oil men say Government indecision over oil import policy coupled with price controls and antipollution regulations were principal causes of fuel scarcity. But regardless of the Government's role, the major companies' own reports show that their conduct prior to the spot shortages of last winter is consistent with their behavior over the past three years.

The present decade began on a note of uncertainty for the larger American oil companies, despite burgeoning energy needs which made demand for their products greater than ever. The environmental movement was gathering momentum and promised to become an important political force in the country for years to come. Already, offshore oil drilling, such as that which had caused the disastrous spill in the Santa Barbara channel, the burning of high-sulphur oil and the con-

struction of the trans-Alaska oil pipeline were facing stiff environmental resistance. In the aftermath of the 1967 Middle East war, the Arab states were taking a much more nationalistic attitude toward their massive oil reserves. In the past, the sheiks had been content simply to collect huge royalties on the oil and let the multinational petroleum companies control its production and export. Now, though, they were threatening to use oil as a political weapon. For the first time it seemed possible that the five giant American oil companies that for so long had dominated the world petroleum market might lose their grip on the richest oil fields on earth.

At home, Congress reduced from 27½ per cent to 22 per cent the oil depletion allowance, which allows the industry to write off for tax purposes a sizable chunk of its receipts from crude-oil production. Moreover, the major oil firms found themselves losing an ever-larger share of the domestic market to smaller, so-called "independent" firms—particularly in the gasoline line—which were attracting business by doing something the majors rarely did: competing over price. Costs were rising rapidly, but competition from the independents was helping to hold prices down. The balance sheets of the major oil firms showed record sales, but declining profits.

In addition, there were strong indications that domestic oil production, which had always been more than enough to cover the nation's needs, was at last peaking and would soon be outstripped by consumption. The Cabinet Task Force on Oil Import Controls sent the President a report recommending abolition of the existing quota program and substitution of a more liberal tariff plan. The industry was bitterly opposed. It had always contended vehemently that the tight import restrictions were vital to national security. Unrestricted imports, it was argued, would discourage domestic exploration and allow the country to become dependent on foreign oil that, however cheap and plentiful, could be instantly shut off.

Oilmen also invoked national security in support of the numerous tax breaks and production restrictions which they have wangled from the Government over the years. The fact that these measures have also kept the domestic crude-oil price well above the world price, increased profits and cut the companies' tax bills to the bone has been given less emphasis in the industry's arguments. The task force's advice was ultimately rejected by President Nixon, but the Administration did announce it would allow a small increase in the allowable imports of foreign crude oil in 1970.

The petroleum industry in the United States is dominated by 18 large firms which are, in the language of economists, "vertically integrated." This means that they operate in all phases of the oil business—exploration and production, transportation, refining, distribution and marketing. These 18 generally are known as the "majors," although the term is used more and more often to refer to the top 10 oil companies. The majors produce about 70 per cent of the domestic crude oil, control some 80 per cent of the refinery capacity and market about 72 per cent of the gasoline sold in this country."

The largest of the majors also dominate the production of natural gas in the United States and have made heavy investments in the coal industry in recent years. Despite this heavy concentration of a relatively small number of companies in all phases of domestic fossil-fuel production, the major oil companies vigorously resist any suggestions that they are not fully competitive. Nevertheless, they cooperate rather than compete in a wide variety of ways. It is common for several oil companies, for example, to submit joint bids on multi-million-dollar leases of Government-owned oil reserves and to pool resources for joint exploration ventures seeking crude deposits. Most of the huge pipelines, which are the principal form of transportation in the oil business, are jointly owned by several companies. Major firms often engage in exchange agreements where one will supply the other's markets—for gasoline, for example—in one area where it lacks facilities in exchange for a similar favor in a different region. Reciprocal processing agreements among major firms are also frequent (one company will refine another's crude oil in one place in exchange for having its own crude processed in another).

Perhaps the most obvious clue to the state of competition in the oil industry is its national advertising. The majors spend heavily to gain recognition for their brand names, promote product ingredients and advertise giveaways. Instead of bargains on gas and oil, the consumer hears about Tony the Tiger, Platformate, free drinking glasses and National Football League trading cards, Sunoco station owners who "can be very friendly" and Texaco stations where "you can trust your car to the man who wears the star." In contrast, the

independents advertise little. Their stations are typically low-overhead self-service operations which offer almost none of the mechanical services and auto supplies, such as tires and batteries, available at the majors' outlets. They stick to high-volume sales of gas and oil at prices below those at major stations. And although their share of the market was growing rapidly in the early part of this decade, the independents were still at a disadvantage.

A principal reason: They are not vertically integrated. Independent refineries have had to rely on the majors for a large part of their crude oil. And independent marketers must turn to other independents or to the majors to obtain refined products. What's more, the oil depletion allowance has encouraged the majors to push all their profits into crude-oil production where a large portion could be deducted. To do this, the majors kept crude prices as high as they could and cut profit margins on their refining and marketing operations to the minimum. For them, this generally involved only bookkeeping transactions since they were selling their crude to their own refineries and their refined products to their own marketers, or engaging in reciprocal arrangements with other majors to achieve the same results. But for the independent refiner, high crude-oil prices usually represented a real additional cost. And since it was necessary for independent refiners to show a profit on refining, prices for their finished products tended to be pushed upward still more. This left the independent marketer in an even more difficult position. Nevertheless, the independents were resourceful and innovative and they found ways to cut costs and prices and gain ground on the majors steadily through 1970. After that, though, things began to change rapidly.

Although there could be no doubt that demand for oil products would continue to boom in the early nineteen-seventies, the majors decided not to increase their refinery capacity significantly. An efficient refinery costs about $250-million to build and this has generally meant that only the majors have been able to afford new ones in the past 20 years. The majors' spokesmen have insisted that uncertainty about Government policy on oil imports and environmentalist objections to new plant construction were the main reasons behind the failure to expand refinery capacity. Whatever the reason, there was no uncertainty about the result it would have. By early 1971, Oil and Gas Journal, the most authoritative of the industry's trade publications, reported that the nation might be on the way toward a shortage of refinery capacity. The American Petroleum Institute, the industry's voice in Washington, predicted that the shortage would come before 1975. The Interior Department's Office of Oil and Gas published a study containing a similar forecast and declaring that existing refineries would have to be run full tilt to keep up with demand.

In August, 1971, President Nixon imposed wage and price controls. Gasoline prices were frozen at seasonal highs and heating-oil prices at off-season lows. Gasoline was always more profitable to produce, but the freeze made it more so and created a strong disincentive to the production of heating oil. The freeze was lifted in November, but oil prices were not decontrolled. In February, 1972, the Cost of Living Council refused to grant the industry a price increase for either crude oil or gasoline and heating oil. For the first six months of 1972, profits fell almost 5 per cent, although sales were up by an even greater amount.

In early 1972, industry journals were reporting that crude-oil production in both Texas and Louisiana, the two biggest oil states, was declining. While this was apparently true,[1] it is difficult to know whether it was caused by an actual decline in reserves or by the industry's failure to produce as much as it could. There are at least some indications the larger companies might have been deliberately slowing production. The Texas Railroad Commission requires the oil companies that do business in the state, which includes nearly all the larger firms, to report "desired" levels of crude-oil stocks, nationwide.

The commission's records show that the 10 largest of the oil companies reporting (all of them majors) "desired" smaller stocks of crude oil to feed most of their refineries in 1972 than they had had in 1971, even though demand for petroleum products had risen about 7 per cent. Their actual crude-oil stocks were also less than they had been the year before. The commission's records show that the drop in "desired" levels was reported only by those top 10 oil companies, with the next 15 reporting increases in their desired levels. But since the top 10 account for about three-quarters of the oil production among the top 25 that report to the Texas commission, it averaged out to an over-all drop in the "desired" stocks of crude.

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[1] There are virtually no independent statistics on the activities of the oil industry. State and Federal agencies rely on data furnished by the oil companies themselves.

Moreover, an investigation by the Federal Trade Commission has turned up evidence that the natural-gas reserves reported by the nation's oil and gas companies are smaller than the actual reserves. "From the documents received," James Halverson, chief of the F.T.C.'s Competition Bureau, told a Senate subcommittee, "it appears that there has been serious under-reporting of proved natural-gas reserves." The natural-gas situation is important for two reasons. One is that the major oil companies are also the major gas producing companies. The other is that a shortage—or a seeming shortage—of one kind of fuel places added pressure on the others.

Besides indicating a desire for smaller crude oil stocks last year, the major petroleum firms also kept the bulk of their refinery capacity below maximum output for most of the year. In the first four months of 1972, according to their reports to the Texas Railroad Commission, the top 10 firms actually kept their refineries running below the level of the same period of 1971. As a result, supplies of gasoline and heating oil dropped below their levels of a year before. Refinery runs were sharply increased in the next five months, largely to head off a summer gasoline shortage. But this meant that heating fuel was scarce by fall. And, as was mentioned earlier, when the Government appealed for full use of increased import allowances and maximum refinery output to avoid a winter heating oil crisis, the major companies did not comply. When the crunch came, they accelerated refinery operations to take up the heating oil slack, but this, naturally, got them behind in gasoline production. So that shortages of gasoline in the summer of 1973 became inevitable. Industry spokesmen point out that, despite less than maximum refinery operations for much of last year, over-all fuel production increased over the previous two years. But, as both industry and Government projections had indicated, demand was increasing too fast for anything but maximum output to fill the need.

Meanwhile, a number of the majors were continuing the process, begun some years before, of shutting down marketing units in certain areas, apparently to withdraw from their least profitable operation. Industry spokesmen insist they were merely liquidating "uneconomic" operations. But to some students of the oil business, it looked suspiciously as if the big oil companies were carving up the domestic market to share among themselves. A Federal Trade Commission report on the industry completed last summer explained it this way: "All the majors can increase their regional market concentration simultaneously by pulling out of markets where their share is lower than their national average and selling their operations to those majors who remain. This strategy will work, however, only if the majors can retain or expand their regional market shares. To do so, they must prevent the further entry and expansion of independent marketers. Ultimately, the only way to contain or reduce the independents' market shares is through monopoly power at the refining or crude pipeline stages."

In fact, since the onset of the shortages, the majors have increasingly been telling independent refiners and marketers they could not supply them with either crude oil or refined products because they needed all they had for their own operations. Independent reners have been forced to operate well below their normal capacity. The impact on independent marketers has been devastating. Hundreds of independent gasoline stations have shut down because of a lack of supply. Many that stayed open were forced to raise prices, wiping out their competitive edge. And the majors increasingly opened up so-called "fighting brand" stations which emulate the high-volume, low-overhead, discount approach pioneered by the independents.

For the most part, Administration officials have agreed with the oil companies that price controls coupled with increased demand were the principal immediate causes of the shortages of last winter and spring. Last November, the Interior Department's Office of Oil and Gas concluded in a draft report that the best approach to licking the heating-fuel problem was to raise the price, providing the industry with an incentive to increase supply. In mid-December in a memorandum to President Nixon, General Lincoln of the Office of Emergency Preparedness said the shortage was due "in large part to the pressures on refinery capacity coupled with the price control situations which has made gasoline production preferable to production of heating oil." Earlier that month, Rawleigh Warner Jr., chairman of Mobil, and Maurice Granville, chairman of Texaco, had complained separately to Lincoln about what they both called the "economic penalty" their companies were paying to accelerate production of heating fuel over gasoline. Nevertheless, the Cost of Living Council has refused to permit across-the-board increases. The C.L.C. concluded last winter, accord-

ing to General Lincoln, that "the oil industry can make a profit on current prices of [heating oil] and they know it."

So the industry's giants have failed to get the price increases they have longed for. But they have accomplished a number of other objectives. The Alaska pipeline has been cleared for construction by Congress and environmental roadblocks—to offshore drilling, for example—seem about to fall. The pesky independent companies have been gravely weakened. And the majors' sagging profit picture of the late nineteen-sixties and early seventies has taken a dramatic turn for the better. Exxon, the nation's leading energy company, has seen its profits rise more than 80 per cent in the third quarter of this year over the same period in 1972, the worst of the industry's recent lean years.

None of the top five oil companies have reported third-quarter profit increases of less than 50 percent over last year. Gulf, the third-leading oil producer, says its profits are up 91 per cent from the third quarter of last year.

There are some who believe the major oil companies conspired to bring about these results. Indeed, the Federal Trade Commission, as a result of the previously mentioned study of the industry finished last summer, has filed a huge antitrust case against the top eight oil companies accusing them of collusion to monopolize the industry.

The F.T.C.'s contral allegation is that the eight oil majors have "mainatined and reinforced a noncompetitive market structure in the refining of crude oil into petroleum products." They have done this, the F.T.C. charges, by—among other things—"pursuing a common cause of action to abuse and exploit the means of gathering and transporting crude oil to refineries . . . participating in restrictive or exclusionary transfers of ownership of crude oil among themselves and with other petroleum companies . . . using their vertical integration to keep profits at the crude level artificially high and profits at the refining level artificially low . . . accommodating the needs and goals of each other in the production, supply and transportation of crude oil to the exclusion or detriment of independent refiners." The Commission also charges that similar practices have given the eight firms "monopoly power" over the marketing of petroleum products. The industry has vigorously denied the charges. The case will take years to litigate.

MR. SIMON'S BUSINESS BACKGROUND

Mr. ST GERMAIN. Secretary Simon, you were with Salomon Bros. before you came to the Treasury?

Mr. SIMON. Yes.

Mr. ST GERMAIN. It is an investment house as well as a brokerage house; is it not? Did you handle issues of stocks?

Mr. SIMON. Yes, not for public consumption. My old firm did not deal with individuals, we dealt only with institutions.

Mr. ST GERMAIN. Did you deal with any corporations?

Mr. SIMON. Institutions, corporations, life insurance companies, et cetera.

Mr. ST GERMAIN. Oil companies?

Mr. SIMON. To the best of my knowledge—and I have to go back and check that—we were not the banker for any major oil company. This was not my area of expertise in Salomon Brothers. I was in charge of the entire bond operation: agency and municipal securities, U.S. securities, commercial paper agencies, really the money and financing side of the firm.

Mr. ST GERMAIN. Mr. Secretary, I cannot help but think, in listening to the answers to your questions, and looking at portions of your testimony, that you have expressed a very deep concern for the problems of the oil industry, of the major oil companies.

For instance, you used such words as "chagrined," evidently at the reduction of the oil depletion allowance and words of that type. I must say that this does bother me somewhat. I was hoping that the Administrator of this agency would be more concerned about the

consumer and the price the consumer has to pay for the product. In the past 10 weeks, we have had a price increase in New England from 22 cents to close to 40 cents a gallon for heating oil for the home.

In answer to a question by Mr. Rosenthal about the spread of the burden, you seem to be concerned about the allocation of fuel. You said, "We'll look at the thermostats to see where the heating oil will go." I feel that the other portion of the burden is sharing the cost. The American people are reacting wonderfully to this crisis and are doing their share. I feel, however, that the people in the Northeast who are dependent upon imports—you predict the price of $9 to $10 a barrel when this opens up again—are entitled to relief.

We usually get most of our supply from the imported oil. That is why the quotas were so important to us. We are hoping that perhaps you can devise a means to share the cost burden, the price per gallon, among a wider segment of the population.

SPREADING THE BURDEN

Mr. SIMON. Mr. St Germain, let me assure you—I was responding to a specific question that was leveled at me about the incentives that Mr. Wright talked about, tax incentives and others. Indeed, we have been doing that, and, in fact, the tilt has been in the other direction. Now we are more aware of the problem of consumers. When we finally get this problem under control 10 years from now, if we do our job properly, it is going to result in additional supplies, and these additional supplies are going to bring down the cost to the consumer.

Until then, Mr. St Germain, we are going to be, in general—and you, in New England, particularly—are going to be subject to the mercy of the oil prices in the Middle East. We have very little control over that, at this point. When New England imports 85 percent of its need, that is serious.

I am concerned, let me assure you that I am. The first thing that we have to do, as far as New England is concerned, is build a much-needed refinery, which I have been working on for the past year with the congressional delegation up there. I am sure that if you will speak to your associates from New England——

Mr. ST GERMAIN. I have been to every one of the meetings, Mr. Secretary, I assure you, for 13 years now.

Mr. SIMON. We will continue to cooperate and work on the unique problem in New England that you have.

OIL INDUSTRY DATA

Mr. ST GERMAIN. Would you agree with the statement that there are virtually no independent statistics on the activities of the oil industry other than those furnished by the oil companies themselves?

Mr. SIMON. Statistics from independent companies are not published, as are the majors' statistics. What we have done recently in this regard was to establish last February regional advisory groups composed of the independent components of the petroleum industry all over the United States for the various regions. We are meeting with them in the next 3 weeks. I met with a New England group last week. They are going to provide us with weekly data, henceforth, so that we can begin to define what the problems are. We all know that

the problems in Maine are going to be a little different than what they are in New Jersey and New York, and we will be better able to deal with the allocative process in that fashion.

ADVERTISING OUTLAYS

Mr. ST GERMAIN. Getting to pricing, for a moment. I asked earlier witnesses this question. There is a recognized shortage of product, gasoline and heating oil, in the country today. I do not think any major oil company has any problem selling its product. It is being gobbled up the minute it leaves the refinery and as it hits the gas station or the distributors.

Yet one looks at the advertising costs for 10 of the majors here, January to December 1971, $108 million. January to June 1972, $54.8 million, with a production level of $110 million. You turn the TV sets on and you see the Exxon tiger, the Texaco man with the star, and the friendly Sunoco fellow who wants to buy his daughter a nice wedding. That is all well and good, Mr. Secretary.

But that advertising cost is passed on to the consumer, particularly that fellow in New England. You know he is paying through the nose for that. I am hopeful that you will look at this. When you grant them a price increase, do not just look at the added cost to them. Look at the entire picture and determine if they do not have some items that do not belong there, that are unnecessary.

Mr. SIMON. Mr. St Germain, last week, as chairman of the Oil Policy Committee, I spoke to the major oil companies about their advertising policy. I think I have seen a change in their thrust. Exxon and Mobil and all the rest of them, are now educating the public—or attempting to—on how they can conserve energy and how important it is to conserve energy.

Through the Federal Energy Administration, we are going to put on a massive educational program for the public. I hope to be able to come up here and talk to the Congress about it. I think there is a great need to explain to people how this happened. There is great confusion in America. I know all of you are being asked "How could this have come about?" "Did not somebody know about it?" There are lots of reasons.

Mr. ST GERMAIN. Mr. Secretary, I think you realize that there are some people who are asking Members of the Congress the following question: "Is this a red herring being thrown out to divert the attention of the American people from other problems in this country?"

That is why I think it is important that the majors face up to it and that you, in this new agency, have your own statistics.

In your prepared statement you say U.S. refinery capacity actually decreased by 11,000 barrels per day in 1972, even though the demand increased. As a matter of fact, General Lincoln and the President, when they listed the quotas in 1972, asked the refineries to increase their refining. The response of the major oil companies, which control most of the Nation's fuel production from the wellhead to the retail dealer, was to import only one-third of the additional crude oil the President authorized, and to run most of the refineries below capacity for the rest of the year.

There was a study done by the Senate Investigating Subcommittee at the beginning of the first peacetime petroleum shortage in the

United States. Then, we look at the indications that the larger companies have deliberately slowed production. The Texas Railroad Commission requires all the largest firms to report crude oil stocks. The 10 largest oil companies reporting showed smaller stocks of crude oil storage in 1972 than they had in 1971, even though demand for products has risen 7 percent. I do commend this particular article to your attention. It also quotes the FTC's investigation and the charges being brought by them against the eight oil majors.

I thank the chairman, I wish you well, Secretary Simon, there is a lot to be done, I hope you can do it.

Mr. SIMON. Thank you, sir.

Chairman HOLIFIELD. Mr. Mallary?

Mr. MALLARY. Thank you, Mr. Chairman.

Let me address myself briefly to policy linkages. I gather from the testimony of Mr. Ash this morning that the Federal Energy Office, as constituted, will be phased out. Is that correct?

Mr. SIMON. Yes. The Federal Energy Office, which I will head, is the White House arm——

Mr. MALLARY. That is the Office just created by Executive order?

Mr. SIMON. Yes, sir.

POLICY LINKAGES

Mr. MALLARY. My concern is—how do you foresee the policy linkages being developed? I start with the Federal Energy Administration of which you will be the Administrator, and ERDA, if it is created. They will both have a direct reporting relationship to the President, as I understand it, yet there will be close and important policy linkages between the two. How do you see the reporting relationships and the linkages being worked out?

Mr. SIMON. We will develop a very close relationship with ERDA when it is created because on the chart that you see, our organizational chart that you have in front of you, we have the Assistant Administrator for Energy Resource Development, that one could call Project Independence.

This is the implementing arm, if you will, of ERDA. As the research and development is completed, all the economics have been defined, for example, with oil shale, gasification and liquefaction, this group will set about breaking through the redtape and the problems involved in the nuclear plants, gasification and oil shale pilot plants, et cetera, so there is going to be very close linkage.

I will involve myself, as will John Sawhill, in the policy considerations of ERDA, as far as priorities on research and development, and we will be working closely together.

Mr. MALLARY. It was indicated in the earlier testimony that the head of the Energy Policy Office would be setting broad policy guidelines in terms of priorities for activities within the Energy Research and Development Administration. With the demise of the Energy Policy Office, the policy would now be set by the FEA.

You say there will be cooperation with no direct structural relationship.

Mr. SIMON. In my role as head of the Federal Energy Office, I will be the advisor to the President on energy matters.

Mr. MALLARY. You will be a little more equal among equals.

Mr. SIMON. I guess so.

FEA AND CLC

Mr. MALLARY. Let me ask one other question.

By this bill, the responsibilities of the Cost of Living Council with regard to pricing of energy are moved over into your Administration. There are tremendous impacts, obviously, among energy prices and the prices of other items that are controlled by the Cost of Living Council.

How do you see policy decisions being made under this split Administration?

Do you foresee that the Federal Energy Administration will decide on the basis of energy what is necessary and let the CLC pick up the pieces in terms of adjustments. Or is there some structural committee or organization that would coordinate policy between the two?

Mr. SIMON. In the transition of the next few weeks, we are going to transfer the pricing from the Cost of Living Council to this new Administration. We will assume all of the staff, a very capable petroleum staff, that has worked on the pricing in this area. It will be an orderly transition.

Mr. MALLARY. The transition no doubt will be orderly. I am thinking in terms of future determinations of policy. Obviously if the price of residual fuel or the price of middle distillates goes up, there are going to be major impacts that the Cost of Living Council will have to work out. There should be a coordinated policy effort.

Mr. SIMON. We will continue to coordinate. I meet with John Dunlop at 8 o'clock every morning, and I meet several times a day with him and his staff.

Mr. MALLARY. There is no structure built up except just the personal relationship you have.

Mr. SIMON. That is correct. This is part of the economic policy team that I spoke of before. As a part of this, we cannot separate the pricing, you are quite correct, of petroleum or any of its pieces from pricing in the rest of society. If there is any one subject that ramifies and spreads through the entire spectrum of our society, economically and otherwise, it is energy.

FEA AND EPA

Mr. MALLARY. Let me ask a similar question with regard to your relationship with the EPA. Presumably some of the policy decisions that you will be called upon to make will have major impacts on our environmental protection policies.

How do you propose coordinating decisions of your agency with the EPA?

Mr. SIMON. I met with Russ Train and Bob Samson tonight at 5 o'clock for 1 hour to discuss exactly this question and how we could not only coordinate but find this much needed compatibilty between the environment and our energy requirements.

We are very definitely going to develop this communication, as I did when I was Chairman of the Oil Policy Committee. And at meetings of the Oil Policy Committee, before making the recommendations to the President, the Environmental Protection Agency was represented in this group each week at our meetings.

ALLOCATIONS POLICIES

Mr. MALLARY. One other question reflecting my New England bias.

Do you see any possibility of adjusting allocations of residual and other fuels so as to reflect the relatively greater dependence of certain areas on petroleum as a base for electrical generation?

The concern I am getting at stems from the fact that in the northeastern area, 70 percent of all electrical generation is with petroleum. This percentage is substantially greater than in many other areas of the country, and I am concerned that residual fuel allocations may adversely affect my area.

Mr. SIMON. Residual oil is probably our major problem right now. There are 46 plants that can immediately switch over from oil to coal. Of these, 26 can be done without any real violation of EPA, and we already have those 26 in motion to make the switch. We have a coal problem, too. The surge capacity in coal is not that great. So we are working terribly hard on that, too.

Mr. MALLARY. Thank you very much.

Chairman HOLIFIELD. The gentleman has 2 additional minutes.

Mr. MALLARY. I will yield.

Chairman HOLIFIELD. Mr. Fuqua.

PROSPECT FOR RATIONING

Mr. FUQUA. Thank you very much, Mr. Chairman.

Mr. Simon, you were quoted last week in a news conference as saying we had to reduce gasoline consumption by 30 percent in the first 3 months of 1974.

How do you propose that we do that?

Does your proposal include rationing?

Mr. SIMON. Well, sir, to answer your last question first, I would say rationing is on the list; yes, it is; but on my particular list it would be the last method, the most severe method to impose on the American people.

Mr. FUQUA. Do we have to reduce our demand by 30 percent in order to match anticipated supplies?

Mr. SIMON. That is gasoline for pleasure driving. How do we propose to do this? We are going to have a 15-percent reduction through allocation of the deliveries of the product to the gasoline stations; a 50-mile-an-hour and 55-mile-an-hour speed limit for cars and trucks, respectively, will help in this area. The Sunday gasoline station closings also are going to help. Further measures will to be taken in the conservation area. We find price is already a dampening of demand factor, not only on gasoline but also on fuel in the New England area. The preliminary figures, I assume—we were blessed with the warm month of November. Let me hasten to add that we are not setting Government policy by betting on warm weather, even though we do hope for it.

We had almost an 18-percent reduction in demand thanks to (*a*) warm weather, about 40 percent, and (*b*) through conservation methods on the other 60 percent.

I truly believe that we can lick this thing with these measures that we have taken.

We did a shortfall study, which we will continue to update. Obviously, as conservation methods take hold and also the inventories increase due to the nice weather we had during the month of November, this spreads our problem out and begins to minimize the shortfall. I will be updating this and presenting new figures on the extent of the shortfall to you more weekly.

If it becomes apparent in the very near future that all the measures that we can possibly take, short of rationing, will not do it, then I would not hesitate to recommend to the President that we would have to go to gasoline rationing.

Mr. FUQUA. Is that authority granted in this legislation?

Mr. SIMON. The President has the authority, yes.

Mr. FUQUA. The President already has the authority?

Mr. SIMON. It is in the emergency energy legislation.

Mr. FUQUA. It will be coming up this week.

Mr. SIMON. Yes.

STATE-LOCAL COOPERATION

Mr. FUQUA. Another point I asked this morning of Mr. Ash—I certainly want to reiterate it to you. In the administrative line that you have established for the Assistant Administrator for Operations and Compliance, have you provided for a liaison with State and local governments?

How do you propose to cooperate and work with the State governments that are now working in an allocation program, trying to meet emergency needs?

Has this liaison item been given too little attention, or is it going to be a matter of utmost concern to your office?

Mr. SIMON. It is of absolute, utmost concern. First of all, we have beefed up, as I said a while ago, all of our regional offices. Each one of our regional office directors that was in this weekend, I spoke to back home on a conference call yesterday. They have either spoken or visited the Governors already, or they are about to, in the States that fall in their region.

Now, different States would like different powers and different authorities. Others would like the Federal Government perhaps to do certain things. I will be meeting with the Governors this Thursday to define the exact areas of cooperation, and how best we can make this system work.

Mr. FUQUA. All the Governors?

Mr. SIMON. At the Governors' Conference that will be in town.

I believe that States understand their own priorities and their own problems a lot better than we do in the Federal Government, and we will in every way that we can let the States exercise their prerogatives in solving their local problems.

Mr. FUQUA. I think this is good, but I do hope you will give them the proper cooperation in trying to resolve many of the difficult problems that are going to develop.

Mr. SIMON. They are going to be our salvation; yes, sir.

ACCESS TO PRESIDENT

Mr. FUQUA. Governor Love was quoted in a news conference as saying that one of the reasons that he was disillusioned was the inac-

cessibility of the President. Are you going to have access to the President directly? If not, what will be your line of communication with him?

In other words, have you been assured of having access to the President so that the highest priority could be given to this very difficult situation?

Mr. SIMON. I have never found, Congressman, when I had a decision that required the President to make the decision, such as taxes, rationing, something like that, that I could not get the President's attention on this very quickly. I also have felt, even when I was chairman of the Oil Policy Committee as I feel today, that there are many decisions that do not necessarily require Presidential decision, and that we should just go ahead and do them.

That is judgmental. I hope my judgment is good.

I can also assure you that the President is going to be the Chairman of the Emergency Energy Action Group that will meet at least weekly. He will participate in the discussions that come about before we make most of these decisions.

Mr. FUQUA. Thank you, Mr. Chairman.

Chairman HOLIFIELD. I thank the gentleman.

The gentleman has a few minutes left. Would he be so kind as to yield them to our colleague and our guest tonight, Mr. Macdonald, and the Chair will also yield.

Mr. FUQUA. Yes.

Chairman HOLIFIELD. The gentleman is recognized.

Mr. MACDONALD. It is good to see you, Mr. Simon. I for one am delighted that you are taking over the job that you are taking. I am sorry it did not happen a long time ago as it should have.

Before I get into some of the questions, I thought we ought to clear up one or two things. It seems to me that when you said New England is at the mercy of the Middle East, I am not quite sure you did not misspeak yourself.

We are at the mercy of Venezuela, the Caribbean, and Canada, not the Middle East.

Mr. SIMON. All our incremental barrels—this has been true for over a year now—are going to be met for the foreseeable future from the Middle East, and we all know what has been happening to pricing in the Middle East.

As we move toward the end of this decade, and our imports grow from about a third right now to 50 percent in mid-1976——

QUOTA SYSTEM

Mr. MACDONALD. I am not trying to deprecate the importance of the Middle East. You said New England was at the mercy of the Middle East. I think we were at the mercy of the quota system which many of us fought for so long. There were no quotas coming out of the Middle East. The quotas were coming out of Venezuela and the Caribbean and to a lesser extent Canada.

Mr. SIMON. The quotas were set by the U.S. Government. I was made Chairman of the Oil Policy Committee in January of this year. The quota system, as you know, sir, was changed in April.

Mr. MACDONALD. The quota system was changed after it became apparent, even noticed by those people, the most hard-nosed people in the Southwest, that the price of oil coming out of the Southwest was above that of the world market. It did not seem to me to be any great move to remove quotas that were not working for anybody. That is another point.

Mr. SIMON. Yes, sir, you are correct. That is one of the reasons why we are where we are today. There is no doubt about that. My remark on that was reflecting on Congressman St Germain's problem as far as the prices to the consumers in New England are concerned, where you are forced to import so much.

SHORTAGE OF TUBING

Mr. MACDONALD. I am very interested in your statement about the tubular casing material that is being shifted throughout the north continental routes. As a matter of fact, I have had telephone conversations with a man—he and I are not friends inasmuch as I have a lawsuit pending against him via the FPC, Mitchell of Mitchell Gas and Oil in Texas. He tells me that day in and day out, drilling machinery is being shipped out of Houston, Tex., to the Mid East.

I wonder if you could do anything to stop that.

Mr. SIMON. We are looking at it. I met with Secretary Dent of the Commerce Department on the problem of the rigs and the tubular casing. The exportation of tubular casing is up 96 percent in the first 7 months of this year.

Mr. MACDONALD. Do you not think that is a peculiar state of affairs when we are still shipping drilling machinery that is in terribly short supply here, to go to the Mid East?

Do you not think that is a real contradiction in terms—they are shutting us off, and we are giving them the material to drill more oil to shut off from us?

Mr. SIMON. That is exactly why those figures came to my desk 4 days ago. I have only been at this job a week. Let me assure you, Mr. Macdonald——

Mr. MACDONALD. Mr. Simon, you and I can play musical chairs about this forever and ever and ever. I wish you well. I know you are going to do a good job. I said so publicly, I'll put it in the record, that I think you are the man for the job. You should not have to apologize.

Why does not somebody just say, we really goofed. Now we are going to try to do something about it, 8 years too late, or later, in any event.

Mr. SIMON. I would agree with that, Mr. Macdonald. I have never hesitated to say that. I just hate to blame people that came before or come after. All I know is what has happened since I have been here. Fine, we have goofed. We've had a lot of bad policies. I have had a lot of no-policies that have hurt. Now we have to change things.

Mr. MACDONALD. In the second part when you talk about depletion allowance being reduced, you misspoke yourself again from 27.5 to 22. Indeed, it was.

Chairman HOLIFIELD. If you would yield to me, the Chair will yield the balance of his time, 5 minutes.

Mr. MACDONALD. I thank the gentleman.

Do you not think that it would be a much better thing instead of raising the depletion allowance here in the United States, to do just the opposite, to go to the Middle East and tell our people in the Middle East, "you no longer get your oil depletion allowance for oil drilled in the Middle East, which you do not own, for which you pay, either in payment or royalties, in such a way that once you pay income tax to those sheiks who are heads of states, that you no longer have to pay any tax at all to the United States?" If they did three things they would certainly soon turn these hardheaded business people around. First, you take away their depletion allowance for the foreign oil which they never deserved in the first place. You can make an arguable case that perhaps they deserved it here in the United States, but what possible kind of case can you make that they should get a depletion allowance for something they do not own in the Middle East? They get a 22-percent depletion allowance on oil that they do not own. Second, they get a foreign tax credit so that they cannot explore further here. And third, they do not pay income tax on that money because, by some shenanigans with the sheiks or the leaders of those countries, they pay it to them in lieu of paying it to us.

So we lose three ways. Instead of giving them a further depletion allowance here, why not take it away from them and turn it back here in the United States, in the north continental limits where they belong? There would not be a shortage there because as you and I know very well, they know where the reserves are. They know where the oil and gas is to be found.

It just is not worth it because they get the quick buck from the three things they get overseas. I have been accused by members of my own committee of sitting on gas price controls in the Interstate Commerce Committee, but I took the majors to my office and asked them, if we gave them a windfall profit by lifting the price on new gas, would they guarantee that they would put that in further exploration in the continental United States, and I know you must know what their answer was. Their answer was no, there could be no such guarantee.

When I recovered from my shock, I asked them why. They said their first duty was to their stockholders. I said, if you would not put the money into further oil and gas exploration, what would you put it into? And they replied straightforwardly, straightfacedly, and one of them indicated that he would put it perhaps into real estate inasmuch as that would get a better return for his stockholders.

Now, what kind of an empire, supergovernment is that that controls the U.S. Government?

Chairman HOLIFIELD. The gentleman's time has expired.

The Chair will not utilize his 4½ minutes that he has left, but he will ask some questions that the gentleman can reply to later, if we run short of time.

The AEC report to the President, the special report by Dr. Dixy Lee Ray, does not tell us what coal liquefaction, gasification, solar, air, wind, or other energy form would contribute toward energy independence by 1980, and possibly 1985. In fact, the forwarding letter says the project recommendations will be made later.

If the gentleman wishes to comment on that, he may.

PLANT-BUILDING DELAYS

I would ask him one other thing. The only indigenous supply of energy with immediate prospects depends on coal and nuclear. Now, the gentleman spoke about the time it takes to build a nuclear plant. We are building them, as he said, in Japan in 4 to 5 years. The same companies are taking 9 or 10 years in the United States, due mostly to litigation, environmental suits, and that kind of thing.

Mr. SIMON. And redtape.

Chairman HOLIFIELD. Redtape in the licensing and regulation which the President has ordered to be expedited.

The first central station nuclear plant in Shippingport, Pa., was built in 3½ years. It is entirely possible, as we are proving in Japan, to build nuclear plants in 5 years.

A big coal plant is about the same. A big coal mining operation takes about that length of time. Those are the two things that we can depend upon in the immediate future. I call that to the attention of the gentleman. He can comment on it for the record now or later. He has possibly 2 minutes.

Mr. SIMON. We are going immediately to work, as far as coal is concerned, to increase surge capacity in 1974. I will be meeting with the coal group next week on this subject, although our preliminary figures, and they are only preliminary, show an additional 300,000 to 500,000 barrels of oil a day. We have allowed, as I said earlier, Mr. Chairman, our coal industry to deteriorate over the years for environmental reasons primarily. We now have to give some encouragement to bring this industry back to life because it is only contributing 17 percent, and it could contribute 25 percent of our energy needs.

FEA AND ERDA

Chairman HOLIFIELD. I am glad to hear the gentleman say that, because we have to get busy on this coal problem and make coal acceptable to the environment. I understand that.

Both you and Mr. Sawhill stated that demonstration projects are to be carried out by FEA not ERDA. I'd like an explanation as to why FEA should carry out a demonstration when they are not a technical agency. It has long been the custom of research and development laboratories to perform the first pilot plant, either by contract or in-house, to build the first demonstration project, not an operational management agency such as the FEA.

Do you mean that you are going to take over physical management of a coal gasification plant or a coal liquefaction plant?

The gentleman shakes his head, but it does not show on the record.

Mr. SIMON. Our role, Mr. Chairman, will be one of expediting, and making sure that it does not take 10, 11 years.

Chairman HOLIFIELD. Not actual management of the demonstration project.

Mr. SIMON. No, sir.

Chairman HOLIFIELD. You then will not be taking over the actual management of the plants, but they will be put under your direction.

Mr. SIMON. Yes, sir.

Chairman HOLIFIELD. Under the overall direction of FEA?

Mr. SIMON. Yes, sir.

Chairman HOLIFIELD. Thank you very much. That is all I have.

A request has been made to make the rounds of the committee once more for just a few minutes of additional questioning. We have Dr. Dunlop here. The Chair promised we would put him on at 8:30. Is it the wish of the committee that we each have an additional 2 minutes and that we ask Dr. Dunlop to give us that leeway?

What is the will of the committee?

Mr. ROSENTHAL. Mr. Chairman, I have three questions.

Why don't I ask the Secretary and he could put them in writing for the record.

Chairman HOLIFIELD. Please do.

Mr. ROSENTHAL. I have three questions, Mr. Secretary. I wonder if you could get the answers to us as quickly as possible so they could be included in the record.

INDUSTRY BACKGROUND OF PRINCIPALS

The first one is, as you know, many of us are interested in the conflict-of-interest issue involving this agency. I am in the process of preparing some hopefully relevant amendments. In response to the question from Mr. St Germain about your prior association with Salomon Brothers, he asked whether they had any underwritings of coal or oil industry dealings.

Could you, one, tell us what your relationship was with Salomon Brothers, and within the last 5 years, what, if any, financial dealings they had with the oil industry, as underwriters and things like that.

As part of that same question, Mr. Zarb, who is going to be the head of the Office of Petroleum Administration in the new agency, was, at one time, executive vice president of Hayden-Stone.

Could you tell us when he terminated that relationship and what other relations or other financial relations Hayden-Stone has with the oil and energy industry.

That is question one.

[The following information was supplied for the record:]

RELATIONSHIP OF SALOMON BROTHERS TO PETROLEUM INDUSTRY

Salomon Brothers, a major New York investment banking house, has never maintained a significant relationship with the petroleum industry. Neither has the firm ever been financially dependent upon fees or commission income from from companies within that industry. Salomon has rendered banking and other services from time to time (such as lease financing, sale of commercial paper, brokerage and trading, and underwriting public and private offerings of securities) to certain companies within the industry. Yet the income such services, when considered separately or in the aggregate, was not material to the total income of Salomon for either of the two fiscal years ended October 31, 1973. An estimate by Salomon indicates that the firm's revenues for all activities related to petroleum companies average .1 percent of total revenues. It should be noted, for example, that Salomon has acted as managing underwriter in a public offering of securities for only one company within the petroleum industry during the last two years—Skelly Oil Company.

A distinction should be drawn between Salomon's participation as managing underwriter and its participation merely as a member of the underwriting syndicate. The issuer of the securities chooses the managing underwriter while the managing underwriter generally selects the syndicate member. Consequently, the participation of Salomon solely as a member of the underwriting syndicate formed to distribute securities for other petroleum companies should be realistically construed as the desire of the managing underwriters to enhance the prestige of the syndicate, rather than the result of any special relationship between Salomon and the petroleum industry.

One final relationship between Salomon and the petroleum industry deserves mention. Salomon has an investment program for the benefit of its partners, one aspect of which is the creation of taxable deductions which can be applied against the substantial individual income of the partners. In each of the last two years, the partnership has invested in oil and gas drilling programs for the purpose of generating tax benefits. Both the aggregate investment and the return on the investment in the drilling programs are completely immaterial in relation to the income of the partnership.

Moreover, on December 6, 1972, President Nixon nominated Mr. William E. Simon, a senior partner of Salomon Brothers, to serve as Deputy Secretary of the Treasury. In order to eliminate any potential conflict of interest, Mr. Simon entered into an agreement on December 7, 1972, with his firm which severed all financial relationships of Mr. Simon with Salomon Brothers, including salary, pro rata interest in the current profits or losses of the partnership, and equity interest in the firm. On January 16, 1972, the Senate confirmed the President's nomination and on January 24, 1973, Mr. Simon's capital share (valued as of November 30, 1972) was withdrawn and paid to his designated depositary, Morgan Guaranty & Trust Company. Mr. Simon retains no beneficial interest in Salomon Brothers.

In light of the foregoing information, it is Mr. Simon's firm belief that the pursuit of his public duties as Deputy Secretary of the Treasury and Administrator of the Federal Energy Office would involve no conflict of interest.

INVESTMENT BANKING SERVICES FOR PETROLEUM COMPANIES IN THE LAST 2 YEARS

Commonwealth Oil & Refining	(2)
Continental Oil Co	(2)
Gulf Oil Co	(2)
Phillips Petroleum Co	(3)
Shell Oil Co	(2)
Skelly Oil Co	(1)
Mobil Oil Co	(3)
Standard Oil of California	(2)
Cities Service Co	(2)
Esmark (Swift & Co.)	(2)

[1] Managing underwriter.
[2] Lease financing—private placement.
[3] Sale of commercial paper.

TRADING TRANSACTIONS INVOLVING PETROLEUM COMPANIES IN THE LAST 2 YEARS

Amerada Hess.
Arkansas Louisiana Gas.
Ashland Oil.
Atlantic Richfield.
British Petroleum.
Brown & Root.
Cities Service.
Colorado Interstate Gas.
Columbia Gas.
Consolidated Natural Gas.
El Paso Natural Gas.
Exxon.
Getty Oil.
Halliburton.
Lone Star Gas.
Marathon Gas.
Mobil Oil.
National Fuel Gas.
Natural Gas Pipeline.
Northern Natural Gas.
Northern Illinois Gas.
Panhandle Eastern Pipeline.
Pennzoil Co.
Phillips Petroleum.
Shell Oil.
Skelly Oil.
Southern Union Gas.
Standard Oil of California.
Standard Oil of Indiana.
Standard Oil of Ohio.
Gulf Oil.
Sun Oil.
Superior Oil Company.
Tenneco.
Texaco.
Texas Eastern Transmission.
Transcontinental Gas Pipeline.
Truck Line Gas.
Continental Oil.

RELATIONSHIP OF FRANK G. ZARB TO HAYDEN-STONE, INC., AND TO PETROLEUM INTERESTS

In July, 1973, Roy L. Ash, Director of the Office of Management and Budget, named Frank G. Zarb, Executive Vice President and Chairman of the Executive Committee of Hayden-Stone, Inc., Assistant Director of the Office of Manage-

ment and Budget. On December 5, 1973, William E. Simon, Administrator of the Federal Energy Administration, asked Mr. Zarb to temporarily assume responsibility for the operations and compliance function of the Federal Energy Office.

In order to eliminate any potential conflict of interest before coming to OMB, Mr. Zarb had severed all financial relationships with Hayden-Stone, Inc., including salary and equity interest in the firm. Mr. Zarb retains no beneficial interest in Hayden-Stone, Inc. While employed with Hayden-Stone, Inc., Mr. Zarb had no oil companies nor companies associated with oil interests as his clients.

PETROLEUM SHORTFALLS

Mr. ROSENTHAL. Question two has to do with a story in this morning's New York Times and this afternoon's Washington Star that said that the oil industry—the petroleum supply demand committee estimated the shortage for the first 3 months of 1974 to be 2.5 million barrels a day as compared to the President's estimate of November 25 of 3.5 million barrels a day.

Can you tell us what you expect that to be?

[The following information was supplied:]

As of December 14, 1973, the shortfall estimate for the first quarter of 1974 is 3.27 million barrels of oil per day.

Mr. ROSENTHAL. In your testimony before the Senate committee on December 6, you stated that in addition to draft legislation, you had an amendment, made available to the committee staff, which will create a Federal Energy Office within the Executive Office of the President.

Could you tell us if you are still recommending the adoption of that amendment, or what the status and thrust and purpose of it is.

Mr. SIMON. Certainly.

[No information on this matter was received at the time of printing the hearing record.]

Chairman HOLIFIELD. Is the gentleman in a position to answer those questions now, or does he wish to answer them in detail?

Mr. SIMON. I would prefer to answer them in detail in writing.

I would have to go back to records as far as oil underwritings. I will guarantee you that my firm as well as all firms on Wall Street engage in underwritings when it comes to all types of corporations. We had participated in underwritings. When I say we were not the banker for, that would be the major managing underwriting.

Mr. ROSENTHAL. Just put it in writing.

Mr. ST GERMAIN. This is for the record. Up until now, the American people have not been so concerned about the major oil companies—the hold they have over resources. For example, a great deal of coal mines are now owned by major oil companies. I read an article last week that foreign investors were investing heavily in coal because they wanted coke for their steel mills. The contract reads, if they put in 50 percent of the money for the development of the coal mine, they get 50 percent of production. That should be looked into, that allocation.

Getting back to the dominance of the major oil companies, and their investments in foreign countries, and the advantages that accrue to them from operating in these foreign countries rather than domestically, the Congressman gave us a pretty good outline because of his expertise as a member of the Committee of Interstate and Foreign Commerce, but he did not ask you to comment. I do think, for the record,

it is important we get your thoughts, your feelings, on what we might expect from you in the future to encourage and—what was that word they used when they were trying to talk to the steel companies to get the prices down—jawbone, if you could jawbone a little bit. If that is not effective enough, come to the Congress and say you need additional help to get them away from these heavy investments in foreign lands where we are subject to the whims and fancies of these government leaders.

Mr. SIMON. I will be delighted to do that, and add that last March, the Treasury Department, in setting up its tax reform proposals, addressed exactly what Mr. Macdonald was saying, to change this tilt from foreign drilling to domestic drilling. That was a very controversial issue, as far as many people were concerned. With an emerging energy problem, that is exactly what we are doing, and we did attack the intangible tax credit involved, that you mentioned, Mr. Macdonald.

[The information referred to follows:]

On April 30, 1973, Treasury made two proposals that could affect U.S. oil operations abroad:

1. It proposed to tax currently the income of foreign subsidiaries receiving tax holidays (see page 159 of the attached booklet). These provisions could affect oil refineries in the Caribbean and elsewhere that are operated as foreign subsidiaries.

2. Also, a proposed limitation on foreign tax credits is specifically directed at foreign oil operations (see attached memorandum to Deputy Secretary of the Treasury Simon, and also page 169 of the attached booklet.

Secretary Shultz responded to Congressional questions by saying that the loss provision would reduce the favorable position of foreign oil exploration versus domestic activities.

[NOTE.—Attachments are printed in app. 3, p. 222.]

Mr. ST GERMAIN. I thank you, Mr. Chairman.

Chairman HOLIFIELD. Mr. Macdonald?

FEDERAL FINANCING OF REFINERIES

Mr. MACDONALD. Has your agency yet had a chance to think about the fact that it might not be a bad idea, since the refinery is the least profitable aspect of the oil industry, to have the Federal Government place financing into refineries which have been kept at a low level by the oil companies, but still be operated—not nationalized—the money coming from the Government, put operated by private capital, by the oil companies themselves, for further expansion of refinery capacity?

Mr. SIMON. If I thought that the needed refinery capacity could not be built in this country, then we would have to find a suitable alternative, perhaps Federal Government involvement. The major reason today that refineries are having difficulty is because of the shortage of crude supply that is obviously their life blood.

Mr. MACDONALD. This was not happening 4 or 5 years ago?

Mr. SIMON. We can get, I believe, private financing to finance refineries in this country. I think it is an extremely profitable business. I have heard as low as a 2-year payout on investment. I have not substantiated that with a balance sheet. It sounds profitable.

Mr. MACDONALD. It was not profitable, a man in my district told me so. Thank you, Mr. Chairman.

Chairman HOLIFIELD. I thank the witness for his presence here tonight and his responses to the questions. The Chair would request him to furnish as expeditiously as possible the information that has been requested by some of the members.

Mr. SIMON. I thank you, gentlemen.

Mr. FUQUA. Mr. Chairman, I have one question, the answer to which can be supplied for the record. Mention was made of certain concerns of the Assistant Administrator for Resource Development about transportation needs. I would like to know how these proposals will impact on the regulatory agencies such as the ICC and what their posture in this matter might be.

Mr. SIMON. All right.

[The information referred to follows:]

ENERGY RESOURCE DEVELOPMENT

The Assistant Administrator for Energy Resource Development will be responsible for facilitating implementation of the President's program to develop the capability for national self-sufficiency in energy supplies and to ensure that this goal is met with adequate protection for the environment. This is the main thrust of what the President called "Project Independence" in his energy message of November 7, 1973. This office will:

Overcome construction bottlenecks and other constraints (e.g., regulatory delays, material and labor shortages) that hold up the building and operation of energy facilities.

Insure development of adequate incentives for increasing production from domestic energy sources utilizing current technology.

Coordinate the relationship between national energy strategy generally and the R&D program to be pursued by the proposed ERDA.

Specifically, the functions of Project Independence include:

(*a*) Expediting Alaskan Pipeline construction and operation so that oil is available at the earliest possible time.

(*b*) Expediting exploration of the Outer Continental Shelf, through leasing and development, so that energy supplies from this source are assessed and developed on a rapid basis.

(*c*) Expediting the leasing of coal and shale lands.

(*d*) Expediting nuclear and non-nuclear electric power plant and energy facilities, including their siting, construction, operation, and right-of-ways, through minimizing regulatory, construction and material delays.

(*e*) Facilitating domestic coal production and consumption to make sure that our most abundant domestic energy source is utilized to the maximum extent possible by ensuring the availability of mining equipment, manpower and transportation facilities.

In the area of R&D, this office will expedite, within the Executive Office, the coordinating of R&D plans developed by ERDA (When enacted).

INTERAGENCY RELATIONSHIPS AND MODE OF OPERATION

With respect to impediments to and incentives for increasing energy supply, it will work closely with departments, regulatory agencies, GSA (Office of Preparedness) and with State and local governments to identify problems and to expedite their solution by appropriate departments and agencies, including development of legislative recommendations.

Work with OMB on legislative, budget, and management actions necessary to achieve purpose of this office.

Chairman HOLIFIELD. I thank the gentleman, and excuse him at this time, from the witness table.

Dr. Dunlop, you may come forward, please.

Dr. Dunlop, you have been before the committee already an hour and a half today. We will start at this time, under the 5-minute rule. If we need additional time, we will go around a second time.

Mr. Rosenthal?

REQUESTS FOR PRICE INCREASES

Mr. ROSENTHAL. Dr. Dunlop, I think I asked you earlier today what percentage of oil company requests for price increases has been denied by the Cost of Living Council. I think you said as far as refiners were concerned, there was only one application for a price increase. Could you furnish, for the record, in the next day or two, the number of applications and the number of denials from not only refiners but from producers, refiners, distributers, wholesalers, and of all oil products, in those applications—the denial or approval—could you do that for the record?

STATEMENT OF JOHN T. DUNLOP—Resumed

Mr. DUNLOP. I think I answered the question this afternoon, but I will be glad to explore it again and give you a written answer.

[The information referred to follows:]

PHASE IV PETROLEUM PRENOTIFICATIONS SUMMARY

RECEIVED

SIC Code 1311 (Crude Petroleum and Natural Gas) (None).
SIC Code 1321 (Natural Gas) (None).
SIC Code 2911 (Petroleum Refining) (4).

RESOLUTION

Emerson Electric Co.—Refining Oil—Denied; IRS National Office reviewing
Emerson Electric Co.—Lubricating Oil—Approved.
Farmland Industries—Refining—Approved.
Quaker State Oil Refining Corp.—Refined Petroleum Products—Approved.

Mr. ROSENTHAL. You said in your statement that the Council is allowing refiners to increase prices of distillates, 2 cents a gallon; it is required for refiners to decrease the price per gallon by approximately 1 cent. Is that 1-cent-per-gallon decrease being passed along to consumers?

Mr. DUNLOP. Yes; it would be passed along, but it will not, in fact, probably show up at the pumps because in the meantime higher prices of importing other crudes will raise the price. But the answer is that that particular 1 cent will be passed through.

Mr. ROSENTHAL. It passes through in some fashion, but consumers will be unaware of the passthrough because of the increase of the price of crude?

Mr. DUNLOP. Mr. Rosenthal, at the same time that that is taking place, other things are taking place. That 1 cent would be passed through, but in the meantime, other prices are being increased by virtue of higher imported prices and domestic crude. So, if you ask me, will all pumps actually show a 1-cent decrease, the answer is no. If nothing else were happening, it would pass through to a decrease of 1 cent.

SPOT-CHECKING FOR COMPLIANCE

Mr. ROSENTHAL. In the compliance and exception area, you say that since October 31, some 10,000 retailers of gasoline and diesel fuel and nearly 9,000 distributors of home heating oil have been spot checked. Have oil companies or refiners been spot checked, if so, how many?

Mr. DUNLOP. Once a month, the refiners are required to present us with reports on their operations, and those are checked.

Mr. ROSENTHAL. Are they independently verified? Do you go back to the plant or the refinery? Do you use people to verify it? Do you have to rely on their representations? Do you solely have to rely on that?

Mr. DUNLOP. We do, in selected cases, Mr. Rosenthal. The fact is that any violation of that would be a matter of very grave prosecution by the Cost of Living Council. We believe that the reports that are filed are accurate. We have, on more than one occasion, called in a major oil producer that announced a price increase and asked him to verify those facts in detail to us. We do that on a regular basis.

Mr. ROSENTHAL. Your answer is that there is not independent verification by our IRS people, your own people? Is it merely a case of them representing a situation to you and you relying on them?

Mr. DUNLOP. I will ask Mr. McLane to answer that.

Mr. MCLANE. Mr. Rosenthal, we have had the Internal Revenue Service go into a refinery to investigate potential violations. We have also had, as Dr. Dunlop pointed out, several of the refiners come to the Cost of Living Council to go through, number by number, their records of the cost—with actual bills of lading, and other detailed records to justify price increases. We insist that they cost-justify these increases since absence of cost justification is a violation of the Economic Stabilization Act. We consider it a very serious violation if false information is filed.

We have found, through the course of 2 years of the stabilization program, that few companies actually file false information. In addition, we have prepared a comprehensive refiner audit package and have trained IRS agents in its application. Beginning after Christmas, audits of major oil companies will commence.

Mr. ROSENTHAL. You said there were 2,500 violations on these independent checks. Were there any penalties assessed against these violators?

Mr. MCLANE. In some of these cases—we can provide details on this—in some of the cases the violator has a choice: Roll back the price to such a degree that they actually refund the ill-gotton gain from the overcharge in prices, either to the customers if they can identify them, or to subsequent customers; or in cases where there has been a violation and they have not refunded, we have, under the Economic Stabilization Act, authority to impose $2,500 per day, per violation found.

We have imposed such fines in some instances.

Mr. ROSENTHAL. How many cases?

Mr. MCLANE. I cannot answer that here, Mr. Rosenthal.

Mr. ROSENTHAL. Would you get that and answer that in the record for us?

Mr. MCLANE. We can.

[The information referred to follows:]

Summary of phase IV retail gasoline investigations through December 10, 1973

Number of investigations	4,061
Number of NOPV's (notice of probable violation) and remedial orders issued	68
Number of refunds (61) and rollbacks	$18,217
Closed, no violation	3,932

EXCEPTIONS TO PRICE CONTROLS

Mr. ROSENTHAL. Regarding petroleum price control and requests for exceptions, you state that 1,200 exception requests have been received: 700 have been resolved; and 500 remain in a state of consideration. Of the 700 that have been resolved, can you tell us how many were denied?

Mr. MCLANE. Most of these, Mr. Rosenthal, are the small gasoline or heating oil retailers who have come in for an exception of one type or another. They have not been able to cover their cost of operating. In many instances, we have granted that exception. We can also provide, for the record, a specific breakdown, in terms of approval and denials.

Mr. DUNLOP. These are not refineries, they are resellers and retailers, basically, small operators.

[The information referred to follows:]

Phase IV petroleum exceptions summary

Exception requests less than 1 cent (handled solely by IRS):	
Cases received	505
Cases closed:	
Approved	51
Denied	5
Withdrawn	207
Reconsideration	6
Total	269
Under consideration (as of Dec. 13, 1973)	236
Exception requests 1 cent or greater (received by IRS, decided by CLC):	
IRS cases received	837
Disposed:	
Withdrawn	389
Rejected	2
Transferred to CLC	388
Total	779
Under review by IRS or en route to CLC (as of Dec. 3, 1973)	58
CLC cases received	390
Cases closed:	
Approved	2
Denied	7
Dismissed	185
Transferred	9
Total	203
Under consideration (as of Dec. 7, 1973)	187

CONSUMER REPRESENTATION

Mr. ROSENTHAL. At the end of your statement you refer to a number of coordination meetings between the Cost of Living Council staff, FEA and others. Have there been any steps taken to assure that there has been a consumer representation into this decisionmaking process?

Mr. MCLANE. Mr. Rosenthal, I am pleased to say that we do have a consumer representative who is a very active part of the Cost of Living Council staff. This is Mary Kay Ryan. She is a part of the executive secretariat of our organization. By moving her to that position, she is involved in across-the-board policy and operating matters before the Council.

Chairman HOLIFIELD. Your time is up. Mr. Horton?

Mr. HORTON. Mr. Chairman, I will reserve my time.

Chairman HOLIFIELD. Mr. Brown?

Mr. BROWN. Mr. Chairman, I will reserve my time.

Chairman HOLIFIELD. Mr. Mallary?

Mr. MALLARY. I have one brief question, Mr. Chairman. I would like to explore briefly the interrelationships between the Cost of Living Council and the Federal Energy Administration.

FEA AND CLC

You mention in your statement the ongoing coordination during the transition period. Subsequent to that, how do you see coordination being developed between the Cost of Living Council and FEA, so that you are either in on the policymaking or fully apprised of policy decisions about to be made?

Mr. DUNLOP. Let me make a brief comment. Perhaps Mr. McLane may talk about it at a more operating level. At the policy level, though I am not aware of any formal arrangements fully worked out as yet, I would assume that Mr. Simon would consult with us, and I with him. The continuing Energy Action Committee, or whatever its proper name is, meets from time to time, and I have been invited, I know, to attend a meeting of that group later this week. And, I would assume, in the future that kind of relationship will continue.

At a more operating level, our energy division, which will be transferred there, is well acquainted both personally and official with the people that are likely to form the key group in this new energy agency. I assume there would be the kind of easy relationship that we have enjoyed in the past, and the coordination over it, over such matters as may arise, over supplies and such other areas that may be outside the energy field, but which have an impact on energy.

Mr. MALLARY. There is nothing, in other words, structurally created to provide for this. It will be worked out in a cooperative relationship?

Mr. MCLANE. Two things on that. One, structurally, as Dr. Dunlop pointed out earlier today he meets every morning as part of the program with people that are involved with economic policy in the Government—one is Mr. Simon who is Administrator of this agency. So every day there is a structural forum for that.

Second, I think, structurally, on the other side of what Dr. Dunlop pointed out, that the group that we are transferring over to the Federal Energy Administration is a group that not only knows the Federal Energy Administration people very well, but has been working very closely with me and Dr. Dunlop, and senior and mid-level CLC staff. This will promote the constant interplay in terms of what CLC thinks about a particular policy and how will it work out. This type of interplay has been ongoing between CLC and the various energy offices that have been in existence up until now. That is why, as Dr. Dunlop pointed out in the statement, we are very much encouraged and fully support the very close coordination now of both the policy and the administration, of supply, allocation, and price controls in this area.

Mr. MALLARY. Then is it fair to say, as your statement indicates, you do not foresee any major coordination problems because of this being taken away?

Mr. DUNLOP. No; what will practically happen, if you take a problem that arises, we will have joint meetings about it. If there is an issue, it will come up to Bill and myself and we will readily resolve it.

Mr. MALLARY. Thank you very much.

Chairman HOLIFIELD. The Chair will reserve his 5 minutes and yield to Mr. Rosenthal for 5 minutes for the second round.

FEA PRICE DECISIONS

Mr. ROSENTHAL. Dr. Dunlop, do you think this new Federal Energy Administration can be as independent as the Cost of Living Council has been in making price decisions in this field? The reason I ask that question is, they would be in such a tight relationship with the oil energy industry, that industry will have a unique input into the decisionmaking process of the Agency. In some cases, it may have an overwhelming influence because of the ability to always say supply, supply, supply will be affected by your decisions. Will they have this independent judgment in the economic price considerations that is so important, the independence of judgment, as the Cost of Living Council has?

Mr. DUNLOP. You are asking me to predict. That is kind of hard for me to do. Structurally, the arrangement is not essentially different from ours in the sense that there would be, in addition to Mr. Simon as its Administrator, an advisory group of the top Government officials, as many, assume, as there are members of the Cost of Living Council.

It seems to me that that group provides the kind of perspective and point of view that is more general. I suspect that all of us, in this year, as I have repeatedly said, have been concerned about the tradeoffs with supply on the one hand and price and consumers' interests on the other. That is, I grant you, not an easy balance to strike. I have been troubled about it on occasion, and one needs, from my perspective, to press very hard into exploring supply problems in order to protect consumer interests.

Mr. ROSENTHAL. What I am really asking, do you have any legislative recommendations due to the uniqueness of the structure to protect that decisionmaking process? It is a most unique situation in the Government that the agency that is regulating production and supply is

also regulating price to consumers. It is a unique situation. We could take off, from the Cost of Living Council, all decisions as to small business and put it into the Small Business Administration. Why do we not do that?

Mr. DUNLOP. I am not sure that is all that unique. A great deal of the agricultural decisions of the past have often supplied the coordination of supply and price decisions. I think—I really do not have any legislative recommendations about the matter. I do think that it is important, and I do think it is Mr. Simon's intention, that there would be this larger group with whom he would meet to discuss broader policies which would be representative of the broad group of interests in the Government, just as the Cost of Living Council represents various departments.

Mr. ROSENTHAL. Why do we not take out food from the Cost of Living Council and put it in the Department of Agriculture? It is a relationship with supply.

Mr. DUNLOP. In 1974, we do not face the same problems in food that we do in energy.

Mr. ROSENTHAL. I think we do.

Mr. DUNLOP. I doubt it. Last year we faced those problems. I think the reason for the energy problems being what they are is because of the overriding considerations of supply. It seems to me that the balance on the price side has to be worked out by this advisory group, this larger policy group. As I have indicated, I see no problem with the constant interaction and coordination with the Cost of Living Council where our major position is—I think I could summarize it—we are opposed to price increases, saving those circumstances where we are persuaded that they are essential for requisite——

Mr. ROSENTHAL. You do not agree with me that this is a unique situation, the responsibilities of the new FEA?

Mr. DUNLOP. I agree that the nature of our problem in 1974—1973–74—is distinct and special. But, having had a great deal of experience in this range, through World War II and Korea, the coordination of War Production Board and OPA types of activities, under our stabilization program, many precedents of the past are not, I think, very salient to the sort of arrangement here involved.

Chairman HOLIFIELD. The gentleman's time has expired. Mr. Horton?

Mr. HORTON. I reserve my time, Mr. Chairman.

Chairman HOLIFIELD. Mr. Brown?

Mr. BROWN. Mr. Chairman, I reserve my time.

Chairman HOLIFIELD. Mr. Mallary?

Mr. MALLARY. I reserve my time, also.

Chairman HOLIFIELD. The Chair does not care to use his time, so if you gentlemen do not care to use your time, the questioning is at an end. Do you have any more questions, Mr. Rosenthal?

Mr. ROSENTHAL. No.

Chairman HOLIFIELD. There are no further questions of the witness. The Chair excuses the witness. The Chair wishes to thank the gentleman for his return here at the request of the Chair.

Mr. DUNLOP. I appreciate the opportunity to appear before you and your colleagues.

Chairman HOLIFIELD. The meeting stands adjourned until 1 p.m., tomorrow.

[Whereupon, at 9:10 p.m., the subcommittee adjourned, to reconvene at 1 p.m., Tuesday, December 11, 1973.]

FEDERAL ENERGY ADMINISTRATION

TUESDAY, DECEMBER 11, 1973

House of Representatives,
Legislation and Military Operations Subcommittee
of the Committee on Government Operations,
Washington, D.C.

The subcommittee met, pursuant to notice, at 1:05 p.m., in room 2154, Rayburn House Office Building, Hon. Chet Holifield (chairman of the subcommittee) presiding.

Present: Representatives Chet Holifield, Fernand J. St Germain, Don Fuqua, William S. Moorhead, Frank Horton, John W. Wydler, and Richard W. Mallary.

Also present: Herbert Roback, staff director; Charles Goodwin, counsel; Michael McGinn, defense analyst; Elmer Henderson, general counsel; Miles Romney, counsel-administrator; Warren Buhler, minority professional staff, Committee on Government Operations.

Chairman Holifield. The committee will be in order.

We are pleased to have the Honorable John Nassikas before us this afternoon, the Chairman of the Federal Power Commission.

Mr. Nassikas, we will be glad to hear from you. We are interested, of course, in your knowledge of the structure of government, with particular reference to the Federal Energy Administration legislation. I believe you have a chart in front of you, an organization chart, which is the concept of the Administration at this time as to how they plan to segregate the duties and responsibilities into organizational boxes.

We would like to have your reaction to this and also to the overall problem of whether you believe quick action on this kind of legislation is necessary, whether you believe there is a real energy crisis at this time, whether you think this is a step along with the other steps that are taken, such as the ERDA bill, to get the show on the road, to see if we can solve some of these problems.

I understand you have no prepared text. You may just speak from your wealthy background of experience and knowledge of the governmental structure.

STATEMENT OF JOHN N. NASSIKAS, CHAIRMAN, FEDERAL POWER COMMISSION; ACCOMPANIED BY WEBSTER MAXSON, EXECUTIVE DIRECTOR; DREXEL JOURNEY, DEPUTY GENERAL COUNSEL; DANIEL GOLDSTEIN, ASSISTANT GENERAL COUNSEL; AND EMMETT GAVIN, ASSISTANT TO THE CHAIRMAN

Mr. Nassikas. I will be very happy to, Chairman Holifield. Perhaps I will summarize my statement in very brief terms and then re-

26-725—74——11

spond to questions relating to the Federal Energy Administration, its organizational structure, how it fits into the energy problems that we have today, and wheher this kind of structure will improve the ability of the nation to cope with the problem.

VERY BROAD LANGUAGE

First, generally I endorse H.R. 11793 and the organization that is set forth therein. I would like to point out in section 3(a) there is some very broad language that I do not need to repeat verbatim but will paraphrase. It delegates to the Federal Energy Administration the responsibility for assuring that adequate provision is made to meet the energy needs of the Nation for the foreseeable future. To that end it provides that "the Administration shall plan, direct, and conduct programs related to the production, conservation, use, control, distribution, and allocation of all forms of energy."

This is a desirable concept. I support the centralization of responsibility and accountability for energy programs within a central administration. However, because this language is so broad, it could be read to contravene the delegated authority and responsibility under other congressional acts, for instance, our responsibilities under the Natural Gas Act and under the Federal Power Act. I do not believe it is intended to do that. Our charter, so to speak, as an independent regulatory agency, consists of these two basic acts. In the event that this language is construed literally, it would seem that the policies of those acts as assigned to us by the Congress could be superseded.

May I repeat, I do not think that that is the intent. If it is not the intent, I would urge that it be clarified.

Mr. HORTON. I think we should have provided you with a copy of the revised bill. Perhaps a member of the staff could give you a copy of that now so that you could take a look at it.

Let me explain. We introduced a bill. Then because we felt that we had to do some work on it last Thursday and Friday, Saturday and Sunday, the Chairman and I, with the staff, worked out some revisions. Those two provisions have been eliminated on page 5 of the draft that you now see.

Use that new draft, please. I know this is an imposition on you.

Chairman HOLIFIELD. We have been working so fast, we have been working at night.

Mr. NASSIKAS. Now, having the benefit of the revised draft of December 9, Mr. Chairman, it seems that section 3 has been straightened out. I think the problem that I focused on is probably the reason that it was straightened out.

Mr. HORTON. That was part of it.

Mr. NASSIKAS. Rather than going through the bill in detail, let me see if I can be of some assistance to you on the second aspect of your question, Mr. Chairman and Mr. Horton.

NATURE OF ENERGY CRISIS

Is there an energy crisis in the United States? Yes. There is an energy crisis in the United States. It has existed, in my opinion, for several years.

I do not want to engage in semantics, but my definition of an energy crisis is that we do not have the supply available to meet projected demand for energy consistent with the requirements of our economy. The forms of energy that are essential to maintain our economy and meet the social objectives of this nation are in short supply. In that sense, we do have an energy crisis.

I have tried to document the crisis as I know that you have, Mr. Chairman, in your Joint Committee on Atomic Energy. I have tried to focus governmental and public attention on the pervasive and deepening shortage of natural gas throughout the United States, that I inherited when I became Chairman of the Federal Power Commission on August 1, 1969. Since then, we, at the Commission, have attempted to design policies within the limited structure of the Natural Gas Act, to improve gas supply to meet foreseeable demands.

In addition to natural gas, we have electric power responsibilities at the Federal Power Commission, particularly responsibility for a reliable, abundant, low cost supply of power with due consideration to efficiency and conservation under section 202(a) of the Federal Power Act.

Pursuant to those responsibilities, we have conducted studies through the years of the availability of primary resources, 25 percent of which are consumed currently in electric power generation. I have stressed how important it is that these resources be available in sufficient quantities to meet growth demands of the electric utility industry. Our studies have indicated over the course of the last 2 years, particularly, that a resource availability problem had arisen, not only because of environmental restraints, but also because of siting problems and quality problems. Resource recovery problems affect the availability of oil in addition to natural gas, and the availability of coal to meet our generation requirements in the country.

NUCLEAR PLANT DELAYS

There has been, as I know you are aware, Mr. Chairman, a delay in the installation of operable nuclear power generating facilities. Our latest examination of this issue indicates that approximately 30,000 megawatts of nuclear power should have been on line about 2 years ago, and it is still not on line in the United States.

In my opinion, if there is any single program in the United States that can meet our objectives of having an abundant supply of energy available, while conserving our resources and minimizing our reliance on imports from foreign nations, it is the acceleration of our nuclear program. A marked increase in nuclear capability would relieve millions of barrels of oil and millions of tons of coal from being utilized in the generating process.

One nuclear plant of 1,000 megawatts, for example, in the course of 1 year, using a 57 percent plant factor—probably I should use a higher one, but just being conservative—would save about 9 million barrels of oil. So, 20 such plants would have 180 million barrels of oil.

There is an energy crisis. I believe that this bill will assist in developing the organization to meet the crisis. I am particularly in favor of it because it places the responsibility and accountability for our policies in a central agency of the Federal Government. Too often it

is possible for Government officials to suggest that the problem is not theirs. It is easy to say that it is not my fault because there are others who have the responsibility. This legislation will centralize much of the responsibility. It is the kind of accountability that I have advocated for several years and I favor it.

UTILITY FUEL SHORTAGES

With respect to residual fuel oil, just as an example, in the electric utility industry, we have estimated that about 1,050,000 barrels of residual fuel oil will be short this coming winter unless conservation and other protective measures succeed in reducing the shortfall. That is about 30 percent of normal demand. The daily reduction runs about 550,000 barrels. The normal domestic total demand is 3,600,000 barrels daily. The normal winter demand for utilities is 1,650,000 barrels daily. As I said, the estimated shortage should be about 550,000 barrels daily for utilities out of a total shortfall of over 1 million barrels.

The impact of that shortage is not equally distributed among the generating systems in the country because different generating systems have varying generation mixes, that is, the fuel that is used to generate the electricity. For example the Southeastern part of the United States, including TVA, is a coal reliant region, although I am heartened by the idea that they are proceeding rapidly to convert to nuclear power to meet their growth demands.

North of here to Maine is largely an oil reliant region, residual fuel oil accounting for about 55 percent of generating capacity for the entire region. As you go north into the New England region, where I happen to originate, we find reliance of about 80 percent on residual fuel oil, and of that 80 percent—80 to 90 percent—is imported from Western Hemisphere sources, perhaps 50 to 55 percent of the remainder, from North Africa and Middle East sources. So it can be seen that the vulnerability of our electric power systems in the Northeast is far greater than the Southeast or the Midwest or the Southwest with respect to residual fuel oil.

We proceed to the Pacific Coast, and we know that in southern California, which you, Mr. Chairman, are more familiar with than I am, that from the standpoint of electric power, there is heavy reliance on residual fuel oil in addition to gas. There is some coal reliance to be sure, but this is more in the Northwest and also in the Centralia plant, and also the projects that are now in process in Farmington, N. Mex. In any event, southern California will also be largely affected by the residual oil shortage.

This bill, which I support, cannot be considered in isolation from the enabling legislation to authorize the Federal Energy Administration to carry out its emergency powers. That emergency legislation, which I know the House has been working on night and day—the Senate version is already passed—will, by declaring a national energy emergency, enable the triggering of power so that this particular organization, the Federal Energy Administration, can go ahead and carry out its delegated responsibilities.

I think that I have probably talked long enough. I will be happy to respond to questions.

Chairman HOLIFIELD. Mr. St Germain.

Mr. ST GERMAIN. I thank the witness. Just a few brief questions.

Whereabouts in New England are you from?

Mr. NASSIKAS. I was born in Manchester, N.H., went to Dartmouth College and a small university on the Charles River named Harvard.

Mr. ST GERMAIN. We will not hold that against you.

Mr. NASSIKAS. I am a New Englander by birth and adoption, too.

HYDROELECTRIC PROPOSAL

Mr. ST GERMAIN. You do not mention any hydroelectric plants. I am thinking of the ill-fated Dickey-Lincoln plant that some of us in New England supported very strongly.

What was the time factor there for the construction of that plant?

Mr. NASSIKAS. If that had gone through, if that had been built when it was first contemplated, around the early 1960's, I would say that the timeframe at that time, to build that, had there been a go-ahead, would have been in the area of 4 to 5 years. This would be a fairly accurate figure. Today it would take somewhat longer.

Mr. ST GERMAIN. Tell me, do you feel, in view of the situation we now find ourselves in, particularly in the Northeast, in New England, that it might be wise to review the possibility of a Dickey-Lincoln as a source of energy, hydroelectric, so we do not have to rely on oil, coal?

It would utilize turbines powered by water, correct?

Mr. NASSIKAS. Yes, Mr. St Germain. I would like to just add a sentence or two to this commentary. I have filed on at least two separate occasions, and probably more, with the House Commerce Committee, and its Subcommittee on Communications and Power my evaluation and analysis of that project. I have indicated that the project has in effect been cleared over the course of the years, but it is being currently held up by virtue of a review of the environmental and fisheries implications of it.

As far as I am concerned as Chairman of this Commission, I have adopted a view that our hydroelectric power resources should be developed, that if Dickey-Lincoln is a viable project, as was found before I came here, that we should proceed with it.

May I add just one more commentary, because I really think it is necessary. In New England, as you know, Mr. Congressman, and in Maine, there is now a large nuclear facility of about 800 megawatts in Wiscasset which just about doubled the power supply of Maine. Also, the Pilgrim plant is a nuclear facility down the line in Plymouth of about 650 megawatts. We also have the Vermont Yankee nuclear in Vernon on the Connecticut River, just north of Brattleboro, Vt., the Vermont side of the river; in addition, there is another installation at Haddam, Conn. The nuclear proportion of generation in the New England power pool is the highest in the country of any power pool.

This in no way indicates that we should not explore the hydro potential also. But the impact of nuclear development on power supply should be considered as a major option before we go ahead on any project.

As far as I am personally concerned, I think Dickey-Lincoln got bogged down through the years without justification as a result of

public versus private power. We are far more sophisticated as a republic than to get involved in that fracas.

Mr. ST GERMAIN. You may not want to put it on the record, but I do not mind putting it on the record that Dickey-Lincoln was the victim of a very strong lobby by the private power companies. For the life of me I could never understand why some of my colleagues from New England were taken in, as far as I am concerned.

Mr. WYDLER. Would the gentleman yield to me?

Mr. ST GERMAIN. Yes.

PASSAMAQUODDY PROJECT

Mr. WYDLER. What about Passamaquoddy?

Mr. NASSIKAS. I am not enough of a technician to give you details, but I have studied it. It is part of my responsibilities. The initial Passamaquoddy project was allocated $10 million for what was estimated to be a $30 million project. Of the $10 million, $7 million was spent.

If it is feasible technologically, and if the costs bear it out, to harness the tides, as Passamaquoddy would, then I see no reasons why this kind of project should not also be developed. In fact, in the new energy and research budget, there is a very small amount that has been allocated, not the present budget but in the proposed research and development priorities, that was just recently prepared. There is a section that relates to tidal power. I do not know whether it is adequate. In France there have been some developments in tidal power, although they have had technical difficulties with the reliability of those particular systems. As far as I am concerned, to broaden this discussion out some, besides fusion and nuclear energy and the development of our fossil resources, I think we should do a great deal more with solar energy and other exotic sources. I think we can do something with the Gulf Stream, for example. If projects like Passamaquoddy prove out, they ought to be developed.

In New England, by the way—I will say this generally because I am responding to Mr. Wydler now—we have cleared a number of pumped storage projects, which is hydro peaking power, and which is of material assistance not only for reliability but also for economy since it adds to a system's ability to meet peak loads. In New England there are two major pumped storage projects, Bear Swamp and Northfield Mountain which we have cleared in recent years to assist the New England power pool. These were cleared in the last 2 years. Also, the Storm King project in New York was certified for the first time in 1962, and recertified in an option I authorized in 1970, and still construction has not started. This is 1973. Storm King is a pumped storage project of 2,000 megawatts at peak, which would be the same amount of power that would be supplied by two large nuclear plants for that particular peaking period.

Mr. WYDLER. I can remember Passamaquoddy. It goes back very far in my memory. I was in my early childhood, I guess, when that was first proposed. I can remember people thinking that President Roosevelt was crazy to come up with an idea like that. It looks like we are willing to try anything at this point. You never know, it might turn out.

[Chairman Nassikas subsequently submitted for the record copies of identical letters, dated December 12, 1973, to Representatives St Germain and Wydler concerning the Passamaquoddy tidal project and the Dickey-Lincoln hydroelectric project. Enclosures referred to in the letters were not submitted. A copy of the letter to Representative St Germain follows:]

DECEMBER 12, 1973.

Hon. FERNAND ST GERMAIN,
House of Representatives, Washington, D.C.

DEAR CONGRESSMAN ST GERMAIN: This refers to questions raised at the December 11, 1973, hearings on H.R. 11793, 93d Cong., 1st Sess., concerning the Passamaquoddy Tidal Power Project and the Dickey-Lincoln School Hydroelectric Project. The Federal Power Commission and its staff have made studies of both of these proposed projects over a period of some years and have furnished relevant information to the Congress and other agencies investigating the projects.

The International Joint Commission, United States and Canada, made an in-depth investigation of Passamaquoddy and related projects on the St. John River. The April 1961 IJC report, which was unfavorable to development of the tidal project, was referred by the President, in May 1961, to the Secretary of the Interior for review. Following studies by the Department of the Interior, the Army Corps of Engineers and other agencies, including the FPC, the Secretary's report, dated July 1965, found the Passamaquoddy project benefit-cost ratio to be less than unity and the Dickey-Lincoln School project on the St. John River to be economically justified. The Secretary's report recommended continued study, re-examination and possible re-design of the Passamaquoddy project; and immediate authorization, funding and construction of the Dickey-Lincoln School project.

The Dickey-Lincoln School project was authorized by the Flood Control Act of 1965 (P.L. 89–298, 79 Stat. 1074). Some funds have been appropriated to the Corps for advance planning of this project, but the Congress has not appropriated construction funds.

An analysis of the Dickey-Lincoln project was made by the Federal Power Commission staff in a report dated October 14, 1970. I am enclosing a copy of the staff report as it appears in the Committee Print, 1970, Hearings Before the Subcommittee on Special Small Business Problems, Select Committee on Small Business, House of Representatives, 91st Cong., 2nd Sess., on H. Res. 66, pp. 500–510. In submitting that report to the Congress, I stated as follows in my testimony before the Small Business Committee (Committee Print, p. 491):

"* * * The analysis dated October 14, 1970, was prepared by the Commission's Bureau of Power and covers the interrelationship of the construction and operation of federally owned facilities in the context of the Nepex-Nepool planning and operating arrangements covering bulk power supply in New England, the economic evaluation of the Dickey-Lincoln School Project in terms of its benefit-cost ratio, and the effect of the project on the environment. Attached to the report of the Bureau of Power is a report of the United States Department of the Interior Fish and Wildlife Service dated July 25, 1968. That report indicates that the proposed project could have substantial effects upon environmental and non-power factors. The project is shown in the staff analysis to be economically feasible on a benefit-cost ratio basis; but, as noted, the concepts underlying point-to-point transmission and the projected marketing arrangements covering the project as I understand are being advanced by the Department of the Interior may not be compatible with the broader pooling arrangements now being developed in the six-state New England area. I believe that continued review of the project in the light of these developments may prove useful."

I am also enclosing a recent Federal Power Commission staff report, dated June 29, 1973, on the value of, and possible markets for, power from the proposed Passamaquoddy and Dickey-Lincoln School projects. As you will note, this staff report gives data for both projects, summarizes regional power requirements and supply, discusses alternative power sources, and estimates power values for the projects combined and for Dickey-Lincoln School separately. This report reflects 1973 and earlier data, and was prepared at my instruction to assist the Division Engineer, New England Division, Corps of Engineers, in a review of the Passamaquoddy and Dickey-Lincoln projects.

The Corps of Engineers' review of the two projects, dated July 11, 1973, was made at the request of Senator Edmund S. Muskie. According to Corps study utilizing July 1973 cost estimates, the Passamaquoddy tidal project remains not economically justified but the Dickey-Lincoln School project continues to be economically justified.

As I stated at the hearing, nuclear, coal and hydroelectric generating capacity is of particular importance in this time of petroleum and natural gas shortages. I am enclosing for your information copies of the FPC Orders which I referred to; No. 496, issued November 29, 1973, and No. 497, issued December 7, 1973. The former order is directed to conservation measures and the maximization of use of electric utility generating resources other than petroleum and natural gas fired units. The latter order is directed to the electric utility industry's fuel needs, as they relate to allocation procedures under the Emergency Petroleum Allocation Act of 1973, P.L. 93–159, 87 Stat. 627, or other statutory authority.

These and other Federal Power Commission initiatives to meet the fuel emergency conditions are being coordinated with all affected departments and agencies of Government.

If I can be of further assistance please advise.

I am sending an identical letter to Congressman John W. Wydler.

Sincerely,

JOHN N. NASSIKAS, *Chairman.*

Chairman HOLIFIELD. Mr. Fuqua.

ANTITRUST ASPECT

Mr. FUQUA. I have one question. It is my understanding that in the Federal Power Commission or the Justice Department or elsewhere, there is a requirement that every time a power company is ready to construct or begin plans for a new plant, there is an antitrust proceeding that must be answered stating there is no antitrust provision in the power company. I do not know the extent of this proceeding; however, it is my understanding that such requirement has been a deterrent and causes an extremely long delay in getting powerplants on the line.

Is this a requirement of the FPC? Where does this requirement come from?

Mr. NASSIKAS. That is the Atomic Energy Commission. An act was passed by Congress in 1970 which requires a Justice Department review to determine whether or not there are any anticompetitive implications in the construction of a nuclear plant.

I am familiar with this because we work closely with the Atomic Energy Commission in discharging our responsibilities. What has happened in many instances is that there have been settlements made, rather than sending a case to hearing, which will permit the sharing of power output from those plants, and in many instances, the sharing of the financing of the plants also. From my appraisal of it, frankly, from the standpoint of delays, I do not believe it has been a significant factor.

I am interested enough to review it further, and if I may, I would like to submit to you, perhaps something more authoritative after I get back to the office.

Mr. FUQUA. I would appreciate that.

[The information referred to follows:]

Hon. DON FUQUA,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN FUQUA: This letter responds to your questions at the December 11, 1973, hearings on H.R. 11793, 93d Cong., 1st Sess., concerning delayed nuclear units and antitrust reviews pursuant to Section 105c of the Atomic Energy Act, as amended, 42 U.S.C. 2135.

As I indicated during yesterday's hearing, the Commission's engineering staff earlier this year surveyed the electric utility industry and ascertained that there were 30 generating units involving 27,389 mwe of nuclear fueled capacity which had been delayed beyond their originally scheduled in-service dates, which in all cases were dates prior to the summer of 1973. The enclosed tabulation, taken from the Federal Power Commission's Bureau of Power Report (released to the public on March 7, 1973, Release No. 19050), identifies these particular plants and the reported causes of delays in the operation of the plants from their originally scheduled in-service dates. Information available to the Commission engineering staff as of this time, indicates that only four of the plants listed on the tabulation are operational, and only one of these has been declared to be in full commercial service. The four plants are shown by asterisks on the tabulation.

It is my understanding that the AEC does not regard any of the present nuclear delays as being occasioned by antitrust reviews. The reason for this lies in the grandfather clause of Section 105c(8). The AEC position is explained in a letter of AEC Chairman Dixie Lee Ray to the Joint Committee on Atomic Energy Chairman Melvin Price, dated August 27, 1973. Chairman Ray stated in part:

"* * * Thus far the antitrust reviews required by section 105c have not caused delays in power reactor licensing proceedings due to the 'grandfather clause' which covers applications that were on file when present section 105c was enacted. (Section 105c. (8).) As licensing decisions are made for the 'non-grandfathered' plants, the potential for delay due to antitrust considerations is certainly present. We have taken various administrative and procedural measures in an effort to minimize this possibility and are keeping the matter under close scrutiny.

As I stated at the hearing, nuclear, coal and hydroelectric generating capacity is of particular importance in this time of petroleum and natural gas shortages. I am enclosing for your information copies of the FPC Orders which I referred to; No. 496, issued November 29, 1973, and No. 497, issued December 7, 1973. The former order is directed to conservation measures and the maximization of use of electric utility generating resources other than petroleum and natural gas fired units. The latter order is directed to the electric utility industry's fuel needs, as they relate to allocation procedures under the Emergency Petroleum Allocation Act of 1973, P.L. 93-159, 87 Stat. 627, or other statutory authority.

These and other Federal Power Commission initiatives to meet the fuel emergency conditions are being coordinated with all affected departments and agencies of government.

If I can be of further assistance please advise.

Sincerely,

JOHN N. NASSIKAS, *Chairman.*

Enclosures:

1. FPC Press Release No. 19050, dated March 7, 1973, p. 8, Table II, Nuclear Units Originally Scheduled For Commercial Operation By Or Before Summer 1973 Delayed Beyond Summer 1973.
2. FPC. Order No. 496, Emergency Actions For Conservation Of Petroleum And Natural Gas Fuel Resources By Electric Utilities, issued November 29, 1973.
3. FPC Order No. 497, Emergency Actions For The Reporting Of Data Relative To Electric Utility Fuel Requirements And Federal Governmental Fuel Allocation Procedures, issued December 7, 1973.

[NOTE.—Enclosures are printed as app. 4, p. 242.]

Mr. FUQUA. I can appreciate, and probably voted for, the provision that we are talking about. I think it is probably a very important provision to have. I am wondering if there is some way we can expedite this approval so that this is not another, and further, delaying device when we are in a situation, such as now, where time is of the essence.

I do not know whether it would be appropriate in this legislation, or what we have to do about the procedures for this. Is there some way the approval could be expedited and not be a delaying factor? I am informed that it can delay up to 5 years.

Mr. NASSIKAS. It can.

Mr. FUQUA. If there are complications involved?

Mr. NASSIKAS. If it is assigned to hearing, there is no more complex area in the law than antitrust. We have the same situation in some of our hydroelectric licensing, except there is no statute for a compulsory Justice Department review.

Mr. FUQUA. This is solely within the AEC?

Mr. NASSIKAS. Only the AEC, as to the mandatory review, and Justice being able under the terms of that statute to compel a hearing to review the anticompetitive implications of the proposed plant, yes, sir. I would like to say that one of the largest constraints that is in the other emergency legislation that I mentioned a moment earlier, is the air quality requirements, the air quality restriction.

ENERGY VERSUS ENVIRONMENT

I believe, and I have testified before both the House Commerce Committee and the Senate Commerce Committee last week that the liberalization of air quality restrictions should not be coterminous with a 2-year period under that emergency legislation. It should be coterminous with the period of conversion from oil to coal, to enable the operators of the utility systems to secure long-range contracts for coal supply. It may be a coal supply that will exceed the sulfur dioxide emission standards but not the ambient air standards. I do believe, of course, that ambient air quality necessary to protect human health and welfare must be preserved at all costs.

Mr. FUQUA. It is important.

Mr. NASSIKAS. The environmental restraints, overall, for our energy systems have been probably the single most influential factor in delays for energy systems going on the line. At the same time I should say that some of the delays may have been warranted in order to protect and preserve our environment. We have a question of competing needs here. One is the environment, the other is energy systems. Our total environment is much more than physical. It is economic and it is social. I happen to believe that you have to allow for transition.

Mr. FUQUA. Mr. Chairman, I just mentioned that this is going to be Energy Week in the House—whether it be in the reorganization plan of the AEC or not, maybe we need to modify it. If that is the case, and I am not sure that it is, I do think it is something that we need to look at.

I would appreciate your review as rapidly as we could get it, because we are probably going to be involved in it tomorrow.

Mr. NASSIKAS. I understand, I will try to get something to you. I will get something to you by tomorrow morning on your question of the nuclear plants in relation to the Justice Department.

Mr. FUQUA. Thank you, Mr. Chairman.

Chairman HOLIFIELD. Mr. Mallary?

Mr. MALLARY. I have no questions.

Mr. GOODWIN. Mr. Chairman?

Chairman HOLIFIELD. Mr. Goodwin.

FPC AND CLC

Mr. GOODWIN. Are your functions distinct from the controls of the Cost of Living Council?

Mr. NASSIKAS. By regulation the Cost of Living Council determined in phase IV that the restraints on price, except for some very generalized guideliens, would not be applicable to our producer rate regulation, or to our jurisdictional regulation in natural gas or in our electric power rate making function.

Mr. GOODWIN. Conceivably then, if the Federal Energy Administration took over the functions of the Cost of Living Council in connection with their Energy Division, they could change that exemption?

Mr. NASSIKAS. Yes, I think that is so. The structure of the act is not amended, it is simply a transfer of the functions, just as the Cost of Living Council could have changed their administrative regulation so as to preempt our ceilings that we prescribed, so could another administration.

Could I expand a moment?

Mr. GOODWIN. Please do.

EXTENT OF AUTHORITY TO TRANSFER

Mr. NASSIKAS. It has been called to my attention, by Mr. Journey, who is our Deputy General Counsel at the Federal Power Commission, that under section 6(c), on page 7 of the December 9 draft of H.R. 11793 that the President would be granted authority to transfer to the Administrator any functions of any other department or agency of the United States which relate primarily to energy functions described in this act. Since I have already stated that I favor centralized accountability and responsibility, I do not want to change that view. I believe very strongly in this. However, I would say that the way this reads, some question might arise as to whether the Congress intended to delegate to the President, and subsequently to the Federal Energy Administration, the authority to transfer functions of independent regulatory agencies such as the Federal Power Commission, under the Natural Gas Act and Federal Power Act, either as to curtailments which we have been operating under in natural gas for 3 years now, or as to price regulation in the gas field, or as to our transfers or our responsibilities in relation to reliability or interchange agreements, or bulk wholesale rates under the Federal Power Act.

I do not know, really, what is intended by 6(c) on page 7. It should be clarified if the Congress did not intend to authorize the transfer of functions from independent regulatory agencies. I am concentrating on the word "agency" here—any other department or agency. You might wish to consider, depending on what your policy views are, inserting the words "or executive agency of the United States" or whatever amendment would be appropriate to clarify the intent of this language.

Mr. GOODWIN. I am sure the committee will consider your suggestion in that connection. I call your attention to 6(b) right at the top of that page and again ask you whether, pursuant to that section, the Administrator of the FEA, would not be able to exercise some review or control over the rates that you fix?

Mr. NASSIKAS. Yes. Under that section, as I read it, the answer to your question is yes. The FEA Administrator could exercise that kind of policy control, particularly if you go into the chart, and some of the testimony that has been presented that I did happen to review last night. I will not go into it in detail, but look at the chart and concentrate, particularly on the Assistant Administrator for Economic and Data Analysis. Presumably, the functions of that office would contemplate evaluation of natural gas data. Yet, the FPC has reserves studies that we are making. Look also at the functions of the Assistant Administrator for Policy Planning and Regulation. His functions include policy formulation and analysis and evaluation of pricing—as a method of allocating resources. Of course, pricing as a mechanism of allocation is one of the things we do, daily, in carrying out our responsibilities. Men of good will can disagree on problems of national importance.

Or, look at the stated responsibility of the Assistant Administrator for Energy Conservation and Environment as described on the organization chart. We have, at the Federal Power Commission, conservation programs relating to both electric power and natural gas. We have issued, very recently within the past week, implementing conservation rule makings designed to meet the energy emergency, orders 495, 496, and 497. We are in the process of finalizing rulemaking in the natural gas area for conservation. I mention these only because there may be other concepts of conservation that the Assistant Administrator, under the direction of the Administrator, may have. This may all be very good, but I think it ought to be clarified as to who is doing what, and under what statute.

As part of the responsibilities assigned to the Assistant Administrator for Energy Resource Development, it seems to me that certainly natural gas would be part of at least his policy evaluation responsibilities. I would cooperate, as chairman, with all of these Administrators and try to assist in their evaluations. The question is, suppose there is a difference of opinion. What is intended here as to responsibilities of that agency? What is intended to remain with the regulatory agencies?

Mr. GOODWIN. I think it is clear that you have many functions that are not now within the control of the Cost of Living Council. And, under 6(b), only those functions of the Cost of Living Council would be transferred to the FEA.

Mr. NASSIKAS. That is clear. Under (c), however, as I say, this could be broader than it is intended.

Mr. GOODWIN. That would require Presidential action, of course, and only within the next 6 months.

Mr. NASSIKAS. Yes, sir.

Mr. GOODWIN. Thank you.

Mr. ROBACK. What is the relationship between the Agency and the Commission—do you think it is unclear?

Mr. NASSIKAS. I think that the way that this is expressed in the bill, that there is some ambiguity that could be easily cleared up.

Mr. ROBACK. You do not conceive that the Administrator will get authority that will supercede the authority that the Commission has?

Mr. NASSIKAS. I do not envision it in that way, nor do I believe in any way, that the Administrator has that intention. If statutes are not clear, then problems can arise.

FPC DATA COLLECTION

Mr. ROBACK. There are proposed functions for the Administration, among other things, to collect, assemble and disseminate, analyze and disseminate, information. To what extent do you do that in the energy field?

Mr. NASSIKAS. I would say that the Federal Power Commission probably collects as much information on energy as any other single agency of Government, both as to natural gas and as to electric power. There is no point in going over all of the information. It is too voluminous to narrate.

We collect information as to the financial operations, reserves and deliverability of the pipeline, among other things. We also collect information as to the interconnected electric utility systems throughout the United States. We collect price information, by the way, which I think is extremely important, as to what price the electric utilities pay for each form of fuel on a million Btu basis. We can, therefore, compare the price of coal in a particular plant or region of the country, with the price of gas or the price of oil. And, this information is all public and we do distribute this information to other agencies of Government.

I also believe that certainly as part of this legislation, the Federal Energy Administration should be authorized to collect and analyze information. We work closely with other energy agencies in this respect: In fact, just yesterday we had a four-hour meeting with most of the State commissions and with the Federal Energy Office staff. At my invitation, Mr. Simon and his deputy, Mr. Sawhill, met at the Federal Power Commission with the State commissions in a very constructive meeting, to try to see how we can coordinate.

We have had a second formal meeting with the staff of that agency, apart from various meetings that I have personally had with Mr. Simon and Mr. Sawhill and others, relating to the conversion of oil-fired plants to coal, and how we can best effectuate that program. The information that is being used by the Federal energy group, is information which we have acquired over the course of the past year, year and a half, getting ready for what we knew was becoming an energy crisis. I am happy we did this. I am happy we can help them out, and we will continue to do so.

Mr. ROBACK. Your concept is that the resources for collection and analysis of data would be utilized by the agency rather than they trying to duplicate or independently do it?

Mr. NASSIKAS. I am sure, as a matter of practicality, that is how that would work out.

Mr. ROBACK. On the question of information, is this information regularly collected, or specially collected? If so, do you have any special authority for getting information other than by voluntary request?

Mr. NASSIKAS. We have authority to compel the filing of any information which relates to our regulatory responsibilities from jurisdic-

tional companies. There is a gap in our informational ability to collect information as to nonjurisdictional companies, particularly in the gas field. We have asked Congress to amend section 14 of the Natural Gas Act, which is the basic gas information statistical gathering section, to enable us, on a continuing and methodical basis, to collect information from nonjurisdictional companies.

So far, the Congress has not chosen to pass this bill. I believe that the Natural Gas Act should be broadened in this respect. I believe that the Federal Energy Administration, during the period of the emergency, should also be able to get some information. We would try to carry out the responsibility in coordination with them. It is a gap and it should be filled.

Mr. ROBACK. How does the amendment to the Alaskan Pipeline Act, with regard to reporting under the Federal Reports Act, bear upon your Commission?

Mr. NASSIKAS. In securing authority or clearance for the gathering of information under rulemaking, we now clear through the Comptroller General of the United States, rather than the Office of Management and Budget. That was part of the amendment to the Alaskan pipeline bill.

Interestingly enough, we have had two major rulemakings: Order No. 496, which is a conservation rulemaking to cut back electric power by conservation targeted at 10 percent with some utilities as much as 25 percent throughout the United States; and Order No. 497, which was just issued December 7, which would gather more precise information as to fuel inventories and requirements of all the electric utility generating systems in the United States, so that we can forecast requirements on a continuing basis, working with the petroleum allocation section of the Federal Energy Administration. We received extraordinarily excellent cooperation from the Comptroller General and I would like to state that for the record. His staff worked on about a 24-hour to 48-hour basis, I think, to get our total clearance. I have had an exchange of correspondence with Mr. Staats, indicating that, of course, we will try to give them adequate notice so that they can intelligently review what we are doing, but recognizing, as I am sure he does, that when we are dealing with a crisis, crisis actions have to be taken. We have taken such action and we have received their full cooperation. I am very happy to say that that relationship has started off very well indeed.

Mr. ROBACK. Thank you.

Chairman HOLIFIELD. Any further questions?

Thank you very much, Mr. Nassikas, for your testimony.

Our next witness on H.R. 11793 is the Comptroller General, the Honorable Elmer Staats. Mr. Staats, we are pleased that you could come today. After we had had you scheduled for previous times, we ran into some emergencies and so we had to ask you to stay over, but we are not in any hurry today. You base your statement, of course, on the printed H.R. 11793. We accepted that from the administration and introduced it because we were in a hurry. The administration was in a hurry to get consideration of this bill. We have been working on this ever since we got it, and before you testify, I want you to know that the staff and Mr. Horton and I, have been reviewing it. Your staff also sat in on the deliberations at our invitation.

We have not had a markup session, and so we cannot say that we have adopted specific language, or we have rejected it. However, as you go through your statement, we are going to try out some language and ask if you feel that that would meet particular points of criticism which you have made.

STATEMENT OF ELMER B. STAATS, COMPTROLLER GENERAL OF THE UNITED STATES, GENERAL ACCOUNTING OFFICE; ACCOMPANIED BY HENRY ESCHWEGE, DIRECTOR, RESOURCES AND ECONOMIC DEVELOPMENT DIVISION; J. DEXTER PEACH, ASSOCIATE DIRECTOR, RESOURCES AND ECONOMIC DEVELOPMENT DIVISION; AND JOHN MOORE, ASSOCIATE GENERAL COUNSEL, OFFICE OF GENERAL COUNSEL

Mr. STAATS. Thank you, Mr. Chairman.

Like you, we have only had this bill a short time. If I am not able to respond, the members of my staff here who have been working on this continuously since we have had it, would be glad to help in any way they can.

I have a brief statement, Mr. Chairman.

Chairman HOLIFIELD. I think it is a good thing for you to go through it. In your statement you make a number of criticisms which in many instances, I believe, coincide with our thinking. At that point I will ask Mr. Roback to interrupt and have an exchange with you on those particular points.

Mr. HORTON. Would you like to introduce the members of your staff for the record?

Mr. STAATS. Yes. To my immediate left here, Mr. Henry Eschwege, who is the Director of our Resources and Economic Development Division, where our energy work is carried on. To his left is Mr. Dexter Peach, Associate Director of that Division. To my immediate right is Mr. John Moore, Assistant General Counsel of the General Accounting Office.

I will start on paragraph 2, Mr. Chairman.

The function of the Federal Energy Administration as set forth in section 3 is a broad one, namely, for "assuring that adequate provision is made to meet the energy needs of the Nation for the foreseeable future." The Administration would "plan, direct and conduct programs related to the production, conservation, use, control, distribution, and allocation of all forms of energy." The Administrator would also act as the President's adviser with respect to domestic and foreign policy relating to energy matters. The proposal thus would provide in statutory form the general charter already provided for the Federal Energy Office established by Executive Order No. 11748 of December 4, 1973.

BROAD POWERS OF ADMINISTRATOR

Needless to say, the authority which would be provided to the Administrator, taken in conjunction with the possible enactment of legislation along the lines of S. 2589, the proposed National Energy Emergency Act of 1973, as passed by the Senate, would be a most powerful one, indeed. The final judgment of the Congress is not clear with respect to the National Energy Emergency Act, since similar legis-

lation is yet to be acted upon in the House of Representatives. However, legislation along the lines of S. 2589 giving considerable authority and discretion to the President appears likely. It also appears likely that much or all of this authority would be delegated to the Administrator, thus placing tremendous power and responsibility in the proposed Federal Energy Administration.

Mr. ROBACK. On that point, if I may, we have modified or are proposing to modify that section so that the functions are listed, that all-embracing authority is not given.

I would like to ask you this question in that context.

Obviously in an emergency, an Administrator needs to have a broad authority. The concept of the emergency bill now being considered by another committee of the House is to place that power in the President, but by amendment to revest it in the Administrator.

The question is, is it better to have broad authority in the President or broad authority in the Administrator, qualifying the power of the President?

One of the qualifications, for example, in the other bill, that is, by the other committee, is that this Administrator would be removable only by cause.

Mr. STAATS. Generally, it seems to me—I have not examined the language—it would be better to have this authority vested in the Administrator for the reasons that I am going to point out later in my statement.

From the standpoint of holding him accountable, obviously the President would have to delegate to somebody the responsibilities which would be given to him under this legislation. I think that it is safe to assume that most of this would go to the Federal Energy Administrator. The only way that I know of that the Congress can be sure as to who they are going to make accountable is to make that explicit in the law.

Mr. ROBACK. The only point that I was making, Mr. Staats, was: If you vest the authority directly in the Administrator rather than by delegation from the President, then the Administrator, with respect to this very sweeping authority, may be held responsible, but the President cannot be held responsible.

Mr. STAATS. It is a valid assumption that anything that a subordinate of the President does is something you can hold the President accountable for. If you look at the sum total of statutory powers that are vested in the executive branch today, relatively few of them are vested in the President. Most of them are vested by Congress in the head of an agency.

Mr. ROBACK. This authority should be read in conjunction with the provision—this may be analogous to your appointment—the Administrator is removable only by cause. That is the proposal by the Commerce Committee.

Mr. STAATS. I am not commenting on that point. That is a separate point. It seems to me that that should not apply to an administrative or policy position in the executive branch.

That requirement is valid in a judicial post or a post of the type that I hold, which is a quasi-judicial type of post. But with respect to a policy or administrative official in the executive branch, I do not think it would be appropriate to have that kind of provisions written in.

Mr. ROBACK. Thank you.

SUGGESTED LIMITATIONS

Mr. STAATS. Mr. Chairman, I do not question the need to have a focal point to deal effectively with energy shortages. I am nevertheless concerned about the sweeping language which is included in section 3(a). The bill would charge the Administrator with all aspects of energy, irrespective of the fact that many of the authorities are presently vested in other agencies—the regulatory agencies, the Rural Electrification Administration, the Tennessee Valley Authority, other parts of the Interior Department, and so on. As a suggestion, Congress may wish to consider limiting section 3(a) to powers and functions which would be authorized in the National Energy Emergency Act. This would still recognize in section 3(b) that the Administrator would serve as the President's adviser with respect to all aspects of the energy problem.

Mr. ROBACK. I think we are trying to do that, Mr. Staats.

Mr. STAATS. This seemed to us to be a wise step, but I think we should also point out that as long as section 3(b) is in there, the Administrator would serve as the President's principal adviser on any executive branch function relating to energy. His scope would be government-wide.

Section 4 (a) and (b) of the bill would transfer the functions of certain agencies to the Federal Energy Administration. Section 4(c) of the bill as proposed by the Administrator, but not included in H.R. 11793 introduced by Chairman Holifield, would provide authority for the President to transfer to the Administrator additional functions after notifying the Congress of such transfers. The transfers would become effective after 60 calendar days unless either the House or Senate adopts resolutions disapproving them. I question the advisability of the inclusion of this authority. The Congress should have an opportunity to review the entire program again over the next several months to enable it to examine the need for reorganizations or additional authorities which may be recommended by the President.

In addition, the Congress has before it a legislative proposal for an Energy Research and Development Administration. Section 4(c) of the Administration's proposal would make it possible for the President to transfer activities from the Energy Research and Development Administration to the Federal Energy Administration under the procedure specified. While the bill makes no reference to the Energy Research and Development Administration, I assume that the Congress does not intend that the Energy Research and Development Administration, if established, would become a part of, or be subject to, the direction of the Federal Energy Administration without further congressional consideration. Language might be included in the bill to make this clear.

Mr. ROBACK. Mr. Staats, I was looking for 4(c). You must have been looking at the Senate bill because we dropped 4(c).

Mr. STAATS. Mr. Chairman, this is part of the difficulty.

Chairman HOLIFIELD. As I said, we have not even gone into markup yet.

Mr. STAATS. We had to work from the bill as introduced, up until the time when we received your bill.

Chairman HOLIFIELD. I see. You do not have it included in 11793.

Mr. STAATS. The point that we are making here is that unless the Congress wanted ERDA to be subject to the same procedure as any other activity, you would need to make a specific exclusion.

TEMPORARY TRANSFER AUTHORITY

Mr. ROBACK. The rationale, as I understand it, for having some sort of temporary authority is that their immediate experience in the next 3 months may indicate that there should be some additional transfers. If you are going to give emergency authority to someone to do a job, you ought not presumably prevent these kinds of adjustments within a limited period, and with congressional review.

You are not opposed to that in general, are you?

Mr. STAATS. It would be a little difficult for me to see why you would need it, given the scope of the energy emergency legislation pending before Congress, and given also the fact that the Administrator would be the President's adviser on all energy matters. Whatever advice he could give the President would apply, provided the President would be willing to accept it.

Generally I do not believe it is a good idea, as an emergency matter, to give this kind of authority right now. It seems to me that it should be a matter that Congress could review again when it comes back after the beginning of the year.

Mr. HORTON. Let me ask you about this language, Mr. Staats. I do not believe you have seen this latest draft.

For a period of six months after enactment of this Act, the President shall have the authority to transfer to the Administrator, by complying with the procedures established in 5 U.S.C. sections 901–913, if he determines that such transfers would further the accomplishment of the intent and purposes of this act, any functions of any other department or agency of the United States or of any officer or organizational entity thereof, which relate primarily to energy functions provided in this act.

Mr. STAATS. My reaction is that this language is awfully broad. The Energy Emergency Act has been passed by the Senate. I want to emphasize that I have no idea of what the House will pass. It is hard for me to conceive of anything more broadly written than that legislation, the Senate bill.

Chairman HOLIFIELD. It is restricted to matters pertaining to energy; is it not?

Mr. STAATS. If you shorten that period to 3 months, I would feel a little more comfortable.

Chairman HOLIFIELD. It also has to come before the Congress for review.

Mr. ROBACK. The reference is to title V, which is the Reorganization Act. There would have to be conformity.

Mr. STAATS. It would still have to conform.

Mr. ROBACK. Under this tentative wording.

Mr. STAATS. I would be more comfortable if it were a little less than 6 months. I think we are dealing here with some of the most sensitive matters affecting our entire economy. I am, therefore, a little conservative in this area. I do think that the situation calls for centralized action, but if the legislation enacted finally by the Congress is even close to that which has passed the Senate, they will have extremely broad power.

Mr. ROBACK. Mr. Staats, would it make you more comfortable if the likely transfers were specified, for example, from what departments?

Mr. STAATS. Yes. It seems to me that if there are entities that are candidates for transfers and they have not finally decided upon them but are leaning toward them, they could specify those right now. That would be my view of the matter.

Mr. ROBACK. Thank you.

Mr. BUHLER. Mr. Staats, although the situations are not analogous, is it not true that the Congress gave the President reorganizational authority very similar to what is being proposed here during the First and Second World Wars?

Mr. STAATS. He had some authority that was a part of the First War Powers Act, 1941. I would have to double check this. There was also and still is in the Executive Office of the President an Office for Emergency Management under which he was able to create new agencies and create bodies that were necessary for the planning of the war. It gave him a great deal of flexibility. The only restriction Congress ever ordered, or imposed, rather, was with respect to the money, the funds.

All I am suggesting is that Congress will be back within a month or 6 weeks, and if there are matters which are strong candidates for action, there might be written into the law some intermediate authority with respect to those. I do not know of any other candidates for transfer.

Mr. BUHLER. I think the problem was——

Mr. STAATS. I have not asked them, obviously. It was not my function.

Mr. BUHLER. We were told of a couple in the Department of the Interior that might possibly be eligible for transfer in the sense that they were developing projects that would seem to be closely related to the work proposed for the Federal Energy Administration. They wanted the flexibility, if necessary, in the future to move them over to the Federal Energy Administration.

I did want to make one further point, though, which is in a sense a restriction over and above the restrictions already clear in this language. That is that this whole agency is only created for a 2-year period. Under the terms of what we were talking about, there would be a reversion of all these programs back to their original agency at the end of that period. So, in effect, this is clearly emergency-type legislation that we are working on.

Mr. STAATS. One of my recommendations is to limit it to 1 year instead of 2.

I will continue now with my prepared statement.

Also subject to question is the provision in 4(c) of the administration's bill which would authorize the President to retransfer any function that was transferred to the Federal Energy Administration back to its former agency. Such retransfers should be subject to congressional approval.

DATA COLLECTION AUTHORITY

According to the background material accompanying this bill, the new agency would have the principal responsibility throughout the Government for the collection and publication of energy statistics.

The present energy data collection system is largely voluntary. The statement is made in the background material that "it is imperative that statutory authority exists to obtain whatever information may be required." The bill, however, does not contain language which would provide such authority.

The General Accounting Office is presently conducting a study of Federal energy data collection for the Senate Interior and Insular Affairs Committee. A few preliminary findings and observations are relevant to the proposal before you.

We have visited 17 Federal agencies comprising 47 bureaus, offices, divisions, and administrations which are collectors or users of energy data. We are in the process of identifying still others.

An analysis of Office of Management and Budget information indicates that, as of March 1973, 15 major Federal agencies were circulating 145 questionnaires and forms to private industry and States requesting energy-related data. The questionnaires consisted of some 11 million responses requiring respondents to spend an annual effort of about 3.6 million man-hours.

A great deal of data is already being collected by numerous Federal agencies to meet their own purposes, but there is a need for greater centralization of energy data collection.

Most of the data is reported voluntarily, except for that collected by the Federal Power Commission for regulatory purposes, for administering the leasing of Federal land and the Outer Continental Shelf for mineral exploration, and on imports. Thus, there is a need for statutory authority to require the reporting of needed energy data.

DATA VERIFICATION

Questions are being raised about the credibility of existing energy data because it is reported voluntarily by industry and not verified. Thus, there is a need also for specific statutory support for systematic data verification. Credibility of the data on which policy decisions are based is essential to the successful operation of the new administration. Appropriate verification provisions in the legislation should provide the new agency with access to records and other documentation which private firms have in support of data reported to the Government, as well as access to records and other documentation which other Federal agencies have in their files as a result of their data collection.

CONFIDENTIAL DATA

The question of confidentiality of company data will have to be carefully considered. At present, all company data is considered confidential and, with very limited exceptions, only aggregate data is disclosed, contributing further to the existing lack of credibility.

Provision should be made for GAO access to the same records and documentation for which the administration is provided access, thus providing Congress the assurance that independent reviews of the manner in which the agency is carrying out its data collection functions can be made.

ADVISORY COMMITTEE

S. 2589, section 310, would establish a National Emergency Advisory Committee of 21 members to advise the President in carrying out the provisions of that legislative proposal. The committee would have wide representation. I agree that the establishment of a committee of this type has merit irrespective of whether it remains in that proposal or is included as a part of the bill before the committee today. If it is to be considered in connection with this proposal, I suggest that you provide flexibility in its composition and size. I would also add a provision requiring the committee to be confirmed by the Senate. Senate confirmation would add stature to the committee and would enable the Congress to review its composition.

The overall importance of the legislation certainly justifies this type of consideration.

I believe the head of the Energy Research and Development Administration should be authorized to have an observer at each meeting of the advisory committee, as is provided for the regulatory agencies in section 310 of S. 2589. An important function of such an advisory committee is to assure that interested organizations outside the Federal Government be kept fully informed and have maximum input into the decisions made under the statute.

The background material accompanying the President's proposal states that the new Agency would be charged with facilitating the implementation of the President's program to develop the capability for national self-sufficiency in energy supplies. This would be accomplished, among other things, by expediting the Alaska pipeline construction; accelerating the leasing of the Outer Continental Shelf, coal, and shale lands; expediting the construction of nuclear and nonnuclear power plants and energy facilities; and facilitating increases in coal production. The legislation does not include language indicating how this responsibility will be carried out and/or coordinated with agencies which retain program responsibilities such as the Department of the Interior and the proposed Nuclear Energy Commission.

INTERAGENCY COUNCIL FAVORED

For this reason, I believe that an Interagency National Energy Policy Council should be established to advise the President and the Administrator of the Federal Energy Administration. The head of the proposed Energy Research and Development Administration most certainly should be a member of any such council. I would assume that the head of the Cost of Living Council and the Administrator of the Environmental Protection Agency would similarly qualify as members.

TRANSFER OF PRICING FUNCTION OPPOSED

The administration's proposal contemplates the transfer of the functions of the Cost of Living Council as they "relate to or are utilized by the Energy Division of the Cost of Living Council." While I am certain that the proposed Agency would need to have a capa-

bility of making analyses of the effect of price adjustments upon the supply and distribution of energy, it is not at all clear to me why the function of the Cost of Living Council needs to be or should be transferred. I do not believe it practical or desirable to separate out energy price determinations from their effect on the cost of energy and hence other parts of the total cost of living program.

ENVIRONMENTAL CONSIDERATIONS

The roles of both the Cost of Living Council and the Environmental Protection Agency are particularly important. While national policy should dictate that all practical steps be taken to increase production of energy and improve its distribution, there are obviously two other major objectives which are at least partially in conflict; namely, to minimize price increases and to protect the environment. How should this potential conflict be dealt with in this legislation?

One alternative would be to give the Environmental Protection Agency and the Cost of Living Council a veto over the actions of the Federal Energy Administration, perhaps within a specified time limit.

Another alternative would be to require any disagreements to be made the subject of public hearings and/or a requirement to have the matter lay before the Congress for a specified period of time before becoming effective.

As a minimum, the statute should specify that actions affecting prices and changes in environmental standards be taken only after consultation with the Cost of Living Council and the Environmental Protection Agency and reporting thereon to the Congress.

Attention is called to section 206 of S. 2589, which would require full conformity to the provisions of the National Environmental Policy Act of 1969 if actions are taken which would extend beyond a period of 1 year.

ADDITIONAL RECOMMENDATIONS

Also relevant is section 311 of S. 2589, which would require any agency performing functions under the act to hold public hearings if the agency, in its discretion, determines that such actions "are likely to have a substantial impact on the Nation's economy or large numbers of individuals or businesses."

Section 5(9) would authorize the Administrator of the Federal Energy Administration, subject to appropriation acts, to enter into and perform contracts, leases, cooperative agreements, or other transactions with any public or private agency or person. This language referring to "other transactions" seems overly broad, and it may be desirable to specify exactly what is intended by the legislation if the Federal Energy Administration is to be empowered to make loans or grants.

The bill does not include authority of the Comptroller General to audit the records of contractors, grantees, and other recipients of funds provided by the new agency under section 5(9). Such authority should be provided.

DEPARTMENT OF ENERGY AND NATURAL RESOURCES

In summary, I favor legislation to strengthen executive branch leadership in energy programs and believe that a Federal Energy Administration, as modified to incorporate the proposals which I have made, would do this. It should not, however, be considered as a long run substitute for a department which would embrace related natural resources functions. The energy and the natural resources problems are going to be with us for a long, long time, and I do not believe that anyone should feel that we have the ultimate organizational solution to this proposal. The authority of the administration should be temporary in nature and subject to further review by the Congress during its next session.

ONE-YEAR TENURE FOR FEA

That there is an energy emergency is beyond question. The actions flowing from the emergency to date have been tentative for the most part and much needs to be done by way of additional planning. All this adds up in my mind to the need for approaching any long term organizational arrangement cautiously and to proceeding on the basis that the life of the organization should be limited and subject to review in the light of changing circumstances. I would, therefore, favor limiting the life of the administration to 1 year.

To underscore the interim or temporary nature of the agency, the title of the enactment might be changed to the Temporary Energy Act of 1973, or the Federal Emergency Energy Administration Act of 1973.

Chairman HOLIFIELD. Thank you very much, Mr. Staats for your testimony. Mr. Horton?

Mr. HORTON. I do want to thank Mr. Staats for his testimony and also for the help of your staff working with the chairman and me and our staff over the weekend to come up with language to solve some of the problems to which you have addressed yourself.

The only question I would have, really, is about the period of 1 year. It seems to me that if you authorize an organization for just a year, you do not even have time to get the thing tooled up to do anything. You and I served on a procurement commission, and it took 6 months after we passed the bill to get the thing going. We had to get legislation giving us additional time to do the job. I think a year is a pretty short time.

Mr. STAATS. It is a matter of judgment, I suppose.

What I am trying to emphasize is that I see this picture as changing a great deal over the next few months. With respect to being able to get it organized, as you know, about 1,400 of the people would transfer to FEA from existing agencies. I believe Mr. Simon has outlined he would like to have a total of about 2,500 altogether. The remainder would come, I am sure, from transfers from other agencies and from the outside. I would certainly like to emphasize that I think this is a very rapidly changing picture and one which is going to be subject to a lot of hearings next year.

Mr. HORTON. I agree with you, and I think that it is labeled as an emergency organization. All of the testimony to date, which has been substantially from those that are involved, from the OMB and Mr. Simon and so forth, has indicated that it is anticipated that there would be subsequent legislation to create a Department of Energy and Natural Resources, and that this would be folded in.

I think the DENR would be a much more permanent type of organization. We do have an obligation, as quickly as we can, to provide that mother organization, if you will, for this.

I do agree with you that there is no question that this is an emergency, temporary-type of organization. My only point was that I just questioned the 1 year. As you say, it is a matter of judgment. I think it would be very difficult.

Mr. STAATS. You are obviously in a much better position than I to make the judgment as to how fast Congress could reach a conclusion with respect to the longer term, follow-on type of department, which I support in my statement here, and I believe is supported by the executive branch.

But, even if you were to create a department, this also would probably be subject to change as time goes on. But again, if legislation is passed along the lines of the Senate passed bill, this would be a very major step, and a very major concentration of power in one agency. I am sure there will be oversight hearings, by various committees of Congress, in the new session.

I would not make a major issue about the 1 year versus 2 years. This is one that you could probably make a judgment on better than I. If I had to make the decision myself. I would favor 1 year rather than 2.

Chairman HOLIFIELD. Mr. St Germain?

Mr. ST GERMAIN. Mr. Chairman, since some of the staff members are going to be asking questions, I will defer my questions.

Chairman HOLIFIELD. Mr. Moorhead?

Mr. MOORHEAD. Thank you, Mr. Chairman.

VALIDITY OF ENERGY DATA

What concerns me, in your testimony, is this energy data collection. We hear so many conflicting figures. How accurate are GAO's statistics in this matter? Is there a 10-percent margin of error, or bigger? I am concerned that we are going to be faced with gasoline rationing decisions and we do not have the reliable figures to guide us.

Mr. STAATS. One of the best cases for the Federal Energy Administration is in this data area. This would have our strong support. The studies that we refer to here indicates that this should be done under any circumstances—emergency or not. It just has never been pulled together in any central place. We have no way of answering your question specifically, as to whether the data that we have is accurate or not.

I think we also have to say that nobody else does either.

Mr. MOORHEAD. Even with a margin of 20 percent, plus or minus, you would not know the supply of, say gasoline, on hand today? Is that right, sir?

Mr. STAATS. That would be a correct statement.

Mr. MOORHEAD. We are really legislating in the dark—not only this particular bill—but other pending matters too. In your testimony you

say provision should be made for GAO access to the records contained in this bill. Are you recommending this?

Mr. STAATS. We would like to recommend for your consideration language that would carry that out. It is not in the bill at the present time, no.

Mr. MOORHEAD. I certainly turn to you for help.

Mr. STAATS. Language of the type that we are talking about is carried in S. 70, which passed the Senate some time ago. This is language that would give the executive branch as well as our office, access to this information. We could supply language that would carry out our recommendation.

Mr. MOORHEAD. I do not know if the revised draft of the bill contains that language or not. I just do not know, but I would certainly urge that we give the GAO, the people whom we call upon, access to those figures.

Thank you, Mr. Chairman.

Chairman HOLIFIELD. Mr. Wydler?

EXTENT OF PRESIDENT'S AUTHORITY

Mr. WYDLER. Thank you, Mr. Chairman. That was most impressive testimony, particularly in light of the fact that you had to prepare it, I am sure, on very short notice under great pressure.

Is it your view of this legislation that we are giving the President some additional powers, other than to reorganize, that he has not had before in the energy field?

Mr. STAATS. The bill, as presented by the executive branch, I think does.

Mr. WYDLER. Could you delineate those areas for me? I am not clear what they are.

Mr. STAATS. As an example, without some qualification, it would seem to us that the bill gives the President authority over regulatory agency that he does not now have. The best solution we can offer on it is to limit the powers in the bill to that which would be provided to the Executive under the emergency energy legislation which is being considered in the Congress currently.

We have no problem with the provision in the administration bill that would make the Administrator of the Federal Energy Administration also the President's adviser with respect to any authority the President has today in any area involving energy. As the bill is written, however, it would seem to us that it could cut across authorities which are now vested by the Congress in regulatory agencies, and in some of the independent agencies such as the TVA. There is no savings clause there.

Mr. WYDLER. In my judgment, that would be a very dangerous thing to get into in this legislation. As far as giving him some kind of power that he did not have before, I would be personally very cautious in that. That should be our approach.

I would be most generous, on the other hand, in allowing a lot of flexibility in reorganizing, in putting this function in that particular spot, and so on, on a temporary basis. As you point out, that may be in the national interest under the circumstances.

You suggest that we call it the Temporary Energy Act of 1973. Do you really think that giving it that name is going to help?

Mr. STAATS. Anything that could emphasize the temporary nature of it.

Mr. WYDLER. In New York State, you know, they do this. They call everything a temporary committee. Those things have been in existence as long as a man's mind can remember—25, 30 years. I do not know whether the name change would help us.

Mr. STAATS. That is not the point, really. I think the main point is to recognize that this is an emergency action. The Congress has had a very short time to consider it. It is an important step that should be taken, nevertheless, but one that should not be regarded as a long term solution to the organizational issue in this area.

DEPARTMENTAL GOAL

Mr. WYDLER. I am more interested in what you said about the longer term. I think you are right on target. What we have to do is keep our thoughts concentrated on the need for the department. I am just wondering how we can do what we have to do now, with this temporary bill, and still keep our minds on the department. Because the natural thing would be to push it aside, to say: "Oh, we have someone doing that job now. It is working; let us not get into another reorganization when this one is getting organized." We have all heard those arguments; we have all been through them.

What would be, in your judgment, the best way of keeping the Congress focused on the need for an overall, sound, reorganization creating a Department of Energy and Natural Resources? How would we go about doing that?

Mr. STAATS. I am afraid that I would not be the best expert in the area on that. I would like to say this. I have worked in the resources and energy area for at least 25 years, and more and more I am convinced that we face, not just an energy problem, but a materials and resources problem also.

In some ways, these could become more acute, almost more than the energy problem itself. They are related—very much interrelated. I think the long term solution is going to be to bring them together so you have a cabinet department that is responsible for being sure that these adjustments and balances are worked out to the best of our ability, in the interest of our whole economy.

I do not know how you get from here to there. I realize there are political problems involved. There are strong divisions of viewpoints that are held. I have wrestled with these myself, over a period of years. However, it would be a mistake to say that bringing just the energy pieces of this together is going to provide us with a very good organizational solution. I do not think it will. You have to bring in some of these other program considerations as well.

Mr. WYDLER. Thank you very much. Thank you, Mr. Chairman.

Chairman HOLIFIELD. Mr. Goodwin?

Mr. GOODWIN. Thank you, Mr. Chairman.

Mr. Staats, I think we are working at a disadvantage because you are looking at a bill as it was originally submitted, and there have been staff suggestions for changes, particularly with the language of 3(a) which might moderate your views in this respect.

Mr. STAATS. We have had to work from the December 5 draft.

ACCESS TO RECORDS

Mr. GOODWIN. Yesterday we had Mr. Simon's testimony to the effect that, with the passage of the Emergency Energy Act, and other existing authority, he would have all the authority that he thought was necessary to get information and verify information for the purpose of the discharge of his functions.

That seems to run a little bit counter to your suggestion that we need additional authority for verification of contractors' information.

Mr. STAATS. I have read his statement. Unless he thinks he can get it voluntarily, I really do not know what statutory basis he would have. To the best of our knowledge, the only statutory access to this information is that which I indicated in my statement.

Mr. GOODWIN. You do not think there are provisions in the Emergency Energy Act?

Mr. STAATS. Not that I am aware of. Mr. Moore thinks there might be some authority in the Defense Production Act that we did not refer to in our statement. We will check this out. I think I am correct in saying such authority is not sufficiently broad. This is why the Senate, in S. 70, put in the provision that they did.

Mr. GOODWIN. Without getting into the merits of that provision, would it not be more germane for that authority to be provided in the basic enabling acts, rather than in this organization act?

Mr. STAATS. I would have no quarrel with that, no. We are making the point that the government should have this authority some place. We are not making the argument that it ought to be in this bill, necessarily. But unless we can get assurance that the government can go beyond the reports it gets, then it really cannot verify this information.

Chairman HOLIFIELD. One of the problems that we are having as a committee, of course, is that we do not have access to these other bills. They change from day to day. We do not know exactly what is being taken care of. For instance, we have been trying all day to get a copy of the bill from Mr. Stagger's Interstate and Foreign Commerce Committee.

Mr. STAATS. We have not been able to get it either.

Chairman HOLIFIELD. It is not available, yet he is before the Rules Committee this afternoon getting a rule on it, hopefully. Hopefully for him, I mean.

Mr. STAATS. Would this not argue for putting a minimum provision in this bill, and then taking another look at it after Congress comes back?

Mr. BUHLER. Mr. Chairman?

Chairman HOLIFIELD. Mr. Buhler.

STATUTORY BASE FOR FEA

Mr. BUHLER. Mr. Simon now heads up a Federal Energy Office within the Executive Office of the President created by Executive order. Is there any question of the legal authority that he has to exercise the many different programs that the Federal Government would have after this emergency energy bill is passed? Is there any question about his ability to be the chief policy official and energy program director in the executive branch?

Mr. STAATS. There is nothing illegal about what has been done here. It obviously would not be nearly as effective without a statutory basis for the Federal Energy Administration, if I understand your question correctly.

Mr. BUHLER. I was wondering whether there are legal problems. Are you suggesting there are administrative problems that he would have in trying to run these various programs now as the principal energy manager?

Mr. STAATS. Without legislation?

Mr. BUHLER. Without legislation.

Mr. STAATS. I think he has to have legislation to be effective. For example, the only way he can be paid is as Deputy Secretary of the Treasury. The appropriations all have to go to the component agencies which are involved in his responsibility. It would be utterly impossible for him to be effective over a long period of time without some legislative basis.

Mr. BUHLER. Let me zero in on what we mean by "over a long period of time." Are you saying that you feel that it might be possible for us to put over this bill until the Congress reconvenes?

Mr. STAATS. I did not mean to convey that at all. I favor a statutory basis for the Federal Energy Administration.

Mr. BUHLER. You favor us trying to enact it at this session, if possible?

Mr. STAATS. Yes, indeed.

Mr. BUHLER. What we are disputing here is whether or not certain provisions ought to be included in a bill that is being acted on in a relatively short period of time?

Mr. STAATS. Really, the main quarrel I have is with the length of time. Again, as I told Congressman Horton, it is a matter of judgment. We would favor a year instead of 2 years.

GAO AUDIT ACCESS

Mr. GOODWIN. Mr. Staats, I am under the impression that if the Federal Energy Administrator were to enter into a negotiation, negotiating a contract, that he would be under the provisions of the Federal Property Act, that you would have access to contractor's records in respect to negotiated contracts, and in light of that, I wonder why you feel there is a need for a special audit clause in this legislation?

Mr. STAATS. We need audit authority with respect to the assistance programs of any Federal agency. The standard access to records language is not included in this bill.

Mr. ST GERMAIN. One example of this might be the FDIC, or perhaps even the Federal Reserve Board.

Mr. STAATS. In the Federal Reserve Board case, it is quite obvious.

Mr. ST GERMAIN. We are familiar with that, are we not?

Mr. STAATS. We would not be able to make any audit of the assistance programs of this agency.

Mr. GOODWIN. My question was supposed to be addressed only to negotiated contracts.

Mr. STAATS. With respect to contracts, you are correct. With respect to loans, grants, other types of financial transactions, no.

Mr. GOODWIN. Thank you.

Mr. ROBACK. Mr. Staats, we want to assure you that we regard the audit access as a standard operating procedure. It will be in the bill, one way or the other, and adequately covered.

Mr. STAATS. We will supply you with some language on this if you would like.

Mr. WYDLER. Mr. Staats, last week when we had Governor Love here, who then was in charge, I asked him that specific question about the state of the information that he had available to him, on which he in turn had to make decisions. He gave me, and this committee, quite a confident report, to the extent of saying that he did have the information that he needed. However, he pointed out that they did not really know what companies may have put aside, or what they had reserved. That type of information they did not have.

But, knowing what supplies the first line of suppliers had, they felt they had a very good idea of what the reserves were. That was his feeling last week.

Mr. STAATS. That is my understanding also, but there is an additional point. That is, without statutory powers he cannot go behind those statements. He cannot verify them.

Mr. WYDLER. Your point is a good one.

Mr. ST GERMAIN. When we look at your testimony, we realize as has been stated, we are operating at a disadvantage because we have not seen the bill reported out of the Interstate and Foreign Commerce Committee. I would ask, perhaps Mr. Moorhead has asked this also, that once you have gone over the working draft, that you prepare those amendments for us that you have recommended?

I could give you a call a little later on since I do not know how soon we will be marking up in subcommittee. We might have the amendments ready for the full committee markup. I think it is terribly important—I read into the record last night the statement that there are no real statistics and records available.

This whole thing is one big mystery. It really comes close to the mystery of the Holy Trinity that we, in the Catholic religion, believe in. I think it is important, and absolutely essential, that the Administrator be able to get the records that he needs, and backup material to really analyze the overall worldwide, international situation on energy, from the major oil companies, integrated as they are.

I think that amendment is terribly, terribly important. I do not care whether it is in any other bill. I would say, let us make sure that it is in this one. If it is some other bill, we could delete it on the floor, if we are satisfied that that power is there. Certainly, I have to agree wholeheartedly with you that this is one of the most important points there is.

Mr. MOORHEAD. Would you yield?

Mr. ST GERMAIN. I would be happy to yield.

Mr. MOORHEAD. And the power of the General Accounting Office to have access to audit those figures?

Mr. ST GERMAIN. Both of those recommendations, I think, should be incorporated.

Mr. STAATS. As I say, S. 70 that passed the Senate on May 10 has language which, in our view, adequately carries this out. It will not be difficult to supply you with language.

[The material referred to follows:]

INFORMATION GATHERING

Sec. 14. (a) Any person, partnership, corporation, or other organization made subject to any order, rule, or regulation of the Administrator shall maintain and make available to the Administrator such periodic reports, records, documents, and other information relating to the purposes of this Act as the Administrator may prescribe by regulation or order as necessary or appropriate for the proper exercise of the functions granted the Administrator by section 5 or by any provision of this Act.*

(b) The Administrator may require, by general or special orders, any person, partnership, corporation, or other organization made subject to any order, rule, or regulation of the Administrator to file with the Administrator in such form as he may prescribe, reports or answers in writing to specific questions, furnishing such information as may be necessary to enable the Administrator to carry out the functions granted him by section 4 or by any other provision of this Act. Such reports and answers shall be made under oath, or otherwise, as the Administrator may prescribe, and shall be filed with the Administrator within such reasonable period as he may prescribe.

(c) The Administrator shall have the authority, when he determines it is necessary in order to carry out his responsibilities under section 5 or any other provision of this Act, to make any investigation, and in connection therewith he may, at reasonable times, enter places of business and inspect such records and accounts and question such persons as he may deem necessary to enable him to determine the facts relative thereto.*

(d)(1) The Administrator, or any of his duly authorized agent or agents, shall have the power to require by subpena the production of all information, documents, papers, and other data pursuant to subsection (a) of this section; all reports and answers required pursuant to subsection (b) of this section; all records, accounts, and other documentary evidence in connection with an investigation pursuant to subsection (c) of this section; and the attendance and testimony of witnesses in connection therewith.

(2) Any appropriate United States district court may, in the case of contumacy or refusal to obey a subpena issued pursuant to this section, issue an order requiring the party to whom such subpena is directed to appear before the Administration and to give testimony touching on the matter in question, or to produce any such information, documents, papers, data, records, reports, accounts, or other documentary evidence, and any failure to obey such order of the court may be punished by such court as a contempt thereof.

(e) Copies of any books, documents, papers, statistics, data, information, records, and reports received by the Administrator pursuant to this section shall be made available to the public upon identifiable request, and at reasonable cost, except that the Administrator may not disclose to the public any information which could not be disclosed to the public under section 552 of title 5, United States Code.

ACCESS TO RECORDS BY THE COMPTROLLER GENERAL

SEC. —. For purposes of review and evaluation of the operations of the Administration, including audit and examination of the Administration's use of Federal funds, and notwithstanding the provisions of section 16*, the Comtroler General of the United States, or any of his duly authorized representatives shall have access to and the right to examine—

(1) any books, documents, papers, records or other recorded information of the Administration or within its possession or control;

(2) any books, documents, papers, records or other recorded information of any public or private persons, organizations or other entities which are or would be available to any Federal agency pursuant to its functions and authorities relating to management and conservation of energy, including but not limited to energy costs, demand, supply, reserves, industry structure, environmental impacts, and research and development, which in the opinion of the Comptroller General may be related or pertinent to the operations of the Administration; and

(3) any books, documents, papers, records or other recorded information of any recipients of Federal funds or assistance under contracts, leases, coopertive agreements, or other transactions entered into pursuant to subsections (e) or (i) of section 7** of this Act which in the opinion of the Comptroller

*Reference is to committee print dated December 12, 1973.
**Reference is to committee print of H.R. 11793 dated December 12, 1973.

General may be related or pertinent to such contracts, leases, cooperative agreements, or other transactions.

(4) Reports relating to management and conservation of energy submitted by the Comptroller General to the Congress shall be available to the public at reasonable cost and upon identifiable request, except that the Comptroller General may not disclose to the public any information which concerns or relates to a trade secret or other matter referred to in section 1905 of title 18, United States Code, except that such information, may be disclosed in a manner designed to preserve its confidentiality—

(a) to other Federal Government departments, agencies and officials for official use upon request;

(b) to committees of Congress having jurisdiction over the subject matter to which the information relates;

(c) to a court in any judicial proceeding under court order formulated to preserve the confidentiality of such information without impairing the proceedings.

Mr. FUQUA. Would the gentleman yield?

Mr. ST GERMAIN. Yes.

Mr. FUQUA. You mentioned the question of confidentiality. Is that adequately satisfied in S. 70?

Mr. STAATS. I would have to double check that point.

Mr. FUQUA. I think that is an essential point. You make reference to that in your prepared statement.

Mr. STAATS. I double checked the access-to-records information today. I am sure it is adequate. On proprietary information, I will have to check that. We will supply you some language.

[The information referred to follows:]

PUBLIC ACCESS TO INFORMATION

SEC. —. (a) Copies of any communications, documents, reports, or other information received or sent by any member of the Administration shall be made available to the public upon identifiable request, and at reasonable cost, unless such information may not be publicly released under the terms of subsection (b) of this section.

(b) The Administration or any officer or employee of the Council shall not disclose information obtained under this Act which concerns or relates to a trade referred to in section 1905 of title 18, United States Code, except that such information may be disclosed in a manner designed to preserve its confidentiality—

(1) to other Federal Government departments, agencies and officials, including the Comptroller General of the United States or any of his duly authorized representaitves for official use upon request;

(2) to committees of Congress having jurisdiction over the subject matter to which the information relates;

(3) to a court in any judicial proceeding under court order formulated to preserve the confidentiality of such information without impairing the proceedings; and

(4) to the public in order to protect their health and safety after notice and opportunity for comment in writing or for discussion in closed session within fifteen days by the party to whom the information pertains (if the delay resulting from such notice and opportunity for comment would not be detrimental to the public health and safety).

In no event shall the names or other means of identification of injured persons be made public without their express written consent. Nothing contained in this section shall be deemed to require the release of any information described by subsection (b) of section 552, title 5, United States Code, or which is otherwise protected by law from disclosure to the public.

Mr. ST GERMAIN. No further questions. I would just like to thank Mr. Staats for his, as always, very helpful testimony.

Chairman HOLIFIELD. Thank you very much, Mr. Staats, for coming here today. Who will be working on this?

Mr. STAATS. On the language, Mr. Moore will prepare this for you. He can provide you this language, I think, very quickly, Mr. Chairman. I do not know what would be most convenient for you from your standpoint.

Chairman HOLIFIELD. The subcommittee plans to mark up this bill this afternoon, if we could. We have had great pressure on us to get this bill out, from the Speaker and others. Everything really is under pressure right now. As I say, one of the Chairmen is appearing before the Rules Committee without a printed bill today, with no report, with no sectional analysis that I know of. This is a poor way to legislate. We are under such pressure——

Mr. STAATS. Some of these items, Mr. Chairman, we could supply you within the hour. Mr. Moore can stay here, or he can work with your staff in any way that you like.

Mr. ST GERMAIN. Mr. Chairman?

Chairman HOLIFIELD. Mr. St Germain.

FEA PRICING AUTHORITY

Mr. ST GERMAIN. Throughout my questioning of the other witnesses, I have been concerned about the pricing authority. There are some of us, in some areas of the country, that feel we are carrying a very heavy burden. I realize you have some question about the transfer of the function of the Cost of Living Council to the FEA. Then you make some suggestions as to how this could be perfected.

Are you convinced, however, that the Administrator of the FEA will, or does, under the legislation, have price fixing authority over all energy fuels such as coal, oil, natural gas, gasoline, diesel fuel, and what have you?

Mr. STAATS. I am not sure that I got all of your question?

Mr. ST GERMAIN. Does the Administrator, under the legislation, have the authority to fix prices? If he so desires, can he analyze the cost data from these firms and companies to determine whether or not some of the cost should be eliminated or should not be included, or may be superfluous? Does he have that authority, in your opinion?

Mr. STAATS. Our main concern here is that it is impossible to separate energy matters from other considerations. The Cost of Living Council will be taking action that will affect the cost of energy. Here, the Federal Energy Administration would be taking action on prices that will affect the cost of other matters that the Cost of Living Council is passing on. I remember, in World War II, Mr. Ickes wanted this power with respect to coal and oil, but the Congress never would give it to him. He was going to solve his production problem by changing prices, letting prices go up, but the Congress never would give him that power.

You just cannot pull out one sector of the economy and handle that separate and apart from the rest of it, that is our position.

Mr. ST GERMAIN. You say that you think it should remain in the Cost of Living Council, and not be separated out?

Mr. STAATS. This responsibility should be left to the Cost of Living Council. But I see no reason why the Federal Energy Administration should not have a competent staff to analyze what they think should be done with respects to adjustments in price.

Mr. ST GERMAIN. And make recommendations?

Mr. STAATS. Yes.

Mr. ST GERMAIN. If they get this authority to really go behind the records, not only on supply—the amount there is—but also on cost, production and what have you—if I interpret you correctly, they could make their recommendations to the Cost of Living Council and make available to the Cost of Living Council the data on which they reached these conclusions?

Mr. STAATS. That would be correct.

Mr. ST GERMAIN. As far as the Cost of Living Council is concerned, do you have the authority to look into the operations of the Cost of Living Council?

Mr. STAATS. Yes, we have access to that information.

Mr. ST GERMAIN. You have been exercising it?

Mr. STAATS. Yes.

Mr. ST GERMAIN. Thank you, Mr. Chairman.

Chairman HOLIFIELD. Mr. Goodwin?

SEPARATION OF PRICING FUNCTIONS

Mr. GOODWIN. One more question. I am wondering how this works, getting the balance between the pricing and allocation functions, if you are going to have two separate agencies, responsible for deciding what should be done in those separate aspects of the overall energy problem?

Mr. STAATS. I would hate to be responsible for the work of the Cost of Living Council if someone else has the authority to go ahead and make price adjustments in something as important as energy. I know Mr. Dunlop is in favor of this transfer. I do not really think it can work effectively if you pull this out from the Cost of Living Council's jurisdiction.

Mr. GOODWIN. Can it work effectively if the Federal Energy Administrator is going to make decisions with respect to energy sources, with respect to energy allocation, without taking into consideration the pricing aspects of it, and perhaps making decisions in both areas in order to get a balance between them, rather than leaving those two matters up to two separate agencies?

Mr. STAATS. I think he needs a staff to make the analysis, and he ought to be in a position to make recommendations. If the President disagrees, then that is up to him. I do not think it is wise to pull the responsibility for the energy component of the cost of living out of the Cost of Living Council's jurisdiction.

Mr. GOODWIN. You think that the decision would finally have to be made by the President?

Mr. STAATS. In World War II, that is how we did it, it could not work any other way.

Mr. GOODWIN. Thank you, sir.

Chairman HOLIFIELD. Would you let Mr. Moore remain? Would you make him available for a little while to consult with us as we go through this markup session?

Mr. HORTON. One further question. You do concur with the proposition that we do need to move expeditiously on establishing the Federal Energy Administration?

Mr. STAATS. Yes, I do. I thought I made that point clear.

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Mr. HORTON. I just wanted to make that clear.

Mr. STAATS. I certainly do.

Mr. HORTON. You had some reservations about the language in the bill before.

NEED FOR STATUTORY AGENCY

Mr. STAATS. I have some reservations about the language, but I do not see how he can operate effectively without a statutory basis for that agency.

Mr. HORTON. That is the concern I have with all of the witnesses, and I ask why it is important. The question has been asked by others—why is it important to have the statutory authority, when the present organization is set up by executive order. Well, we know we have had objections raised on the floor of the House on appropriations for non-statutory offices, and it has been ruled that the appropriations could not be made because there was no statutory authority for these organizations.

Also, I have some questions with regard to the ability of the Administrator, established by executive order, to take all of the actions required. There may be some question with regard to that.

Mr. STAATS. In addition to that, there is a practical point. As of now, Mr. Simon has to be paid as a Deputy Secretary of the Treasury. Mr. Sawhill has to be paid as an Associate Director of the Office of Management and Budget. Also, the appropriations would have to continue to flow through those agencies whose units make up the Federal Energy Administration; that is, the Interior Department, the Cost of Living Council, and so forth.

Mr. HORTON. What you are saying is that this creates a chaotic situation when you are trying to get a handle on this energy crisis.

Mr. STAATS. I think so.

Mr. HORTON. Thank you.

Chairman HOLIFIELD. Thank you, Mr. Staats. We will dismiss you and your associates. If you will leave Mr. Moore with us, we will try to go into a working session here, and see where we stand. It has been very difficult for us to operate in the way that we have had to operate the last few days. We will see what we can do. Thank you very much for your suggestions, we are going to take them into consideration.

[The Honorable William J. Casey, Under Secretary of State for Economic Affairs, who was unable to appear before the subcommittee, submitted the following statement for the record:]

PREPARED STATEMENT OF WILLIAM J. CASEY, UNDER SECRETARY OF STATE FOR ECONOMIC AFFAIRS, DEPARTMENT OF STATE

Mr. Chairman: I am pleased to have this opportunity to testify in support of H.R. 11793, a bill to establish the Federal Energy Administration.

In previous testimony before Committees of the Congress over the past several years, I have, and other officers of the Department of State, called attention to the mounting world energy problem and its implications for United States security and international relations. It has been our view that the U.S. Government required more centralized authority to strengthen its ability to develop and implement, with speed and determination, a program that will bring our domestic energy situation into more acceptable balance with world security, political and economic realities. Therefore, we strongly endorse the establishment of the Federal Energy Administration as introduced at the request of the Administration.

For the past several years, the Department of State has given increased attention to the economic and political ramifications of the growing energy supply problem. Early in this process, it became clear to us that there was no substitute for a determined program for developing and managing our domestic energy output and usage. We saw that we could not be successful in working out effective cooperative arrangements with other energy consuming and producing countries, unless we were demonstrably on a course at home that impressed upon them our dedication to achieving our purposes. It was in this sense that Department of State officials contributed early this year to the development of the President's April energy policy message.

Since then we have been very actively engaged in efforts to implement the international aspects of our energy policy in bilateral and multilateral discussions. These are aimed at gaining mutual understanding of the differing prospectives on the problem and at laying the groundwork for achieving meaningful coordination and cooperation. I have been personally engaged in these efforts and they have the active interest of the top management of the Department. As this process has gone along, energy matters have become, as I have just indicated, subjects of daily concern and action not only at senior levels within the Department of State but also at the ambassadorial and other senior levels in our diplomatic missions abroad. There are, however, no magic or quick ways of achieving the cooperation that we and the rest of the world require to keep energy resource shortages, particularly in oil, from producing situations of conflict that can be detrimental to our foreign political and economic interests. We must continue to work hard at finding opportunities for cooperation and reducing frictions.

The Department of State in carrying out its responsibilities for the conduct of U.S. foreign relations, for the formulation and implementation of U.S. foreign policy, and for the protection of U.S. interests abroad will continue to build and expand on the efforts I have just outlined. While energy matters represent but one of the many inputs into the Department's mission, we recognize it to be of crucial importance, requiring the close attention of the Secretary of State and the senior level officials of the Department.

The Department of State views its role in energy policy as requiring the closest liaison with other agencies of the Government working in the field. Our diplomatic efforts abroad depend upon the substantive inputs we can obtain from the domestic agencies. We welcome therefore the proposal to create a Federal Energy Administration which will pull together the resources of the Government in the energy field and provide us with a more centralized focus from which we can draw support. We look forward to the closest relationship with the Federal Energy Administration and with the Assistant Administrator for International Policy and Programs.

Chairman HOLIFIELD. The committee is adjourned.

[Whereupon, at 3:05 p.m., the subcommittee adjourned, to reconvene, subject to the call of the Chair.]

APPENDIXES

Appendix 1.—Documents Relating to the Federal Energy Office and the Proposed Federal Energy Administration

PART 1.—EXECUTIVE ORDER NO. 11748

The White House: Executive Order 11748

Federal Energy Office

For immediate release: Office of the White House Press Secretary, December 4, 1973.

By virtue of the authority vested in me as President of the United States of America by the Constitution and statutes of the United States, including the Economic Stabilization Act of 1970 (P.L. 91–379, 84 Stat. 799), as amended, the Emergency Petroleum Allocation Act of 1973 (P.L. 93–159), the Defense Production Act of 1950 (50 U.S.C. App. 2061, *et seq*), as amended, and Section 301 of title 3 of the United States Code, it is hereby ordered as follows:

Section 1. There is hereby established in the Executive Office of the President a Federal Energy Office. The Office shall be under the immediate supervision and direction of an Administrator and a Deputy Administrator of the Federal Energy Office. The Administrator shall be the Deputy Secretary of the Treasury.

Sec. 2. The Administrator of the Federal Energy Office shall advise the President with respect to the establishment and integration of domestic and foreign policies relating to the production, conservation, use, control, distribution, and allocation of energy and with respect to all other energy matters.

Sec. 3. (a) There is hereby delegated to the Administrator all the authority vested in the President by the Emergency Petroleum Allocation Act of 1973.

(b) The Administrator shall either submit to the Congress the reports required by Section 4(c)(2) of the Emergency Petroleum Allocation Act, or may require any other officer or any department or agency of the United States to submit the required reports to Congress.

Sec. 4(a) There is hereby delegated to the Administrator the authority vested in the President by Section 203(a)(3) of the Economic Stabilization Act of 1970, as amended.

(b) The Chairman of the Cost of Living Council shall, from time to time, delegate to the Administrator such authority under the Economic Stabilization Act as may be necessary to carry out the purposes of that Act with respect to energy matters.

Sec. 5. There is hereby delegated to the Administrator the authority vested in the President by the Defense Production Act of 1950, as amended, as it relates to the production, conservation, use, control, distribution, and allocation of energy. Any provision of Executive Order No. 10480, as amended, which is inconsistent with the exercise of such authority is hereby suspended for so long as this Section remains in effect.

Sec. 6. Executive Order No. 11726 of June 29, 1973, is hereby superseded to the extent that it is inconsistent with this Order.

Sec. 7. All Orders, regulations, circulars, or other directives issued and all other actions taken pursuant to any authority delegated to the Administrator by this Order prior to and in effect on the date of this Order are hereby confirmed and ratified, and shall remain in full force and effect, as if issued under this Order, unless or until altered, amended, or revoked by the Administrator or by such competent authority as he may specify.

Sec. 8. All authority delegated to and placed in the Administrator by this Order may be further delegated, in whole or in part, by the Administrator to any other officer or any department or agency of the United States.

Sec. 9(a) Necessary expenses of the Federal Energy Office may be paid from the Emergency Fund of the President or from such other funds as may be available.

(b) The Administrator of the General Services Administration shall provide, on a reimbursable basis, such administrative support as may be needed by the Federal Energy Office.

(c) All departments and agencies of the executive branch shall, to the extent permitted by law, provide assistance and information to the Administrator of the Federal Energy Office.

RICHARD NIXON.

THE WHITE HOUSE, *December 4, 1973.*

PART 2.—WHITE HOUSE FACT SHEET, FEDERAL ENERGY ORGANIZATION, DECEMBER 4, 1973

BACKGROUND

On June 29, 1973, the President proposed legislation to create the organizational arrangements needed to carry out Federal energy programs. These included:

A new cabinet level Department of Energy and Natural Resources (DENR) which would include programs transferred from the Interior Department and several other agencies.

A new independent Energy R&D Administration (ERDA) consisting of R&D programs from the Atomic Energy Commission, Interior and several other agencies.

A Nuclear Energy Commission (NEC) to carry out AEC's nuclear licensing and regulatory activities.

The Congress has held hearings on these proposals and is now moving expeditiously to create ERDA and NEC, but enactment of legislation to create DENR does not appear likely this session.

On November 7 and November 25, 1973, the President addressed the Nation on the energy emergency now facing the United States and other countries. He announced a number of actions to conserve energy that were possible with existing authority, described new legislative authority that is needed, and announced other actions that would be taken as soon as energy emergency legislation is passed.

The programs already announced have required a major increase in Federal energy activities and manpower and the actions that will be required by new legislation will require greatly expanded Federal programs. The expansions to date have taken place within existing organizations.

Following a review and on the basis of recommendations from his Energy Emergency Action Group and Governor Love, the President has concluded that additional actions are needed immediately to provide the rapid development and implementation of programs for dealing with the Nation's near term energy requirements and problems.

THE NEED FOR NEW ENERGY ORGANIZATION ACTIONS

The key factors contributing to the need for immediate action to reorganize and strengthen Federal energy resource programs and activities include:

The serious nature of the current energy emergency which is due primarily to the cutoff of petroleum from the Mideast.

The need for vigorous Federal actions to assure that energy shortages are managed so as to minimize impact on the economy, preserve jobs, and spread fairly the impact of shortages on less essential the impact of shortages on less essential energy consuming activities.

The rapid expansion of Federal energy programs and manpower necessary to develop and implement conservation and allocation programs already announced, and those required by legislation recently signed and legislation expected soon from Congress.

The need for Federal leadership in a broad national effort over the rest of the decade to increase energy production, reduce demand and move the Nation forward in demonstrating the potential for energy self-sufficiency.

ORGANIZATIONAL ACTIONS ANNOUNCED TODAY

The President announced today that:

He will request legislation calling for the establishment of a new agency—the Federal Energy Administration (FEA)—which will consolidate energy resource management activities and provide the basis for rapid expansion of those activities to deal with the energy emergency. The legislation would also provide the statutory basis for continuing a small office concerned with energy policy in the Executive Office of the President.

In anticipation of Congressional action, he is issuing an Executive Order creating a Federal Energy Office which moves to the extent possible within existing authority to create the framework for the new agency and provide the basis for improved management and coordination immediately of Federal energy resource activities.

The Administrator of the new agency will be Mr. William E. Simon (Deputy Secretary of the Treasury) and the Deputy Administrator will be Mr. John C. Sawhill (Associate Director for Energy and Natural Resources, Office of Management and Budget).

Pending enactment of legislation to create FEA, the heads of the units involved in the transfer have been directed by their superiors to be responsive to the leaders of the FEO. These include the offices of Petroleum Allocation, Energy Conservation, Energy Data and Analysis, and Oil and Gas from Interior, and from COLC, the Energy Division.

PRINCIPAL RESPONSIBILITIES OF THE NEW AGENCY

The new Federal Energy agency will be the principal organization within the federal government for the policy and implementation of programs to meet the energy crisis. The key responsibilities are to:

Develop and integrate domestic and foreign policies relating to energy resource management.

Develop and implement programs for dealing with energy production shortages, such as fuel allocation, surcharges and rationing.

Develop and implement voluntary and mandatory energy conservation programs and promote efficiencies in the use of energy resources.

Develop and promulgate energy price regulations.

Develop and recommend policies on import and export of energy resources.

Facilitate implementation of the President's program to develop the potential for energy self-sufficiency.

Collect, evaluate, assemble and analyze energy information on reserves, production and demand and related economic data.

Work with industry, state and local governments and the general public on energy resource management.

INTERNAL ORGANIZATION OF THE NEW AGENCY

In addition to the Administrator and Deputy who would be appointed by the President and confirmed by the Senate, the new agency will have several Assistant Administrators and a General Counsel.

The major program elements of the organization, initially, each headed by an Assistant Administrator, would be as follows:

Economic and data analysis

Collect, evaluate, compile, analyze and publish data on energy requirements, production. and resources.

Analyze economic impact of energy resources and energy programs.

Policy planning and regulation

Develop policy and program alternatives.

Develop and promulgate energy allocation regulations.

Develop, promulgate and administer energy resource pricing regulations.

Conduct agency policy and program evaluation.

Operation and compliance

Implement and administer energy allocation programs.

Maintain relations with state and local governments, industry and the public with respect to energy allocation.

Manage the agency's regional and field allocation offices.

Energy conservation and environment

Develop and administer energy conservation programs.

Conduct and support energy conservation studies.

Coordinate and evaluate Federal agencies' energy conservation programs.

Review and evaluate the impact of energy activities on the environment and of environmental programs on energy supply and demand.

Energy resource development

Identify and develop means for overcoming constraints that hold up building and operation of energy facilities, such as construction, regulatory and materials and labor shortages.

Develop incentives for increasing domestic energy production.

Coordinate FEA's energy resource strategy with R&D programs being pursued by the Energy R&D Administration (ERDA).

International policy and programs

Maintain current understanding of the international and national security aspects of energy resource management.

Develop and monitor international energy resource management programs.

Coordinate within FEA and with other government agencies with respect to international energy resource policy.

OTHER MAJOR ACTIVITIES REPORTING TO THE ADMINISTRATOR

Policy analysis office

Participate in the development of energy policies.

Provide liaison with other Federal agencies on economic policies.

Staff functions.—will include general counsel, administration, public affairs and congressional relations.

Advisory Groups.—will be established to draw upon outside views and expertise from business, environmental, agricultural, labor and consumer interests.

RELATIONSHIPS WITH OTHER ENERGY ORGANIZATIONS

DENR—The New Federal Energy Administration will carry out the energy resource management activities that would become a part of DENR under legislation proposed by the Administration. Upon enactment of that legislation the new FEA would be folded into DENR.

ERDA—In response to the President's November 7 request, the Congress is moving expeditiously on legislation to create ERDA. ERDA is responsible for R&D activities. FEA will be responsible primarily for energy resource management activities and will be separate from ERDA.

EPO—The Energy Policy Office will be phased out as the new federal energy organization begins its operations.

EEAG—The Energy Emergency Action Group, established on November 12, 1973 to coordinate emergency actions at the cabinet level will now be chaired by the President, with Mr. Simon as Executive Director.

FUNCTIONS AND RESOURCES TO BE TRANSFERRED TO FEA

Initial estimates of the resources associated with the elements identified thus far for transfer to the FEA from other agencies are:

[Dollars in millions]

	1974 estimates	
	Funds	Positions
From Interior:		
Office of Petroleum Allocation	$24	1,100
Office of Energy Conservation	7	20
Office of Energy Data and Analysis	2	50
Office of Oil and Gas	2	110
From Cost of Living Council: Energy Division	1	55

Note: Additional resources will be provided to the agency as programs and activities are expanded.

MANAGING THE SHORT-TERM ENERGY CRISIS

In general, the Administration's strategy for managing the current situation will be to minimize the impact of energy shortages on the economy, to maintain production and employment to the maximum extent possible, and to spread the impact of shortages over less essential energy consuming activities.

Magnitude of the shortage

The current estimates of shortages—when compared to projected demand for petroleum are 1.4 million barrels per day in the 4th quarter of 1973 (7.5%) and 3.5 million barrels per day (17.3%) in the 1st quarter of 1974. The deficit would fall below 3 million barrels in the 2nd quarter of 1974 due to reduced demand.

Actions already underway

Jet Fuel.—Beginning January 7, 1974, all carriers will be allocated 15% less than their 1972 levels.

Gasoline.—The decision to adopt a gasoline allocation program was announced on November 25. Initial allocations will be made at a rate of 15% below projected first quarter demand (10% below 1972 demand), consistent with expected initial shifts in refinery production. The gasoline allocation may be decreased as refineries shift from production of gasoline to other petroleum products.

Middle distillates

Proposed regulations for rationing middle distillates to end users were published in the Federal Register on Tuesday, November 27. These require a 10% reduction in industrial use, a 15% (6°) reduction in consistency residential thermostats, and a 25% (10°) reduction in commercial heating.

Residual oil

The conversion of oil burning electrical generation plants to coal will save 200,000 barrels per day by the end of the first quarter of 1974. Steps to implement the switches will begin this week.

ANNOUNCED ACTIONS TO BE IMPLEMENTED WHEN AUTHORITY IS AVAILABLE

Retail gasoline sales will be banned from 9:00 p.m. Saturdays to 12:01 a.m. Mondays.

A maximum speed limit will be set for all roads and highways in the nation of 55 MPH for inter-city buses and heavy duty, over-the-road trucks, and 50 MPH for automobiles.

Promotional, display and ornamental lighting by commercial establishments will be banned.

Fuel for use by general aviation will be reduced.

Residential ornamental lighting will be banned.

NEW ACTIONS BEING DEVELOPED OR CONSIDERED FOR NEAR-TERM IMPLEMENTATION

Switching of refinery outputs from gasoline to middle distillates and residual fuels, either by providing price incentives through COLC regulations or by governmental mandate when authority is available.

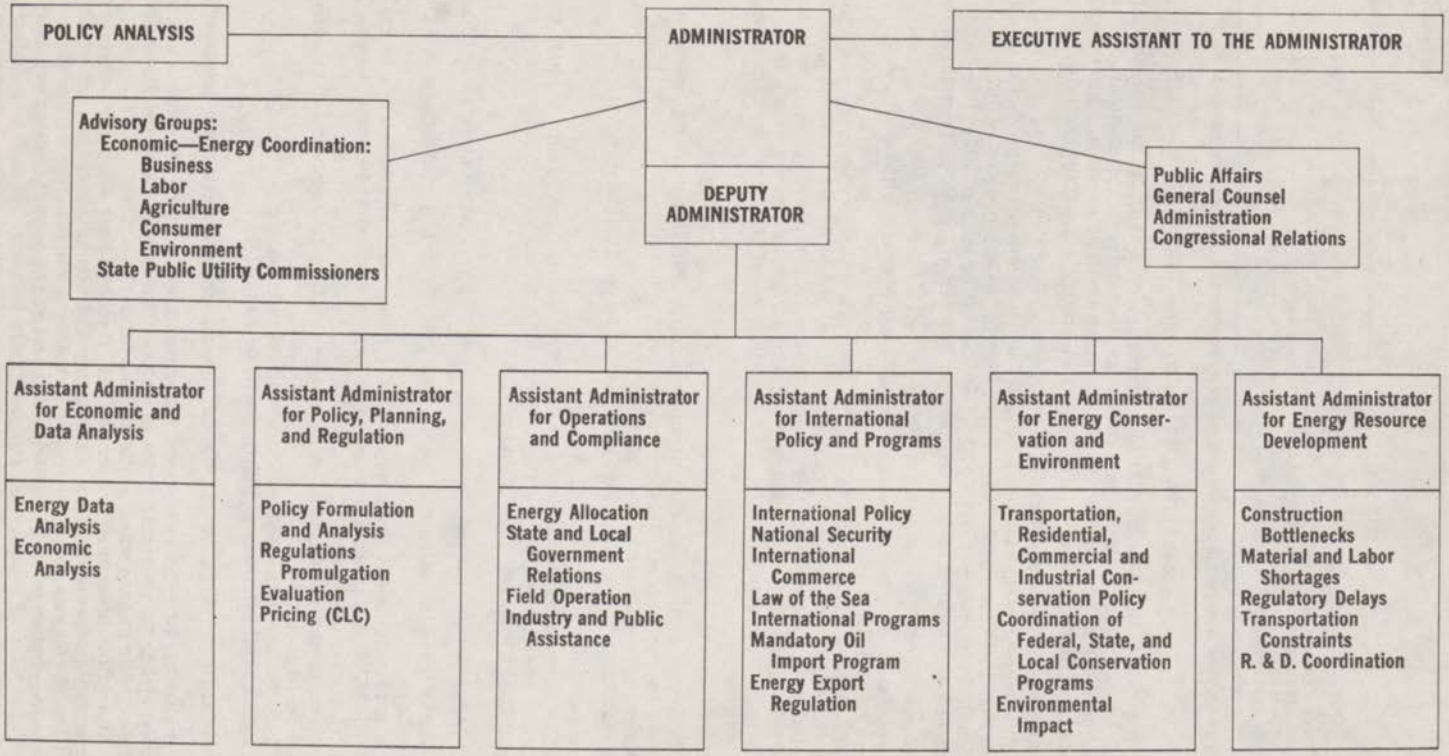
Allocation programs for crude oil, residual fuel oil, and other petroleum products as specified in the Emergency Petroleum Allocation Act of 1973.

Use of coupons, price increases, taxes or a combination of the three to bring gasoline consumption in line with demand at the lower levels of expected supply.

Conversion of commercial airliners from kerosene jet fuel to naphtha jet fuel.

Surcharges to discourage excessive use of natural gas and electricity.

FEDERAL ENERGY ADMINISTRATION



PART 3.—PROPOSED COMPONENT OFFICES AND MISSIONS OF THE FEDERAL ENERGY ADMINISTRATION, SUPPLIED BY THE OFFICE OF MANAGEMENT AND BUDGET

DATA ANALYSIS

Purpose and Mission

The objectives of this office are to collect and assemble information with respect to energy reserves, production and demand in all sections and to perform analyses on these data. In addition, the new office will analyze the impact of energy actions on the economy, including how shortages will effect specific industries.

Organization, Budget, and Personnel

See attached chart.

The organization will, for FY 74, consist of approximatly 90 positions. Included in the unit will be all the positions from the Office of Energy Data and Analysis in Interior.

Specific duties will include:

Develop appropriate mechanisms for obtaining data.

Develop energy supply and demand projections.

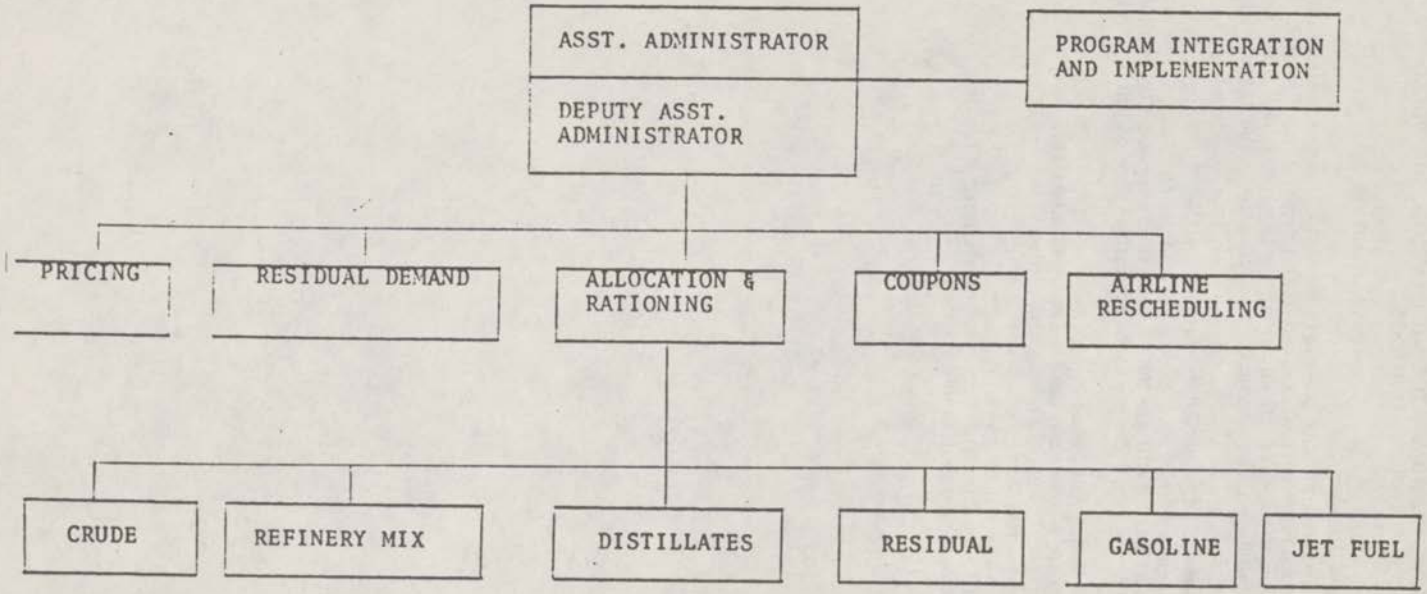
Develop models for analyzing data.

Perform analysis on special problems.

Study economic impact of shortages and energy initiative.

Disseminate energy data and statistics.

POLICY, PLANNING AND REGULATION



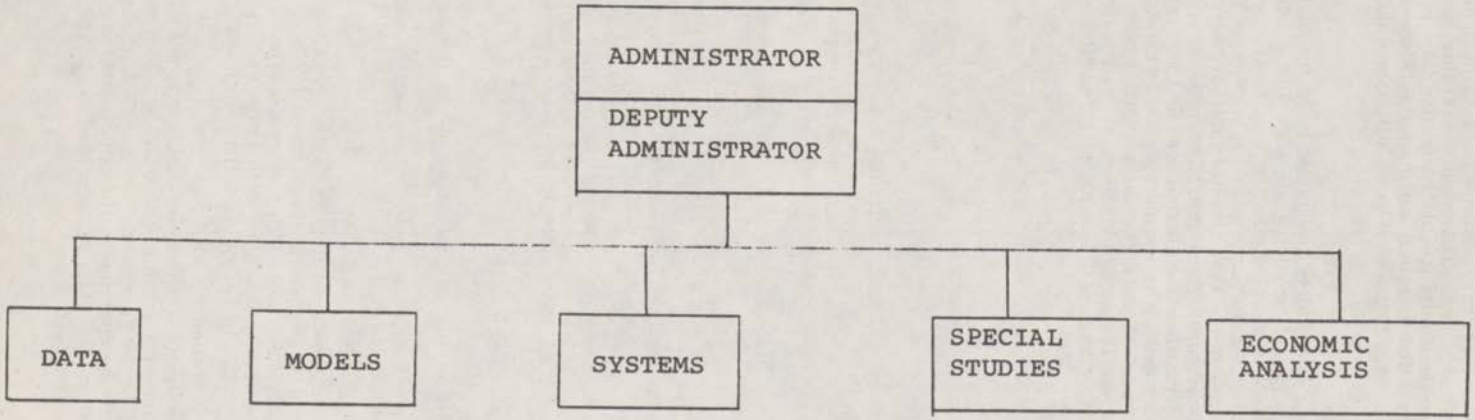
Relationships to Other Agencies

This office will have primary responsibility throughout the Federal Government for data collection and publication concerning energy statistics. It will have the primary responsibility for analyzing that data. While other offices within the Federal Energy Administraiton will maintain some analytical capability to meet their own missions, primary responsibility for analyzing energy data will be in the new unit.

Mode of Operations

There is a strong and widely recognized need for management and credible data and statistics regarding energy supplies and consumption, both domestic and world-wide. Most of this information has, in the past, been obtained on a voluntary basis. While maximum cooperation is required from industry for much of the data, it is imperative that statutory authority exist to obtain whatever information may be required. Maximum effort must be undertaken to assure that the appropriate information is gathered, compiled and released to Congress and the public in a timely fashion. Assurances should be undertaken that confidentiality will be preserved, but only in those cases where legitimate proprietary interests are involved. Through analysis of all such data, as well as analytical studies of all policy options, will be a primary function of this office.

DATA ANALYSIS



POLICY, PLANNING, AND REGULATION

Purpose and Mission:

To develop broad strategies for dealing with overall shortages.

To evaluate program effectiveness.

To analyze various options for dealing with specific product shortages (allocation, surcharges, rationing, etc.) and make recommendations to decision makers.

To bring to day-one operational status (including publication of regulations and conduct of hearings) all programmatic options decided upon.

To perform an on-going policy analysis and planning function for the agency.

Organization, Budget, and Personnel

See attached chart

The Office will consist of approximately 125 people (with an additional 30–50 detailed personnel to assist during the initial planning period), and a budget of 2 million dollars. Specific functions include:

Develop allocation programs, regulations and implementing procedures for: crude; residual; jet fuel; gasoline; middle distillate; and other fuels.

Set priorities and classify users.

Develop information systems.

Determine the level of allocations.

Develop training procedures for Federal, state and local personnel.

Develop sanctions and enforcement mechanisms.

Determine pricing policies for petroleum products.

Develop modifications to ongoing programs as necessary.

Determine long-range energy needs and alternative government actions, including legislation.

Mode of Operation

The Office is split into 11 units working on allocation plans and a contingency plan for rationing. It will work closely with other agencies to develop and plan the programs. Once ready for implementation, the programs will be transferred to the Office for Operations and Compliance.

OPERATIONS AND COMPLIANCE

Purpose and Mission

The primary purpose of the office is to act as an operating, implementing body for administering petroleum and gas distribution and consumption programs. It administers at the Federal level all allocation and rationing programs. Its mission is to ensure: (1) an equitable distribution of fuel in accordance with established procedures and (2) that adequate supplies of fuel are made available to meet high priority, essential needs. The office will also be charged with maintaining strong state and local ties as they relate to the operation of these programs. The office will be the central action office to respond to the calls for assistance from the public and industry adversely effected by the fuel shortages.

Organization, Budget, and Personnel

See the attached chart.

Current estimate of the number of people in the organization in FY 74 is approximately 1,800. The vast majority of the people will be concentrated in the field. If more expansive programs must be implemented, then the number of people and associated budget costs could rise substantially.

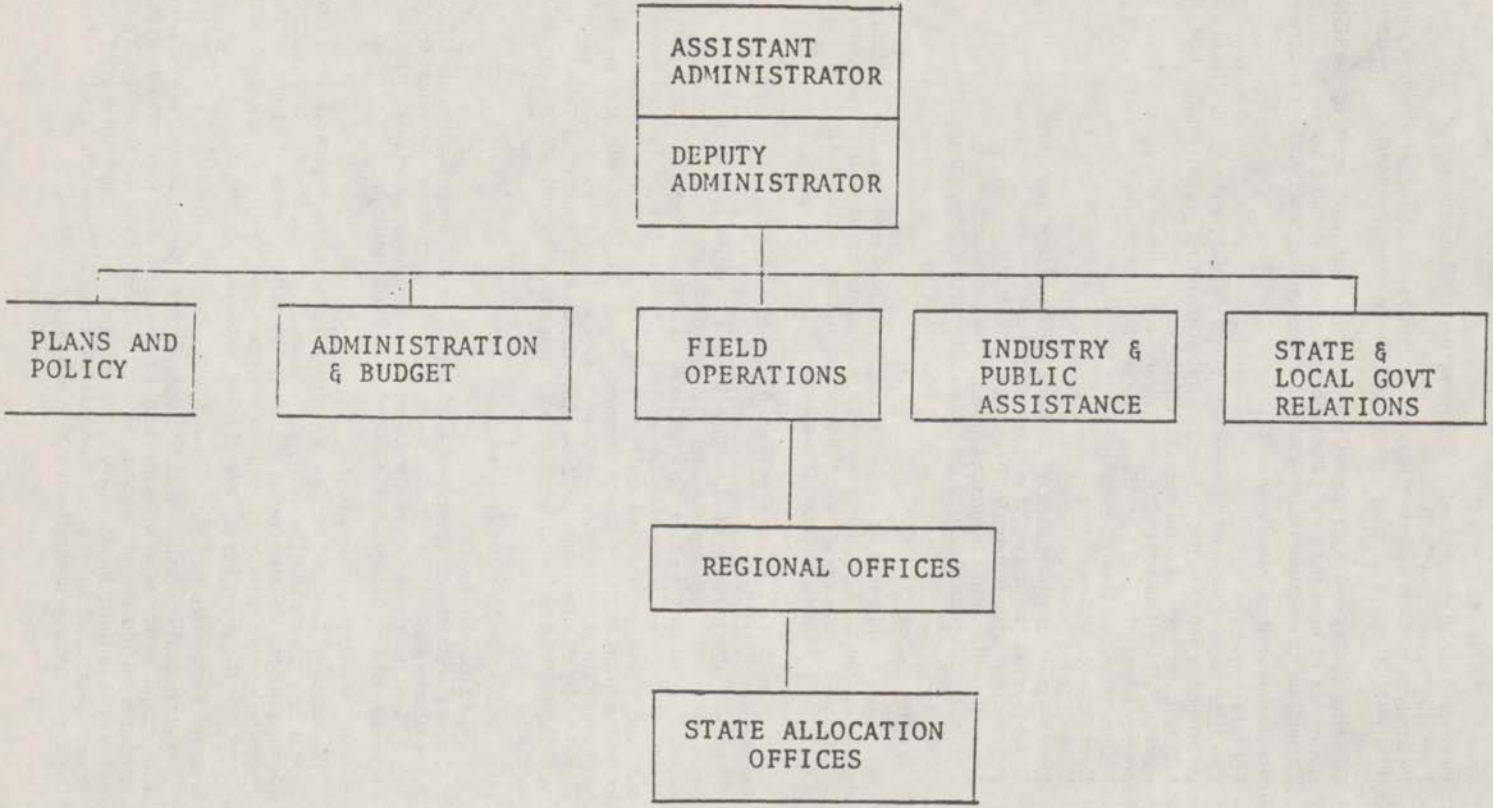
Relation to Other Organizations

The office will be purely an implementing, operating organization; however, it will be consulted in the policy development process. Policy direction will be provided by the Administrator, with primary reliance upon the Office of Policy, Planning and Regulation. Relations with industry would be limited to matters concerning the operation of Federal fuel distribution programs.

General Mode of Operation

Decentralized operations will be emphasized to the maximum extent possible, with major reliance upon State and local (i.e., volunteer) participation. All programs should be as "automatic" and self-enforcing as possible. Ten field offices will initially be operated in the ten Federal regional cities with further offices determined on the basis of identified need. These offices will also meet the field operations needs of other FEA offices.

OPERATIONS AND COMPLIANCE



ENERGY CONSERVATION AND ENVIRONMENT

Purpose and Mission

To reduce the demand for scarce fuels. Promote efficiencies in the use and development of energy resources, coordinate Federal, State and local energy conservation programs, identify needs for research and development into methods of improving the efficiency of energy uses, develop a broad public awareness program of the need for energy conservation, and study environmental implications of energy initiatives.

Organization, Budget, and Personnel

See attached chart.

The organization will consist of approximately 50 people (including all those positions in the Office of Energy Conservation in Interior).

Specific functions will include:

Develop conservation policy initiatives for transportation, the residential sector and industry and commerce.

Stimulate and coordinate State and local conservation programs.

Administer Federal conservation program.

Study environmental implications of energy initiatives and the energy-environmental tradeoffs in dealing with the shortages.

Administer national conservation public information programs.

Relationships to Other Agencies

The unit will have responsibility throughout the Government for coordinating all energy conservation efforts. While other agencies will be encouraged to promote energy conservation, all such efforts will be coordinated through the new office, both for purposes of analysis and to assure that all efforts are consistent.

Mode of Operation

Major analysis of alternatives for reductions in waste of energy and increased efficiencies will be undertaken by this office, and proposals for regulatory and legislative changes will emanate from this office. Major emphasis will be placed on the need for citizens and industry conserving energy, and the means for undertaking such measures will be widely disseminated. Close liaison will be established with industrial groups, State and local governments, and consumer groups to assure full dissemination of information.

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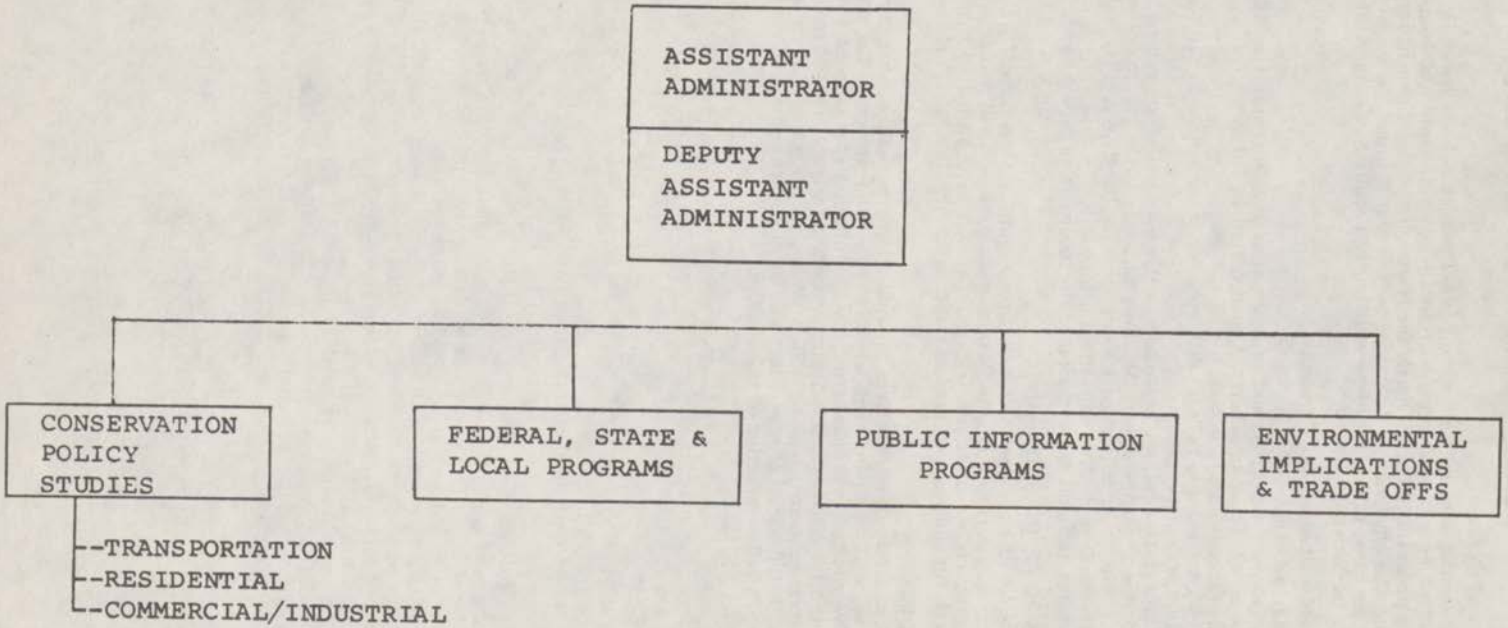
ENERGY CONSERVATION AND ENVIRONMENT



INTERNATIONAL POLICY AND PROGRAMS

Purpose and Mission

The broad mission of the office will be to focus on all international and national security factors that are specifically energy-oriented. The Department of State's function is diplomatic and its focus is towards relations with our allies and others; energy matters represent a single input in that mission. Likewise the Defense function is the maintenance of our national security and energy is a peripheral concern.

The office would serve the Director in both these areas with the particular focus on energy matters.

The specific functions would involve:

a. *Coordinate within the Federal Energy Administration itself* on national security and international matters.

b. *Develop policy and advise* the director on international and national security issues.

c. *Monitor and manage* international programs for the director, including mandatory oil import program and energy export regulation.

d. *Coordinate with other government agencies* on policy matters.

Organization, Budget, and Personnel

See attached chart.

The staff will consist of about 50 people for FY 74. Assuming travel funds would be provided from a central fund, the office budget would consist primarily of pay with a small amount of funds available to sponsor studies and analyses. The latter would be needed for a contribution towards other studies to ensure international and national security issues are adequately represented.

Some of the division's actual functions are outlined below:

Policy Analysis

1. Intergovernment and inter-administration coordination.
2. R&D cooperation.
3. OECD Affairs.
4. Saudi Economic Diversification.
5. Import Sharing.

International Commerce

1. Soviet LNG, East-West Trade.
2. Company affairs and negotiations with producer governments.
3. Diversification of future supplies.
4. Oil Policy Committee.
5. Export Control.

Security Affairs

1. National Vulnerability.
2. Defense Department energy needs, bases, and
3. NATO.

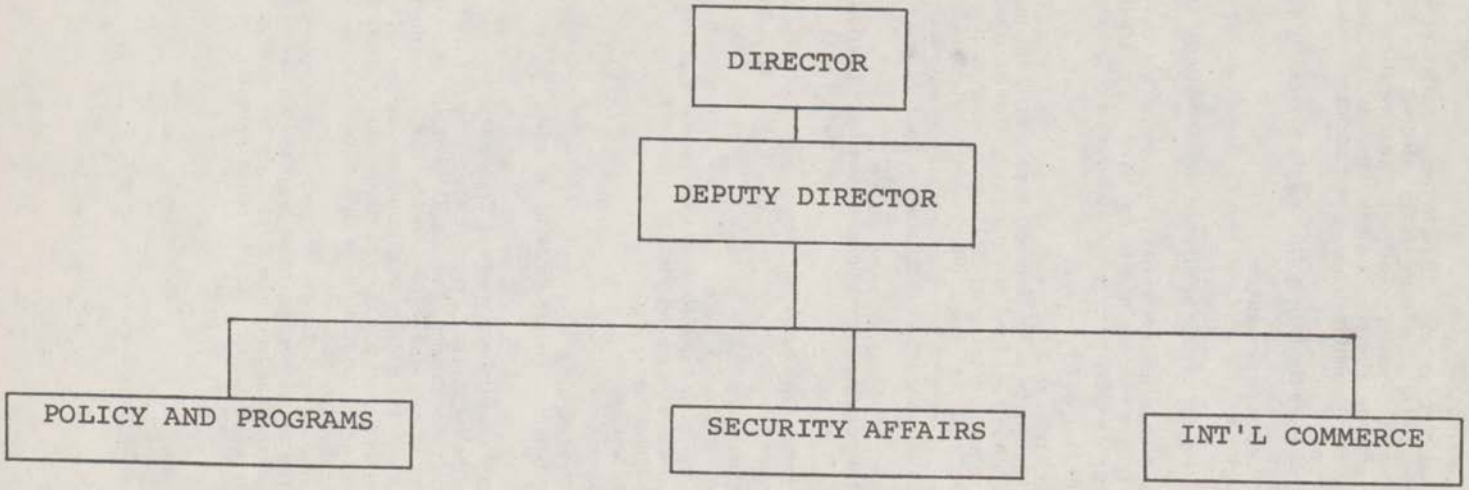
Method of Operation—Intergovernment Relations

In matters of policy this office would liaison closely with three organizations—the National Security Council, Defense Department and State Department. Its policy focus would not aim at focusing on the major questions of diplomatic and security affairs (to which energy concerns are one input). Instead it would concentrate on matters that are particularly energy related and would not receive proper focus or attention unless this office did so. Matters such as: Saudi economic problems/diversification.

The office would also provide an articulate liaison between the Energy Administration and the companies regarding negotiations and a whole host of issues.

Some of its operations would be specifically interagency in nature and interagency working groups, etc., would be relied upon (in conjunction with NSC).

INTERNATIONAL POLICY AND PROGRAMS



ENERGY RESOURCE DEVELOPMENT

Purpose and Mission

The primary mission of this office is to facilitate implementation of the President's program to develop the capability for national self-sufficiency in energy supplies and to ensure that this goal is met with adequate protection for the environment.

Its responsibility is three-fold:

To overcome construction bottlenecks and other constraints (e.g., regulatory delays, material and labor shortages) that hold up the building and operation of energy facilities.

To insure development of adequate incentives for increasing production from domestic energy sources utilizing current technology.

To coordinate the relationship between national energy strategy generally and the R&D program to be pursued by the proposed ERDA.

Specifically the functions of Project Independence include:

a. Expediting Alaskan Pipeline construction and operation so that oil is available at the earliest possible time.

b. Expediting exploration of the Outer Continental Shelf, through leasing and development, so that energy supplies from this source are assessed and developed on a rapid basis.

c. Expediting the leasing of coal and shale lands.

d. Expediting nuclear and non-nuclear electric power plant and energy facilities, including their siting, construction, operation, and right-of-ways, through minimizing regulatory, construction and material delays.

e. Facilitating domestic coal production and consumption to make sure that our most abundant domestic energy source is utilized to the maximum extent possible by ensuring the availability of mining equipment, manpower and transportation facilities.

In the area of R&D, this office will expedite, within the Executive Office, the coordinating of R&D plans developed by ERDA (when enacted).

Organization

This Office would be organized along the following lines:

DIRECTOR

Supply Expediting	Technology Expediting
Including:	Including:
—Siting, construction, materials and regulatory delays.	—Coordination of the relationship of R&D and non-R&D efforts to utilize domestic resources.
—Oil and gas industries	—Insuring application of R&D
—Outer Continental Shelf development.	
—Coal utilization	
—Alaska pipelines	

Budget and Staff

The Office would have approximately 150 people in FY 74.

Interagency Relationships and Mode of Operation

With respect to impediments to and incentives for increasing energy supply collaborate with departments, regulatory agencies, GSA (Office of Preparedness) and with State and local governments to identify problems and to expedite their solution by appropriate departments and agencies, including development of legislative recommendations.

Work with OMB on legislative, budget, and management actions necessary to achieve purpose of this office.

Appendix 2.—Resolutions and Correspondence by the National Association of Regulatory Utility Commissioners

PART 1.—RESOLUTIONS BY THE NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

Shortage of Coal Supply

Whereas, There is currently a shortage of coal suitable for fuel in steam electric generating stations in the United States; and

Whereas, There have been no substantial increases in production of utility steam coal for the past several years; and

Whereas, There has been an increase in exports of coal to Japan and Europe by more than fifty percent since 1968; and

Whereas, Many of the independent coal mining companies have been acquired by certain other industrial companies; and

Whereas, This situation has resulted in spiraling coal costs and dwindling coal inventories for some of the Nation's electric power systems to the point where the reliability of those systems is in danger and their customers are burdened with constantly rising fuel costs; now, therefore, be it

Resolved, That the National Association of Regulatory Utility Commissioners, in annual meeting assembled, does hereby determine:

(1) That the President of the United States and the Secretary of Commerce be and they are hereby urged to exercise their statutory authority under the Export Administration Act of 1969 to limit exports of coal to the pre-1968 level; and be it further

Resolved, That a copy of the Resolution be transmitted to the President of the United States, and to the Secretary of Commerce.

(Sponsored by the Honorable J. Lewis Moss of South Carolina, passed by NARUC 1971 Convention (See NARUC 83d Annual Convention Proceedings (1971), p. 182).)

Resolution Urging Prompt Approval of Pipeline Construction Permit by United States Department of Interior

Whereas, Since 1968 annual natural gas consumption within the contiguous forty-eight States of the Nation has exceeded new discoveries with the result that requests for gas service are going unfulfilled in some parts of the Nation and there are 205 million persons in this country each using directly or indirectly an average of 3 gallons of oil a day; and

Whereas, It is anticipated that the demand for natural gas and crude oil will double in the next twenty years; and

Whereas, The State of Alaska, the Arctic Archipelago and Western Canada possess proven and estimated undiscovered potential gas reserves totaling 941 trillion cubic feet and at least 10 billion barrels of crude oil can be produced from the North Slope reserves, equal to the total known reserves in the States of Louisiana, Oklahoma, Kansas and half of Texas combined; and

Whereas, The pipeline is by far the safest and most efficient way available today to transport crude oil and natural gas from the North Slope reserves; and

Whereas, Construction of the 800 mile Trans Alaska pipeline could begin immediately upon approval by the United States Department of Interior; and now, therefore, be it

Resolved, That the construction and operation of such pipeline or pipelines shall be in accord with applicable environmental protection laws of the United States and shall include the safeguards necessary to effectively protect against:

(1) The degradation of the great culture of the Eskimos and the Indians which is based on subsistence hunting, trapping and fishing;

(2) The impairment of the clarity and purity of lakes, streams and other waters; and damage to spawning beds;

(3) The exploitation of game and fish by outsiders;
(4) The undue disturbance of animal migrations;
(5) The impairment of permafrost conditions; and
(6) Any other undue disturbance of the delicate ecosystems involved; and be it further

Resolved, That the National Association of Regulatory Utility Commissioners meeting at Atlantic City, New Jersey, September 12–16, 1971, hereby vigorously supports the prompt approval of the pipeline construction permit by the United States Department of Interior for the pipeline required for the development and utilization of such oil and natural gas reserves within the Arctic in a way that will bring the fullest benefit to all the people of North America and their environment.

(Sponsored by the Honorable Robert C. Rooker and the Honorable James Johnson of the Alaska Transportation Commission and the Honorable John M. Stern, Jr. of the Alaska Public Utilities Commission. Passed by NARUC 1971 Convention. (See NARUC 83rd Annual Convention Proceedings (1971), p. 184).)

Resolution Re Arctic Gas Supply

Whereas, This Association, by vote of the Ad Hoc Committee on United States-Canada Energy Supply, and by vote of the Executive Committee, did on February 25, 1971, vigorously support the prompt construction of pipelines necessary to transport oil and gas from Alaska and Western Canada to markets in the 48 States of the United States; and

Whereas, Since the adoption of the aforesaid resolution, the energy shortage in the United States has worsened, particularly in the area of natural gas supplies; and

Whereas, It appears from the latest survey released by the Federal Power Commission that the rate of development of this nation's gas supplies from now until 1990 will be inadequate to meet current projection of future demand (Staff Report No. 2, Bureau of Natural Gas, Federal Power Commission, released February 25, 1972, entitled "Natural Gas Supply and Demand, 1971–1990"); and

Whereas, It is obvious that all agencies of this country and Canada should take all possible steps to develop and utilize the oil and gas reserves in the Arctic regions; and, therefore, be it

Resolved, That the Executive Committee of NARUC hereby reiterate the contents and import of the resolution dated February 25, 1971, relating to utilization of gas and oil reserves in the Arctic regions of Alaska and Western Canada; and be it further

Resolved, That this Association requests the appropriate agencies of the United States Government, and the appropriate agencies of the Canadian Government to take whatever actions are needed to immediately expedite the involved international arrangements and agreements that will be required to move oil and gas from the Arctic regions to the lower 48 States; and be it further

Resolved, That the Association supports the immediate construction of such pipelines as are required to transport Arctic gas and oil to markets in Canada and the lower 48 States; said pipelines to be constructed in a manner consistent with the protection of environmental and human values as reflected in the laws and policies of Canada and the United States; and be it further

Resolved, That copies of this resolution be furnished by the General Counsel of the Association to the following:

(1) Officials of the United States: The President; the Secretary of State; the Secretary of the Interior; the Members of the Federal Power Commission; the Administrator of the Environmental Protection Agency; and the Members of the Council on Environmental Quality; and

(2) Officials of Canada; The Prime Minister; the Secretary of State for External Affairs; the Minister of Energy, Mines and Resources; the Minister of Indian Affairs and Northern Development; the Minister of the Department of Environment; and the Members of the National Energy Board.

(Adopted February 29, 1972, by Ad Hoc Committee on United States-Canada Energy Supply, and adopted by NARUC Executive Committee on March 2, 1972. Passed by NARUC 1972 Executive Committee. (See NARUC Bulletin No. 12–1972, p. 9.))

Resolution Re Air Quality Standards for Sulfur Dioxide Emissions

Whereas, The National Association of Regulatory Utility Commissioners has, as one of its primary regulatory responsibilities, oversight concerning the production, transmission and distribution of electric energy ; and

Whereas, The reliability of the continued generation, transmission and distribution of electric energy for the Nation has become an area of increasing national concern to the utility regulators ; and

Whereas, The problem of the reliability of the Nations electric utilities system are now being compounded by the inadequacy of environmentally acceptable fuels, the supplies of which have been strained because of the enactment of the Clean Air Act of 1970 and its implementation by State and local governments ; and

Whereas, The implementation of this legislation is precluding the use of available domestic fuels and causing a disruption in the orderly expansion of the electric utility industry which is being called on to meet the Nations growing energy needs ; and

Whereas, Presently there exists no proven technology to comply with the provisions of the Clean Air Act of 1970 by the use of high sulfur fuels and because of the unavailability of low sulfur fuels, many utilities, involving a substantial portion of the electric generating capacity, are finding it impossible to comply with the provisions of said Act ; and

Whereas, The general health and welfare of the American public is involved in this serious situation ; now, therefore, be it

Resolved, That the Executive Committee of the National Association of Regulatory Utility Commissioners hereby :

(1) Petitions the President and Congress of the United States to take appropriate action necessary to remedy the current energy crisis ;

(2) Urges the Environmental Protection Agency to adopt realistic environmental goals which give due consideration to the continuing shortage of low sulfur fuels and which are attainable with available technology ;

(3) Recommends, where sulfur emission standards would require an existing plant be converted to a foreign fuel, that the Office of Emergency Preparedness study and report on the possible effects on national security of such reliance on foreign fuels ;

(4) Recommends that a company planning a new plant for operation after a specific date be allowed to build and operate the plant as long as it would meet the primary ambient air quality health standards and with the added proviso that the plant must install control equipment as soon as the Environmental Protection Agency, with the concurrence of the National Academy of Engineering, declares that such equipment is available ;

(5) Urges a coordinated effort by the electric utility industry fuel suppliers and the federal government to develop a workable method of controlling sulfur emission and that the methods developed be implemented as soon as practicable, thereby forestalling the prospect of willful delay ; and

(6) Recommends, when a plant has been equipped with pollution control equipment determined by the Environmental Protectfon Agency and the National Academy of Engineering to be proven and commercially available, that it should be considered to be complying with the Act so long as the equipment is properly maintained and operated ; and be it further

Resolved, That the Administrative Director of this Association is hereby directed to furnish copies of this resolution to the President of the United States, the Leadership of the Congress of the United States, the members of the Committee on Commerce of the Senate and of the Committee on Interstate and Foreign Commerce of the House of Representatives of the Congress, the Administrator of the Environmental Protection Agency, the Director of the Office of Emergency Preparedness, and the President of the National Academy of Engineering, and to otherwise publicize the contents hereof.

(Sponsored by the Honorable George I. Bloom of Pennsylvania. Passed by NARUC 1972 Executive Committee. (See NARUC Bulletin No. 37–1972, p. 8.))

Resolution Re Shortage of Natural Gas Supply

Whereas, The Gas Committee and the Executive Committee of NARUC have for several years, passed resolutions relating to the shortage of natural gas, and the development of an energy crisis ; and

Whereas, It now appears that the consuming public has at last recognized that such a shortage of natural gas and other forms of energy threatens our national interest; and

Whereas, In spite of the mounting evidence and knowledge of the impending energy crisis there are still state and national political leaders who fail to realize that the best interests of our country and its citizens require that immediate steps be taken to stimulate exploration and drilling for new sources of gas and oil; now, therefore, be it

Resolved, That the Executive Committee of the National Association of Regulatory Utility Commissioners hereby resolves that:

(1) Immediate steps should be taken to lease additional off-shore areas, now controlled by the Federal and State Governments, for immediate exploration and development.

(2) There should be an immediate and intensive program of further exploration and drilling of the areas of the Continental shelf, both in the Atlantic and Gulf areas.

(3) H.R. 15900, or similar legislation that is designed or lessen or abolish depletion allowances, or any other legislation that will, in any way, discourage or slow down exploration, should be defeated.

(4) Federal and State legislators and regulatory agencies should encourage deep testing of present oil and gas fields.

(5) All regulatory agencies and legislative bodies should immediately take whatever actions are required to accelerate and encourage the importation of gas and oil from Alaska and Canada, and the Courts should exercise judicial restraint before interferring with such action.

(6) The FPC be enccouraged and requested to stimulate the increased drilling of wells in this country by establishing a realistic price for domestic gas; now therefore, be it

Resolved, That a copy of this resolution is authorized to be sent to the Governor and to the regulatory commissions of each state, mbembers of the United States Senate and House of Representatives, Washington, D.C., and to the Federal Power Commission.

(Sponsored by the NARUC Committee on Gas, the Honorable Carl R. Johnson, Chairman. Passed by NARUC 1972 Executive Committee. (See NARUC Bulletin No. 37–1972, p. 13.))

Resolution Re Oil and Gas Pipelines From Alaska

Whereas, This Nation is currently confronted with inadequate domestic oil and gas resources and prospects of further deteriorations of such resources in the years ahead; and

Whereas, An adequate supply of gas and oil is essential to the Nation's economic and social health; and

Whereas, The increasing dependence upon foreign areas for oil and gas should be minimized to the greatest extent possible; and

Whereas, Substantial oil reserves of about 10 billion barrels and gas reserves of 26 trillion cubic feet have already been proven on the North Slope of Alaska and the potential for discovery of additional major reserves of oil and gas in that area seems good; and

Whereas, The construction of the proposed oil pipeline from Prudhoe Bay to Valdez, Alaska, and its environmental impact have been exhaustively studied for several years by the Department of Interior and other interested Federal agencies and Alaskan agencies and the construction of such line has been found by the Secretary of Interior to be appropriate and in the national interest; and

Whereas, A permit to be issued by the Secretary of Interior will provide appropriate safeguards to the environment; and

Whereas, Until oil can be produced and transported from Prudhoe Bay, the potential gas reserves badly needed in the lower 48 States cannot be produced; and

Whereas, Even if the project could be commenced immediately, oil cannot be made available in less than three years and gas a year or two thereafter; now, therefore, be it

Resolved, That the Executive Committee of the National Association of Regulatory Utility Commissioners strongly urges that appropriate legislation, including amendments to the Mineral Leasing Act authorizing the Secretary of Interior to grant rights-of-way of appropriate width for the construction and

operating requirements of oil and gas lines, be promptly enacted by the Congress of the United States; and be it further

Resolved, That the Congress and the Executive Branch of the Government promptly initiate action to expedite the final approval and construction by industry of a gas pipeline from Prudhoe Bay through Canada to the lower 48 States; and be it further

Resolved, That the officers and the members of this Association promptly communicate this Resolution to the President of the United States and Members of Congress and that the Officers of the Association are hereby authorized to take such action, including appearances before the Congress and Federal Agencies of the Government, in furtherance of the objectives of this Resolution.

(Sponsored by the Committee on Gas. Passed by NARUC 1973 Executive Committee. (See NARUC Bulletin No. 11–1973, p. 14.))

Resolution Re Review of Fuel Supply

Whereas, Recent rulings of the Federal Power Commission indicate that present firm contracts for natural gas fuel supplies to utilities may be abrogated in the near future; and

Whereas, Such action would seriously impair the reliability and continuity of electric service to all classes of customers; and

Whereas, Historically, the type of fossil fuel consumed by electric utilities from region to region has been dictated by the close proximity of a particular type of fuel; and

Whereas, Recent environmental decision has disrupted this pattern of usage by creating a shift in demand toward cleaner fuel such as natural gas and low sulfur coal and oil; and

Whereas, Severe shortages now exist for present demand and for the long term future fuel requirements; and

Whereas, State and Federal regulatory commissions have a parallel responsibility to the consumers: domestic, commercial and industrial, of electric energy, as well as gas, fuel oil and coal; now, therefore, be it

Resolved, That the Executive Committee of the National Association of Regulatory Utility Commissioners strongly recommends an in-depth review of environmental criteria, availability of other fuels and economic considerations with the objective of relaxing hastily adopted standards which has no significant benefit to the public.

(Sponsored by the Committee on Gas. Passed by NARUC 1973 Executive Committee. (See NARUC Bulletin No. 11–1973, p. 15.))

Resolution Re Environmental Impact Study of Oil and Gas Exploration and Development Off-Shore Atlantic Coast

Whereas, The expansion of domestic exploration and development of oil and gas reserves is essential to national security, balance of payments and national well-being; and

Whereas, Some of the most promising potential areas for exploration are in the Outer Continental Shelf of the United States, with particular reference to the Atlantic Coast; and

Whereas, The exploration for and development of oil and gas fields of the Outer Continental Shelf of the Atlantic Coast may pose unique problems as to protection of the valuable recreational, fishing and other marine resources of the several States on the Atlantic Coast; now, therefore, be it

Resolved, That the Executive Committee of the National Association of Regulatory Utility Commissioners urges the immediate institution of comprehensive studies under the direction of either Federal agencies and/or a consortium of State Universities of the States involved looking toward recommendation as to the environmental impact of such exploration and development upon the recreational, fishing and other marine resources of the several States on the Atlantic Coast and what conditions, if any, are required to assure that such recreational, fishing and other marine resources are adequately protected; and be it further

Resolved, That a copy of this resolution be sent to the Governor of each State, to all members of Congress, and to all State commissioners.

(Resolved by the Honorable Archie Smith of Rhode Island.)

Resolution Re NARUC Electric Utility Cost Allocation Manual

Whereas, the Committee on Engineering and its Subcommittee on Cost of Service of this Association, after extended study and conferences, have developed a Cost Allocation Manual for electric utility operations; and

Whereas, This Association believes that the new Manual on Electric Utility Cost Allocation will be of value in assisting the commissions and staff in the practical solution of cost allocations problems: Now, therefore, be it

Resolved, That the Executive Committee of the National Association of Regulatory Utility Commissioners hereby adopts the NARUC Electric Utility Cost Allocation Manual reported by the Committee on Engineering, authorizes our Washington office to print it and make it available to the commissions represented in the membership of this Assocation and others as a guide for the practical assistance and guidance to commission personnel and others in the solution of complex electric cost allocation problems.

(Sponsored by the Honorable Willard C. Reine of Missouri. Passed by NARUC 1973 Executive Committee. (See NARUC Bulletin No. 11–1973, p. 15.))

Resolution Re Energy Shortage

Whereas, Our State and Federal Government Officials are becoming increasingly aware of the accelerated energy shortage; and

Whereas, The President of the United States has recently proposed a Program involving several proposals designed to lessen the immediate impact of the energy shortage on our citizens, and several proposals designed to produce more energy for the use of our citizens: Now, therefore, be it

Resolved, That the National Association of Regulatory Utility Commissioners, assembled in its Eighty-fifth Annual Convention in Seattle, Washington, hereby supports the concept and intent of the President's Energy Program and recommends that members of Congress take immediate steps to enact legislation to achieve the proposed results and to take whatever steps appear necessary to ameliorate the energy shortage; and be it further

Resolved, That the Secretary of this Association is directed to send a copy of this Resolution to all members of Congress.

(Sponsored by the Committee on Gas Adopted September 20, 1973. Reported NARUC Bulletin No. 42–1973, p. 23. Passed by the NARUC 1973 Executive Committee. (See NARUC Bulletin No. 28–1973, p. 8.))

Resolution Re Changes in the National Environmental Policy Act of 1969

Whereas, Passage of the National Environmental Policy Act of 1969 has served well the public interest in the environment by balancing the many factors that bear on the National welfare; and

Whereas, The operation of said Act has disclosed areas of language requiring clarification, so as to eliminate delay, duplication of effort, and overlap of jurisdiction, and to weigh environmental values with other public interests and values; and

Whereas, There has been a Bill, H.R. 5974, introduced into the 93rd Congress which seeks to achieve such results without damaging or eroding the desirable features of the 1969 Act; now, therefore, be it

Resolved, That the Executive Committee of the National Association of Regulatory Utility Commissioners record its support for the principles and intent of H.R. 5974, and direct that a copy of this Resolution be sent to all members of Congress, requesting their support for passage of H.R. 5974, and that the Officers of this Association be authorized to take such action, including appearances before Congress, as they deem advisable to achieve the intent of this Resolution.

(Sponsored by the Honorable Carl R. Johnson of Ohio, Chairman of the Committee on Gas. Passed by the NARUC 1973 Executive Committee. (See NARUC Bulletin No. 28–1973, p. 9.))

Resolution Re Oil and Gas Pipelines From Alaska

Whereas, This Association has for some time past favored early construction of oil and gas pipelines from Alaska's North Slope; and

Whereas, Construction of the facilities required to make this possible has been delayed by litigation in various forums, so that use of these resources have been denied to our country at a time when the public welfare requires a maximum utilization of our own resources; and

Whereas, Construction time for the oil pipeline is estimated at 3½ years from the date of actual beginning, with an additional 3½ years being required to construct the gas pipeline; and

Whereas, Any further litigation will extend this time schedule for at least another year; and

Whereas, There are now pending in Congress two Bills, H.R. 6756 and S. 970, both Bills designed to give Congressional approval for immediate construction of the Trans-Alaska Oil Pileline; and

Whereas, An environmental impact statement prepared after years of study, demonstrates that a pipeline through Alaska is the best route from an environmental standpoint; now, therefore, be it

Resolved, That the Executive Committee of the National Association of Regulatory Utility Commissioners records its support of H.R. 6756 and S. 970, and requests all members of Congress from our Member States to support this legislation, and further requests our Senators and Congressmen to do whatever is necessary to accelerate passage of these Bills.

(Sponsored by the Honorable Carl R. Johnson of Ohio, Chairman of the Committee on Gas. Passed by the NARUC 1973 Executive Committee. (See NARUC Bulletin No. 28–1973, p. 9.))

Resolution Re Relief From License Fee for Imported Naphtha, Other Oil Distiliates and Natural Gas Liquids as a Feedstock

Whereas, The availability of domestic natural gas supplies continues to decline and pipeline suppliers of local gas distributors predict continued and increasing curtailments due to their inability to acquire and deliver contracted volumes of natural gas;

Whereas, New sources to supplement the declining natural gas supplies and declining deliverability from pressently developed reserves are essential to maintain service to millions of existing gas customers and to efficiently utilize the vast gas pipeline and distribution system already built and now in existence;

Whereas, The manufacture of high BTU synthetic gas from hydrocarbon feedstocks is a most effective and critically needed supplemental source of supply;

Whereas, Imported naphtha, other oil distillates and nautral gas liquids will be a vital and necessary source of supply of feedstock because domestic refinery capacity cannot presently supply the needed quantities for several years at least;

Whereas, The Oil Import Program, established pursuant to Presidential Proclamation 4210 of April 18, 1973, imposes license fees upon imported distillates and naphtha, other oil distillates and natural gas liquids to be used for synthetic gas feedstocks which will add approximately 15 cents/thousand cubic feet to the cost to consumers of synthetic gas by 1975;

Whereas, The Oil Import Program provides preferential exemptions from licensee fees to certain imported liquid hydrocarbon feedstocks based on historical import experience or priority utilization thereof, neither of which are available for synthetic gas feedstocks;

Whereas, Such license fee will be, in effect, a regressive tax upon the gas consumer with a substantial inflationary impact; and

Whereas, Various public utilities have entered into long-term contracts for the purchase of Canadian-origin oil for use as burner fuel for electric generation; now, therefore, be it

Resolved, That the Executive Committee of the National Association of Regulatory Utility Commissioners recommends that the Oil Policy Committee:

(i) Recognize that utilization of hydrocarbon feedstocks for the manufacture of synthetic gas is entitled to at least as high a priority as other uses of hydrocarbon feedstocks for which license fee exemptions have been granted;

(ii) Provide complete exemption from license fees for utility users of imported naphtha, other oil distillates and natural gas liquids, or in the alternative grant treatment at least equal to that provided for other preferred users; and

(iii) Provide that the importers seeking such exemption for this purpose establish that they cannot obtain domestic supplies of naphtha, other oil distillates and natural gas liquids at economically feasible prices.

Resolved, That the officers of this Association be authorized to transmit to the Chairman of the Oil Policy Committee and other appropriate governmental representatives and agencies this Resolution as evidence of the concern of members of this organization that gas consumers not be burdened with inequitable and discriminatory import license fees on naptha, other oil distillates and natural gas liquids imports needed to maintain adequate gas utility service; and be it further

Resolved, That long-term contracts entered into by public utilities prior to May 1, 1973 for the purchase of Canadian-origin oil for use as burner fuel for electric generation be exempt from license and allocation and, therefore, from license fees.

(Sponsored by the Honorable Carl R. Johson of Ohio, Chairman of the Committee on Gas. Passed by the NARUC 1973 Executive Committee. (See NARC Bulletin No. 28–1973, p. 9.))

RESOLUTION IN SUPPORT OF CONSERVATION OF NATURAL GAS AND ELECTRICITY TO BE OFFERED THROUGH INSULATION PROGRAMS

Whereas, The country is facing an energy crisis and therefore this convention has been dedicated to "Conservation—The New Ethic In American Energy Use"; and

Whereas, Natural gas is the least costly and most environmentally acceptable primary source of energy available to heat America's homes in these times of energy shortage and inflation; and

Whereas, Residential air conditioning is a significant load factor causing the shortage of electricity which has resulted in many parts of the country in "brown-outs" in the warm seasons and has increased the demand for the development of new electrical capacity which leads to higher costs and environmental problems; and

Whereas, It is important for regulators to assure that the Nation's gas and electric distribution companies take concrete steps to conserve energy and reduce the consumption and costs to residential customers; and

Whereas, The current supply of natural gas by gas and electric utilities is insufficient to meet the needs of all users in the United States and it appears that interstate pipeline companies have advised that curtailments of 1973–74 interstate deliveries of natural gas can be expected to significantly exceed 1972–73 curtailments; and

Whereas, All efforts which will promote the conservation and efficient use of natural gas are in the best interest of the residential, commercial, and industrial ratepaying consumers and utility companies of the United States; and

Whereas, The Michigan Public Service Commission has, upon its own initiative, encouraged Michigan gas utilities to develop programs desgned to accomplish the conservation and efficient use of natural gas, and has pending before it applications of Michigan gas utilities for approval of conservation programs which encourage, assist and, if necessary, finance the installation of insulation in homes using natural gas for residential space heating purposes; and

Whereas, Studies indicate that American homes are generally under-insulated and that the installation of 6 inches of ceiling insulation in poorly and/or non-insulated homes at nominal cost can be expected to conserve at least 15% of the annual average gas consumption used by said households plus significant electrical savings in operating furnaces and for air conditioning; and

Whereas, Insulation of residential dwelling will accomplish the conservation and more efficient use of this Nation's precious and diminishing supply of natural gas and will reduce air conditioning load at peak times; now, therefore, be it

Resolved, That the National Association of Regulatory Utility Commissioners, assembled in its Eighty-fifth Annual Convention in Seattle, Washington, hereby endorses and supports the initiative of the Michigan Public Service Commission to encourage gas and electric utilities to offer the installation of home insulation as part of their gas service; and be it further

Resolved, That any program to better insulate American homes, which are generally under-insulated, be applicable to existing and new homes and be available to consumers on the broadest possible basis; and, where technically feasible, gas and electric utilities should incur cost of service and investments to conserve, as well as distribute, existing supplies of natural gas and electricity, respectively; and be it further

Resolved, That the Administrative Director and General Counsel of this Association is hereby directed to furnish copies of this resolution to the President of the United States, the Leadership of the Congress of the United States, the Secretary of the Interior, the Director of the Energy Policy Office, and the members of the Federal Power Commission, and to otherwise publicize the contents hereof.

(Sponsored by The Honorable William G. Rosenberg of Michigan, The Honorable Lenton G. Sculthorp of Michigan, and The Honorable William R. Ralls of Michigan. Adopted September 20, 1973. Reported NARUC Bulletin No. 42–1973, p. 16. Passed by NARUC 1973 Convention. (See NARUC Bulletin No. 42–1973, p. 16.))

Resolution Re the Bidding for Offshore Oil and Gas Leases

Whereas, NARUC opposes the present cash bonus (plus fixed royalty) system of bidding on offshore leases; and

Whereas, Such system creates a cost barrier to entry with bonus becoming a fixed capital cost; and

Whereas, It limits the number of bidders; and

Whereas, The lack of knowledge of resource quality, quantity, or presence forces the buyer to estimate the bid value and the seller to estimate refusal price, which, at best are only speculative approximations; and

Whereas, The high bid bonuses reduce the amount of capital available for exploration and development; and

Whereas, A bidded royalty system would add steeply to marginal cost and discourage maximum recovery; now, therefore, be it

Resolved, That in order to permit the lessee's capital to be used for exploration and development, the National Association of Regulatory Utility Commissioners, assembled in its Eighty-fifth Annual Convention in Seattle, Washington, hereby supports the concept of replacing the present system with a contingent bonus bid (plus fixed royalty) system, such as a system which would provide that the bonus be paid in installments coinciding with the time of the bidding, the discovery of oil or gas, and the continuation of production beyond the fifth year, with the latter installment subject to waiver to the extent that it would render coninuing production uneconomical.

(Sponsored by The Honorable Joseph C. Swidler of New York. Adopted September 20, 1973. Reported NARUC Bulletin No. 42–1973, p. 20. Passed NARUC 1973 Convention. (See NARUC Bulletin No. 42–1973, p. 20.))

Resolution Re Mandatory Fuel Allocation Program

Whereas, An apparent shortage in supply of crude and refined petroleum confronts the people of the United States prompting the President and Congress to propose voluntary and mandatory petroleum allocations programs; and

Whereas, The Mandatory Fuel Allocation Program proposed by the Energy Office of the White House excludes from priority assignment use of substitute natural gas feedstocks and propane by gas utilities; and

Whereas, Maintenance of adequate gas utility service has always in the past been accorded the highest priority in the allocation of scarce fuels; and

Whereas, The shortage of natural gas has caused most pipeline companies to curtail substantially deliveries to their customers; and

Whereas, New sources to supplement declining natural gas supplies are essential to maintain service to existing gas customers and to utilize the existing gas distribution system; and

Whereas, The manufacture of high BTU synthetic gas from hydrocarbon feedstocks is the only way critically needed gas supplies can be made available quickly; and

Whereas, Synthetic gas plants have experienced extraordinary difficulty in obtaining adequate supplies of light hydrocarbon feedstocks domestically; and

Whereas, The Oil Imports Program imposes a license fee on imported naphtha and other light distillates used as feedstock in synthetic gas plants amounting to approximately 15¢ per Mcf; and

Whereas, H.R. 9681 pending before Congress, known as The Emergency Petroleum Act of 1973, in Committee Print of September 12, 1973 states that the allocation regulation to be promulgated as a result of that legislation shall provide, among other things, for "maintenance of all public services (including facilities

and services provided by municipal or investor owned utilities. . .)" Sec. 4(a)(2); now, therefore, be it

Resolved, That the National Association of Regulatory Utility Commissioners, assembled in its Eighty-fifth Annual Convention in Seattle, Washington, hereby: (1) deplores The Energy Policy Office's lack of recognition of the critical importance of the gas utility industry to the health, safety and welfare of the people indicated by its failure to assign the highest priority of allocation to gas utilities in its proposed Mandatory Propane Allocations Program and its Mandatory Fuels Allocation Program; (2) opposes the imposition of a license fee on imported light hydrocarbons to be used as feedstock for synthetic gas plants; and (3) supports legislation assigning a high priority to the maintenance of adequate gas utility service and an assurance of an adequate supply of naphtha and other light hydrocarbon feedstocks to operate synthetic gas plants; and, be it further

Resolved, That the National Association of Regulatory Utility Commissioners make known its position on these matters to the Director of the Energy Policy of the White House and members of the Oil Policy Committee, and that to implement the policy contained in this resolution the President designate an Ad Hoc Committee to confer with the Director of the Office of Energy Policy and to make this position known to the appropriate committees and individual Members of the Congress.

(Sponsored by The Honorable Archie Smith of Rhode Island. Adopted September 20, 1973. Reported NARUC Bulletin No. 42–1973, p. 22. Passed by NARUC 1973 Convention. (See NARUC Bulletin No. 42–1973, p. 22.))

Resolution Re Energy Conservation

Whereas, Our Nation's industries and citizens are facing a shortage of energy that may have most disastrous effects on our economy, way of living, and future growth; and

Whereas, The many plans for alleviation of this energy shortage all have time factors of several years for development; and

Whereas, The immediate future appears to require drastic energy conservation measures by all of our people if we are to avoid unpleasant national consequences; now, therefore, be it

Resolved, That the National Association of Regulatory Utility Commissioners, assembled in its Eighty-fifth Annual Convention in Seattle, Washington, hereby recommends to the elected officials, regulatory bodies, and inhabitants of its member States, that immediately steps be taken by all to conserve all kinds or types of energy, in whatever manner may be possible, so that the combined energy conservation of all our people may defer, as long as possible, the more drastic steps of energy rationing; and be it further

Resolved, That the Secretary of this Association is directed to send a copy of this Resolution to the Governors and Public Utility Commissioners of each of our member States.

(Sponsored by the Committee on Gas. Adopted September 20, 1973. Reported NARUC Bulletin No. 42–1973, p. 22. Passed by NARUC 1973 Convention. See NARUC Bulletin No. 42–1973, p. 23.)

Resolution Re Long-Term Energy Research

Whereas, The long-term energy needs of this Nation necessitate the development of all the potential energy resources of the Nation; and

Whereas, Such development will require financial resources beyond the financial capability of any individual company, groups of companies, or industry-wide groups; and

Whereas, It is in the Nation's interest that a research agency be created to:

(1) Create, discover and define all opportunities for developing domestic energy resources;

(2) Direct the research and development of the technologies which seem most promising; and

(3) Fund, where necessary, the achievement of commercial viability of domestic energy resources; and

Whereas, The President has proposed the creation of a separate Department of Energy, headed by a Secretary of cabinet rank, and the creation of an Energy

Research Administration to accelerate such energy activities; now, therefore, be it

Resolved, That the National Association of Regulatory Utility Commissioners, assembled on its Eighty-fifth Annual Convention in Seattle, Washington, hereby endorses and supports the President's Program for creation of a separate Department of Energy and for the formation of an Energy Research and Development Administration; and be if furthter

Resolved, That the Secretary of this Association is directed to send a copy of this Resolution to the President of the United States and to each member of Congress.

(Sponsored by the Committee on Gas. Adopted September 20, 1973. Reported NARUC Bulletin No. 42–1973, p. 23. Passed by NARUC 1973 Convention. (See NARUC Bulletin No. 42–1973, p. 23.))

PART 2.—LETTER FROM THE CHAIRMAN, FPC TO THE PRESIDENT, NARUC

FEDERAL POWER COMMISSION,
Washington, December 4, 1973.

BEN T. WIGGINS,
President, National Association of Regulatory Utility Commissioners
Atlanta, Ga.

DEAR MR. WIGGINS: This Commission will host a meeting of state public service commissioners, representatives of the Federal Energy Administration and Federal Power Commission members, at this agency's Washington, D.C. office, 825 North Capitol Street, N.E., December 10, 1973.

The purpose of the meeting will be to consider actions which all of the affected agencies may undertake in the exercise of their respective jurisdictions to meet the current Nation-wide fuel emergency. The Federal Power Commission has initiated a series of emergency actions and seeks to coordinate fully its activities with those of the Federal Energy Administration and state commissions.

I would anticipate that members of the NARUC Executive Committee and various other members of individual state commissions will wish to attend the December 10 meeting. I ask that you communicate with appropriate state commission members. The meeting will be in Hearing Room A, second floor, commencing at 1:30 p.m.

Sincerely,

JOHN N. NASSIKAS, *Chairman.*

PART 3.—AMENDMENT TO H.R. 11793 PROPOSED BY THE NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

Amend Section 3 of the act by adding a subsection (c), as follows:

"(c) In assuring the adequacy of provisions made to meet the Nation's energy needs, as set forth in subsection (a) of this section, the Administrator of the Federal Energy Administration shall consult on a continuing basis with other appropriate governmental officials, including State regulatory utility commissioners, responsible for the allocation and pricing of energy resources among consumers. The Administrator shall also establish an Advisory Committee of State officials. The Committee shall be appointed by the Administrator, after consultation with public agencies concerned with the regulation or allocation of energy and fuels or the protection of the environment, and shall be composed of seven members, as follows:

(1) Three members shall be selected from State regulatory commissions, after consultation with representatives of the national organization of State commissions, and shall be State commissioners;

(2) Four members shall be selected from State agencies responsible for allocation of fuels or the protection of the environment, and shall be selected after consultation with representatives of the National Governors' Conference.

(d) The Administrator shall submit to the Committee all proposed regulations and orders and amendments to such regulations and orders and afford such Committee a reasonable opportunity, not less than thirty days, unless extended by the Administrator, to prepare a report on the feasibility, reasonableness, and practicability of each such proposal. Each report by the Committee, including any

minority views, shall be published by the Administrator and form a part of the proceedings for the promulgation of regulations and orders. In the event that the Administrator rejects the conclusions of the majority of the Committee, he shall not be bound by such conclusions but shall publish his reason for rejection thereof. The Committee may propose to the Administrator, for his consideration, regulations or orders on energy use and/or conservation. All proceedings of the Committee shall be recorded and the record of each such proceeding shall be available for public inspection.

(e) Members of the Committee may be compensated at a rate to be fixed by the Administrator not to exceed daily rate of pay of the first step of GS–18 (including travel time) when engaged in the actual duties of the Committee. All members, while away from their homes or regular places of business, may be allowed travel expenses, including per diem in lieu of subsistence as authorized by section 5703 of Title 5 for persons in the Government service employed intermittently. Payments under this section shall not render members of the Committee employees or officials of the United States for any purpose.

Amend Section 5(3) of the Act by deleting the phrase "as he deems desirable to advise him," and inserting in lieu thereof the phrase "as are consistent with the requirements of Section 3(c) of this Act to advise him,".

26-725 O - 74 - 15

For Release at 10 a.m. (E.D.T.) Monday, April 30, 1973

Proposals for Tax Change

Department of the Treasury

April 30, 1973

X. Foreign Tax Haven Manufacturing Corporations

General Explanation

1. SUMMARY OF PROPOSAL

Under the proposal, the United States shareholders of a controlled foreign manufacturing corporation which either benefits from a tax holiday or similar tax incentive or which is manufacturing abroad for sale to the United States and benefits from significantly lower foreign income taxes will be taxed currently on the earnings and profits of such corporation. The intent of this provision is to tax those manufacturing corporations which have gone abroad to take advantage of tax benefits.

The new rules will apply to a controlled foreign corporation engaged in manufacturing or processing outside the United States only in years in which more than 10 percent of the unadjusted basis of the tangible property and real estate of the corporation at any time during the taxable year is used in its manufacturing or processing operations.

Current taxation will occur if either of two alternative circumstances exist:

(1) *Tax Holidays.* There is a new investment in a manufacturing or processing facility abroad after April 9, 1973 (or, in the case of a facility in existence on that date, there is or has been an amount of additional investment in excess of 20 percent) made during a period in which a tax holiday or other tax investment incentive was in effect with respect to the manufacturing or processing operations. If these conditions are met the current taxation will apply to all future years in which the corporation is a manufacturing or processing corporation.

(2) *Runaway Plant.* There is a new investment in a manufacturing or processing facility abroad after April 9, 1973 (or, in the case of a facility in existence on that date, there is or has been an amount of additional investment in excess of 20 percent) and for the year for which current taxation is to apply the effective foreign tax rate applicable to the corporation is less than 80 percent of the United States tax rate and more than 25 percent of the corporation's gross receipts are realized from the manufacture of products destined for the United States. Whether the conditions of this alternative have been met is to be determined on a yearly basis; thus a corporation could be taxed currently in year one because the effective foreign tax rate applicable to it is significantly lower than the effective United States tax rate and more than 25 percent of its gross receipts are derived from

sales to the United States, while in year two it would not be taxed currently if only 10 percent of its gross receipts were derived from sales to the United States.

As described below, a manufacturing branch of a foreign corporation located outside the country of incorporation will be treated as a separate corporation for purposes of applying these rules.

The provision would also include a separate limitation on the foreign tax credit; so that income treated as distributed under this provision would not be taken into account for the overall foreign tax credit computation, but would be separately computed.

The Treasury Department would be granted authority to determine which foreign practices constitute tax investment incentives. This authority could be exercised by determinations with respect to general categories of incentives, as for example, an exemption or reduction of tax for a period of time or certain cash grants. The authority could also be exercised by determinations with respect to specific incentives in specific countries, including local and regional incentives. Incentives would include those provided by law or regulations or individually negotiated arrangements. The fact that there is a generally low rate of tax in a country would not be considered by itself a tax incentive. The Treasury would have authority to exempt tax benefits which are determined to be insignificant in amount or effect and to make determinations prospective in appropriate cases, and would be prepared to rule on the status of tax arrangements under which foreign investments are made. The proposal would give the President the authority to exempt from the operation of the "runaway plant" provision companies in a particular industry if he determines that it is in the public interest to do so.

Finally, the legislation would preserve discretion in the Executive, subject to Senate approval, to enter into bilateral income tax treaties which would make these rules inapplicable to specific incentives, in order to promote investment in appropriate situations and with appropriate safeguards.

2. PURPOSE AND EFFECT OF PROPOSAL

Enactment of the proposed current taxation of foreign controlled manufacturing corporations would eliminate the tax advantages which some United States controlled manufacturers can obtain by investing in countries offering tax holidays, or by investing in manufacturing facilities in countries with low tax rates where a significant portion of their products are intended for the United States market. At the same time, the proposal will allow United States controlled foreign

manufacturing corporations to continue to operate abroad without current United States taxation in cases in which the investment is not tax motivated. As a general rule United States enterprises operating abroad now pay substantial foreign income taxes. In most cases, United States businesses invest abroad not because of an attractive tax situation, but because of business opportunities and marketing requirements.

While there will be some revenue gains to the U.S., the thrust of the proposal is to deter tax motivated foreign investment. It is not anticipated that this proposal will have a substantial revenue impact.

3. BACKGROUND OF PROPOSAL—PRESENT LAW

Under existing law, the income of foreign corporations operating abroad is generally not subject to current United States taxation, regardless of whether the shareholders of the corporation are U.S. or foreign. The Subpart F provisions of the Internal Revenue Code, adopted by the Congress in 1962, represent an exception to this general rule in the case of certain tax haven activities conducted by corporations controlled by U.S. shareholders.

The Subpart F provisions generally exclude the earnings of controlled foreign manufacturing subsidiaries from current taxation on income realized from the manufacture and sale of products. This distinction was based upon the accurate analysis that the great bulk of United States investment abroad in manufacturing and processing facilities is located in countries which impose substantial corporate income taxes. Investment decisions in such cases are made on the basis of general business considerations in which tax burdens are a neutral factor. However, there has been an increasing tendency by both developing and developed countries to deviate from their normal corporate tax structures by offering tax related incentives, such as holidays from taxation, to attract foreign investment. This has led in some significant cases to United States companies making investments in manufacturing facilities abroad in order to obtain special tax benefits. These tax incentives in combination with the U.S. tax system that does not tax the income of a foreign subsidiary until it is repatriated can lead to distortions in investment decisions. Similiarly, low tax rates, particularly in combination with other factors such as accessible low cost labor, have led some U.S. companies to move production from U.S. sites to foreign locations where they produce largely for the U.S. market. The proposed legislation, which applies to foreign tax holiday incentives and production for the U.S. from low tax countries, is intended to remove the income tax factor from influencing foreign investment.

Technical Explanation

BASIC FRAMEWORK

The proposal will add new rules to the Internal Revenue Code to require current United States taxation of earnings and profits of controlled foreign manufacturing corporations which benefit from tax holidays or constitute runaway plants. The new rules will provide that a United States shareholder (i.e., a 10 percent shareholder who is a United States person) of a controlled foreign corporation will be treated as having received his pro rata share of the corporation's earnings and profits for a taxable year (with limitations discussed below) if the corporation qualifies for such year as a "foreign tax haven manufacturing corporation" as defined under the proposal. This would be accomplished by incorporating the new rules into the existing Subpart F of the Internal Revenue Code.

The proposal would not create a new class of Subpart F income since it is intended that no limitation on Subpart F income shall apply unless expressly made applicable by the new legislation. Thus, the so-called 70–30 rule contained in section 954(b)(3), the significant purpose exception of section 954(b)(4), and the minimum distribution provisions of section 963 would not apply.

Foreign Tax Haven Manufacturing Corporation

A. Basic Framework

The proposal will provide for current taxation of United States shareholders on earnings and profits of a controlled foreign corporation for taxable years in which the corporation qualifies as a foreign tax haven manufacturing corporation as defined under the new rules. A controlled foreign corporation will be a foreign tax haven manufacturing corporation for any taxable year beginning after December 31, 1973, if it is engaged in manufacturing or processing operations outside the United States during the year and if:

(i) *Tax Holiday.* The corporation is allowed a foreign tax investment incentive such as a tax holiday (or became a foreign tax haven manufacturing corporation under this provision in a prior year), or

(ii) *Runaway Plant.* The effective foreign tax rate applicable to such corporation for the taxable year is significantly lower than the statutory United States corporate tax rate and more than 25 percent of the corporation's gross receipts for the year are from the manufacture or processing of property which is sold or leased for ultimate use, consumption, or disposition in the United States.

B. Engaging in Manufacturing or Processing Operations

A controlled foreign corporation will be regarded as engaged in manufacturing or processing operations if, at any time during the taxable year, the unadjusted basis of tangible property and real property used in its manufacturing or processing operations exceeds 10 percent of the unadjusted basis of all tangible property and real property of the corporation as of that time. Included property is property described in section 1231(b)(1) (without regard to the holding period for such property). Property will be included in the test regardless of whether the corporation has title or holds merely a lease-hold interest.

If the property is acquired other than by a purchase, the cost of the property will be deemed to be its fair market value on the acquisition date. For example, if property is acquired as a contribution to capital its cost will be its fair market value on the date of such contribution. The cost of leased property is the lessor's cost.

C. Increased Investment

The provisions apply to United States shareholders of controlled foreign corporations that make a new investment or have additional investment (including replacements) in existing manufacturing or processing operations after April 9, 1973. It is immaterial whether the source of such investment is new capital or reinvested earnings.

For purposes of the Runaway Plant rule, a foreign corporation will be treated as having additional investment in existing manufacturing or processing operations if, at any time after April 9, 1973, the sum of the unadjusted basis of tangible property and real property acquired after such date for use in such operations exceeds 20 percent of the unadjusted basis of tangible property and real property used in such operations on April 9, 1973. For purposes of the Tax Holiday rule, the current taxation will apply only if the additional investment exceeds the 20 percent increase in tangible property and real property in a year in which a tax incentive is in effect or if the investment was made in contemplation of a tax incentive.

The test will be determined on the basis of comparing assets of the corporation's entire manufacturing or processing operations or on the basis of a single plant or production unit which lends itself to separate treatment. However, the facility which, at any time, serves as a basis for asset comparison must have been in existence and identifiable as such on April 9, 1973. Otherwise, the entire facility is a new investment. Once the test is met as to a single plant or production unit, the current taxation will apply to the entire corporation (or branch if the branch rule applies).

The proposal will provide that a foreign corporation acquires property when it takes possession in any transaction, including a lease, purchase, or capital contribution, regardless of whether the basis of the asset in the hands of the controlled foreign corporation is determined by reference to its basis in the hands of any other person or to the basis of any other property. Consequently, the corporation is treated as acquiring new investment after April 9, 1973, if it acquires property after that date in a like-kind exchange under section 1031 or in an involuntary conversion under section 1033. In such cases, the amount of the acquisition will be the fair market value of the property acquired.

The acquisition of the stock of an existing foreign corporation is to be treated as a new investment with respect to determining the status of that newly acquired corporation under these rules.

D. Tax Incentive Requirement

(*i*) *Tax Holidays*

A corporation is a foreign tax haven manufacturing corporation if the new investment or any investment in excess of a 20 percent increase in investment was made during or in anticipation of any taxable year for which a foreign tax investment incentive was allowed or allowable. Under this rule, if a foreign corporation has existing investment on April 9, 1973, and has an increase in investment of 20 percent in 1974, whether or not there is a foreign tax investment incentive, and has a 10 percent increase in investment in 1975 when a foreign tax investment incentive was in effect, then the corporation would become a foreign tax haven manufacturing corporation as of 1975. Once this requirement is met the income of that corporation will be taxed currently thereafter regardless of whether the incentive is in effect for a subsequent year, unless the corporation ceases to be engaged in manufacturing or processing operations.

An investment in anticipation of a tax incentive would be treated the same as one made during a year in which the incentive applies. This would prevent the foreign country from announcing the incentive in advance of its effective date, or agreeing with the corporation to postpone the effective date of the investment incentive until after a significant amount of increased investments were made. It would also make the provision applicable where the foreign country postpones the effective date of a tax holiday because the corporation anticipates having losses in the year the investment is made.

In order to give the Secretary of the Treasury or his delegate broad authority to determine by rules or regulations the general categories of foreign tax investment incentives and also whether any specific practice or benefit constitutes such an investment incentive, the pro-

posal will define a foreign tax investment incentive in broad terms. It will include any income tax related benefit, however effected, which is intended to encourage or has the effect of encouraging investment in the foreign country which provides the benefit, and whether or not granted to nationals as well as foreigners. Such a benefit may be provided by law, regulation, or individually negotiated arrangements. However, the fact that there is a generally low rate of tax in a country will not be considered by itself a tax incentive. Examples of benefits or practices of the type which constitute investment incentives include tax holidays (which are partial or complete exemptions from tax for a period of time); deductions for reinvestment reserves; certain grants; and certain depreciation rules bearing no relationship to useful life.

(*ii*) *Runaway Plants*

The second circumstance under the proposal which will result in current taxation also applies where there is new investment or additional investment after April 9, 1973. Under this alternative test, a corporation is a foreign tax haven manufacturing corporation if (a) the corporation is subject to an effective foreign tax rate which is significantly lower than the United States corporate tax rate and (b) the corporation's manufacturing or processing operations involve substantial production destined for use, consumption or disposition in the United States. Both the significantly lower tax rate requirement and the export to the United States requirement are tested annually.

The foreign tax rate will be considered to be significantly lower for a taxable year if the effective foreign tax rate during such year is less than 80 percent of the statutory U.S. corporate tax rate (the current statutory U.S. tax rate for this purpose is 48 percent and 80 percent would be 38.4 percent). The foreign effective rate is to be determined by dividing the foreign income tax paid or accrued by the taxable income of the foreign corporation determined by U.S. tax accounting rules for determining a U.S. corporation's taxable income from sources outside of the United States under chapter 1 of the Code and without regard to the provisions of subchapters F, G, M, N (except Part I), S, and T. Thus, if the foreign tax paid on $100 of income determined under U.S. tax rules was $42, the foreign effective rate would be 42 percent or more than 80 percent of the present U.S. statutory rate.

(*iii*) *Runaway Plant—substantial production for export to the United States*

Under the proposal, the manufacturing or processing operations of the corporation will be considered to involve substantial production for export to the United States if 25 percent of its gross receipts for the year are realized from the manufacture or processing of property which is sold or leased for ultimate use, consumption, or disposition

within the United States. For purposes of this rule, it is not necessary that the corporation itself sell the property. In other words, the corporation could be manufacturing for the seller on a subcontract arrangement. Furthermore, the property does not have to be sold directly to United States persons so long as there is a reasonable expectation that its ultimate destination is the United States.

Branch Rules

If the controlled foreign corporation is a foreign tax haven manufacturing corporation for the taxable year with respect to its investment within the country in which it is incorporated, then each United States shareholder's share of its earnings and profits for such year (as limited under provisions discussed below) will be attributed to the shareholder, even though part of such earnings and profits do not represent income from the manufacturing or processing operations and even if part of such earnings and profits are from outside of the country of incorporation. Thus, if the manufacturing or processing operations subject to a tax benefit are located within the country of incorporation, the earnings and profits taxed currently under the new provisions would include all earnings and profits derived from other types of operations (*e.g.*, real estate operations) regardless of whether such operations are carried on by branches within the country of incorporation or branches without the country of incorporation.

A special rule will apply, however, where a controlled foreign corporation is not a foreign tax haven manufacturing corporation with respect to its activities in the country of incorporation and is doing business in other foreign countries. If, upon treating activities of a branch in another country as a separate corporation, they would qualify as the activities of a foreign tax haven manufacturing corporation, then current taxation under the proposal will be applied separately to the earnings and profits attributable to such branch activities. Thus, a United States shareholder of a controlled foreign corporation which has a branch located in a foreign country outside the country of incorporation, the activities of which if treated as a separate corporation would be deemed those of a foreign tax haven manufacturing corporation, shall be subject to tax on his pro rata share (based upon his ownership of the controlled foreign corporation itself) of earnings and profits which are derived from the branch activities in such other country.

AMOUNTS TAXED CURRENTLY—LIMITATIONS

The proposal will tax currently to United States shareholders the corporation's earnings and profits for the year (or earnings and profits of a branch treated as a corporation) determined in accordance with

rules normally applicable to domestic corporations, subject to the following limitations or exclusions:

The amount of such earnings and profits will be reduced by the sum of the deficits in earnings and profits for prior taxable years beginning after December 31, 1972, and the excess of the sum of deficits in earnings and profits over the sum of earnings and profits (*i.e.*, any net deficit for taxable years beginning after December 31, 1969, and before January 1, 1973). However, any deficit in earnings and profits for a prior taxable year will not be taken into account for the taxable year to the extent that it had been taken into account to reduce earnings and profits of a preceding taxable year in determining the amount currently taxed under the new proposal or in determining the amount of subpart F income taxed under section 951(a)(1)(A). This exclusion is similar to the limitation under section 952(c).

The amount of earnings and profits for the taxable year is further reduced to the extent such earnings and profits represent income which has been subject to United States tax by reason of its being effectively connected with a trade or business within the United States.

The proposal will provide a limitation which is similar to section 951 (a)(2) with respect to subpart F income. In part, it will exclude earnings and profits for a year which were derived during a portion of the year for which the corporation was not a controlled foreign corporation.

Section 959(a), without any amendment by the proposed legislation, would exclude from gross income the amounts of earnings and profits actually distributed to the extent that they represent earnings and profits which have been previously taxed to the shareholders under the new provisions. However, in order to specify when an actual distribution represents earnings and profits included in gross income under the new proposal, section 959(c) will be amended to provide that actual distributions are treated as made first out of earnings and profits that have been taxed currently under the new rules.

Limitation on Credit

Under section 960, without amendment by this proposal, the foreign tax credit will be allowed with respect to amounts taxed currently under the new rules as well as the other amounts taxed currently to United States shareholders under section 951(a). However, the proposal will amend section 904(f) to prevent a United States shareholder from using an excess foreign tax credit to offset its United States tax liability on the income currently taxed to it under these new rules. As is the case under existing law with respect to interest income and dividends from a DISC, the tax credit limitation is to be applied separately with respect to the amounts currently taxed under the new provisions to United States shareholders.

Special Rules

Under the proposal, the new rules will not be applied to tax currently United States shareholders on earnings and profits of a foreign corporation, and specific practices or incentives offered by foreign countries will not be included in the definition of foreign tax investment incentives, to the extent provided by any treaty or similar bilateral agreement to which the United States is a party which enters into force after April 9, 1973.

Furthermore, the proposal will provide that where it is in the public interest to do so the President may, by Executive Order, specify that the new rules do not apply to corporations within any industry to the extent their application depends solely on the corporation being a runaway plant (*i.e.*, subject to significantly lower foreign tax rates and having substantial production for export to the United States).

Under the proposal, the new rules will prevail over existing subpart F provisions, as well as the foreign personal holding company provisions, to the extent they would otherwise apply to the same earnings and profits.

XI. Recovery of Foreign Losses

General Explanation

1. SUMMARY OF PROPOSAL

Under the proposal, certain losses incurred by United States taxpayers operating abroad and deducted against domestic income would reduce foreign tax credits in later years when the taxpayer earns profits on these operations. Thus, United States companies will no longer be allowed to incur large losses in some years, reduce United States income in those years, and then use the foreign tax credit to offset United States tax in profitable years. In addition, certain losses previously deducted would be taken into income when the taxpayer disposes of the assets the use of which resulted in the losses.

The proposal will provide that if a taxpayer sustained a loss (whether ordinary or capital) in a foreign country or possession of the United States in a taxable year, or an over-all loss from foreign sources, then for purposes of computing the limitation on the foreign tax credit in succeeding years such loss would be taken into account in the succeeding taxable years as a reduction of the taxpayer's taxable income from sources within such country or possession or from over-all foreign sources, as the case may be. The amount of the reduction in any one year is not to exceed 25 percent of the taxpayer's income from such country or possession or from foreign sources, as the case may be, computed without regard to such reduction. The amount of the losses not taken into account shall be carried forward in the ten succeeding years for which the foreign tax credit is elected. Such a reduction will not be made, however, in any taxable year to the extent that the loss has been allowed by the foreign country where the loss was incurred and has thereby reduced the amount of foreign tax paid.

In cases in which material income producing assets which gave rise to the losses, or in which a substantial portion of the assets held for the production of income, are disposed of before the prior losses have been fully taken into account, the losses not previously taken into account would be included in the taxpayer's gross income from foreign sources in the year of disposition of the property. This would include cases in which the enterprise is transferred to a foreign corporation before the losses have been fully taken into account. Likewise, where a corporation which incurs losses and files its income tax

return as part of a consolidated group of corporations in the year of the losses, and then, in a subsequent year, chooses to be treated as a "Possessions Corporation" under section 931 of the Code, the losses would be restored to the corporation as income from sources within the United States and taxed in that year by the United States.

2. PURPOSE AND EFFECT OF PROPOSAL

The enactment of the proposal would eliminate the tax disadvantage borne by the United States Treasury in some situations where taxpayers deduct from their United States income losses from overseas operations, and do not pay United States income tax on income earned in later years through the use of the foreign tax credit, or by disposing of the loss generating assets, or by electing to be treated as a "Possessions Corporation" under section 931 of the code. The proposal is designed to deal with the case of a taxpayer whose foreign operations are organized in such a way that the United States Treasury bears the burden of the losses while a foreign Treasury collects tax when the activity is profitable. The proposal does not deny the deduction for the losses, but, in effect, recaptures them if they are not taken into account for computing foreign taxes in later years.

3. BACKGROUND OF PROPOSAL

Under existing law, United States taxpayers may deduct losses from foreign transactions for purposes of computing their taxable income. Thus, the foreign losses reduce the United States tax on United States income. In addition, a United States taxpayer is allowed to credit against his United States tax on foreign income an amount equal to the United States tax imposed on the foreign income with respect to which the foreign taxes were paid. In the alternative, the foreign taxes may be deducted. The limitation may be computed either separately for each country (the "per-country" limitation), or on an overall basis (the "overall" limitation) under which all foreign income taxes and foreign source income are aggregated.

A taxpayer who is on the per-country limitation at the time a loss from a foreign transaction is incurred does not have to reduce the limitation for foreign taxes paid on foreign income from other countries as he would if he were on the overall limitation. Thus, he gets the full credit for other foreign taxes paid, plus the full deduction for the foreign losses. When the foreign operations in the country of loss become profitable, taxes are often paid to such country without taking into account the prior losses. The tax credit allowed by the United States for such taxes may effectively eliminate any United States

tax on the income earned during the profitable period. The same result occurs in the case of a taxpayer on the overall limitation who has an over-all loss on his foreign operations. In such cases the United States bears the burden of the taxpayer deducting large losses which greatly reduce United States taxes, while the foreign country collects the taxes on the operation once it becomes profitable with the United States tax eliminated by the foreign tax credit.

It is also presently possible for taxpayers to incur large start-up losses in the early years of an operation in a foreign country, and then to incorporate the operation in the foreign country once it becomes profitable. In this case no United States tax would be paid, even if the foreign country takes the prior losses into account, unless the earnings were repatriated.

In much the same way it is presently possible for a domestic corporation deriving most of its income from sources within a possession of the United States to file a consolidated return with an affiliated group of which it is a member in a year in which it has losses and then to be treated as a "Possessions Corporation" under section 931 of the Code in years when it has income. A corporation qualifying as a possessions corporation, although incorporated in the United States, is not taxable by the United States on its foreign source income. This means that the losses are used to offset United States taxable income of the group while the income of the later years will not be considered as gross income for purposes of computing the United States tax.

Technical Explanation

1. BASIC FRAMEWORK

The proposal will not entail the denial of any losses in the year in which they are incurred. Instead, under the basic rule, where there is income in years subsequent to the loss years, the proposal would reduce the limitation on the foreign tax credit in those subsequent years. The proposal then defines what is meant by a foreign loss. Finally, the proposal will add a new section 84 to the Code which will provide for the inclusion in gross income of an amount equal to the amount of the losses where the property which incurred the losses is disposed of or in certain cases of corporations treated as possessions corporations under section 931 of the Code.

2. REDUCTION IN FOREIGN TAX CREDIT LIMITATION

The first case in which the prior years' losses will be taken into account is where foreign source income is earned in years succeeding the losses. In such a case there will be a reduction of the limitation on

the foreign tax credit. To accomplish this the proposal will amend section 904(a) of the Code.

A. Reduction in limitation

The proposal will provide that, in the case of a taxpayer who in a prior taxable year beginning after December 31, 1973 (hereinafter referred to as the "loss year"), sustains a foreign loss (as defined in the proposal), the amount of the taxpayer's taxable income from sources within the foreign country or possession of the United States in which such loss was incurred or from sources without the United States, as the case may be, is to be reduced solely for purposes of determining the applicable limitation under paragraph (1) or (2) of section 904(a). The reduction is to be for each of the 10 succeeding taxable years for which the taxpayer chooses to take the benefits of the foreign tax credit provisions (secs. 901 through 906). The amount of the reduction is the lesser of the following:

(i) The amount by which 25 percent of the taxpayer's taxable income for such a succeeding taxable year from sources within such country or possession or from sources without the United States, as the case may be, exceeds the sum of the reductions made pursuant to this proposal for such succeeding taxable year in respect of foreign losses incurred in taxable years before the loss year, or

(ii) In the case of the first taxable year succeeding the loss year, the amount of such loss, and in the case of any taxable year succeeding such first taxable year, the portion of such loss not used to make a reduction under the proposal in any taxable year occurring after the loss year and before such succeeding taxable year.

The impact of these limitations is that the taxpayer's foreign tax credit in any year from any one country will be at least 75 percent of what it would have been without regard to this proposal. This method of computing the reduction in the limitation follows an ordering rule which is analogous to the operation of section 170(d). The proposal also sets forth the method for determining taxable income.

Example.—X corporation, a U.S. corporation, sustains a net loss of $100 on its operations in Country A in 1974. X deducts that loss from other income earned in the U.S. in 1974. In 1975 X derives taxable income of $200 from its operations within Country A and pays income tax of $100 (assuming a rate of tax of 50 percent) to Country A. Country A does not provide for the carryover of losses. In addition, in 1975 X has income from sources within the U.S. of $200. X's taxable income for purposes of computing its U.S. tax is $400, and its tax, before reduction by the foreign tax credit, is $200 (assuming

a rate of tax of 50 percent). Under the proposal, the limitation on X's foreign tax credit for 1975 is $75, computed as follows:

$$\frac{150 \text{ (Taxable income from A reduced by amount of the loss, but limited to 25\% of taxable income from A)}}{400 \text{ (Worldwide taxable income)}} \times 200 = 75$$

The additional $50 of the 1974 loss would be taken into account in succeeding years.

The proposal will operate to reduce the tax credit limitation otherwise available whether or not the taxpayer uses the per-country or overall limitation in a succeeding taxable year to which the proposal applies. This is true regardless of which limitation was used in the loss year, and even if the taxpayer had not chosen to take the benefits of the foreign tax credit provisions for the loss year. The 10-year limitation on carryovers of foreign losses would run only where the taxpayer chooses to take the benefits of the foreign tax credit provisions for each year of the 10-year period. The 10-year limitation is tolled with respect to years for which the tax credit provisions are not chosen. Thus, if a taxpayer experiences a loss to which this proposal applies in 1974 and then does not choose to take the benefits of the foreign tax credit provisions in 1975 but does in 1976, the 10-year period would begin to run in 1976.

B. Foreign losses to be taken into account

The proposal will define "foreign loss" to mean the amount by which the gross income for the taxable year from sources within a foreign country or possession of the United States or from sources without the United States, as the case may be, is exceeded by the sum of the expenses, losses, and other deductions properly apportioned or allocated thereto and a ratable part of any expenses, losses, and other deductions which cannot definitely be allocated to some item or class of gross income. For this purpose the principles of sections 862 and 863 and the regulations thereunder are to be followed.

For purposes of the proposal, section 1212(b) is to be treated as providing for a capital loss carryover in the case of taxpayers other than corporations. For purposes of computing the taxpayer's foreign tax credit limitation under section 904, amounts included in gross income by reason of new section 84 and sections 172 and 1212 are to be taken into account in determining the taxpayer's entire taxable income for the taxable year (whether the taxpayer uses the per-country or overall limitation.) New section 84 and sections 172 and 1212 are also to be taken into account in determining the amount of the taxpayer's tax under chapter 1 of the Code before the allowance of credits.

26-725 O - 74 - 16

However, once a loss is taken into account as gross income under new section 84, such amount will not again be taken into account to reduce the foreign tax credit in subsequent years.

The proposal will also provide that the taxable income for a taxable year referred to in the proposal from sources within a foreign country or possession of the United States or from sources without the United States, as the case may be, shall be determined without regard to new section 84 and without regard to any net operating loss deduction allowable under section 172(a) or any capital loss carrybacks or carryovers to such year under section 1212. Thus, any amount included in gross income pursuant to new section 84 shall be considered an item of gross income for all purposes except the determination of taxable income in the numerator of the credit limitation pursuant to the new limitation.

The proposal will provide that the Secretary or his delegate shall by regulations prescribe, for purposes of the new limitation and new section 84, the manner for carrying a foreign loss from sources within a foreign country or possession of the United States for a taxable year to another taxable year to which the limitation provided by section 904(a)(2) applies, or for carrying a foreign loss from sources without the United States for a taxable year to another taxable year to which the limitation provided by section 904(a)(1) applies.

The proposal will provide that the Secretary or his delegate shall by regulations prescribe the manner by which a foreign loss is allocated among countries and classes of income for purposes of the new limitation and new section 84.

It is intended that foreign losses will be carried to succeeding taxable years to which the new limitation applies, to be allocated in such a year (and absorbed in intervening years) pursuant to regulations to be prescribed by the Secretary of the Treasury or his delegate.

3. CERTAIN DISPOSITIONS OF PROPERTY

The proposal would add a new section 84 to the Code to provide for the inclusion in gross income of the taxpayer of an amount equal to the defined losses. If during any taxable year property which gives rise to the loss which would normally be taken into account for purposes of this proposal is disposed of, and if the amount of such loss exceeds the amount, if any, by which the taxpayer's taxable income was previously reduced under this proposal in determining the applicable limitation under section 904(a)(1) or (2) for that taxable year and preceding taxable years by reason of such loss, an amount equal to such excess is to be included in gross income for the taxable year of disposition as income from sources within the foreign country or possession of the United States in which such loss was incurred or as income from

sources without the United States, as the case may be. The term "disposition" will include sales or exchanges, reorganizations, and transfers of property, such as a transfer of a foreign branch to a newly incorporated affiliate of the transferor corporation. A disposition will be considered to have occurred when a corporation has filed a consolidated return with an affiliated group of which it is a member in a year in which it has losses and then chooses to be treated as a "Possessions Corporation" under section 931 of the Code in a year in which it has income.

The proposal will provide that no amount is to be included in gross income under new section 84 in any case in which the property which is disposed of is not a material factor in the realization of income, or is not a substantial portion of the assets held for the production of income by the taxpayer.

Example.—In taxable year 1974 domestic corporation N sustains a $100 loss in foreign country Y. It is assumed that for 1975 N is required under this proposal to reduce its foreign tax credit limitation by the amount of $40 and for 1976 N is required to reduce such limitation by $20. In 1976, N disposes of property which gave rise to the loss occurring in 1971. For 1976, N must include in gross income $40 ($100 less $60).

4. CONFORMING AMENDMENT

The proposal will amend section 904(d) (relating to carryback and carryover of excess tax paid) to provide that (1) for purposes of computing the amount of tax to be carried, the applicable limitation under section 904(a) is to be determined without regard to the new limitation, and (2) for purposes of determining the amount of excess tax deemed paid or accrued in a year to which it is carried, the applicable limitation under section 904(a) is to be determined by applying the new limitation created by this proposal.

5. REVENUE EFFECT

There will be a phasing in of the revenue impact following the effective date of this proposal with the additional revenues rising to at least $100 million annually after five years.

Memorandum to: Deputy Secretary Simon.
From: Frederic W. Hickman Assistant Secretary for Tax Policy.
Subject: *Treasury Proposal for Reduction of Tax Credit by Prior Foreign Losses.*

This is pursuant to your request for a short description of the Administration's proposal which would reduce present incentives for foreign drilling.

The proposal would reduce the foreign tax credit allowable under certain circumstances.

Under present law, drilling operations may be commenced in foreign country X and will customarily create losses at the outset. Those losses may be deducted againstUnited States income or other foreign source income for U.S. income tax purposes so long as the drilling company is a branch of the U.S. company or a domestic subsdiary. Since there is a loss in year 1, country X imposes no tax.

In year 2 production commences and the foreign operation shows a profit. Country X taxes that profit at a rate, often in excess of the U.S. rate, without taking into account the prior losses. The foreign tax credit allowed by the United States may effectively eliminate any United States tax on the earned income for such profitable period. The United States bears the burden of the tax payer's deducting large losses which greatly reduce U.S. taxes, while the foreign country collects the taxes on the operation when it becomes profitable with the U.S. tax eliminated by the foreign tax credit.

The Treasury has proposed that where a taxpayer has deducted losses incurred in a foreign country in computing U.S. taxable income and in subsequent years the foreign country does not permit a loss carry forward in computing profits under its tax laws, the U.S. foreign tax credit otherwise allowable will be reduced to reflect the losses previously deducted against the U.S. income. In order not to eliminate the tax credit in any one year, the proposal provides that the taxpayer will be able to credit at least three-fourths of his tax credit in any one year. This is accomplished technically by limiting the loss taken into account in any one year to not more than 25 percent of the taxpayer's foreign income in that year.

It is believed that this proposal, by reducing the advantage of deducting initial drilling expenses and then claiming full foreign tax credits, will reduce present tax benefits accruing from foreign drilling operations. It will not have an impact in those foreign countries, such as Canada, that permit loss carry forwards in computing taxable income.

Attachment.

To illustrate.—The tax credit formula is as follows:

$$\text{Limitation} = \frac{\text{Taxable income from foreign country}}{\text{Worldwide taxable income}} \times \text{U.S. income tax before credits}$$

A. In 1973, a taxpayer incurs a loss of $100 in Country X. In 1974, the taxpayer earns $100 in Country X which does not permit a loss carry forward. The tax credit in 1974 would be computed as follows under the Treasury proposal:

$$\frac{\$75\ (\text{Taxable income from X reduced by } 25\%)}{\$100\ \text{Worldwide taxable income}} \times 50 = \$37.50$$

The addition ¾ of the 1973 loss would be taken into account in later years.

B. If the facts were the same, except that in 1974 the taxpayer had $400 of income in Country X, the full loss would be taken into account that year in computing the tax credit as follows:

$$\frac{\$300\ (\text{Taxable income from X reduced by prior loss})}{\$400\ \text{Worldwide taxable income}} \times 200 = \$150$$

In this case the $100 prior loss does not reduce the taxable income by more than 25% and is included in full in the numerator.

PROJECTED RECOVERY OF FOREIGN LOSSES (LIMITED BY 25 PERCENT OF TAXABLE INCOME) AND REVENUE EFFECT, 1973 AND THEREAFTER

[In millions of dollars]

Year	Recovery of foreign losses			Revenue effect [1] (at 48 percent U.S. tax rate)
	Petroleum and mining	Other	Total, all activities	
1973	0	0	0	0
1974	40	10	50	24
1975	80	19	99	48
1976	80	28	108	52
1977	120	38	158	76
1978	160	38	198	95
1979	160	38	198	95
1980	200	38	238	114
1981	240	38	278	133
1982	240	38	278	133
1983	280	38	318	153
1984	320	38	358	172
Subsequent years	320	38	358	172

[1] It is assumed that the foreign tax rate on taxable income, reduced by the amount of the recovery for calculating the foreign tax credit claimed, is not lower than the U.S. statutory rate (applicable at the margin).

Source: Office of the Secretary of the Treasury Apr. 16, 1973, Office of Tax Analysis.

Appendix 4.—Federal Power Commission Documents Relating to Delays in Electric Plant Operations

Federal Power Commission,
Washington, D.C., March 7, 1973.

FPC Releases Staff Report on Delays of Scheduled Operation of Electric Generating Units

The Federal Power Commission today released a staff report which shows that 35 steam electric generating units, totaling 30,014 megawatts, originally scheduled for service by the summer of 1973, are not now expected to be ready.

The study, by the FPC's Burean of Power, reports that 30 of these delayed units are nuclear fueled, with capacity totaling 27,389 megawatts. The other five are fossil-fired units.

The report says that the nation's present installed generating capactiy of approximately 398,000 megawatts includes 29 nuclear units with a total capacity of 14,683 megawatts, or 3.7 percent of the total.

However, these totals include a number of units which have received operating licenses but are not available for full load operations due to limitations imposed by environmental considerations, license restrictions or technical problems. In addition, the report notes, there are 51 nuclear units totaling 44,759 megawatts which have been granted construction permits but have not yet received operating licenses.

The report estimates that by the summer of 1980, a total of approximately 760,000 megawatts of capacity will be needed to meet projected loads of the nation's electric utilities. The staff said that present projections indicate that about 122,000 megawatts, or 34 percent, will be nuclear; about 205,000 megawatts, or 56 percent, will be fossil steam; and the remaining 10 percent will be hydroelectric and other.

The complete text of the Bureau of Power report, which includes 9 tables, is attached.

Federal Power Commission Bureau of Power

STAFF REPORT ON DELAYS IN SCHEDULED COMMERCIAL OPERATION OF ELECTRIC GENERATING UNITS

The following discussion and accompanying tables present selected data on delays in the scheduled commercial operation dates of large electric generating units and high-voltage transmission facilities of electric utilities throughout the 48 states. The data are based on the most recent information available to the Federal Power Commission's Bureau of Power staff and represent the reported status of facilities as of early February 1973. It seems likely that several of the new generating units included in this report and now scheduled to be ready for service for the 1973 summer load season may not actually become available as planned due to possible further construction delays, problems during plant start-up, or other causes which are not apparent at this time. Also, one or two of these plants are not scheduled for initial service until June, and this allows little time for any significant shakedown period and operational adjustments prior to summer peak load periods even if the planned construction schedules can be met.

Presently, there is a total of approximately 398,000 MW of generating capacity in service throughout the Nation, including 29 nuclear units with a total capacity of 14,683 MW or 3.7 percent. This includes a number of units which have received operating licenses but which are not available for *full load* operation due to limitations imposed by environmental considerations, license restrictions, or technical problems. In addition, there are 51 nuclear units totaling 44,759 MW which have been granted construction permits but have not yet received operating licenses.

A total of 30 units, involving 27,389 MW of nuclear capacity, originally scheduled for service prior to the summer of 1973, are not now expected to be in service by that time. This compares with 29 units, totaling 24,283 MW of nuclear capacity, scheduled for service prior to the summer of 1972, but delayed at least beyond the summer load season of that year, some for much longer periods as described later. It has been estimated that by the summer of 1980 a total of approximately 760,000 MW of capacity will be needed to meet the projected loads of the Nation's electric utilities. Present projections indicate that about 122,000 MW or 34 percent of the additions will be nuclear, 205,000 MW or 56 percent will be fossil steam, and the remaining 10 percent will be hydroelectric and other.

Table I summarizes by Regional Electric Reliability Councils the steam-electric generating units 300 MW and larger which were originally scheduled to be in service by the summer of 1973 but which are now expected to be delayed beyond that time. Together the Regional Councils reported in this category the delay of 35 steam-electric generating units totaling 30,014 MW, including 30 nuclear-fueled units totaling 27,389 MW and five fossil-fired units totaling 2,625 MW. Two of the eight Council areas involved accounted for almost half of the total delayed capacity. One of these, the Mid Atlantic Area Coordination Agreement (MAAC), which includes systems in all or parts of the states of Pennsylvania, New Jersey, Delaware, Maryland, Virginia, and the District of Columbia, reported delays of seven nuclear units totaling 7,127 MW. The second Council, the Southeastern Electric Reliability Council (SERC), which includes systems in all or parts of the states of Florida, Georgia, Alabama, South Carolina, North Carolina, Tennessee, Mississippi, Kentucky, Virginia, and West Virginia, reported delays of nine nuclear units totaling 7,793 MW. Other Councils reported from one to five unit delays each with the exception of the Electric Reliability Council of Texas (ERCOT) which reported none.

Table II lists the same 30 nuclear units reported delayed beyond the summer of 1973 in Table I, but shows each unit's associated causes of delay. Twelve different causes were reported, ranging from labor related and technical problems to regulatory and environmental problems. Multiple reasons for delays were reported for most of the units, but in five cases the delays were attributed entirely to regulatory problems of some type. These can involve a variety of matters including environmental review, safety certification, and related licensing procedures.

Table III lists the five fossil-fueled units, also included in Table I, and indicates each of these unit's associated causes of delay. Only a single cause of delay was reported in the case of each of the five units, and two of those involved regulatory problems.

Table IV lists 14 nuclear units totaling 11,043 MW which were not available in June 1972 but are scheduled to be available for the summer of 1973. It is not expected that all of these units will operate at full capacity during the summer due either to limitations imposed by regulatory restrictions or for various technical reasons. The average delay for the units shown in this table is 22 months

Table V lists 29 units totaling 24,383 MW publicized last year as being originally scheduled for service by the summer of 1972. Because of the earlier publicity given to the 29 units and the interest it generated, Table V was prepared to give the current status of the units involved. It indicates that of the 29 units, at least 13 are sufficiently delayed that they are not expected to be in service before August 1973. Three are not now expected to be available for service earlier than the last quarter of 1974 and one is not expected to be ready until March 1975.

Table VI–A presents a summary of steam-electric generating capacity in megawatts and the number of units delayed, on schedule, and ahead of schedule as of this time for equipment which was originally scheduled for initial commercial service in the years 1972–75 and 1976–78. Although a few units have been delayed for considerably longer periods, the average for the 69 nuclear units shown as being delayed in this table is approximately 20 months. In the 1972–75 time period, 50 of the 56 scheduled nuclear and 49 of the 142 scheduled fossil-fueled units have been delayed. The 1976–78 time period shows 19 of the 39 scheduled nuclear and 9 of the 68 scheduled fossil-fueled units are already reported as being delayed. It is reasonable to expect that additional delays will occur as the scheduled commercial operation dates are approached.

Table VI–B summarizes the reported causes of delay such as construction and technical problems, regulatory and environmental problems, or a combination of such problems associated with the units reported in Table VI–A. For the 1972–75 time period, the table shows that of the 49 fossil-fueled units delayed, 22 were for construction or technical problems and five were for regulatory or environmental problems. For the remaining 22 fossil units, causes of delay were not reported but usually these delays were for relatively short periods of a few months or less. Of the 50 nuclear units delayed, 11 were for construction or technical problems and 6 for regulatory or environmental problems. As indicated in the table, a combination of problems was reported for 32 units and one unit, Millstone No. 2, was delayed for one month, but the cause of delay was not reported. In the 1976–78 time period, only nine fossil-fueled units have been reported as being delayed—six for construction or technical problems, one for regulatory or environmental problems, and two for unreported reasons. Because of the current lead-time and less complicated permit procedures required for many fossil units, it is not surprising that only a few delays for the 1976–78 period have been reported at present and it is reasonable to expect that more reports of delays will be received as scheduled operation dates become more imminent. Due to longer lead times and more extensive permit and licensing procedures for nuclear units, 19 such units have already been reported as being delays. Of these, 15 were attributed to regulatory or environmental problems only.

Table VII lists 20 different hydroelectric projects which have been reported as delayed. Of these, 17 have been delayed as the result of environmental problems or more recently other matters associated with the implementation of NEPA. The table indicates the reasons for the delays in each case. The two longest delays to date involve the proposed High Mountain Sheep project for which an initial application was filed in 1958 and the Consolidated Edison Company's proposed Cornwall Pumped Storage Project which is already more than seven years late.

Table VIII lists transmission circuits designed to operate at voltages of 230 kv or higher which are presently being delayed for environmental reasons or because of difficulty in obtaining right-of-way. The reported delays range from four to 39 months with an average of 20 months for the total list. Of the delays in transmission, the one most likely to have serious consequences for the summer of 1973 is that of the Keeney-Salem 500 kv circuit which is still delayed because of problems associated with the Delaware River crossing and right-of-way problems in northern Delaware. Lack of this circuit limits the transfer capability into New Jersey and significantly reduces system reliability for some possible oeprating conditions. The delay of the Rampo-Rock Tavern circuit in New York State limits transfer capability from upstate to downstate New York.

The information presented above and that covered by the tables is based on periodic reports to the Commission by the electric utilities, nuclear plant schedule information obtained from AEC, and special reports on particular facilities obtained from utility representatives to update information in the Commission's report files.

TABLE I.—STEAM ELECTRIC GENERATING UNITS DELAYED FOR COMMERCIAL OPERATION BEYOND SUMMER 1973—300 MW AND LARGER

Unit, utility, State	Type	Capacity, megawatts	Originally scheduled	Presently scheduled
NORTHEAST POWER COORDINATING COUNCIL (NPCC)				
Brayton Point No. 4, New England Power System, Massachusetts.	Fossil	437	June 1973	December 1974.
FitzPatrick No. 1, PASNY, New York	Nuclear	850	June 1973	October 1973.
Indian Point No. 3, Con. Ed. Co. of New York, New York	Nuclear	1,059	March 1971	December 1974.
Shoreham No. 1, Long Island Lighting Co., New York	Nuclear	849	May 1973	May 1977.
Roseton No. 2, Central Hudson Gas & Electric, New York	Fossil	572	November 1972	September 1973.
Total		3,777		
MID-ATLANTIC AREA COORDINATION GROUP (MAAC)				
Peach Bottom No. 2, Philadelphia Electric Co., Pennsylvania	Nuclear	1,098	May 1971	September 1973.
Calvert Cliffs No. 1, Baltimore Gas & Elec. Co., Maryland	Nuclear	902	January 1973	February 1974.
Three Mile Island No. 1, General Public Utilities, Pennsylvania	Nuclear	838	May 1971	May 1974.
Salem No. 1, Public Service Elec. & Gas Co., New Jersey	Nuclear	1,170	December 1971	October 1974.
Salem No. 2, Public Service Elec. & Gas Co., New Jersey	Nuclear	1,115	June 1973	May 1975.
Three Mile Island No. 2, General Public Utilities, Pennsylvania	Nuclear	905	March 1972	May 1976.
Peach Bottom No. 3, Philadelphia Electric Co., Pennsylvania	Nuclear	1,098	April 1973	April 1974.
Total		7,127		
EAST CENTRAL AREA RELIABILITY COORDINATION AGREEMENT (ECAR)				
Beaver Valley No. 1, Duquesne Light Co., Pennsylvania	Nuclear	856	June 1973	October 1974.
Monroe No. 4, Detroit Edison Co., Michigan	Fossil	752	May 1973	March 1974.
Donald C. Cook No. 1, Indiana & Michigan Elec. Co., Michigan	Nuclear	1,100	June 1972	October 1973.
Donald C. Cook No. 2, Indiana & Michigan Elec. Co., Michigan	Nuclear	1,100	June 1973	January 1975.
Total		3,808		
SOUTHEASTERN ELECTRIC RELIABILITY COUNCIL (SERC)				
Browns Ferry No. 1, TVA, Alabama	Nuclear	1,152	October 1970	August 1973.
Browns Ferry No. 2, TVA, Alabama	Nuclear	1,152	October 1971	April 1974.
Browns Ferry No. 3, TVA, Alabama	Nuclear	1,152	October 1972	October 1974.
Oconee No. 2, Duke Power Co., South Carolina	Nuclear	885	May 1972	September 1973.
Oconee No. 3, Duke Power Co., South Carolina	Nuclear	885	May 1973	May 1974.
Hatch No. 1, Georgia Power Co., Georgia	Nuclear	850	May 1973	May 1974.
Crystal River No. 3, Florida Power Corp., Florida	Nuclear	825	April 1972	October 1974.
Hutchinson Island No. 1, Florida Power & Light Co., Florida	Nuclear	892	March 1973	May 1975.
Total		7,793		
MID-AMERICA INTERPOOL NETWORK (MAIN)				
Kewaunee No. 1, Wisconsin Public Serv. Corp., Wisconsin	Nuclear	527	June 1972	October 1973.
Labadie No. 4, Union Electric Co., Missouri	Fossil	555	January 1973	July 1973.
Zion No. 2, Commonwealth Edison Co., Illinois	Nuclear	1,050	May 1973	Summer 1974.
Total		2,132		
MID-CONTINENT AREA RELIABILITY COORDINATION AGREEMENT (MARCA)				
Prairie Island No. 1, Northern States Power Co., Minnesota	Nuclear	593	May 1972	October 1973.
Cooper No. 1, Nebraska Public Pwr. Dist., Nebraska	Nuclear	800	January 1972	November 1973.
Fort Calhoun No. 1, Omaha Public Pwr. Dist., Nebraska	Nuclear	455	May 1971	July 1973.
Total		1,848		
SOUTHWEST POWER POOL (SWPP)				
Arkansas Nuc. One No. 1, Arkansas Pwr. & Lt. Co., Arkansas	Nuclear	793	December 1972	October 1973.
WESTERN SYSTEMS COORDINATING COUNCIL (WSCC)				
Fort St. Vrain No. 1, Public Service Co. of Colo., Colorado	Nuclear	330	October 1971	August 1973.
Rancho Seco No. 1, Sacramento Mun. Util. Dist., California	Nuclear	963	May 1973	October 1973.
Diablo Canyon No. 1, Pacific Gas & Elec. Co., California	Nuclear	1,134	May 1972	March 1975.
Scattergood No. 3, Los Angeles DWP, California	Fossil	309	July 1972	October 1974.
Total		2,736		
Grand total		30,014		

TABLE II.—NUCLEAR UNITS ORIGINALLY SCHEDULED FOR COMMERCIAL OPERATION BY OR BEFORE SUMMER 1973 DELAYED BEYOND SUMMER 1973

Unit, location—city and State	Capacity, megawatt	Reasons for delay: Late delivery of major equipment	Strike, equipment manufacturer's employees	Equipment component failure	Strike construction labor	Rescheduling of associated facilities	Shortage of construction labor	Poor productivity of labor	Weather	Changes in regulatory procedures	Prolonged regulatory procedure	Legal challenges	Necessary certification or approval from local authorities
Shoreham No. 1, Brookhaven, N.Y.	849										×		×
FitzPatrick No. 1, Scriba, N.Y.	850	×	×										
Indian Point No. 3, Buchanan, N.Y.	1,069					×	×	×		×	×	×	×
Peach Bottom No. 2, Peach Bottom, Pa.	1,098	×			×		×	×		×			
Peach Bottom No. 3, Peach Bottom, Pa.	1,098	×			×		×	×		×			
Calvert Cliffs No. 1, Lusby, Md.	902							×		×	×	×	
Three Mile Island No. 1, Goldsboro, Pa.	838				×	×	×	×		×	×		
Three Mile Island No. 2, Goldsboro, Pa.	906				×	×	×	×	×	×	×		
Salem No. 1, Salem, N.J.	1,170							×			×		
Salem No. 2, Salem, N.J.	1,115							×			×		
Beaver Valley No. 1, Midland, Pa.	856					×		×		×			
Donald C. Cook No. 1, Bridgman, Mich.	1,100										×	×	
Donald C. Cook No. 2, Bridgman, Mich.	1,100										×	×	
Browns Ferry No. 1, Decatur, Ala.	1,152	×		×						×			
Browns Ferry No. 2, Decatur, Ala.	1,152	×		×						×			
Browns Ferry No. 3, Decatur, Ala.	1,152	×		×						×			
Oconee No. 2, Seneca, S.C.	885	×		×			×						
Oconee No. 3, Seneca, S.C.	885	×		×			×						
Hatch No. 1, Baxley, Ga.	850									×			
Crystal River No. 3, Red Level, Fla.	825	×								×			
Hutchinson Island No. 1, Fort Pierce, Fla.	892				×		×						
Prairie Island No. 1, Red Wing, Minn.	593	×											
Fort Calhoun No. 1, Fort Calhoun, Nebr.	455		×		×		×	×		×			
Cooper No. 1, Brownsville, Nebr.	800				×			×	×	×			
Kewaunee No. 1, Carlton, Wis.	527	×			×		×						
Zion No. 2, Zion, Ill.	1,050							×					
Arkansas Nuclear One No. 1, Russellville, Ark.	793	×											
Rancho Seco No. 1, Clay Station, Calif.	963	×			×								
Diablo Canyon No. 1, Diablo Canyon, Calif.	1,134					×						×	
Fort St. Vrain No. 1, Platteville, Colo.	330										×		
Total	27,389												

TABLE III.—FOSSIL-FIRED UNITS 300 MW AND LARGER DELAYED BEYOND THE SUMMER OF 1973

Unit	Location: City and state	Capacity (megawatts)	Causes of delay
Brayton Pt. No. 4	Somerset, Mass	437	Certification from local authority.
Roseton No. 2	Roseton, N.Y	572	Boiler explosion during test.
Monroe No. 4	Monroe, Mich	752	Labor union strikes.
Labadie No. 4	Labadie, Mo	555	Rescheduled associated facilities.
Scattergood No. 3	Playa Del Rey, Calif	309	Legal challenges.
Total		2,625	

TABLE IV.—NUCLEAR UNITS EXPECTED TO BE AVAILABLE FOR SUMMER 1973[1] WHICH WERE NOT IN SERVICE BY JUNE 1, 1972

Unit	Capacity	Location, city and State
Pilgrim No. 1 [2]	657	Plymouth, Mass.
Maine Yankee	830	Wiscasset, Maine.
Vermont Yankee	540	Vernon, Vt.
Indian Point No. 2	1,069	Buchanan, N.Y.
Surry No. 1 [2]	800	Gravel Neck, Va.
Surry No. 2	800	Do.
Turkey Point No. 3	728	Turkey Point, Fla.
Turkey Point No. 4	728	Do.
Oconee No. 1	885	Seneca, S.C.
Palisades No. 1 [2]	812	South Haven, Mich.
Quad Cities No. 1 [2]	810	Cordova, Ill.
Quad Cities No. 2 [2]	810	Do.
Point Beach No. 2	524	Two Creeks, Wis.
Zion No. 1	1,050	Zion, Ill.
Total	11,043	

[1] These units are expected to be in service during the summer of 1973 but were either not operating or operating at less than full output last summer. In some cases, it is not expected these units will operate at full power during the summer of 1973.

[2] In partial capacity operation for part of the summer of 1972.

TABLE V.—LIST OF 29 DELAYED NUCLEAR UNITS ORIGINALLY SCHEDULED TO BE IN COMMERCIAL OPERATION BY OR BEFORE SUMMER 1972 AND THEIR STATUS AS OF FEB. 1, 1973

Unit, owner, location	Size megawatts	Initial scheduled operation	Forecasted scheduled operation as of Feb. 1, 1973
Pilgrim No 1, Boston Edison, Plymouth, Mass	657	September 1971	In service.
Diablo Canyon No. 1, P.G.E., Diablo Canyon, Calif	1,134	May 1972	March 1975.
Vermont Yankee Vermont Yankee, Vernon, Vt	540	September 1970	In service.
Indian Point No. 2, Con. Ed., Indian Point, N.Y	1,069	March 1969	May 1973.
Indian Point No. 3, Con. Ed., Indian Point, N.Y	1,069	March 1971	December 1974.
Peach Bottom No. 2, Philadelphia Ed., Peach Bottom, Pa	1,098	May 1971	September 1973.
Three Mile Island No. 1, G.P.U., Goldsboro, Pa	830	do	May 1974.
Three Mile Island No. 2, G.P.U., Goldsboro, Pa	930	March 1972	Do.
Salem No. 1, P.S.E. & G., Salem, N.J	1,170	December 1971	October 1974.
Surry No. 1, Vepco, Gravel Neck, Va	800	March 1971	In service.
Surry No. 2, Vepco, Gravel Neck, Va	800	March 1972	April 1973.
Browns Ferry No. 1, TVA, Decatur, Ala	1,152	October 1970	August 1973
Browns Ferry No. 2, TVA, Decatur, Fla	1,152	October 1971	April 1974.
Oconee No. 1, Duke, Seneca, S.C	885	May 1971	In service.
Oconee No. 2, Duke, Seneca, S.C	885	May 1972	September 1973.
Crystal River No. 3, Florida Power, Red Level, Fla	825	April 1972	October 1974.
Turkey Point No. 3, Florida P. & L., Turkey Point, Fla	728	June 1970	In service.
Turkey Point No. 4, Florida P. & L., Turkey Point, Fla	728	September 1971	June 1973.
Palisades No. 1, Consumers, South Haven, Mich	812	March 1970	In service.
Quad Cities No. 1, Com. Ed., Cordova, Ill	810	do	Do.
Quad Cities No. 2, Com. Ed., Cordova, Ill	810	March 1971	Do.
Zion No. 1, Com. Ed., Zion, Ill	1,050	April 1972	Summer 1973.
Fort Calhoun No. 1, O.P.P.D., Fort Calhoun, Nebr	455	May 1971	July 1973.
Cooper No. 1, N.P.P.D., Brownville, Nebr	800	January 1972	November 1973
D. C. Cook No. 1, Indiana & Michigan Elec., Bridgman, Mich	1,100	June 1972	October 1973.
Prairie Island No. 1, N.S.P., Red Wing, Minn	593	May 1972	Do.
Point Beach No. 2, Wisconsin Elec. Pwr., Two Creeks, Wis	524	April 1971	In service.
Kewaunee No. 1, Wisconsin Publ. Ser., Carlton, Wis	527	June 1972	October 1973.
Fort St. Vrain No. 1, P.S of Colorado, Platteville, Colo	330	October 1971	August 1973.
Total	24,283		

TABLE VI.-A.—STATUS OF LARGE STEAM ELECTRIC GENERATING UNIT SCHEDULES [1]

[Capacity in megawatts]

Period and type	Delayed		Ahead of schedule		On schedule		Total	
	Capacity	Number of units	Capacity	Number of units	Capacity	Number of units	Capacity	Number of units
1972-75:								
Fossil	28, 166	49	14, 056	25	42, 426	68	84, 648	142
Nuclear	44, 259	50	1, 642	2	3, 440	4	49, 341	56
Subtotal	72, 425	99	15, 698	27	45, 866	72	133, 989	198
1976-78:								
Fossil	4, 478	9	5, 195	7	30, 906	52	40, 579	68
Nuclear	19, 408	19	2, 947	3	17, 300	17	39, 655	39
Subtotal	23, 886	28	8, 142	10	48, 206	69	[2] 80, 234	107
Total	96, 311	127	23, 840	37	94, 072	141	214, 223	305

[1] Nuclear and fossil steam electric generating units, 300 megawatts and larger, scheduled for commercial operation fo years 1972-78.

[2] The total installed capacity projected for years 1976-78 may be somewhat larger as additional firm commitments are made.

TABLE VI-B.—CAUSES OF DELAY OF LARGE STEAM ELECTRIC GENERATING UNITS [1]

[Capacity in megawatts]

	Construction or technical problems		Regulatory or environmental problems		Combined types of problems		Unreported problems [2]		Total	
	Capacity	Number of units	Capacity	Number of units	Capacity	Number of units	Capacity	Number of units	Capacity	Number of units
1972-75:										
Fossil	13, 336	22	2, 564	5	----------	0	12, 266	22	28, 166	49
Nuclear	8, 759	11	5, 412	6	29, 227	32	861	1	44, 259	50
Subtotal	22, 095	33	7, 976	11	29, 227	32	13, 127	23	72, 425	99
1976-78:										
Fossil	3, 080	6	400	1	----------	0	998	2	4, 478	9
Nuclear	1, 134	1	15, 404	15	1, 070	1	1, 800	2	19, 408	19
Subtotal	4, 214	7	15, 804	16	1, 070	1	2, 798	4	23, 886	28
Total	26, 309	40	23, 780	27	30, 297	33	15, 925	27	96, 311	127

[1] Nuclear and fossil steam electric generating units, 300 MW and larger, scheduled for commercial operation for years 1972-78.

[2] Units for which causes of delay were not reported. (Usually delays were for relatively short periods of a few months or less.)

TABLE VII.—ESTIMATED TIME DELAYS DUE TO ENVIRONMENTAL MATTERS FOR APPLICATIONS INVOLVING NEW HYDROELECTRIC CAPACITY OR IN HEARING FOR WHICH STAFF ENVIRONMENTAL STATEMENTS ARE REQUIRED

Project No.	Name of project	Capacity (kilowatts) Installed	Capacity (kilowatts) Proposed additions	Applicant	Estimated delays due to environmental matters and implementation of NEPA
82	Mitchell	72,500	80,000	Alabama Power Co	8 mo.
108	Chippewa Reservoir			Northern States Power Co	8 mo.
349	Martin	154,000	60,000	Alabama Power Co	8 mo.
485	Bartletts Ferry	65,000	100,000	Georgia Power Co	8 mo.
553	High Ross	624,000	169,000	City of Seattle, Wash	Indefinite, application pending since Dec. 17, 1970.
1121	Battle Creek	25,800	8,850	Pacific Gas & Electric Co	18 mo.
1894	Parr	14,900	518,400	South Carolina Gas & Electric Co.	8 mo.
2243/2273	High Mountain Sheep.		1,290,000	Pacific Northwest Power Co. and Washington Public Power Supply System.	Indefinite, application pending since Mar. 31, 1958. Project has been in hearing and litigation since that time.
2317	Blue Ridge		1,800,000	Appalachian Power Co	35 mo.
2338	Cornwall		2,000,000	Consolidated Edison Co	7 years (plus).
2426	California Aqueduct		1,500,100	State of California Water Resources Department and city of Los Angeles.	Indefinite.
2524	Salina	260,000	260,000	Grand River Dam Authority.	8 mo.
2570	Racine		40,000	Ohio Power Co	17 mo.
2628	Crooked Creek		135,000	Alabama Power Co	21 mo.
2685	Blenheim-Gilboa			Power Authority of the State of New York.	12 mo.
2709	Davis		1,000,000	Monongahela Power Co., the Potomac Edison Co., and West Penn Power Co.	11 mo.
2725	Rocky Mountain		675,000	Georgia Power Co	8 mo.
					Construction/technical delays
2413	Wallace		324,000	do	Construction 1 percent complete Jan. 1, 1973. Construction suspended for 1 year or more to make best use of available fund to meet demands in the immediate future.
2685	Blenheim-Gilboa		1,000,000	Power Authority of the State of New York.	4 months delay as result of electrical problems.
2426	Castaic		1,250,000	City of Los Angeles Department of Light and Power.	Approximately 1 year's delay in completion of each of 6 units as result of funding problems.
2485	Northfield Mt	250,000	750,000	Northeast Utilities, Inc	Strikes delayed early construction. Accidental flooding of powerhouse on Apr. 22, 1972, required return of most electrical equipment to manufacturers for over haul. 1 unit now in operation. Average total delay about 21 mo. for each unit. All units expected in service by July 1973.

Note: In addition to the applications noted above, there are 165 other applications pending for relicense or initial license of constructed projects. Each of these will require approximately an additional 8 mo. for preparation and processing environmental impact statements pursuant to Order No. 415-C. Actual delays in most cases will be much greater however, since present staff limitations make it impossible to initiate NEPA work at this time on all of the applications.

TABLE VIII.—TRANSMISSION LINES 230 KV AND ABOVE DELAYED FOR ENVIRONMENTAL REASONS OR DIFFICULTY IN OBTAINING RIGHT OF WAY

System: From, to	Kilovolts	Length of delay (months)	Expected in service date
Eastern Utility: Sherman Rd. to West Farnum	345	35	May 1973.
Delmarva P & L: Keeney[1] to Red Lion	500	27	Do.
Public Service E & G:			
Salem to New Freedom	500	12	Do.
Do	500	21	Feb. 1974.
Deans to Branchburg	500	36	May 1975.
New Freedom to Deans	500	24	Do.
Waldwick to South Mahwah	345	5	May 1973.
Con. Edison:			
Ramapo to Rock Tavern	345	48	June 1974.
Rock Tavern to Coopers Corners	345		Unknown.
Delmarva P & L:			
Red Lion[1] to Deemer's Beach	500	27	May 1973.
Deemer's Beach[1] to New Jersey (River Crossing)	500	39	May 1974.
Vepco:			
North Anna to Ladysmith	500	6	May 1973.
Yorktown to Northeast	230/500	12	December 1974.
Mount Storm to Morrisville	500	16	August 1975.
Detroit Edison Co.: Majestic to Monroe	345	11	November 1973.
Cinn. G & E: Terminal to Evendale	345	6	August 1973.
Minn. P & L: Boswell to Blackberry	230	5	April 1973.
Ill. Pwr. Co.: Baldwin to Roxford	345	6	June 1973.
Detroit Edison: Blackfoot to Majestic	345	21	September 1974.
Idaho Power Co.: Naughton to Goshen	230/345	12	June 1973.
BPA: Monroe to Custer	500	24	October 1975.
San Diego G & E: San Onofre to Escondido	230	10	August 1973.
Salt River project: Pinnacle Peak to Goldfield	230	22	May 1974.
LA Dept. of W & G: Navajo to McCullough	500	4	April 1974.
Tucson G & E:			
South (Tucson) to Westwing	345	50	August 1974.
San Juan to Vail	345	46	April 1974.
Public Service E & G: Salem[1] to River Crossing (New Jersey)	500	28	June 1973.

[1] 1 of 4 segments constituting Keeney-Salem 500-kV transmission line.

U.S. Federal Power Commission

Nation-wide Fuel Emergency—Docket No. RM-74-7—Order No. 496

EMERGENCY ACTIONS FOR CONSERVATION OF PETROLEUM AND NATURAL GAS FUEL RESOURCES BY ELECTRIC UTILITIES

(Issued November 29, 1973)

Before Commissioners: John N. Nassikas, Chairman; Albert B. Brooke, Jr., Rush Moody, Jr., and William L. Springer.

Current conditions involving petroleum and natural gas availability or the means of distribution thereof to all users demand the immediate implementation of all possible measures for fuel conservation. The regulatory authority and policy guidance of this Commission, state public service commissions, governors and other Federal, state or local officials should be invoked:

(1) To achieve all possible savings by electric utilities in their internal consumption of electric power and energy.

(2) To achieve all possible savings by electric utilities in their consumption of petroleum and natural gas for the generation of electric power and energy for resale to other utilities, or ultimate consumption by residential, commercial, industrial, transportation or other users.

(3) To achieve all possible reductions by ultimate consumers in the use of electric power and energy for residential, commercial, industrial, transportation or other uses consistent with human health, safety and public welfare needs.

The definitive amount of savings in the consumption of petroleum and natural gas resources by electric utilities from these measures cannot be quantitatively stated from available data. The Commission's staff has preliminarily estimated that electric utility energy output could be reduced by two billion kilowatt hours per week within five days through immediate energy conservation measures. The Commission desires to secure additional relevant information. The Com-

mission is, therefore, directing all Class A and B electric utilities[1] to file with the Commission within 15 days from the date hereof, a completed Emergency Report Form, Appendix I, as annexed hereto, detailing: (1) the utility's estimate of savings in energy generated by internal combustion engines and combustion turbines and estimated total energy savings when related to total kilowatt hours generated from all electric generating sources and measured by targeted reduced electric energy consumption, and savings, in petroleum and natural gas by reason of reduced uses of those fuels and (2) the procedures by which the reporting utilities will implement energy conservation measures through (a) internal managerial controls and direction (b) through public appeals or requested state regulatory actions for ordered reduced consumption of electric power and energy by ultimate consumers. To minimize inequities among all of the Nation's electric utilities and their ultimate consumers served, the Commission requests that each reporting electric utility target for its respective utility system, an overall Nation-wide electric energy reduction of 10 percent, such reduction to be employed in programming and completing the annexed Emergency Report Form.

The Commission recognizes that, notwithstanding a targeted overall Nationwide electric energy reduction of 10 percent, differences do exist in utility operations and system fuel availability, whether upon an individual operating system, power pool or regional bases. The consequences are that for some utilities, energy conservation measures and electric contingency planning procedures should reflect the possibility of power and energy reduction of greater than 10 percent, e.g., 15, 20, or 25 percent. In developing energy emergency conservation measures under the Emergency Report Form, each reporting utility should develop its electric conservation contingency planning procedures based upon its respective estimate of fuel availability through various stages of short-fall up to the most adverse conditions currently foreseeable by the utility. The General Instruction to the Emergency Report Form provides further guidance in this respect.

The Federal Power Commission is particiapting in the work of Federal governmental authorities charged with allocation responsibilities over petroleum supplies for electric utility usage, among others. The Commission recognizes that in certain circumstances, and the unavailability of alternate fuels, a priority nature must be accorded electric utility fuel requirements, particularly residual oils.

It is this Commission's intention to make these data available to the President, to the Congress and to all governors and state public service commissions. Where possible, under the emergency action authority of this Commission and pursuant to the day-to-day bulk power supply regulatory authority of this Commission,[2] the Commission will authorize and recognize reduced electric power consumption and the reduced use of petroleum and natural gas for electric power generation as necessary and appropriate regulatory objectives; however, it must be noted that this Commission does not have the regulatory authority to ration electric power among ultimate consumers.[3] To the extent that electric utility service could be rationed under existing legal authority, it would have to be accomplished under authority of the Defense Production Act, as amended, 50 U.S.C. App. 2071(a), or state regulatory laws.[4] The Commission takes note of the Emergency Petroleum Allocation Act of 1973,

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[1] Investor owned, publicly owned, including Federal publicly owned and cooperatively owned electric systems having annual electric utility operating revenues of $1,000,000 or more annually. These systems total over 1,000 utilities and own or operate over 95 percent of the electric utility generating capacity within the Nation. Attached Appendix A lists the various utilities, to which this order is specifically directed. That compilation reflects Class A and B investor owned electric utilities which are specifically subject to all Federal Power Act regulatory provisions, including the System of Accounts, as well as other utilities, investor owned, publicly owned and cooperatively owned systems, which have operating revenues of $1,000,000 annually and are subject to the Commission's reporting authority under the Federal Power Act.

[2] See Sections 10, 19, 20, 202, 205, 206 and 207 of the Federal Power Act, 16 U.S.C. 803, 812, 813, 824a, 824d, 824e and 824f.

[3] Order No. 445, 47 FPC 75, 76 (1972).

[4] By letter of this Commission's Chairman dated September 28, 1973, all of the various state regulatory agencies were furnished with an FPC staff summarization of state responses to an FPC national questionnaire covering state and Federal regulatory authority in emergency circumstances.

P.L. 93–159, 87 Stat. 627, and the fact that a number of legislative proposals for fuel allocations and priorities are now pending, e.g., S. 2589 as passed by the Senate, H.R. 11031, H.R. 11202 and H.R. 11450, 93d Congress, 1st Sess.

In the circumstances, the Commission believes that a number of constructive actions can be implemented coordinately by the Nation's electric utilities and governmental regulatory authorities. Available data indicate that fuel shortage conditions associated with electric utility uses of petroleum and natural gas may be expected to impact unevenly, economically and geographically, reflecting the fact that coastal region electric utilities are now the larger users of petroleum resources for boiler fuel purposes and that electric utilities in the southwest and south-central regions of the Nation are large users of natural gas for boiler fuel purposes. Questions of regional uses of fuels and resulting impacts, including fuel physical availability and replacement fuel costs, are among the questions thus presented. To ameliorate and temper the consequential disparities among all regions of the United States, this order requests the Nation's electric utilities to seek to reduce non-essential uses of electrical power and energy uniformly across all such systems; and to maximize the use of coal and nuclear fuel electric generating capacity and hydro-electric generating capacity nationally, with the scheduling of inter-system and interregional power transfers to the maximum possible extent consistent with reliability and continuity of service considerations; to do so through established power pools, the nine electric reliability councils and the National Electric Reliability Council and in cooperation with representatives of the Federal Power Commission (Chief, of the Bureau of Power) and state public service commission staff personnel, particularly those who participate in the work of reliability councils under this Commission's adequacy and reliability program pursuant to Order Nos. 383, 383–1, 383–2 and 383–3, issued June 25, 1969, 41 FPC 846 (34 F.R. 11200), issued January 13, 1970, 43 FPC 37 (35 F.R. 3240), issued April 10, 1970, 43 FPC 515 (35 F.R. 6121), issued March 15, 1973, — FPC —, (38 F.R. 7455), respectively. Subject to statutory standards of the Federal Power Act, 16 U.S.C. 791(a) *et seq.*, the Federal Power Commission proposes to recognize increased or changed costs and conditions resulting from these conservation measures and inter-system and inter-regional transfers of electric power and energy for interstate ratemaking purposes. The Federal Power Commission requests state regulatory agencies to give similar recognition for intra-state ratemaking purposes.

The Commission does not view these requested actions as permanent long-term or in substitution for increased supplies of electric power and energy generated from non-petroleum and non-natural gas fuels. They are temporary expedients to meet current national fuel and energy conditions. Current staff estimates look to an ensuing 12-month period, recognizing the need for further review from time-to-time as conditions warrant. However, it must be noted that the Federal Power Commission's stated policy under the Natural Gas Act, 15 U.S.C. 717(a) *et seq.*, is to discourage the use of natural gas for boiler fuel purposes, including electric generation by means of natural gas.

This Commission will undertake all cooperative actions with state regulatory agencies which the latter may request under Section 209 of the Federal Power Act, 16 U.S.C. 824th, to meet emergency conditions. In short, the Commission will confer with any state commission, make available to the state commissions assistance and information and avail itself of the cooperation of state agencies. As a part of such cooperative procedure work, this Commission will, from time-to-time, recommend further national guidelines for state consideration and use in petroleum and natural gas conservation by electric utilities, based upon the Emergency Report Form data as prescribed herein, other data and this Commission's administrative expertise. The Commission requests each state public service commission or governor in the states which have no public service commissions, to designate a representative of that agency or state, who will be available to work with this Commission's staff on a continuous basis to coordinate the implementation of all possible Federal and state regulatory authority so as to achieve targeted reductions in the use of electric power and energy; and to advise this Commission's Secretary within 15 days hereafter, as to the identity of such persons. This Commision staff work will be coordinated by the Commission's Chief, Bureau of Power, T. A. Phillips.

By Order No. 445, issued January 11, 1972, this Commission issued its Statement of Policy with Respect to Actions For Minimizing the Consequences of Bulk Power Supply Interruptions or Shortages and Public Disclosure, 47 FPC 75 (37 F.R. 780). The general contingency planning procedures of electric utilities

throughout the Nation, pursuant to that order, have been summarized by this Commission's staff and made available to state regulatory bodies. Additional contingency planning procedures of electric utilities, with respect to possible interruptions in fuel supply were undertaken in January 1973, through Commission staff and the various electric reliability councils. These procedures have been summarized by the Commission's staff and made available to the various state regulatory commissions in a staff analysis by letter of this Commission's Chairman dated September 28, 1973. The Emergency Report Form prescribed herein will supplement these prior submissions, with specific steps which the utilities now propose to effect immediate reductions in electric utility usage. By Order No. 495, issued November 13, 1973, 38 F.R. 31963, the Commission promulgated its Statement of Policy on Measures to Implement Conservation of Natural Resources, — FPC ——.

The Commission further finds:

(1) It is necessary and appropriate in the public interest and for the purposes of the Federal Power Act, 16 U.S.C. 791(a) *et seq.*, particularly Sections 10, 19, 20, 202, 205, 206, 207, 304, 309 and 311 thereof (41 Stat. 1068–1070, 41 Stat. 1073–1074, 49 Stat. 848–849, 851–856, 858–859, 67 Stat. 461; 16 U.S.C. 803, 812, 813, 824a, 824d, 824e, 824f, 825c, 825h, 825j) to prescribe the Emergency Report Form and to direct as hereinafter ordered.

(2) There is good cause under circumstances set forth in the recitals to make the provisions of this order effective immediately and without the prior notice and public procedure provisions of Section 553 of Subchapter II of Title 5 of the United States Code, which prior notice and public procedure provisions are impractical and contrary to the public interest in this instance.

The Commission orders:

(A) There is hereby prescribed an Emergency Report Form, as designated in Appendix I attached hereto.

(B) Each Class A and B electric utility, as generally defined in the Commission's Uniform System of Accounts, 18 CFR Part 101, General Instructions 1.A., and as specifically identified on Appendix A, shall complete and file the Emergency Report Form with the Commission within 15 days of the date hereof.

(C) Each Class A and B electric utility, as referred to above, shall advise the Commission within 15 days hereof the specific steps which it has undertaken to effect immediate reductions in the consumption of electric power and energy internally to the utility, other utilities or ultimate consumers served by it, and immediate reductions in the consumption of petroleum and natural gas used by it for electric generation purposes.

(D) The Commission, in its continuing review of this general subject matter, will take such future actions as may be appropriate. Among other things, the Commission staff will prepare and report monthly, a published analysis of the results of the energy reduction actions by utilities and their customers by reason of this order, such analyses to be based upon monthly reported data as set forth in FPC Form Nos. 4, Monthly Power Plant Report, and 12 E, Monthly Power Statement, and the Emergency Report Form.

(E) This order shall take effect immediately upon issuance thereof.

(F) The Secretary shall cause prompt publication of this order in the Federal Register.

By the Commission.

[Seal.]

KENNETH F. PLUMB, *Secretary.*

LIST OF ELECTRIC UTILITY SYSTEMS HAVING ANNUAL ELECTRIC OPERATING REVENUES IN EXCESS OF $1,000,000

INVESTOR OWNED ELECTRIC UTILITIES

Alabama

Alabama Power Co.
Southern Electric Generating Co.

Alaska

Alaska Electric Light & Power Co.

Arizona

Arizona Public Service Co.
Citizens Utilities Co.
Tucson Gas & Electric Co.

Arkansas

Arkansas-Missouri Power Co.
Arkansas Power & Light Co.
Arklahoma Corp., the

California

Pacific Gas & Electric Co.
San Diego Gas & Electric Co.
Southern California Edison Co.

Colorado

Home Light & Power Co.
Public Service Co. of Colorado.
Western Colorado Power Co., the

Connecticut

Connecticut Light & Power Co., the
Connecticut Yankee Atomic Power Co.
Hartford Electric Light, Co., the.
Millstone Point Co., the.
United Illuminating Co., the.

Delaware

Delmarva Power & Light Co.

District of Columbia

Potomac Electric Power Co.

Florida

Florida Power Corp.
Florida Power & Light Co.
Florida Public Utilities Co.
Gulf Power Co.
Tampa Electric Co.

Georgia

Georgia Power Co.
Savannah Electric & Power Co.

Hawaii

Hawaiian Electric Co., Inc.
Hilo Electric Light Co., Ltd.
Maui Electric Co., Ltd.

Idaho

Idaho Power Co.

Illinois

Centrol Illinois Light Co.
Central Illinois Public Service Co.
Commonwealth Edison Co.
Electric Energy, Inc.
Illinois Power Co.
Mt. Carmel Public Utility Co.
Sherrard Power System.
South Beloit Water, Gas. & Electric Co.

Indiana

Alcoa Generating Corp.
Commonwealth Edison Co. of Indiana, Inc.
Indiana-Kentucky Electric Corp.
Indiana & Michigan Electric Co.
Indianapolis Power & Light Co.
Northern Indiana Public Service Co.
Public Service Co. of Indiana, Inc.
Southern Indiana Gas & Electric Co.

Iowa

Interstate Power Co.
Iowa Electric Light & Power Co.

Iowa-Illinois Gas & Electric Co.
Iowa Power & Light Co.
Iowa Public Service Co.
Iowa Southern Utilities Co.

Kansas

Central Kansas Power Co., Inc.
Central Telephone & Utilities Corp.
Kansas Gas & Electric Co.
Kansas Power & Light Co., the.

Kentucky

Kentucky Power Co.
Kentucky Utilities Co.
Louisville Gas & Electric Co.
Union Light, Heat & Power Co., Inc.

Louisiana

Central Louisiana Electric Co., Inc.
Gulf States Utiilties Co.
Louisiana Power & Light Co.
New Orleans Public Services Inc.

Maine

Bangor Hydro-Electric Co.
Central Maine Power Co.
Maine Electric Power Co., Inc.
Maine Public Service Co.
Rumford Falls Power Co.

Maryland

Baltimore Gas & Electric Co.
Conowingo Power Co.
Delmarva Power & Light Co. of Maryland.
Potomac Edison Co., the.
Susquehanna Electric Co., the.
Susquehanna Power Co., the.

Massachusetts

Boston Edison Co.
Boston Gas Co.
Brockton Edison Co.
Cambridge Electric Light Co.
Canal Electric Co.
Fall River Electric Light Co.
Fitchburg Gas & Electric Light Co.
Holyoke Power & Electric Co.
Holyoke Water Power Co.
Massachussetts Electric Co.
Montaup Electric Co.
Nantucket Gas & Electric Co.
New Bedford Gas & Edison Light Co.
New England Power Co.
Western Massachusetts Electric Co.
Yankee Atomic Electric Co.

Michigan

Alpena Power Co.
Consumers Power Co.
Detroit Edison Co., the.
Edison Sault Electric Co.
Michigan Power Co.
Upper Peninsula Generating Co.
Upper Peninsula Power Co.

Minnesota

Minnesota Power & Light Co.
Northern States Power Co.

Mississippi

Mississippi Power Co.
Mississippi Power & Light Co.

Missouri

Empire District Electric Co., the.
Kansas City Power & Light Co.
Missouri Edison Co.
Missouri Power & Light Co.
Missouri Public Service Co.
Missouri Utilities Co.
St. Joseph Light & Power Co.
Union Electric Co.

Montana

Montana Power Co., the.

Nevada

Nevada Power Co.
Sierra Pacific Power Co.

New Hampshire

Concord Electric Co.
Connecticut Valley Electric Co., Inc.
Exeter & Hampton Electric Co.
Granite State Electric Co.
Public Service Co. of New Hampshire.

New Jersey

Atlantic City Electric Co.
Jersey Central Power & Light Co.
Public Service Electric & Gas Co.
Rockland Electric Co.

New Mexico

New Mexico Electric Service Co.
Public Service Co. of New Mexico.

New York

Central Hudson Gas & Electric Corp.
Consolidate Edison Co. of New York, Inc.
Long Island Lighting Co.
Long Sault, Inc.
New York State Electric & Gas Corp.
Niagara Mohawk Power Corp.
Orange & Rockland Utilities, Inc.
Rochester Gas & Electric Corp.

North Carolina

Carolina Power & Light Co.
Duke Power Co.
Nantahala Power & Light Co.
Yadkin, Inc.

North Dakota

Montana-Dakota Utilities Co.
Otter Tail Power Co.

Ohio

Cincinnati Gas & Electric Co., the.
Cleveland Electric Illuminating Co., the.
Columbus & Southern Ohio Electric Co.
Dayton Power & Light Co., the.
Ohio Edison Co.
Ohio Power Co.
Ohio Valley Electric Corp.
Toledo Edison Co., the.

Oklahoma

Oklahoma Gas & Electric Co.
Public Service Co. of Oklahoma.

Oregon

California-Pacific Utilities Co.
Pacific Power & Light Co.
Portland General Electric Co.

Pennsylvania

Citizens' Electric Co.
Duquesne Light Co.
Hershey Electric Co.
Metropolitan Edison Co.
Pennsylvania Electric Co.
Pennsylvania Power Co.
Pennsylvania Power & Light Co.
Philadelphia Electric Co.
Philadelphia Electric Power Co.
Potomac Edison Co. of Pennsylvania, the.
Safe Harbor Water Power Corp.
UGI Corp.
West Penn Power Co.

Rhode Island

Blackstone Valley Electric Co.
Narragansett Electric Co., the.
Newport Electric Corp.

South Carolina

Lockhart Power Co.
South Carolina Electric & Gas Co.

South Dakota

Black Hills Power & Light Co.
Northwestern Public Service Co.

Tennessee

Kingsport Power Co.
Tapoco, Inc.

Texas

Central Power & Light Co.
Community Public Service Co.
Dallas Power & Light Co.
El Paso Electric Co.
Houston Lighting & Power Co.
Southwestern Electric Power Co.
Southwestern Electric Service Co.
Southwestern Public Service Co.
Texas Electric Service Co.
Texas Power & Light Co.
West Texas Utilities Co.

Utah

Utah Power & Light Co.

Vermont

Central Vermont Public Service Corp.
Green Mountain Power Corp.
Vermont Electric Power Co., Inc.
Vermont Yankee Nuclear Power Corp.

Virginia

Delmarva Power & Light Co. of Virginia.
Old Dominion Power Co.
Potomac Edison Co. of Virginia, the.
Virginia Electric & Power Co.

Washington

Puget Sound Power & Light Co.
Washington Water Power Co., the.

West Virginia

Appalachian Power Co.
Monongahela Power Co.

West Virginia

Potomac Edison Co. of West Virginia, the Wheeling Electric Co.

Wisconsin

Consolidated Water Power Co.
Lake Superior District Power Co.
Madison Gas and Electric Co.
Northern States Power Co.
Northwestern Wisconsin Electric Co.
Superior Water, Light and Power Co.
Wisconsin Electric Power Co.
Wisconsin Michigan Power Co.
Wisconsin Power and Light Co.
Wisconsin Public Service Corp.
Wisconsin River Power Co.

Wyoming

Cheyenne Light, Fuel & Power Co.

PUBLICLY OWNED ELECTRIC UTILITIES INCLUDING FEDERAL PROJECTS

Alabama

Athens Electric Department, city of
Bessemer Electric Service
Cullman, Electric Department of the Utilities Board, city of
Decatur, Electric Department, city of
Florence, Electricity Department, city of
Foley, The Utilities Board of the city of
Huntsville, Electric System, city of.
Scottsboro, Electric Power Board, the city of
Sheffield, Power Department
Allatoona Dam and Reservoir Project [1]
Buford Dam and Reservoir [1]
Jim Woodruff Lock and Dam [1]
Millers Ferry Lock and Dam [1]
Walter F. George Lock and Dam [1]

Alaska

Anchorage, Municipal Light & Power, city of
Fairbanks, Municipal Utilities System, city of
Ketchikan Public Utilities, city of
Alaska Power Administration—Eklutna project.[1]

Arizona

Arizona Power Authority.
Mesa, city of
Pinal County, Electrical District No. 2.
Salt River Project.

Arkansas

Conway Corp.
Jonesboro, City Water & Light plant of.
Osceola Municipal Light & Power Plant.
Paragould, Light Plant Commission.
West Memphis Utility Commission.
Beaver Lake [1]
Bull Shoals Lake [1]
Dardanelle Lock & Dam [1]
Greers Ferry Lake [1]
Table Rock Lake [1]

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[1] Federal project.

California

Alameda, Bureau of Electricity, Department of Public Utilities, city of.
Anaheim, city of.
Azusa, Municipal Light & Power Department, city of.
Burbank, Public Service Department, city of.
Colton, city of.
Glendale, city of.
Imperial Irrigation District.
Lompoc, city of.
Nevada Irrigation District.
Los Angeles, Department of Water and Power, Power System, city of.
Merced Irrigation District.
Modesto Irrigation District.
Oroville-Wyandotte Irrigation District.
Palo Alto, city of.
Pasadena, Water & Power Department, city of.
Placer County Water Agency.
Redding Electric Utility, city of.
Riverside, city of.
Roseville, city of.
Sacramento Municipal Utility District.
San Francisco, city and county of, Public Utilities Commission Hetch Hetchy Water Supply & Power Project.
Santa Clara Municipal Electric Department, city of.
Turlock Irrigation District.
Ukiah, Public Service Department, city of.
Vernon, Light and Power Department, city of.
Yuba County Water Agency.
Central Valley Project.[1]

Colorado

Colorado Springs, Department of Public Utilities, city of.
Fort Collins Light and Power Department.
Lamar, Utilities Board, city of.
Longmont, city of.

Connecticut

Groton, Department of Utilities, the city of.
Norwich, Department of Public Utilities, city of.
South Norwalk Electric Works.
Wallingford, Electric Division, Department of Public Utilities.

Delaware

Dover, the city of.
Milford, city of.

Florida

Bartow, city of.
Fort Pierce Utilities Authority.
Gainesville, city of.
Homestead, city of.
Jacksonville, electric authority.
Key West, Utility Board of the city of.
Lake Worth, city of.
Lakeland, Department of Electric & Water Utilities, city of.
Leesburg, city of.
New Smyrna Beach Utilities Commission, city of.
Ocala, city of.
Orlando Utilities Commission.
Quincy, city of.
St. Cloud Public Utilities, city of.
Sebring Utilities Commission.
Tallahassee, city of.
Vero Beach, city of.

Georgia

Albany, Water, Gas and Light Commission, city of.
Crisp County Power Commission.

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[1] Federal project.

Douglas, city of.
Fitzgerald Water, Light and Bond Commission.
Griffin Light, Water and Sewage Department, city of.
Marietta, Board of Lights and Water Works, city of.
Thomasville, Water and Light Department, city of.
Clark Hill Lake.[1]
Hartwell Lake.[1]
Southeastern Power Administration.[1]

Idaho

Idaho Falls, Electric Light Division, city of.
Columbia Basin Project.[1]
Hungry Horse Project.[1]

Illinois

Batavia, city of.
Geneva, city of.
Jacksonville, city of.
Princeton Municipal Utilities.
Rantoul, village of.
Rochelle, Electric Light System, city of.
Rock Falls Municipal Electric Department, city of.
Springfield, Water, Light and Power Department, city of.
St. Charles, city of.
Winnetka, village of.

Indiana

Anderson, Municipal Light & Power.
Auburn Electric and Water Department.
Bluffton Utilities.
Crawfordsville Electric Light and Power Utility.
Fort Wayne, City Light and Power Works.
Frankfort, City Light and Power Plant.
Jasper Municipal Electric Utility.
Lebanon Electric Utility, city of.
Logansport Municipal Electric Department.
Mishawaka Municipal Utilities.
Peru Electric Light and Power Department, city of.
Richmond Power and Light.
Tell City, Electric Department.
Tipton Municipal Light Co.
Washington, City Light & Power.

Iowa

Ames, city of.
Atlantic Water Works & Electric Plant.
Cedar Falls, city of.
Muscatine, Board of Water and Light Trustees, city of.
Pella Municipal Power & Light.
Spencer Municipal Utilities.
Waverly, city of.
Webster City Municipal Light & Power.

Kansas

Coffeyville Municipal Light & Power.
Garden City, city of.
Kansas City, Board of Public Utilities of.
McPherson-Board of Public Utilities, city of.
Ottawa, Water and Light Department, city of.

Kentucky

Bowling Green, Electric Plant Board of the city of.
Franklin Electric Plant Board, city of.
Glasgow, Electric Plant Board, city of.
Henderson Municipal Power & Light.
Hopkinsville, Electric Plant Board, city of.
Mayfield Electric and Water Systems.
Murray, Electric Plant Board of.
Owensboro Municipal Utilities.
Paducah, The Electric Plant Board of the city of.

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[1] Federal project.

Louisiana

LaFayette Utilities System, city of.
Sabine River Authority.
Monroe Utilities Commission, city of.

Maine

Houlton Water Co.

Maryland

Easton Utilities Commission, the.
Hagerstown Municipal Electric Light Plant.

Massachusetts

Belmont Municipal Light Department.
Braintree Electric Light Department.
Chicopee Electric Light Department, city of.
Concord Municipal Light Plant.
Danvers Electric Department, town of.
Hingham Municipal Lighting Plant.
Holden-Municipal Light Department.
Holyoke, Gas & Electric Department, city of.
Hudson, Light and Power Department, town of.
Ipswich Municipal Light Department, town of.
Littleton, Electric Light Department, town of.
Mansfield Municipal Light Department, town of.
Marblehead Municipal Light Department.
Middleborough Gas and Electric Department.
North Attleborough, Electric Department.
Peabody Municipal Light Plant.
Reading, Municipal Light Department, town of.
Shrewsbury Municipal Light Department, town of.
South Hadley, Electric Light Department, town of.
Taunton, Municipal Lighting Commission of the city of.
Wakefield Municipal Light Department.
Wellesley, Municipal Lighting Plant, town of.
Westfield, Gas & Electric Light Department, city of.

Michigan

Bay City, Electric Light & Power.
Coldwater, Board of Public Utilities, city of.
Detroit, Public Lighting Commission, city of.
Grand Haven, Board of Light and Power, city of.
Hillsdale, Board of Public Works, city of.
Holland, Board of Public Works, city of.
Lansing, Board of Water and Light, city of.
Marquette, Board of Light and Power, city of.
Marshall City, Water and Electric Works.
Niles, Board of Public Works, city of.
Petoskey, city of.
South Haven, Board of Public Utilities, city of.
Sturgis, city of.
Traverse City, Light and Power Department, city of.

Minnesota

Alexandria Board of Public Works.
Anoka, city of.
Austin Utilities.
Fairmont, Public Utilities Commission, city of.
Hibbing Public Utilities Commission.
Hutchinson Municipal Electric Plant.
Marshall Municipal Utilities.
Moorhead Public Service Department.
New Ulm, Public Utilities Commission.
Owatonna, Municipal Public Utilities, city of.
Rochester, Department of Public Utilities, city of.
Virginia, Department of Public Utilities, city of.
Willmar, Municipal Utilities Commission, city of.

Mississippi

Columbus, Light & Water Department, city of.
Greenwood Utilities, city of.
Holly Springs Electric Department, city of.
New Albany Electric Department.
Oxford, Electric Department, city of.
Starkville Electric Department.
Yazoo City, Public Service Commission of.
Blakely Mountain Dam—Lake Ouachita.[1]
DeGray Dam and Power Plant.[1]

Missouri

Carthage Water & Electric Plant.
Chillicothe Municipal Utilities.
Columbia Water and Light Department.
Fulton, Board of Public Works, city of.
Hannibal, Board of Public Works, city of.
Independence, Power and Light Department, city of.
Kennett Board of Public Works.
Kirkwood, city of.
Marshall Municipal Utilities.
Poplar Bluff, Light and Water—Sewer Department, city of.
Rolla Municipal Utilities.
Sikeston, Board of Municipal Utilities, city of.
Springfield, city utilities of.

Montana

Flathead Irrigation Project.[1]
Pick Sloan Missouri Basin Program Integrated Power System.[1]

Nebraska

Beatrice, Board of Public Works, city of.
Cornhusker Public Power District.
Central Nebraska Public Power and Irrigation District, the.
Nebraska Public Power District.
Cuming County Public Power District.
Custer Public Power District.
Dawson County Public Power District.
Elkhorn Rural Public Power District.
Fremont, Department of Utilities, city of.
Grand Island, Municipal Light System, city of.
Hastings Utilities.
Lincoln, Electric System, city of.
Loup River Public Power District.
North Platte, Municipal Light & Power.
Omaha Public Power District.
Southwest Public Power District.
Southern Nebraska Rural Public Power District.
Wheatbelt Public Power District.
York County Rural Public Power District.
Big Bend Dam and Reservoir Project.[1]
Fort Peck Dam and Reservoir Project.[1]
Fort Randall Dam and Reservoir Project.[1]
Garrison Dam and Reservoir Project.[1]
Gavins Point Dam and Reservoir Project.[1]
Oahe Dam and Reservoir Project.[1]

Nevada

Boulder Canyon Project.[1]
Parker-Davis Project.[1]

New Jersey

Butler, Electric Light Department, borough of.
Madison, Electric Department, borough of.
Vineland, city of.

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[1] Federal project.

New Mexico

Farmington, city of.
Gallup, Electric Light and Power System, city of.

New York

Fairport, village of.
Freeport, incorporated village of.
Jamestown, city of.
Plattsburgh, Municipal Lighting Department, city of.
Power Authority of the State of New York.
Rockville Centre, Inc., village of.
Solvay, village of.

North Carolina

Albermarle, city of.
Concord Board of Light and Water Commissioners.
Elizabeth City, Department of Public Utilities, city of.
Kinston, city of.
Laurinburg, city of.
Monroe, city of.
Tarboro, town of.
Wilson, city of.
John H. Kerr Dam and Reservoir.[1]

Ohio

Bowling Green, Municipal Utilities, city of.
Cleveland, Department of Public Utilities, Division of Light and Power, city of.
Columbus, Division of Electricity, city of.
Cuyahoga Falls, city of.
Hamilton, Department of Public Utilities, city of.
Oberlin Municipal Light and Power System.
Orrville, Municipal Utilities, city of.
Pique Municipal Power System.
Shelby, Municipal Light Plant, city of.

Oklahoma

Blackwell, city of.
Cushing, city of.
Grand River Dam Authority.
Miami, Department of Public Utilities, city of.
Ponca City Municipal Water and Light Department.
Stillwater, city of.
Broken Bow Lake.[1]
Denison Dam-Lake Texoma.[1]
Eufaula Lake.[1]
Keystone Lake.[1]
Southwestern Power Administration.[1]

Oregon

Central Lincoln People's Utility District.
Eugene Water and Electric Board.
McMinnville, Water and Light Department, city of.
Springfield Utility Board.
Tillamook People's Utility District.
Bonneville Power Administration.[1]
Bonneville Dam Project.[1]
John Day Dam Project.[1]
Detroit Big Cliff Project.[1]
The Dalles Dam Project.[1]
Green Peter-Foster Project.[1]
Lookout Point-Dexter Project.[1]

Pennsylvania

Chambersburg, Electric Light Department, Borough of
Ephata, Borough of
Lansdale, Electric Department, Borough of
Quakertown Municipal Electric Department, Borough of

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[1] Federal project.

South Carolina

Easley, Water and Light Plant, City of
Gaffney, Board of Public Works
Greenwood Commission of Public Works
Greer Commission of Public Works, City of
Orangeburg, Department of Public Utilities, City of
South Carolina Public Service Authority

South Dakota

Brookings, Municipal Electric Department, City of
Watertown, Municipal Utilities Department, City of

Tennessee

Athens Utilities Board—Division of Power
Benton, Board of Public Utilities, County of
Bolivar Electric Department
Alcoa, City of—DBA Blount Electric System
Bristol Tennessee Electric System
Chattanooga, Electric Power Board, City of
Clarksville, Department of Electricity, City of
Cookeville Electric Department
Cleveland Electric System—Department of the City of
Clinton Utilities Board
Columbia Power System
Dayton, City of
Dickson, Electric Department, Town of
Erwin Utilities Electric Department
Dyersburg Electric System
Elizabethton Electric System
Fayetteville Electric System
Harriman Power Department
Humboldt Electric Department
Greeneville Light and Power System
Jackson Utility Division
Johnson City Power Board
Knoxville Utilities Board
LaFollette Electric Department, City of
Lawrenceburg Electric System, City of
Lebanon, Electric Department, City of
Lexington Electrical System
Lenoir City Utilities Board
Lewisburg, Board of Public Utilities, City of
McMinnville Electric System
Memphis Light, Gas and Water Division
Maryville, Board of Utilities
Milan Department of Public Utilities
Morristown Power System
Murfreesboro, Electric Department, Board of Public Utilities, City of
Nashville, Electric Power Board of the City of
Newport Electric System
Oak Ridge, City of
Paris, Board of Public Utilities, City of
Pulaski, Electric System, City of
Ripley, Electric Utility Board, Power and Light Company, City of
Rockwood Electric Utility
Sevier County Electric System
Springfield Department of Electricity
Sweetwater Electric System
Barkley Dam and Lake Barkley Project [1]
Center Hill Lake Project [1]
Cheatham Lock & Dam Project [1]
Dale Hollow Lake Project [1]
Old Hickory Lock & Dam Project [1]
Tennessee Valley Authority [1]
Wolf Creek Dam—Lake Cumberland Project [1]

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[1] Federal project.

Texas

Brenham Municipal Light and Power System, City of
Bryan, City of
Austin, Electric Utility Department, City of
Denton Municipal Utilities, City of
Floresville Electric Light and Power System, City of
Garland Power and Light, City of
Greenville, City of
Jasper (Hancock Plant), City of
Lower Colorado River Authority
Lubbock Power and Light
New Braunfels Utilities
Robstown, Lighting and Power System, City of
San Antonio, City Public Service Board of
Weatherford Electric Department, City of

Utah

Bountiful Light & Power, City of
Logan City Municipal Light Plant
Murray City Corporation
Provo City Corporation Department of Utilities
Colorado River Storage Project[1]

Vermont

Burlington, Electric Light Department, City of

Virginia

Bristol Virginia Utilities Board
Danville, Water, Gas and Electric Departments, City of
Harrisonburg Electric Commission
Martinsville, Electric Utility, City of
Radford Municipal Power Plant
Richmond, Department of Public Utilities, City of
Salem, City of

Washington

Public Utility District No. 1 of Benton County
Centralia, Municipal Hydro Electric Plant, City of
Public Utility District No. 1 of Chelan County (Distribution System)
Public Utility District No. 1 of Chelan County (Lake Chelan Hydro-Electric Production System)
Public Utility District No. 1 of Chelan County (Columbia River-Rock Island Hydro-Electric System)
Public Utility District No. 1 of Chelan County (Rocky Reach Hydro-Electric System)
Ellensburg, Light Department, City of
Public Utility District No. 1 of Franklin County
Public Utility District No. 1 of Cowlitz County (Distribution System)
Public Utility District No. 1 of Cowlitz County (Swift Plant No. 2)
Public Utility District No. 1 of Clallam County
Public Utility District No. 1 of Douglas County
Public Utility District No. 2 of Grant County
Public Utility District No. 1 of Clark County
Public Utility District No. 1 of Grays Harbor County
Public Utility District No. 1 of Klickitat County
Public Utility District No. 1 of Lewis County
Public Utility District No. 3 of Mason County
Public Utility District No. 1 of Snohomish County
Public Utility District No. 1 of Okanogan County
Public Utility District No. 1 of Pend Oreille County
Public Utility District No. 2 of Pacific County
Port Angeles, Light Department, City of
Richland Electrical Department, City of
Seattle, Department of Lighting, City of
Tacoma, Light Division, Department of Public Utilities, City of
Washington Public Power Supply System, Hanford Project
Albeni Falls Reservoir[1]

[1] Federal project.

Chief Joseph Dam[1]
Ice Harbor Lock & Dam Project[1]
Little Goose Lock & Dam[1]
Lower Monumental Lock & Dam Project[1]
McNary Lock & Dam Project[1]

Wisconsin

Cedarburg, Light and Water Commission, City of
Kaukauna, Electrical and Water Departments, City of
Manitowoc Public Utilities
Marshfield Electric and Water Department
Menasha Electric and Water Utilities
Oconomowoc Utilities, City of
Plymouth Utilities Commission
Shawano, Municipal Water and Electric Department
Sturgeon Bay Utilities
Two Rivers Water and Light Department
Waupun Public Utilities
Wisconsin Rapids, Water Works and Lighting Commission

COOPERATIVE SYSTEMS—DISTRIBUTION

Alabama

Clarke-Washington EMC.
Cullman Electric Cooperative.
City of Athens.
Baldwin County EMC.
Cherokee Electric Cooperative.
Pioneer Electric Cooperative, Inc.
South Alabama Electric Cooperative.
Pea River Electric Cooperative.
Southern Pine Electric Cooperative.
Tallapoosa River Electric Cooperative, Inc.
Black Warrior EMC.
Central Alabama Electric Cooperative.
Wiregrass Electric Cooperative, Inc.
North Alabama Electric Cooperative.
Sand Mountain Electric Cooperative.
Joe Wheeler EMC.
Covington Electric Cooperative, Inc.
Franklin Electric Cooperative.
Arab Electric Cooperative, Inc.
City of Florence.

Alaska

Matanusha Electric Association, Inc.
Kodiak Electric Association, Inc.
Homer Electric Association, Inc.
Golden Valley Electric Association, Inc.
Chugach Electric Association, Inc.
Alaska Village Electric Cooperative, Inc.

Arizona

Navopache Electric Cooperative, Inc.
Sulphur Springs Valley Electric Cooperative, Inc.
Trico Electric Cooperative, Inc.
Mohave Electric Cooperative, Inc.
Electrical District No. 2 (Coolidge).

Arkansas

Craighead Electric Cooperative Corp.
First Electric Cooperative Corp.
Southwest Arkansas Electric Cooperative Corp.
Arkansas Valley Electric Cooperative Corp.
Woodruff Electric Cooperative Corp.
Carroll Electric Cooperative Corp.

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[1] Federal project.

C & L Rural Electric Cooperative Corp.
Clay County Electric Cooperative Corp.
Ozarks Electric Cooperative Corp.
North Arkansas Electric Cooperative.
Ouachita Rural Electric Cooperative Corp.
Petit Jean Electric Cooperative Corp.

California

Sacramento Municipal Utility District.

Colorado

San Luis Valley Rural Electric Cooperative, Inc.
Morgan County Rural Electric Association.
Intermountain Rural Electric Association.
Southwest Colorado Power Association.
Union Rural Electric Association, Inc.
San Isabel Electric Services, Inc.
Highline Electric Association.
Poudre Valley Rural Electric Association, Inc.
Empire Electric Association, Inc.
Holy Cross Electric Association, Inc.
Yampa Valley Electric Association, Inc.
Mountain View Electric Association, Inc.
Y–W Electric Association, Inc.
Mountain Parks Electric, Inc.

Delaware

Delaware Electric Cooperative, Inc.

Florida

Clay Electric Cooperative, Inc.
Suwannee Valley Electric Cooperative, Inc.
Sumter Electric Cooperative, Inc.
West Florida Electric Cooperative Association, Inc.
Central Florida Electric Cooperative, Inc.
Florida Keys Electric Cooperative Association, Inc.
Lee County Electric Cooperative, Inc.
Peace River Valley EMC
Tri-County Electric Cooperative, Inc.
Talquin Electric Cooperative, Inc.
Choctawhatchee Electric Cooperative, Inc.
Withlacoochee River Electric Cooperative, Inc.
Glades Electric Cooperative, Inc.

Georgia

Rayle EMC.
Planters EMC.
Troup County EMC.
Colquitt County Rural Electric Co.
Carroll EMC.
Walton EMC.
Douglas County EMC.
Hart County EMC.
Altamaha EMC.
Sumter EMC.
Snapping Shoals EMC.
Central Georgia EMC.
Flint EMC.
Satilla Rural EMC.
Grady County EMC.
Washington County EMC.
Mitchell County EMC.
Jefferson County EMC.
Sawnee EMC.
Habersham EMC.
Blue Ridge Mountain Electric Corp.
Jackson EMC.
Cobb County Rural EMC.

Three Notch EMC.
Canoochee EMC.
Excelsior EMC.
Okefenoke Rural EMC.
Amicalola EMC.
Coweta-Fayette EMC.

Idaho

Northern Lights, Inc.
Clearwater Power Co.

Illinois

Wayne-White Counties Electric Cooperative.
Coles-Moultrie Electric Cooperative.
Illinois Valley Electric Cooperative, Inc.
Illinois Rural Electric Co.
Menard Electric Cooperative
Rural Electric Convenience Cooperative Co.
Eastern Illinois Power Cooperative
Illini Electric Cooperative.
Shelby Electric Cooperative.
Adams Electrical Cooperative.
Egyptian Electric Cooperative Association.
Norris Electric Cooperative.
Southeastern Illinois Electric Cooperative, Inc.
Corn Belt Electric Cooperative, Inc.
M. J. M. Electric Cooperative, Inc.
Tri-County Electric Cooperative, Inc.
Southern Illinois Electric Cooperative
Southwestern Electric Cooperative, Inc.

Indiana

Utilities District of West Indiana Rural EMC.
Boone County Rural EMC.
Whitley County Rural EMC.
Wabash County Rural EMC.
Shelby County Rural EMC.
Bartholomew County Rural EMC.
Daviess-Martin Counties Rural EMC.
Decatur County Rural EMC.
Jay County Rural EMC.
Knox County Rural EMC.
Parke County Rural EMC.
Southeastern Indiana Rural EMC.
Tipmont Rural EMC.
Wayne County Rural EMC.
Morgan County Rural EMC.
Clark County Rural EMC.
Noble County Rural EMC.
Sullivan County Rural EMC.
Dubois Rural Electric Cooperative, Inc.
Kankakee Valley Rural EMC.
Kosciusko County Rural EMC.
Harrison County Rural EMC.
Jackson County Rural EMC.
Southern Indiana Rural Electric Cooperative, Inc.
United EMC.

Iowa

Eastern Iowa Light & Power Cooperative.
Buena Vista County Rural Electric Cooperative.
Butler County Rural Electric Cooperative.
Maquoketa Valley Rural Electric Cooperative.
Greene County Rural Electric Cooperative.
Hawkeye Tri-County Electric Cooperative.
Linn County Rural Electric Cooperative Association.
T.I.P. Rural Electric Cooperative.

S.E. Iowa Coopertive Electric Association.
Farmers Electric Cooperative, Inc.
Allamakee-Clayton Electric Cooperative, Inc.

Kansas

Jewell-Mitchell Cooperative Electric Co., Inc.
Flint Hills Rural Electric Cooperative Association.
The Norton-Decatur Cooperative Electric Co., Inc.
The Ark Valley Electric Cooperative Association.
Central Kansas Electric Cooperative, Inc.
The Pioneer Cooperative Association, Inc.
Western Cooperative Electric Association, Inc.
Wheatland Electric Cooperative, Inc.

Kentucky

Jackson County Rural Electric Cooperative Corp.
Meade County Rural Electric Cooperative Corp.
Jackson Purchase Rural Electric Cooperative Corp.
Salt River Rural Electric Cooperative Corp.
Taylor County Rural Electric Cooperative Corp.
Pennyrile Rural Electric Cooperative Corp.
Inter-County Rural Electric Cooperative Corp.
Shelby Rural Electric Cooperative Corp.
Green River Rural Electric Cooperative Corp.
Farmers Rural Electric Cooperative Corp.
Warren Rural Electric Cooperative Corp.
Owen County Rural Electric Cooperative Corp.
Hickman-Fulton Counties Rural Electric Cooperative Corp.
Blue-Grass Rural Electric Cooperative Corp.
Harrison County Rural Electric Cooperative.
Clark Rural Electric Cooperative Corp.
West Kentucky Rural Electric Cooperative Corp.
Nolin Rural Electric Cooperative Corp.
Fleming Mason Rural Electric Cooperative Corp.
South Kentucky Rural Electric Cooperative Corp.
Henderson-Union Rural Electric Cooperative Corp.
Licking Valley Rural Electric Cooperative Corp.
Cumberland Valley Rural Electric Cooperative Corp.
Big Sandy Rural Electric Cooperative Corp.
Grayson Rural Electric Cooperative Corp.

Louisiana

Valley EMC.
South Louisiana Electric Cooperative Association.
S.W. Louisiana EMC.
Washington-St. Tammany Electric Cooperative, Inc.
Bossier Rural EMC.
N.E. Louisiana Power Cooperative, Inc.
Dixie EMC.
Claiborne Electric Cooperative, Inc.
Beauregard Electric Cooperative, Inc.
Jefferson Davis Electric Cooperative, Inc.
Concordia Electric Cooperative, Inc.
Louisiana Rural Electric Corporation.

Maine

Eastern Maine Electric Cooperative, Inc.

Maryland

Southern Maryland Electric Cooperative, Inc.
Choptank Electric Cooperative, Inc.

Michigan

Tri-County Electric Cooperative.
Presque Isle Electric Cooperative, Inc.
Top O' Michigan Rural Electric Co.
Thumb Electric Cooperative.
O & A Electric Cooperative.

26-725—74——18

Cloverland Electric Cooperative.
Cherryland Rural Electric Cooperative.
Fruit Belt Electric Cooperative.

Minnesota

East Central Electric Association.
Meeker Cooperative Light & Power Association.
Carlton County Cooperative Power Association.
Northern Electric Cooperative Association.
Runestone Electric Association.
McLeod Cooperative Power Association.
Tri-County Electric Cooperative.
Stearns Cooperative Electric Association.
Federated Rural Electric Association.
Minnesota Valley Cooperative Light & Power Association.
Anoka Electric Cooperative.
Steele-Waseca Cooperative Electric.
South Central Electric Association.
Crow Wing Cooperative Power & Light Co.
Lake Region Cooperative Electric Association.
People's Cooperative Power Association.
Freeborn-Mower Electric Cooperative.
Wright-Hennepin Cooperative Electric Association.
The Minnesota Valley Electric Cooperative.
Dakota Electric Association.
Nobles Cooperative Electric.
Blue Earth-Nicollet Cooperative Electric Association.
Agra-Lite Cooperative.
Mille Lacs Electric Cooperative.
Wild Rice Electric Cooperative, Inc.
Dairyland Electric Cooperative, Inc.
Beltrami Electric Cooperative, Inc.

Mississippi

Monroe County Electric Power Association.
City of Holly Springs.
Yazoo Valley Electric Power Association.
Coahoma Electric Power Association.
Central Electric Power Association.
Southwest Mississippi Electric Power Association.
Northeast Mississippi Electric Power Association.
Tallahatchie Valley Electric Power Association.
Coast Electric Power Association.
4-County Electric Power Association.
Dixie Electric Power Association.
Twin County Electric Power Association.
Delta Electric Power Association.
Pearl River Valley Electric Power Association.
Singing River Electric Power Association.
Southern Pine Electric Power Association.
Magnolia Electric Power Association.
Tishomingo County Electric Power Association.
East Mississippi Electric Power Association.
Prentiss County Electric Power Association.
Northcentral Mississippi Electric Power Association.
Tombigbee Electric Power Association.
Natchez Trace Electric Power Association.

Missouri

Permiscot-Dunklin Electric Cooperative.
Intercounty Electric Cooperative Association.
Boone Electric Cooperative.
Lewis County Rural Electric Cooperative Association.
N. W. Missouri Electric Cooperative.
Ozark Electric Cooperative.
Scott-New Madrid-Missouri Electric Cooperative.
Ozark Border Electric Cooperative.

Macon Electric Cooperative, Inc.
Tri-County Electric Cooperative Association.
Consolidated Electric Cooperative.
Osage Valley Electric Cooperative Association.
Black River Electric Cooperative.
Central Missouri Electric Cooperative, Inc.
Platte-Clay Electric Cooperative, Inc.
Farmers' Electric Cooperative, Inc.
Laclede Electric Cooperative.
Grundy Electric Cooperative, Inc.
Three Rivers Electric Cooperative.
White River Valley Electric Cooperative, Inc.
Co-Mo Electric Cooperative, Inc.
New-Mac Electric Cooperatives, Inc.
Howell-Oregon Electric Cooperative, Inc.
West-Ceneral Electric Cooperative, Inc.
Southwest Electric Cooperative.
Crawford Electric Coopertaive, Inc.
Cuivre River Electric Cooperative, Inc.
Citizens Electric Corp.

Montana

Glacier Electric Cooperative, Inc.

Nebraska

Southern Nebraska Rural P.P.D.
Norris Public Power District.
Dawson County Public Power District.
McCook Public Power District.
Cornhusker Rural Public Power District.
Custer Public Power District.
Wheat Belt Public Power District.
Southwest Public Power District.

Nevada

New Hampshire

New Hampshire Electric Cooperative, Inc.

New Jersey

New Mexico

Central Valley Electric Cooperative, Inc.
Roosevelt County Electric Cooperative, Inc.
Farmers' Electric Cooperative, Inc.
Kit Carson Electric Cooperative, Inc.
Otero County Electric Cooperative, Inc.
Socorro Electric Cooperative, Inc.
Continental Divide Electric Cooperative, Inc.
Lea County Electric Cooperative, Inc.
Jemez Mountains Electric Cooperative.

New York

North Carolina

Haywood EMC.
Edgecombe-Martin County EMC.
Four-County EMC.
Blue Ridge EMC.
Rutherford EMC.
Roanoke EMC.
Piedmont EMC.
Pee Dee EMC.
Davidson EMC.
Randolph EMC.
Union EMC.
Brunswick EMC.
Jones-Onslow EMC.
French Broad EMC.
Wake EMC.

Surry-Yadkin EMC.
Tri-County EMC.
Lumbee River EMC.
South River EMC.
Carteret-Craven EMC.
Crescent EMC.

North Dakota

Baker Electric Cooperative, Inc.
Cass County Electric Cooperative, Inc.
Tri-County Electric Cooperative, Inc.
Verendrye Electric Cooperative, Inc.
Nodak Rural Electric Cooperative, Inc.
North Central Electric Cooperative, Inc.
Mor-Gran-Sou Electric Cooperative, Inc.

Ohio

Pioneer Rural Electric Cooperative, Inc.
Holmes-Wayne Electric Cooperative, Inc.
Belmont Electric Cooperative, Inc.
Midwest Electric, Inc.
Paulding-Putnam Electric Cooperative, Inc.
Licking Rural Electrification, Inc.
Lorain-Medina Rural Electric Cooperative, Inc.
North Central Electric Cooperative, Inc.
South Central Power Co.
Butler Rural Electric Cooperative, Inc.
Firelands Electric Cooperative, Inc.
Guernsey-Muskingum Electric Cooperative, Inc.
Hancock-Wood Electric Cooperative, Inc.
Buckeye Rural Electric Cooperative, Inc.

Oklahoma

Cimarron Electric Cooperative.
Kay Electric Cooperative.
Caddo Electric Cooperative.
Oklahoma Electric Cooperative.
Alfalfa Electric Cooperative, Inc.
Red River Valley Rural Electric Association.
Southwest Rural Electric Association, Inc.
Peoples Electric Cooperative.
Northeast Oklahoma Electric Cooperative, Inc.
Rural Electric Cooperative, Inc.
Cotton Electric Cooperative.
East Central Oklahoma Electric Cooperative, Inc.
Central Rural Electric Cooperative.
Verdigris Valley Electric Cooperative, Inc.
Indian Electric Cooperative, Inc.
Canadian Valley Electric Cooperative, Inc.
Choctaw Electric Cooperative, Inc.
Northwestern Electric Cooperative, Inc.
Kiamichi Electric Cooperative, Inc.
Tri-County Electric Cooperative.
Cookson Hills Electric Cooperative, Inc.
Lake Region Cooperative, Inc.

Oregon

Consumers Power, Inc.
Umatilla Electric Cooperative Association.
Douglas Electric Cooperative, Inc.
Lane Electric Cooperative, Inc.
Coos-Curry Electric Cooperative, Inc.
Central Electric Cooperative, Inc.

Pennsylvania

N.W. Rural Electric Cooperative Association, Inc.
S.W. Central Rural Electric Cooperative Corp.
Tri-County Rural Electric Cooperative, Inc.

Claverack Rural Electric Cooperative, Inc.
Central Electric Cooperative, Inc.
Valley Rural Electric Cooperative, Inc.
Somerset Rural Electric Cooperative, Inc.
Adams Electric Cooperative, Inc.
United Electric Cooperative, Inc.

South Carolina

Aiken Electric Cooperative, Inc.
Laurens Electric Cooperative, Inc.
Lynches River Electric Cooperative, Inc.
Fairfield Electric Cooperative, Inc.
Edisto Electric Cooperative, Inc.
Berkeley Electric Cooperative, Inc.
Pee Dee Electric Cooperative, Inc.
Santee Electric Cooperative, Inc.
Black River Electric Cooperative, Inc.
Horry Electric Cooperative, Inc.
Tri-County Electric Cooperative, Inc.
Broad River Electric Cooperative, Inc.
Mid-Carolina Electric Cooperative, Inc.
Blue Ridge Electric Cooperative, Inc.
Palmetto Electric Cooperative, Inc.
York Electric Cooperative, Inc.

South Dakota

West River Electric Association, Inc.
Sioux Valley Empire Electric Association, Inc.
West Central Electric Cooperative, Inc.

Tennessee

Volunteer Electric Cooperative.
Tri-County EMC.
Southwest Tennessee EMC.
Town of Bolivar.
The Middle Tennessee EMC.
Gibson County EMC.
Duck River EMC.
Town of Dickson.
Cumberland EMC.
Upper Cumberland EMC.
Fort Loudon Electric Cooperative.
Pickwick Electric Cooperative.
Meriwether-Lewis Electric Cooperative.
Tennessee Valley Electric Cooperative.
Sequachee Valley Electric Cooperative.
Plateau Electric Cooperative.
Holston Electric Cooperative, Inc.
Appalachian Electric Cooperative.
City of LaFollette.
Caney Fork Electric Cooperative, Inc.
Chickasaw Electric Cooperative, Inc.
Mountain Electric Cooperative, Inc.
Tri-State Electric Cooperative, Inc.
City of Fayetteville.

Texas

Kaufman County Electric Cooperative, Inc.
Upshur Rural Electric Cooperative Corp.
City of Bryan.
Hill County Electric Cooperative, Inc.
Bowie-Cass Electric Cooperative, Inc.
Panola-Harrison Electric Cooperative, Inc.
Deaf Smith County Electric Cooperative, Inc.
Magic Valley Electric Cooperative, Inc.
Denton County Electric Cooperative, Inc.
Grayson-Collin Electric Cooperative, Inc.
Wood County Electric Cooperative, Inc.

26-725 O - 74 - 19

Lighthouse Electric Cooperative, Inc.
South Plains Electric Cooperative, Inc.
Lamb County Electric Cooperative, Inc.
Lyntergar Electric Cooperative, Inc.
Bailey County Electric Cooperative Association.
Deep East Texas Electric Cooperative, Inc.
Rusk County Electric Cooperative, Inc.
Farmers Electric Cooperative, Inc.
Cooke County Electric Cooperative Association.
Erath County Electric Cooperative Association.
Pedernales Electric Cooperative, Inc.
Johnson County Electric Cooperative Association.
Midwest Electric Cooperative, Inc.
Wise Electric Cooperative, Inc.
Comanche County Electric Cooperative.
Karnes Electric Cooperative, Inc.
Nueces Electric Cooperative, Inc.
Houston County Electric Cooperative, Inc.
San Patricio Electric Cooperative, Inc.
Bandera Electric Cooperative, Inc.
Guadalupe Valley Electric Cooperative, Inc.
Medina Electric Cooperative, Inc.
Victoria County Electric Cooperative Co.
Bluebonnet Electric Cooperative, Inc.
Tri-County Electric Cooperative, Inc.
Sam Houston Electric Cooperative, Inc.
Taylor Electric Cooperative, Inc.
Cap Rock Electric Cooperative, Inc.
Swisher County Electric Cooperative, Inc.
San Bernard Electric Cooperative, Inc.
New Era Electric Cooperative, Inc.
Jasper-Newton Electric Cooperative, Inc.
North Plains Electric Cooperative, Inc.
Rio Grande Electric Cooperative, Inc.
Central Texas Electric Cooperative, Inc.

Utah

Garkane Power Association, Inc.
Moon Lake Electric Association, Inc.

Vermont

Vermont Electric Cooperative, Inc.

Virginia

Shenandoah Valley Electric Cooperative.
Virginia Electric Cooperative.
Southside Electric Cooperative.
Northern Neck Electric Cooperative.
Central Virginia Electric Cooperative.
B.A.R.C. Electric Cooperative.
Mecklenburg Electric Cooperative.
Powell Valley Electric Cooperative.
The Northern Piedmont Electric Cooperative.
Community Electric Cooperative.
Accomack-Northampton Electric Cooperative.
Prince William Electric Cooperative.

Washington

Benton Rural Electric Association.
Public Utility District No. 1, Klickitat Co.
Inland Power and Light Co.
Big Bend Electric Cooperative, Inc.
Public Utility District No. 1, Douglas County.
Public Utility District No. 1, Okanogan County.

West Virginia

Wisconsin

Oakdale Cooperative Electric Association.
Clark Electric Cooperative.

Pierce-Pepin Electric Cooperative.
Trempealeau Electric Cooperative.
Barron County Electric Cooperative.
Vernon Electric Cooperative.
Grant Electric Cooperative.
Dunn County Electric Cooperative.
Eau Claire Electric Cooperative.
Polk-Burnett Electric Cooperative.
Adams-Marquette Electric Cooperative.

Wyoming

Riverton Valley Electric Association, Inc.
Wyrulec Co.
Lower Valley Power & Light, Inc.
Rural Electric Co.
Hot Springs County Rural Electric Association, Inc.
Tri-County Electric Association, Inc.

COOPERATIVE SYSTEMS—POWER SUPPLY BORROWERS

Alabama

Alabama Electric Cooperative, Inc.

Arizona

Arizona Electric Power Cooperative.

Arkansas

Kamo Electric Cooperative, Inc.
Arkansas Electric Cooperative Corp.

Colorado

Colorado-Ute Electric Association, Inc.
Tri-State G. & T. Association, Inc.
Arkansas Valley G. & T., Inc.

Illinois

Southern Illinois Power Cooperative.
Western Illinois Power Cooperative, Inc.

Indiana

The Hoosier Energy Division.

Iowa

Central Iowa Power Cooperative.
Corn Belt Power Cooperative.
Northwest Iowa Power Cooperative.

Kansas

Sunflower Electric Cooperative, Inc.

Kentucky

East Kentucky Rural Electric Cooperative Corp.
Big Rivers Rural Electric Cooperative Corp.

Louisiana

Louisiana Electric Cooperative, Inc.

Michigan

Wolverine Electric Cooperative, Inc.
Northern Michigan Electric Cooperative, Inc.

Minnesota

Rural Cooperative Power Association.
Northern Minnesota Power Association.
Cooperative Power Association.
United Power Association.

Mississippi

South Mississippi Electric Power Association.

Missouri

Sho-Me Power Corp.
M. & A. Electric Power Cooperative.
Northeast Missouri Electric Power Cooperative.
Central Electric Power Cooperative.
N. W. Electric Power Cooperative, Inc.
Associated Electric Cooperative, Inc.

Nebraska

Nebraska Electric G. & T. Cooperative, Inc.

New Mexico

Plains Electric G. & T. Cooperative, Inc.

North Dakota

Minnkota Power Cooperative, Inc.
Central Power Electric Cooperative, Inc.
Basin Electric Power Cooperative.

Oklahoma

Western Farmers Electric Cooperative.

South Carolina

Central Electric Power Cooperative, Inc.

South Dakota

East River Electric Power Cooperative, Inc.
Rushmore Electric Power Cooperative, Inc.

Texas

Brazos Electric Power Cooperative, Inc.
South Texas Electric Cooperative.

Wisconsin

Dairyland Power Cooperative.

RESPONDING UTILITY: */

Line No.		1973 DEC.	1974 JAN.	FEB.	MAR.	APR.	MAY	JUN.	JUL.	AUG.	SEPT.	OCT.	NOV.	DEC.	TOTAL
1	I. Projected net system generation by months prior to conservation efforts proposed by this order. (MWH)														
2	II. Projected net energy generation from combustion turbines and internal combustion engines by months prior to conservation efforts proposed by this order. (MWH)														
	III. Projected monthly reductions that may result from the following conservation procedures:														
3	1. Curtailment of non-essential heating and lighting load at utility-owned power plants and office facilities. a.														
4	b.														
5	2. Curtailment of non-essential generating station auxiliaries at power plants. a.														
6	b.														
7	3. Appeals to large commercial and industrial customers to curtail non-essential use. a.														
8	b.														

a. Total energy saved. (MWH)
b. Amount of energy in "a" which is normally supplied by combustion turbines and internal combustion engines. (MWH)

*/ GENERAL INSTRUCTION - Where the reporting electric utility projects short-falls of fuel availability for its generating resources which will necessitate electric power and energy reductions of greater than 10 percent(e.g., 15, 20 or 25 percent), the Emergency Report Form shall be completed so as to reflect (a) the various stages of projected fuel availability up To the most adverse forseeable projections at the time of completing the form, (b) the variations (if any) in the order of the steps which the reporting utility proposes to implement in carrying out its electric contingency planning. The reporting utility shall relate the reported actions to any contingency planning procedures which the reporting utility has submitted to the Federal Power Commission or state public service commissions pursuant to Federal Power Commission Order No. 445, this Commissions January 24, 1975, emergency letter questionnaire or otherwise, individually or through a reliability council. The Commission requests the use of manifold copies of pages of the Emergency Report Form by each reporting utility to supply, for its system, the electric conservation, contingency planning procedures and load reduction steps under varying assumptions, as may be projected by the reporting utility. The Emergency Report Form shall be filed in duplicate.

EMERGENCY ACTION FOR CONSERVATION OF PETROLEUM AND NATURAL GAS

Line No.			1973 DEC.	1974 JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	TOTAL
9	4. Appeals to the public to curtail non-essential use	a.														
10		b.														
11	5. Interuption of contractually interruptible load.	a.														
12		b.														
13	6. Reduction of system voltage.	a.														
14		b.														
15	7. Reduction in use of electricity by governmental entities due to reductions or changes of usage in governmental facilities, buildings, street illumination, or others.	a.														
16		b.														
17	8. Reduction of hours of operation of commercial centers.	a.														
18		b.														
19	9. Reduction of use by industrial customers whose output is not essential to the public health and safty.	a.														
20		b.														
21	10. Elimination of outdoor nighttime sporting events.	a.														
22		b.														
23	11. Elimination of outdoor commercial advertising display.	a.														
24		b.														
25	12. Other (identify)	a.														
26		b.														

NOTE: It is recognized the savings envisioned by use of item 7 through 11 would reflect prior governmental action in many instances authorizing or mandating the changed conditions producing the savings.

Line No.			1973 DEC	1974 JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	TOTAL
	IV. State the amount of oil in barrels and natural gas in Mcf which may be saved through the following measures:															
1	1. Optimizing use of coal-fired generation within the utility's system.	a.														
2		b.														
3		c.														
4	2. Engaging in inter-company and inter-area transfers in order to maximize the use of coal-fired capacity.	a.														
5		b.														
6		c.														
7	3. Modifying operating reserve policy to permit combustion turbines and internal combustion engines to be considered as reserve when shut down.	a.														
8		b.														
9		c.														
10	4. Other (identify)	a.														
11		b.														
12		c.														

a. Total bbls. of residual oil
b. Total bbls. of distillate oil
c. Total volumes of natural gas in Mcf at 14.73 psia

FEDERAL POWER COMMISSION,
Washington, D.C.

NEWS RELEASE

Immediate release.

No. 19840

November 29, 1973.
Docket No. RM74–7.
Order No. 496.

FPC ORDERS UTILITIES TO SUBMIT EMERGENCY ACTION PLANS FOR CONSERVING POWER

The Federal Power Commission today asked the nation's major electric utilities to file reports within 15 days showing their estimates of how much fuel could be saved if energy conservation measures are adopted to meet targeted-reductions in electric power use.

The Commission said that its staff has preliminarily estimated that electric utility energy output could be reduced by 2 billion kilowatt-hours per week within five days through immediate energy conservation measures.

The FPC therefore asked for reports from more than 1,000 major electric utilities, including investor-owned, publicly owned and cooperatives. Major utilities are defined as those with annual operating revenues of $1 million or more.

The reports will show each utility's estimate of savings in total energy when related to total kilowatt-hours produced from all generating sources and estimated energy generated by internal combustion engines and combustion turbines.

In addition, the utilities are to report procedures by which they expect to implement energy conservation measures through internal managerial controls and direction, and through public appeals or state regulatory actions for ordered reduced consumption of electricity by ultimate consumers.

To minimize inequities among the various utilities and their ultimate consumers, the FPC asked that each reporting utility target for its system an overall nationwide electric energy reduction of 10 percent.

The Commission said it recognized that differences exist in utility operations and fuel availability, whether upon an individual system, power pool, or regional basis. The consequences are that for some utilities, energy conservation measures and contingency planning procedures should reflect the possibility of reductions of more than 10 percent, the FPC said. Each utility should develop its conservation contingency planning procedures based upon its estimate of fuel availability through various stages of short-fall up to the most adverse conditions currently foreseeable by the utility, the Commission said.

The FPC pointed out that it is participating in the work of Federal government authorities charged with allocation responsibilities over petroleum supplies, including electric utility usage. The Commission said it recognized that in certain circumstances, and the unavailability of alternate fuels, priorities must be accorded electric utility fuel requirements, particularly residual oils.

The Commission said it intended to make the data it collects available to the President, the Congress, governors, and state public service commissions. Where possible, the FPC said, under its emergency action authority, as well as its day-to-day bulk power supply regulatory authority, it will authorize and recognize reduced electric power consumption and decreased use of petroleum and natural gas for electric power generation as necessary and appropriate regulatory objectives.

The Commission pointed out that it does not have regulatory authority to ration electric power among ultimate consumers. To the extent that elecric utility service could be rationed under existing legal authority, the FPC said it would have to be accomplished under the Defense Production Act, or state regulatory laws.

The FPC said that a number of constructive actions can be implemented coordinately by the nation's electric utilities and government regulatory authorities. The FPC said that available data indicates that fuel shortage conditions associated with electric utility uses of petroleum and natural gas may be expected to impact unevenly, economically, and geographically, reflecting the fact that coastal utilities are now the larger users of petroleum resources for boiler-fuel purposes. Utilities in the southwest and south central regions are large users of natural gas for boiler-fuel purposes, the FPC noted.

To ameliorate and temper the disparities among regions, the FPC requested utilities to seek to reduce non-essential uses of electricity uniformly across all the systems, and to maximize use of coal, nuclear and hydroelectric generating capacity nationally by scheduling intersystem and interregional power transfers to the maximum possible extent consistent with reliability and service considerations.

The Commission said it would recognize increased or changed costs and conditions resulting from the conservation measures and the intersystem and inter-regional power transfers for interstate ratemaking purposes. The Commission requested state regulatory agencies to give similar recognition for intrastate purposes.

The Commission said it did not view its actions as pemanent long term, or in substittuion for increased power supplies generated from non-petroleum and non-natural gas fuels. The Commission said they are temporary expedients to meet current national fuel and energy conditions.

UNITED STATES OF AMERICA, FEDERAL POWER COMMISSION

(18 CFR 3.142, 141.300)

BEFORE COMMISSIONERS: JOHN N. NASSIKAS, Chairman; ALBERT B. BROOKE, Jr., Rush Moody, Jr., and William L. Springer

NATIONWIDE FUEL EMERGENCY, Docket No. RM-74-7

Order No. 497

EMERGENCY ACTIONS FOR THE REPORTING OF DATA RELATIVE TO ELECTRIC UTILITY FUEL REQUIREMENTS AND FEDERAL GOVERNMENTAL FUEL ALLOCATION PROCEDURES

(Issued December 7, 1973)

Actions by the President to establish the Federal Energy Administration, and the statutory duties and responsibilities of this Commission, necessitate the promulgation of the attached Electric Utility Fuel Planning Report Form (Appendix I, annexed hereto).

Fuel supply availability for electric utility generation by investor owned, publicly owned and cooperatively owned utilities, varies from system to system and from region to region of the Nation. Coastal region electric utilities, the larger users of petroleum resources (middle distillates, residual and crude oil) for boiler fuel purposes, and electric utilities in the southwest and south central regions, the larger users of natural gas for boiler fuel purposes, are experiencing increasing shortages of these critical fuels. The annexed Electric Utility Fuel Planning Report Form will provide a data base upon which utility uses of such petroleum resources may be allocated or authorized under the Emergency Petroleum Allocation Act of 1973, P.L. 93-159, 87 Stat. 627, or other statutory authority. These data are also relevant to the utility and regulatory commission analyses of intersystem and inter-regional transfers of electric power and energy to maximize the use of coal, nuclear fuel and hydro-electric generating capacity, nationally. They also relate informationally to the Commission's activities in allocating the supplies of natural gas under the Natural Gas Act, 15 U.S.C. 717(a) et seq., insofar as natural gas is still used in electric utility generation. The Commission is not here exercising its natural gas regulatory jurisdiction, but, rather, is surveying all electric utility fuel needs and proposes the use of the reported data by all utilities, governmental authorities and consumers, however associated with fuels availability and the use thereof.

Commission Order No. 496, issued November 29, 1973, 38 F.R. 33641, provides in part (mimeo ed., pp. 4-5):

* * * this order requests the Nation's electric utilities to seek to reduce nonessential uses of electrical power and energy uniformly across all such systems; and to maximize the use of coal and nuclear fuel electric generating capacity and hydro-electric generating capacity nationally, with the scheduling of intersystem and inter-regional power transfers to the maximum possible extent consistent with reliability and continuity of service considerations; to do so through established power pools, the nine electric reliability councils and the National Electric Reliability Council and in cooperation with representatives of the Federal Power Commission (Chief, of the Bureau of Power) and state public service commission staff personnel, * * *[1]

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[1] By letter dated December 4, 1973, addressed to the Chairman of the National Electric Reliability Council, with copies to the chairmen of the regional electric reliability councils, and all state public service commission chairmen, this Commission's Chief, Bureau of Power, requested:

> * * * I ask that the utilities in each Council area prepare a contingency schedule for emergency transfers of power and energy to achieve the objectives of Order No. 496, in conserving energy use generally, and in maximizing the use of coal-fired,

By this order, the Commission is directing all electric utilities which are required to report electricity generation and fuel use pursuant to Federal Power Commission Form No. 4, Monthly Power Plant Report [2], to file with the Commission, until further notice, monthly reports on projected electric generation and fuel requirements, such projections to be consistent with minimum consumption of petroleum and natural gas fuels. The Electric Utility Fuel Planning Report Form shall be filed with the Commission on a monthly basis commencing with the report for January 1974, in quadruplicate, and 75 days in advance of the beginning of the month for which data are to be reported, except for the months of January, February and March 1974. Reports for data covering these months shall be filed as follows:

January 1974.—Report to be filed by December 18, 1973;

February 1974.—Report to be filed by December 31, 1973; and

March 1974.—Report to be filed by December 31, 1973.

The reporting electric utilities shall file one conformed copy of the Electric Utility Fuel Planning Report Form with each of the respective state public service commissions (or Governors in states where there is no established state public service commission with public utility regulatory jurisdiction over the reporting utility), of the state or states in which the reporting utility operates and such other states whch are partly or wholly within the geographic boundaries of the electric reliability council or councils in which the reporting utility participates or is located.

The Electric Utility Fuel Planning Report Form, Appendix I, as annexed hereto, will provide a data base for analysis, planning and implementation of actions which will be required to meet currently foreseeable national fuel emergency conditions. The report details the following types of information:

Projected generation requirements and sources of energy for the month, as compared to the corresponding month of the previous year;

Projected consumption of fuels for the month, as compared to the corresponding month of the previous year;

Effects of plant alterations, additions, or retirements within the past year on the projected consumption of fuels for the month;

Projected fuel stocks at the beginning and end of the subject month;

A listing of the utility's oil suppliers; and

Identification of the interconnection capacity and projected peak load during the month for systems with less than 200 MW capacity.

The Commission proposes to collate the reported data by operating utilities, power pools and electric reliability council areas, so as to provide an assessment of utility fuel availability, requirments and generating capability among utilities, regionally and inter-regionally. It is anticipated that Federal governmental fuel allocation procedures will reflect a continuing substantial use of the data to be reported.

This Commission's Order No. 496, directed that emergency actions for the conservation of petroleum and natural gas fuel resources be undertaken by the Nation's electric utilities, together with the development of contingency planning procedures for inter-system and inter-regional electric power and energy trans-

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nuclear-fueled, and hydroelectric generating capacity nationally. I ask that the utilities complete a preliminary statement of such schedules within 15 days and submit them to the Federal Power Commission staff and to furnish copies to all state public service commissions, for information purposes.

I ask that definitive complete contingency schedules be formulated by the utilities and submitted to this Commission within 30 days, with copies thereof to all state public service commissions for informational purposes. The contingency schedule of emergency transfers should first consider minimizing the use of petroleum and natural gas for electric generating purposes within each reliability council area. And, secondly, they should determine generally which generating units will be operated at high load factor during off-peak hours to generate power to be transmitted to other regions. Since these schedules will require the detailed attention of utility operating personnel in the various council areas, I anticipate that this request, directed to you in the first instance, will be redirected to all of the individual operating utilities (investor owned, publicly-owned, cooperatively-owned) in each of your respective geographic regions. The councils should perform a coordinating function in respect to the individual utility responses. It is essential that all systems be covered.

[2] These utilities include investor owned, publicly owned, including federally owned and cooperatively owned electric systems. The reporting systems total approximately 900 utilities and own or operate essentially all of the electric utility generating capacity within the Nation. Attached Appendix A lists the various utilities, to which this order is specifically directed. That compilation reflects investor owned electric utilities which are specifically subject to all Federal Power Act, 16 U.S.C. 791(a) et seq., regulatory provisions, as well as other utilities, investor owned, publicly owned and cooperatively owned systems, which generate electric power and are subject to the Commission's reporting authority under the Federal Power Act.

fers tand and reductions in electricity usage to eliminate non-essential demands Nation-wide. As stated in that order, this Commission is participating in the work of Federal governmental authorities charged with allocation responsibilities over petroleum supplies for electric utility usage, among others.

The Commission further finds:

(1) It is necessary and appropriate in the public interest and for the purposes of the Federal Power Act, 16 U.S.C. 791(a) et seq., particularly Sections 10, 19, 20, 202, 205, 206, 207, 304, 309 and 311 thereof (41 Stat. 1068–1070, 41 Stat. 1073–1074, 49 Stat. 848–849, 851–856, 858–859, 67 Stat. 461; 16 U.S.C. 803, 812, 813, 824a, 824d, 824e, 824f, 825c, 825h, 825j) to prescribe the Electric Utility Fuel Planning Report Form and to direct as hereinafter ordered.

(2) There is good cause under circumstances set forth in the recitals to make the provisions of this order effective immediately and without the prior notice and public procedure provisions of Section 553 of Subchapter II of Title 5 of the United States Code, which prior notice and public procedure provisions are impractical and contrary to the public interest in this instance.

The Commission orders:

(A) There is hereby prescribed an Electric Utility Fuel Planning Report Form, as designated in Appendix I attached thereto.

(B) Part 141, Statements and Reports (Schedules), Subchapter D—Approved Forms, Federal Power Act, Chapter I, Title 18, Code of Federal Regulations, is hereby amended by the addition of a new Section 141.300, to read as follows:

§ 141.300, Form No. 23, Electric Utility Fuel Planning Report Form.

This Form, comprised of six schedules, as identified hereinafter, is designed to secure information from electric utilities on a monthly basis covering projected electric generation and fuel requirements. It is designed to serve governmental analytical, fuel allocation and regulatory purposes during the Nation-wide fuel emergency.

The Form, properly completed, shall be filed monthly with the Federal Power Commission, commencing with the report for January 1974, by all electric utilities which are required to file Federal Power Commission Form No. 4, Monthly Power Plant Report, (identified specifically in Federal Power Commission Order No. 497, Appendix A); the filing to be in quadruplicate and 75 days in advance of the beginning of the month for which data are to be reported, except for the months of January, February and March 1974. Reports for data covering these months shall be filed as follows:

January 1974.—Report to be filed by December 18, 1973;

February 1974.—Report to be filed by December 31, 1973; and

March 1974.—Report to be filed by December 31, 1973.

Each reporting electric utility shall file one conformed copy of the Electric Utility Fuel Planning Report Form with each of the respective state public service commissions (or Governors in states where there is no established state public service commission with public utility regulatory jurisdiction over the reporting utility), of the state or states in which the reporting utility operates and such other states which are partly or wholly within the geographic boundaries of he electric reliability council or councils in which the reporting utility participates or is located.

The Electric Utility Fuel Planning Report Form is comprised of:

Schedule 1, *Projected Energy Requirements and Sources.*

Schedule 2, *Fuel Requirements for Generation.*

Schedule 3, *Fuel Requirement Changes Resulting from Completed and Scheduled Alterations, Additions or Retirements in System Generating Plants During 12 Month Period Preceding End of Subject Month.*

Schedule 4, *Projected Fuel Stocks.*

Schedule 5, *Oil Suppliers.*

Schedule 6, *Power Import Capability in Case of Fuel Deficiency.*

(C) Part 3, Subchapter A, Chapter I, Title 18, Code of Federal Regulations, is hereby amended by adding Section 3.142(a)(42), to read as follows:

§ 3.142 Approved forms, etc.

(a) * * *

(42) Form No. 23, Electric Utility—Fuel Planning Report Form

(§ 141.300 of this chapter).

(D) Each electric utility, as specifically identified on Appendix A, shall complete and file the Electric Utility Fuel Planning Report Form in the manner set forth in paragraph (B) above.

(E) The Commission, in its continuing review of this general subject matter, will take such future actions as may be appropriate.

(F) This order and the Commission's Regulations as prescribed herein, shall take effect immediately upon the issuance of this order.

(G) The Secretary shall cause prompt publication of this order in the Federal Register.

By the Commission.

(SEAL)

KENNETH F. PLUMB,
Secretary.

LIST OF EECTRIC UTILITY SYSTEMS TO FILE FPC FORM NO. 23

Alabama Electric Cooperative, Inc., Andalusia, Ala.
Citizens Utilities Co., Nogales Division, P.O. Box 511, Nogales, Ariz.
Southwestern Electric Power Co., P.O. Box 1106, Shreveport, La.
Arizona Public Service Co., P.O. Box 2591, Phoenix, Ariz.
California-Pacific Utilities Co., 550 California St., San Francisco, Calif.
Delmarva Power & Light Co., 114 North Division St., Salisbury, Md.
Potomac Electric Power Co., Room 812, Washington, D.C.
Idaho Power Co., P.O. Box 70, Boise, Idaho.
Bureau of Reclamation, Federal Building Attention Code 600, 5th and Fort St., Boise Idaho.
Western Illinois Power Cooperative, Box 186, Pittsfield, Ill.
Western Illinois Power Cooperative Inc., Winchester, Ill.
Indiana & Michigan Electric Co., 2101 Spy Run Ave., Fort Wayne, Ind.
Iowa Illinois Gas & Electric Co., 206 East Second St., Davenport, Iowa.
The Potomac Edison Co., Hagerstown, Md.
New England Gas & Electric Association, 130 Austin St., Cambridge, Mass.
New England Electric System, Turnpike Road, Westboro, Mass.
Consumers Power Co., Jackson, Mich.
Union Electric Co., P.O. Box 149, St. Louis, Mo.
Montana-Dakota Utilities Co., 400 North Fourth St., Bismarck, N. Dak.
Sierra Pacific Power Co., P.O. Box 10100, Reno, Nev.
Public Service Co. of New Hampshire, 1000 Elm St. Manchester, N.H.
Atlantic City Electric Co., 1600 Pacific Ave., Atlantic City, N.J.
Atlantic City Electric Co., P.O. Box 71, Pennsgrove, N.J.
Niagara Mohawk Power Corp., 300 Erie Blvd., West, Syracuse, N.Y.
Wolverine Power Co., Jackson, Mich.
The Detroit Edison Co., 2000 Second Ave., Detroit, Mich.
Interstate Power Co., 1000 Main St., Dubuque, Iowa.
Otter Trail Power Co., Fergus Falls, Minn.
United Power Association, Elk River, Minn.
Arkansas-Missouri Power Co., 405 West Park St., Blytheville, Ark.
Western Illinois Power Cooperative Inc., P.O. Box 186, Pittsfield, Ill.
Empire District Electric Co., 6th and Joplin St., Joplin, Mo.
Philadelphia Electric Co., 2301 Market St., Philadelphia, Pa.
West Penn Power Co., Cabin Hill, Greensburg, Pa.
South Carolina Electric & Gas Co., 328 Main St., Columbia, S.C.
Black Hills Power & Light Co., Rapid City, S. Dak.
Tennessee Valley Authority, 732 Power Bldg., Chattanooga, Tenn.
Beebee Island Corp., 300 Erie Blvd. West, Syracuse, N.Y.
Moreau Manufacturing Corp., 300 Erie Blvd. West, Syracuse, N.Y.
Minnkota Power Corporation, Inc., Grand Forks, N.Dak.
Ohio Power Co., 301–315 Cleveland Ave., SW, Canton, Ohio.
Cardinal Operating Co., c/o Ohio Power Co., 301–315 Cleveland Ave., SW., Canton, Ohio.
Beech Bottom Power Co., c/o Ohio Power Company, 301–315 Cleveland Ave., SW., Canton, Ohio.
Pacific Power & Light Co., Public Service Bldg., Portland, Oreg.
Corps of Engineers, U.S. Army, North Pacific Division, 210 Custom House, Portland, Ore.
Pennsylvania Electric Co., 1001 Broad St., Johnstown, Pa.
Virginia Electric & Power Co., Seventh and Franklin Sts., Richmond, Va.
The Washington Water Power Co., East 1411 Mission Ave., Spokane, Wash.
Monongahela Power Co., Fairmont, W. Va.
Lake Superior District Power Co., Ashland, Wis.

Northern States Power Co., 414 Nicollet St., Minneapolis, Minn.
Wisconsin-Michigan Power Co., 807 South Oneida St., Appleton, Wis.
Wisconsin Public Service Corp., Senior Vice President, 600 N. Adams St., Green Bay, Wis.
Dairyland Power Cooperative, 2615 East Ave. South, La Crosse, Wis.
Community Public Service Co., 501 West Sixth St., Fort Worth, Tex.
El Paso Electric Co., 215 North Stanton St., El Paso, Tex.
Gulf States Utilities Co., P.O. Box 2951, Beaumont, Tex.,
Southwestern Public Service Co., P.O. Box 1261, Amarillo, Tex.
Moon Electric Association Inc., P.O. Box 278, Roosevelt, Utah.
Central Vermont Public Service Corp., 77 Grove St., Rutland, Vt.
Appalachian Power Co., Box 2021, Roanoke, Va.
Kentucky Power Co., Box 2021, Roanoke, Va.
Central Operating Co., Box 2021, Roanoke, Va.
Bureau of Reclamation, Denver Federal Center Bldg. 20, Denver, Colo.
Pasadena Water & Power Department, Room 301, City Hall, Pasadena, Calif.
Utah Power & Light Co., P.O. Box 899, Salt Lake City, Utah.
The Western Colorado Power Co., P.O. Box 899, Salt Lake City, Utah.
Indiana-Kentucky Electric Corp., P.O. Box 468, Piketon, Ohio.
Ohio Valley Electric Corp., P.O. Box 468, Piketon, Ohio.
U.S. Army Engineer District, Little Rock, P.O. Box 867, Little Rock, Ark.
Carolina Power & Light Co., Raleigh, N.C.
Department of Water & Power, city of Los Angeles, P.O. Box 111, Los Angeles, Calif.
Central Telephone & Utility Corp., P.O. Box 82888, Lincoln, Nebr.
Southern California Edison Co., P.O. Box 800, 2244 Walnut Grove Ave., Rosemead, Calif.
Bureau of Reclamation, Federal Bldg., 2800 Cottage Way, Sacramento, Calif.
Bureau of Reclamation, P.O. Box 427, Boulder City, Nev.
Bureau of Reclamation, 125 South State St., Salt Lake City, Utah.
Bureau of Reclamation, P.O. Box 864, Watertown, S. Dak.
The Connecticut Light & Power Co., % Northeast Utilities Service Co., P.O. Box 270, Hartford, Conn.
Conn Yankee Atomic Power Co., P.O. Box 270, Hartford, Conn.
The Hartford Electric Light Co., c/o Northeast Utilities Service Co., P.O. Box 270, Hartford, Conn.
The Millstone Point Co., % Northeast Utilities Service Co., P.O. Box 270, Hartford, Conn.
Holyoke Water Power Co., % Northeast Utilities Service Co., P.O. Box 270, Hartford, Conn.
Western Massachusetts Electric Co., % Northeast Utilities Service Co., P.O. Box 270, Hartford, Conn.
Corps of Engineers, Blakely Mountain Field Office, P.O. Box 4, Mountain Pine, Ark.
U.S. Army Engineer District, Omaha, 6012 U.S. Post Office and Courthouse, 215 North 17th St., Omaha, Nebr.
South Beloit Natural Gas & Elecrtic Co., P.O. Box 192, 22 West Washington Ave., Madison, Wis.
Wisconsin Power & Light Co., 222 West Washington Ave., P.O. Box 192, Madison, Wis.
U.S. Engineer Office, 306 Federal Office Bldg., Nashville, Tenn.
Maine Public Service Co., Presque Isle, Maine.
Maine Yankee Atomic Power Co., 9 Green St., Augusta, Maine.
Rangeley Power Co., 465 Congress St., Room 604, Portland, Maine.
Vinalhaven Light & Power Co., Vinalhaven, Maine.
Lewiston Public Works, Island Ave., Lewiston, Maine.
Lubec Water & Electric District, 24 Water St., Lubec, Maine.
Madison Electric Works Department, Madison, Maine.
U.S. District Engineer, P.O. Box 889, Savannah, Ga.
Corps of Engineers, Allatoona-Buford Project, P.O. Box 767, Cartersville, Ga.
District Engineer, U.S. Army Engineer District, Wilmington, P.O. Box 1890, Wilmington, N.C.
Bangor Hydroelectric Co., Bangor, Maine.
Central Maine Power Co., Augusta, Maine.
Village of Hardwick, Harwick, Vt.
Lyndonville Electric Plant, Lyndonville, Vt.
Village of Morrisville, Morrisville, Vt.

Village of Swanton, Swanton, Vt.
Boston Edison Co., 800 Boylston St., Boston, Mass.
Fitchburg Gas & Electric Light Co., 655 Main St., Fitchburg, Mass.
Montaup Electric Co., P.O. Box 391, Fall River, Mass.
Eastern Maine Electric Coop., Calais, Maine.
Swans Island Electric Cooperative Inc., Minturn, Maine.
Citizens Utilities Co., Newport Electric Division, Newport, Vt.
Green Mountain Power Corp., 1 Main St., Burlington, Vt.
Vermont Yankee Nuclear Power Corp., 77 Grove St., Rutland, Vt.
Barton Village, Inc., Barton, Vt.
Burlington Electric Light Department, Room 10, City Hall, Burlington, Vt.
Municipal Electric Plant, Enosburg Falls, Vt.
Taunton Municipal Lighting Plant, 55 Weir St., Taunton, Mass.
Blackstone Valley Electric Co., P.O. Box 1111, Lincoln, R.I.
Island Light & Power Co., Block Island, R.I.
Newport Electric Corp., Newport, R.I.
City of Providence Water Supply Board, 552 Academy Ave., Providence, R.I.
Bozrah Light & Power Co., Gilman, Conn.
Farmington River Power Co., New Britain, Conn.
The United Illuminating Co., 80 Temple St., New Haven, Conn.
Nantucket Gas & Electric Co., 10 Federal St., Nantucket, Mass.
Yankee Atomic Electric Co., Rowe, Mass.
Braintree Electric Light Department, East Braintree, Mass.
Holyoke, City of, Gas & Electric Department Municipal Electric Station, Cabot St., Holyoke, Mass.
Hudson Light & Power Department, Hudson, Mass.
Ipswich Water & Light Department, Ipswich, Mass.
Marblehead Municipal Light Department, Marblehead, Mass.
Metropolitan District Community Water Division, 20 Sumerset St., Boston, Mass.
Peabody Electric Light Department, Peabody, Mass.
New York State Electric & Gas Corp., P.O. Box 287, Ithaca, N.Y.
Orange & Rockland Utility Inc., 75 West Route 59, Spring Valley, N.Y.
Rochester Gas & Electric Corp., 89 East Ave., Rochester, N.Y.
Village of Freeport, Municipal Bldg., 46 North Ocean Ave., Long Island, N.Y.
Gouverneur Electric Plant, Gouverneur, N.Y.
Greenport Electric Light Department, Greenport, N.Y.
Jamestown Board of Public Utilities, 200–212 East Third St., Jamestown, N.Y.
Village of Lake Placid, Lake Placid, N.Y.
Departments of Public Works, Bureau of Canals, P.O. Box 346, Cohoes, N.Y.
Norwich Department of Public Utility, 34 Shetucket St., Norwich, Conn.
The South Norwalk Electric Works, South Norwalk, Conn.
Department of Public Utilities, Electric Division, General Manager, P.O. Box 190, Wallingford, Conn.
Central Hudson Gas & Electric Corp., South Road, Poughkeepsie, N.Y.
Consolidated Edison Co., N.Y. Inc., 4 Irving Pl., New York, N.Y.
Dexter Hydro-Electric Corp., P.O. Box 15, Dexter, N.Y.
Lawrence Park H.L. & P. Co., Bronxville, N.Y.
Long Island Lighting Co., Old Country Rd., Mineola, Long Island, N.Y.
Public Service Electric & Gas Co., 80 Park Pl., Newark, N.J.
Passaic Valley Water Commission, P.O. Box 203, Clifton, N.J.
City of Vineland, Electric Utilities, Vineland, N.J.
Duquesne Light Co., 435 Sixth Ave., Pittsburgh, Pa.
Metropolitan Edison Co., P.O. Box 542, Reading, Pa.
Pennsylvania Power Co., New Castle, Pa.
Pennsylvania Power & Light Co., 9th and Hamilton Sts., Allentown, Pa.
Power Authority of State of New York, The Coliseum Tower, 10 Columbus Circle, New York, N.Y.
Village of Rockville Centre, Rockville Centre, N.Y.
Springville Electric Light & Power Co., Springville, N.Y.
Watertown Municipal Electric Plant, Watertown, N.Y.
Jersey Central Power & Light Co., Madison Ave. at Punch Bowl Rd., Morristown, N.J.
The Cincinnati Gas and Electric Co., Fourth and Main Sts., Cincinnati, Ohio.
Cleveland Electric Illuminating Co., Illuminating Bldg., Cleveland, Ohio.
Columbus & South Ohio Electric Co., 215 North Front St., Columbus, Ohio.
The Dayton Power and Light Co., 25 North Main St., Dayton, Ohio.
Ohio Edison Co., Akron, Ohio.

The Toledo Edison Co., 300 Madison Ave., Toledo, Ohio.
Arcanum Water and Electric Light Plant, Arcanum, Ohio.
Bryan Municipal Light and Water, 841 East Edgerton St., Bryan Ohio.
Celina Municipal Light Department, Celina, Ohio.
Safe Harbor Water Power Co., R.D. 2, Lancaster County, Conestoga, Pa.
Ugi Corp., Luzerne Electric Division, 207 Wyoming Ave., Kingston, Pa.
Borough of Chambersburg, Chambersburg, Pa.
Girard Boro Municipal Light Plant, Girard, Pa.
Hatfield Boro Electric Light Department, Hatfield, Pa.
Lansdale Boro Electric Department, Lansdale, Pa.
Napoleon W W and Electric Light Plant, Napoleon, Ohio.
City of Newton Falls, 19 North Canal St., Newton Falls, Ohio.
Oberlin Light and Power System, Oberlin, Ohio.
Orrville Municipal Utilities, 1115 Perry St., Orrville, Ohio.
Painesville Electric Light Department, Painesville, Ohio.
Piqua Municipal Power Plant, Piqua, Ohio.
Reading Light and Water Plant, Pike and Market Sts., Reading, Ohio.
Cleveland City of, 1201 Lakeside Ave., Cleveland, Ohio.
Columbus Division of Electricity, Room 127, City Hall, Columbus, Ohio.
Dover Electric Light & Power Plant, Dover, Ohio.
East Palestine Light & Water Works, East Palestine, Ohio.
Hamilton Municipal Electric Plant, 950 North Third St., Hamilton, Ohio.
City of Lebanon, City Hall, Lebanon, Ohio.
Bluffton Light & Water Works, Bluffton, Ind.
Crawfordsville Electric Light & Power Plant, Municipal Bldg., Crawsfordsville, Ind.
Fort Wayne Light & Power, City County Bldg., 1 Main St., Fort Wayne, Ind.
Fort Wayne Water Works, Fort Wayne, Ind.
Frankfort Light & Power Plant, Frankfort, Ind.
Jasper Municipal Department, Jasper, Ind.
Logansport Electric Light & Power Plant, Logansport, Ind.
Peru Electric Light & Power Department, Peru, Ind.
St. Marys Electric Light Co., St. Marys, Ohio.
Shelby Municipal Light Plants, Shelby, Ohio.
Municipality of Tipp City, Municipal Bldg., 3 East Main St., Tipp City, Ohio.
Woodsfield Electric Light Plant, Woodsfield, Ohio.
Commonwealth Edison Co., Indiana, 1 First National Plaza, P.O. Box 767, Chicago, Ill.
Indianapolis Power & Light Co., Indianapolis, Ind.
Northern Indiana Public Service Co., 5265 Hohman Ave., Hammond, Ind.
Public Service Co. of Indiana, Inc., 1000 East Main St., Plainfield, Ind.
Southern Indiana Gas & Electric Co., Evansville, Ind.
Illinois Power Co., 500 South 27th St., Decatur, Ill.
Mount Carmel Public Utility Co., Mount Carmel, Ill.
North Counties Hydroelectric Co., 1603 Orrington Ave., Evanston, Ill.
Altamont, city of, Altamont, Ill.
Breese Water & Light Department, Breese, Ill.
Bushnell Municipal Electric Light & Power Utilities, 560 East Main St., Bushnell, Ill.
Carlyle Electric & Water Department, Box 162, Carlyle, Ill.
Carmi Water, Light & Power Plant, Carmi, Ill.
The Metro Sanitary District, 100 East Erie St., Chicago, Ill.
Rensselaer Municipal Power Plant, Rensselaer, Ind.
Richmond Power & Light, 32 South 8th St., Richmond, Ind.
Washington Light & Power, Washington, Ind.
Hoosier Energy Division, Indiana Statewide Rural Electric Cooperative, Inc., P.O. Box 908, Bloomington, Ind.
Central Illinois Light Co., 300 Liberty St., Peoria, Ill.
Central Illinois Public Service Co., 607 East Adams St., Springfield, Ill.
Commonwealth Edison Co., 1 First National Plaza, P.O. Box 767, Chicago, Ill.
Electric Energy, Inc., P.O. Box 165, Joppa, Ill.
Peru Light Plant, Peru, Ill.
Princeton Light Department, Princeton, Ill.
Rantoul Light & Power Plant, Rantoul, Ill.
Red Bud Power, Light & Water Plant, Red Bud, Ill.
Rochelle, city of, Rochelle, Ill.
Roodhouse Municipal Light & Power Department, Roodhouse, Ill.

Springfield Water, Light & Power Department, Springfield, Ill.
The city of Sullivan, Sullivan, Ill.
Fairfield Municipal Light Plant, 107 Northeast Second St., Fairfield, Ill.
Farmer City, Water & Light Plant, Farmer City, Ill.
Freeburg Municipal Light Plant, Freeburg, Ill.
Geneseo Municipal Electric Light & Power Utilities, Box 167, Geneseo, Ill.
Highland Electric Light Plant, Highland, Ill.
Jacksonville Municipal Electric Plant, Jacksonville, Ill.
McLeansboro, city of, McLeansboro, Ill.
Marshall Utility Department, Marshall, Ill.
Mascoutah Light & Power Plant, Mascoutah, Ill.
Upper Peninsula Power Co., 616 Shelden Ave., Houghton, Mich.
City of Bessemer Light Utility, Bessemer, Mich.
Charlevoix, city of, Charlevoix, Mich.
Clinton Light & Water Plant, Clinton, Mich.
Coldwater Board of Public Works, Coldwater, Mich.
Crystal Falls Light & Water Department, Crystal Falls, Mich.
Detroit Public Lighting Commission, Morrell St. & Jefferson Ave., Detroit, Mich.
Dowegiac Board of Public Works, Dowagiac, Mich.
City of Gladston, Gladstone, Mich.
Waterloo Light & Power Department, Waterloo, Ill.
Winnetka, village of, Winnetka, Ill.
Southern Illinois Power Cooperative, P.O. Box 143, Marion, Ill.
Alpena Power Co., Alpena, Mich.
Edison Sault Electric Co., Edison Bldg., Sault Ste. Marie, Mich.
Michigan Power Co., Three Rivers, Mich.
Upper Peninsula Generating Co., Marquette, Mich.
Newberry Water & Light Board, Newberry, Mich.
Niles Board of Public Works, Niles, Mich.
City of Norway, Norway, Mich.
Paw Paw Department of Public Works, Paw Paw, Mich.
City of Portland, Portland, Mich.
St. Louis Municipal Electric Utility, St. Louis, Mich.
Sebewaing Electric Light Plant, Sebewaing, Mich.
City of Sturgis, P.O. Box 280, Sturgis, Mich.
Traverse City Light & Power Department, Traverse City, Mich.
Grand Haven Board of Public Works, Grand Haven, Mich.
Hart Hydro Eletric System, Hart, Mich.
Hillsdale Board of Public Works, Hillsdale, Mich.
Holland Board of Public Works, Holland, Mich.
Board of Water & Light, 123 West Ottawa St., Lansing, Mich.
Lowell Municipal Utilities, Lowell, Mich.
Board of Light & Power, City of Marquette, P.O. Box 40, Marquette, Mich.
Marshall Electric & Water Works, Marshall, Mich.
Dahlberg Light & Power Co., Gordon, Wis.
Madison Gas & Electric Co., P.O. Box 1231, Madison, Wis.
North Central Power Co., Inc., Radisson, Wis.
Northwestern Wisconsin Electric Co., Grantsburg, Wis.
Pioneer Power & Light Co., Westfield, Wis.
Superior Water, Light & Power Co., Superior, Wis.
White River Power Co., 443 Mount Vernon Street, Oshkosh, Wis.
Wisconsin Electric Power Co., Public Service Building, Milwaukee, Wis.
Union City, Village of, Union City, Mich.
U.S. Engineers, St. Marys Falls, Sault Ste. Marie, Mich.
Wyandotte Department of Municipal Services, Wyandotte, Mich.
Zeeland City Light & Power Department, 347 East Washington Ave., Zeeland, Mich.
Northtern Michigan Electric Cooperative, Inc., Boyne City, Mich.
Thumb Electric Cooperative of Michigan, Ubly, Mich.
Wolverine Electric Cooperative, Inc., 302 South Warren Ave., Big Rapids, Mich.
Consolidated Water Power Co., Wisconsin Rapids, Wis.
Kaukauna Electric & Water Department, Kaukauna, Wis.
LaFarge Municipal Electric Co., LaFarge, Wis.
Manitowoc Public Utilities Commission, P.O. Box 278, 1303 South Eighth St., Manitowoc, Wis.
Marshfield Electric & Water Department, P.O. Box 655, Marshfield, Wis.
Menasha Electric & Water Utilities, Menasha, Wis.

Merrillan Light & Water Department, Merrillan, Wis.
Muscoda Light & Power Co., Muscoda, Wis.
New Lisbon Electric Light & Water Plant, New Lisbon, Wis.
Richland Center Municipal Electric & Water Utility, Richland Center, Wis.
Wisconsin River Power Co., Wisconsin Rapids, Wis.
Arcadia Electric & Water Plant, Arcadia, Wis.
Barron Light & Water Commission, Barron, Wis.
Black River Falls Electric Utility, Black River Falls, Wis.
Cedarburg Light & Water Commission, Cedarburg, Wis.
Cumberland Municipal Utility, Cumberland, Wis.
Elroy Municipal Electric Utility, Elroy, Wis.
Fennimore Utilities, 830 Lincoln Ave., Fennimore, Wis.
Gresham Water, Power & Electric Plant, Gresham, Wis.
Austin Utilities, P.O. Box 368, Austin, Minn.
Municipal Light & Power, Blooming Prairie, Minn.
Blue Earth Light & Water Department, Blue Earth, Minn.
Buhl Public Utilities Department, Buhl, Minn.
Delano Municipal Power Plant, Delano, Minn.
Elk River Public Utilities Co., Elk River, Minn.
Fairmont Water & Light Commission, Fairmont, Minn.
Glencoe Municipal Light & Power Department, Glencoe, Minn.
River Falls Municipal Utility, River Falls, Wis.
Stoughton Electric Utility, Stoughton, Wis.
Two Rivers Water & Light Department, Two Rivers, Wis.
Oconto Electric Cooperative, Route 1, Box 125, Oconto Falls, Wis.
Washington Island Electric Cooperative, Washington Island, Wis.
Blandin Power Co., Grand Rapids, Minn.
Minnesota Power & Light Co., Duluth, Minn.
Public Utilities Commission, Aitkin, Minn.
Alexandria Board of Public Works, Alexandria, Minn.
Luverne, City of, Luverne, Minn.
Madelia Municipal Light & Power Plant, Box 24, Madelia, Minn.
Madison, City of, Power Plant, Madison, Minn.
Marshall Municipal Utilities, Marshall, Minn.
Moorhead Water & Light Department, Moorhead Power Plant, 519 Elm St., South, Moorhead, Minn.
Moose Lake Water & Light Commission, Moose Lake, Minn.
Mora Light & Power Plant, Mora, Minn.
Mountain Lake Municipal Light & Power Plant, Mountain Lake, Minn.
Water, Light, Power & Building Commission, New Prague, Minn.
Public Utilities Commission, Village of Grand Marais, Grand Marais, Minn.
Granite Falls Light & Water Department, Granite Falls, Minn.
Hibbing Public Utilities Commission, East 19th St., and Sixth Ave., East, Hibbing, Minn.
Hutchinson Municipal Electric Plant, Hutchinson, Minn.
Municipal Utilities, Main St., Janesville, Minn.
Kenyon Municipal Utilities, Kenyon, Minn.
Lake Crystal Municipal Light Plant, Lake Crystal, Minn.
Le Sueur Municipal Utilities, Le Sueur, Minn.
Litchfield Light & Power Plant, Litchfield, Minn.
Public Utility Commission Electric & Water Department, 104 South Section Ave., Spring Valley, Minn.
Thief River Falls Water & Light Department, Thief River Falls, Minn.
Truman Municipal Light Department, Truman, Minn.
Two Harbors Electric Light Department, Two Harbors, Minn.
Department of Public Utilities, Virginia, Minn.
Warren Water, Light & Power Department, Warren, Minn.
Wells Public Utilities, Wells, Minn.
Westbrook Municipal Light & Power Plant, Westbrook, Minn.
Municipal Utilities Commission, Willmar, Minn.
Public Utilities Commission, New Ulm, Minn.
North Branch Water & Light Commission, North Branch, Minn.
Owatonna Municipal Utilities System, Owatonna, Minn.
Princeton Municipal Electric Plant, Princeton, Minn.
Rochester Department of Public Utilities, 506 First Ave., NE., Rochester, Minn.
Public Utilities Commission, Redwood Falls, Minn.
Roseau Municipal Light Plant, P.O. Box 307, Roseau, Minn.

26-725 O - 74 - 20

Sleepy Eye Light & Power, Sleepy Eye, Minn.
Springfield Light & Water Department, Public Utilities Commission, Springfield, Minn.
Alta Municipal Electric System, Alta, Iowa.
Ames Electric Department, Ames, Iowa.
Anita Municipal Utility, Anita, Iowa.
Atlantic Municipal Utilities, Atlantic, Iowa.
Bancroft Municipal Electric Plant, Bancroft, Iowa.
Bellevue Municipal Light Department, Bellevue, Iowa.
Bloomfield Light & Water Department, Bloomfield, Iowa.
Brooklyn Municipal Electric Plant, Brooklyn, Iowa.
Cascade Municipal Electric Plant, Cascade, Iowa.
City of Worthington, Worthington, Minn.
Iowa Electric Light & Power Co., Cedar Rapids Iowa.
Iwa Power & Light Co., Des Moines, Iowa.
Iowa Public Service Co., 502 Sixth St., Sioux City, Iowa.
Iowa Southern Utilities Co., Centerville, Iowa.
Ackley Electric Light & Power Department, Ackley, Iowa.
Algona Light & Water Plant, Algona, Iowa.
Grundy Center Munnicipal Light & Power Department, Grundy Center, Iowa.
City of Harlan, Harlan, Iowa.
City of Independence, Independence, Iowa.
Indianola Municipal Utilities, Indianola, Iowa.
Lake Mills, Municipal Light Plant, Lake Mills, Iowa.
Lamoni Municipal Utilities, Lamoni, Iowa.
Laporte City Utilities, Laporte City, Iowa.
Cedar Falls Utilities, 612 East 12th St., Cedar Falls, Iowa.
Coon Rapids Municipal Utilities, Coon Rapids, Iowa.
Denison Municipal Utilities, Denison, Iowa.
Estherville Municipal Light Plant, Estherville, Iowa.
Forest City Municipal Utilities, Forest City, Iowa.
Gowrie Light & Water Plant, Gowrie, Iowa.
Grand Junction Municipal Light Plant, Grand Junction, Iowa.
Municipal Utilities, Greenfield, Iowa.
New Hampton Light Plant & Water Works, New Hampton, Iowa.
Ogden Municipal Utilities, Ogden, Iowa.
Orange City Municipal Light Plant, P.O. Box 516, Orange City, Iowa.
Osage Municipal Light & Power, 7th and Chestnut Sts., Osage, Iowa.
Ottumwa Water Works, Ottumwa, Iowa.
Pella Municipal Electric Plant, Pella, Iowa.
Town of Preston, Preston, Iowa.
Remsen Municipal Utilities, Remsen, Iowa.
Rockford Municipal Light Plant, Rockford, Iowa.
Lenox Municipal Light Plant, Lenox, Iowa.
Manning Municipal Light Plant, Manning, Iowa.
Maquoketa Municipal Light Department, Maquoketa, Iowa.
McGregor Municipal Electric Plant, McGregor, Iowa.
Milford Municipal Light Plant, Milford, Iowa.
Montezuma Municipal Light Plant, P.O. Box 65, Montezuma, Iowa.
Mt. Pleasant Municipal Utilities, 509 North Adams St., Mount Pleasant, Iowa.
Muscatine Municipal Electric Plant, Muscatine, Iowa.
Traer Light & Water Plant, Traer, Iowa.
Villisca Municipal Power Plant, Villisca, Iowa.
Vinton Power & Light Department, Vinton, Iowa.
Waverly Municipal Utilities, 1500 West Bremer Ave., Waverly, Iowa.
Webster City Light & Power Plant, Webster City, Iowa.
West Bend Municipal Light Plant, West Bend, Iowa.
West Liberty Electric Light Plant, West Liberty, Iowa.
Whittemore Light & Power Plant, Whittemore, Iowa.
Winterset Light & Power Plant, Winterset, Iowa.
Rock Rapids Municipal Utilities, Rock Rapids, Iowa.
Seymour Light & Water Works, Seymour, Iowa.
City of Sibley, Sibley, Iowa.
Municipal Utilities, Spencer, Iowa.
State Center Electric Light Plant, State Center, Iowa.
Story City Light Department, Story City, Iowa.
Strawberry Point Light & Water Department, Strawberry Point, Iowa.

Stuart Light & Power System, Stuart, Iowa.
Sumner Municipal Light Plant, Sumner, Iowa.
Sho-Me Power Corp., Marshfield, Mo.
Albany Light & Water Plant, Albany, Mo.
Bethany Water & Light Plant, Bethany, Mo.
Butler Light & Water Service, Butler, Mo.
Campbell Light & Water Department, Campbell, Mo.
Canton Light & Water Department, Canton, Mo.
Carrollton Municipal Utilities, 201 West Benton, Carrollton, Mo.
Carthage Water & Electric Plant, 149 East Third Street, Carthage, Mo.
Chillicothe Municipal Utilities, Chillicothe, Mo.
Central Iowa Power Cooperative, P.O. Box 389, Marion, Iowa.
Corn Belt Power Cooperative, Humboldt, Iowa.
Eastern Iowa Light & Power Cooperative, East Fifth and Sycamore Sts., Wilton Junction, Iowa.
Kansas City Power & Light Co., P.O. Box 679, Kansas City, Mo.
Missouri Power & Light Co., P.O. Box 780, Jefferson City, Mo.
Missouri Public Service Co., 10700 East 50 Highway, Kansas City, Mo.
Missouri Utilities Co., Cape Girardeau, Mo.
St. Joseph Light & Power Co., 112 South Second Street, St. Joseph, Mo.
Kennett Municipal Light & Power, Kennett, Mo.
City of La Plata, La Plata, Mo.
Macon Municipal Utilities, 121–123 West Bourke, Macon, Mo.
Malden, Board of Public Works, Malden, Mo.
Marceline, City of, Marceline, Mo.
Marshall Municipal Utilities, Marshall, Mo.
Memphis Municipal Light Plant, Memphis, Mo.
Monroe City Light & Power Department, Monroe City, Mo.
Odessa Municipal Light Plant, Odessa, Mo.
Columbia Water & Light Department, Municipal Building, Columbia, Mo.
U.S. Army Engineers District, Kansas City, 700 Federal Office Buliding, 601 East 12th Street, Kansas City, Mo.
Fayette Water & Light Department, Fayette, Mo.
Fulton Water, Light & Power Plant, Fulton, Mo.
Hannibal Board of Public Works, Hannibal, Mo.
Harrisonville Water & Light Department, 712 North Independence St., Harrisonville, Mo.
City Power & Light Department, 420 South Main, Independence, Mo.
Jackson Water & Light Department, Jackson, Mo.
Kahoka Water & Light Department, Kahoka, Mo.
Trenton Municipal Utilities, Trenton, Mo.
Vandalia Municipal Utilities, Vandalia, Mo.
Associated Electric Cooperative, Inc., P.O. Box 754, Springfield, Mo.
Central Electric Power Cooperative, Box 269, Jefferson City, Mo.
M. & A. Electric Power Cooperative, Poplar Bluff, Mo.
N. W. Electric Power Cooperative, Inc., 312 North Chestnut Street, Cameron, Mo.
Northeast Missouri Electric Power Cooperative, Palmyra, Mo.
Owensville Municipal Utilities, Owensville, Mo.
Palmyra Light & Water Department, Palmyra, Mo.
Pleasant Hill Municipal Utilities, Pleasant Hill, Mo.
Princeton Light & Water Plant, Princeton, Mo.
Rich Hill, City of, 316 North 6th St., Rich Hill, Mo.
Rock Port Municipal Utility, Rock Port, Mo.
Shelbina Light & Water Plant, Shelbina, Mo.
Sikeston Board of Public Works, Sikeston, Mo.
City Utilities of Springfield, Springfield, Mo.
Alma Municipal Light Plant, Alma, Nebr.
Ansley Municipal Light Plant, Ansley, Nebr.
Auburn Board of Public Works, Box 288, Auburn, Nebr.
Beaver City Municipal Plant, Beaver City, Nebr.
City of Blair, Department of Utilities, Blair, Nebr.
Broken Bow, City of, Broken Bow, Nebr.
Burwell Municipal Utilities, Burwell, Nebr.
Cambridge Light & Water Works, Cambridge, Nebr.
The Central Nebraska Public Power and Irrigation District, Holdrege, Nebr.
Park River Light & Water Plant, Park River, N. Dak.

Valley City Electric & Water Works, Valley City, N .Dak.
Basin Electric Power Cooperative, Provident Life Bldg., Bismarck, N. Dak.
Central Power Electric Cooperative, P.O. Box 1576, Minot, N. Dak.
Don Jones, White River, S. Dak.
Northwestern Public Service Co,. Huron, S. Dak.
Sioux Falls Light & Power Department, Sioux Falls, S. Dak.
Alliance Municipal Utilities, Alliance, Nebr.
Hastings Utilities Department, P.O. Box 289, Hastings, Nebr.
Holdrege Municipal Light & Water, Holdrege, Nebr.
Imperial Light & Water Plant, Imperial, Nebr.
Kimball Municipal Utilities, Kimball, Nebr.
Laurel Municipal Power Plant, Laurel, Nebr.
Lincoln Electric System, 1401 "O" St., Lincoln, Nebr.
Lyons Light & Water Plant, Lyons, Nebr.
Madison Light Plant, Madison, Nebr.
Nebraska City Utilities, Nebraska City, Nebr.
Crete Light & Water Works, Crete, Nebr.
Curtis, City of, Curtis, Nebr.
David City Light & Water Department, David City, Nebr.
Emerson Light & Power Plant, Emerson, Nebr.
Fairbury Light & Water Department, Fairbury, Nebr.
Falls City Water & Light Department, Falls City, Nebr.
Franklin Electric Light Plant, Franklin, Nebr.
Fremont Department of Utilities, Fremont, Nebr.
Grand Island Electric Department, Grand Island, Nebr.
Red Cloud Light & Power Plant, Red Cloud, Nebr.
Sargent, City of, Sargent, Nebr.
Schuyler Department of Utilities, 124 East 11th St., Schuyler, Nebr.
City of Sidney, Sidney, Nebr.
Spalding Municipal Light & Power Plant, Spalding, Nebr.
Stuart Light & Power Plant, Stuart, Nebr.
Sutherland Light & Power Plant, Sutherland, Nebr.
Tecumseh Light & Water Department, Tecumseh, Nebr.
Wahoo Water & Light Department, Wahoo, Nebr.
Nebraska Public Power District, Box 499, Columbus, Nebr.
Mullen, Village of, Mullen, Nebr.
Norris Rural Public Power District, P.O. Box 399, Beatrice, Nebr.
Omaha Public Power District, Electric Building, Omaha, Nebr.
Ord Light & Water Plant, Ord, Nebr.
Oxford Light & Power Plant, Oxford, Nebr.
Pender Municipal Light Plant, Pender, Nebr.
Plainview, City of, Plainview, Nebr.
Randolph Electric Light & Water Plant, Randolph, Nebr.
Ashland, City of, Ashland, Kans.
Augusta, City of, Augusta, Kans.
Baldwin City Light & Water Department, Baldwin City, Kans.
Bellevile, City of, Belleville, Kans.
Beloit, City of, Box 609, Beloit, Kans.
Burlingame Light & Power Plant, Burlingame, Kans.
Burlington Municipal Light & Power Plant, 210 South 11th Street, Burlington, Kans.
Chanute, City of, Chanute, Kans.
Wakefield Light Plant, Wakefield, Nebr.
Wayne Light Department, Wayne, Nebr.
West Point Light & Water Works, West Point, Nebr.
Wisner Electric Light & Water Plant, Wisner, Nebr.
The Central Kansas Power Co., Hays, Kans.
Kansas Gas and Electric Co., Box 208, Wichita, Kansas
Kansas Power and Light Co., Topeka, Kans.
Bowersock Mills & Power Co., Lawrence, Kans.
Anthony, City of, Anthony, Kans.
Greensburg Light and Power System, Greensburg, Kans.
Hillsboro Municipal Electric Department, Hillsboro, Kans.
Herington Water and Electric Department, Herington, Kans.
Hill City Water and Light Plant, Hill City, Kans.
Hoisington, City of, Hoisington, Kans.

Holton Light Department, Holton, Kans.
Horton Water and Electric Department, Horton, Kans.
Hugoton Light and Water Plant, Hugoton, Kans.
Iola Electric System, P.O. Box 450, Iola, Kans.
Clay Center Light and Water Plant, Clay Center, Kans.
Coffeyville Light and Power System, Coffeyville, Kans.
Colby Water and Light Plant, Colby, Kans.
Ellinwood Light and Water Department, Ellinwood, Kans.
Ellis Light and Water Plant, Ellis, Kans.
Erie Water and Light Department, Erie, Kans.
Garnett, City of, Garnett, Kans.
Girard Light and Water Plant, Girard, Kans.
Goodland, City of, Goodland, Kans.
Board of Public Utilities, P.O. Box 650, McPherson, Kans.
Meade, city of, Meade, Kans.
Minneapolis, city of, Minneapolis, Kans.
Mulvane, city of, Mulvane, Kans.
Neodesha, city of, Neodesha, Kans.
Norton, city of, Norton, Kans.
Oakley Municipal Plant, P.O. Box 116, Oakley, Kans.
Oberlin, city of, Oberlin, Kans.
Osage City Municipal Light Plant, Osage City, Kans.
Jetmore Power & Light Department, Jetmore, Kans.
City Electric Department, City of Johnson, Johnson, Kans.
Kansas City Board of Public Utilities, 1211 North 8th Street, Kansas City, Kans.
Kingman, city of, Kingman, Kans.
La Crosse, city of, La Crosse, Kans.
Larned Water & Electric Department, Larned, Kans.
Lincoln Light Department, Lincoln, Kans.
Lindsborg Light & Water Plant, Lindsborg, Kans.
Marion Water & Light Plant, Marion, Kans.
St. Mary's Water & Light Plant, St. Mary's Kans.
Sharon Springs, city of Sharon Springs, Kans.
Stafford Water & Light Plant, Stafford, Kans.
Sterling Light & Water Plant, Sterling, Kans.
Stockton Municipal Light Plant, Stockton, Kans.
Wamego Light & Water Plant, Wamego, Kans.
Washington, city of Washington, Kans.
Wellington Light Department, Wellington, Kans.
Wilson, city of Wilson, Kans.
Osawatomie Light & Water Department, Osawatomie, Kans.
Osborne Municipal Light Plant, Osborne, Kans.
Ottawa Water & Light Department, Ottawa, Kans.
Pratt Municipal Electric & Water Department, Pratt, Kans.
Protection Water & Light Department, Protection, Kans.
Russell Municipal Electric System, Russell, Kans.
Sabetha, city of Sabetha, Kans.
St. Francis Water & Light Department, care of City Office, St. Francis, Kans.
St. John Municipal Electric Plant, St. John, Kans.
Municipal Electric Plant, Berlin, Md.
Easton Utilities Commission, Easton, Md.
Hagerstown Electric Light Plant, Hagerstown, Md.
Town of Bedford, Bedford, Va.
Town of Culpeper, Culpeper Light & Power Plant, care of Town Office, Culpeper, Va.
Danville Water, Gas & Electric Department, Danville, Va.
Martinsville Electric Department, Martinsville, Va.
Radford Department of Public Utilities, Radford, Va.
Winfield Municipal Light & Power Plant, Winfield, Kans.
Caney Valley Electric Cooperative, Inc., Cedar Vale, Kans.
Central Kansas Electric Cooperative, Association, Inc., Great Bend, Kans.
Sunflower Electric Cooperative, Box 980, Hays, Kans.
Delmarva Power & Light Co., 800 King St., Wilmington, Del.
Dover, the city of Dover, Del.
Lewes Board of Public Works, Lewes, Del.
Baltimore Gas & Electric Company, Lexington & Liberty Sts., Baltimore, Md.
Lake Lure, Town of Lake Lure, N. Carolina

Lake Lure, Town of Lake Lure, N.C.
Department of Public Utilities, 900 E. Broad St. Richmond, Va.
New River Light & Power Co., 227 E. King St., Boone, N.C.
Accomack-Northampton Electric Coop., P.O. Box 288, Parksley, Va.
B.A.R.C. Electric Coop., Inc., Millboro, Va.
Cape Hatteras Electric Member Corp., Buxton, N.C.
Craig-Botetourt Electric Coop., Box 265, New Castle, Va.
Duke Power Co., P.O. Box 2178, Charlotte, N.C.
Cascade Power Co., P.O. Box 348, Brevard, N.C.
Lockhart Power Co., Lockhart, S.C.
Nanthala Power & Light Co., Franklin, N.C.
Florida Public Utilities Co., Post Office Drawer C, West Palm Beach, Fla.
Abbeville Water & Electric Plant, Abbeville, S.C.
Gulf Power Co., 75 North Pace Blvd., P.O. Box 1151, Pensacola, Fla.
South Carolina Public Service Authority, P.O. Box 398, Moncks Corner, S.C.
Tampa Electric Co., 111 N. Dale Marbry Highway, Tampa, Fla.
Spartanburg Water Works, P.O. Box 251, Spartanburg, S.C.
City of Fort Pierce, Fort Pierce, Fla.
City of Gainesville Utilities Department, Gainesville, Fla.
Homestead Light & Water Department, Krome Ave., Homestead, Fla.
Jacksonville Electric Department, Room 613 City Hall, Jacksonville, Fla.
City of Key West Utility Board, Duval and Green Sts., Key West, Fla.
Kissimmee Utility Department, P.O. Box 340, Kissimmee, Fla.
Georgia Power Co., Atlanta, Ga.
Savannah Electric & Power Co., P.O. Box 4102, Port Wentworth, Ga.
Crisp County Power Commission, Cordele, Ga.
Walter F. George Project, P.O. Box 191, Fort Gaines, Ga.
Florida Power & Light Co., General Office Bldg., P.O. Box 3100, Miami, Fla.
Florida Power Corp., P.O. Box 14042, St. Petersburg, Fla
Lake Worth Utilities Authority, 114 College St., Lake Worth, Fla.
Lakeland Light & Water Department, P.O. Box 368, Lakeland, Fla.
City of New Smyrna Beach, Municipal Light & Power, New Smyrna Beach, Fla.
Orlando Utilities Commission, Box 3193, Orlando, Fla.
Saint Cloud Utility Commission, St. Cloud, Fla.
Sebring Utilities Commission, 368 South Commerce Ave., Sebring, Fla.
Starke Light & Water Plant, P.O. Box 1056, Starke, Fla.
City of Tallahassee, Tallahassee, Fla.
Jim Woodruff Project, U.S. Army Corps of Engineers, Chattahoochee, Fla.
Vero Beach Municipal Power Plant, Vero Beach, Fla.
Wauchula Light & Water Plant, Wauchula, Fla.
Florida Keys Electric Co-operative, Inc., Tavernier, Fla.
Kentucky Utilities Co., 120 South Limestone St., Lexington, Ky.
Louisville Gas & Electric Co., 311 West Chestnut St., Louisville, Ky.
Henderson Electric Light Station, Henderson, Ky.
Owensboro Municipal Utilities, 4301 Hardinsburg Rd., Owensboro, Ky.
Big Rivers Rural Electric Co-Operative Corp., P.O. Box 24, Henderson, Ky.
Yazoo City Public Service Commission, Yazoo City, Miss.
South Mississippi Electric Power Association, P.O. Box 2018, Hattiesburg, Miss.
Arkansas Power & light Co., Pine Bluff, Ark.
Augusta Light & Water Plant, Augusta, Ark.
Conway Corp., Conway, Ark.
Jonesboro Water & Light Plant, Jonesboro, Ark.
Paragould Light Plant Commission, Paragould, Ark.
Piggott Public Imrpovement District No. 1, Piggott, Ark.
East Kentucky Rural Electric Co-operative Corporation, Winchester, Ky.
Alabama Power Co., Birmingham, Ala.
Southern Electric Generating Co., 600 North 18th St., Birmingham, Ala.
Millers Ferry Power Project, U.S. Army, Corps of Engineers, P.O. Box 418, Camden, Ala.
Mississippi Power Co., 2992 West Beach, P.O. Box 4079, Gulfport, Miss.
Mississippi Power & Light Co., Electric Building, Jackson, Miss.
Clarksdale Water & Light Department, 306 Sharkey Ave., Clarksdale, Miss.
City of Collins, Collins, Miss.
Greenwood Utilities, P.O. Box 866, Greenwood, Miss.
Arkansas Electric Cooperative, Corp., 8000 Interstate Dr., Little Rock, Ark.
Central Louisiana Electric Co., Inc., P.O. Box 3368, Lafayette, La.
Louisiana Power & Light Co., New Orleans, La.

New Orleans Public Service Inc., P.O. Box 60340, New Orleans, La.
Alexandria Electric Light & Water Works, Alexandria, La.
Franklin Municipal Plant, Franklin, La.
Homer Light & Water Plant, Homer, La.
Houma Light & Water Plant, Houma, La.
Jonesboro Power & Light Plant, Jonesboro, La.
City of Lafayette Utilities System, P.O. Box 208, Lafayette, La.
Lake Providence Electric and Water Plant, Lake Providence, La.
Minden Light & Water Department, Minden, La.
City of Monroe, Municipal Power Plant, P.O. Box 84, Monroe, La.
Morgan City Water & Electric Plant, Morgan City, La.
Natchitoches, City of, Natchitoches, La.
Sewerage & Water Board of New Orleans, 1300 Perdido St., New Orleans, La.
New Roads Light and Water Plant, New Roads, La.
Plaquemine Light & Water Plant, Plaquemine, La.
Rayne Electric Light & Water Plant, P.O. Box 69, Rayne, La.
Rayville Light & Water Plant, P.O. Box 67, Rayville, La.
Ruston Department of Water & Light, Ruston, La.
Thibodaux Light & Water Plant, Thibodaux, La.
Cajun Electric Power Cooperative, Inc., P.O. Box 578, New Roads, La.
Oklahoma Gas & Electric Co., P.O. Box 321, Oklahoma City, Okla.
Public Service Co. of Oklahoma, P.O. Box 201, Tulsa, Okla.
Anadarko Municipal Water & Light, Anadarko, Okla.
Blackwell Water and Light Department, Blackwell, Okla.
Corps of Engineers, Broken Bow Office, P.O. Box 730, Broken Bow, Okla.
Cherokee Municipal Light & Water Department, Cherokee, Okla.
Cushing Light & Power Plant, Cushing, Okla.
Grand River Dam Authority, Drawer G, Vinita, Okla.
Keystone Dam Project, U.S. Army, Corps of Engineers, Sand Springs, Okla.
Corps of Engineers, Robert S. Kerr Lock and Dam, Star Route 4, Box 182, Sallisaw, Okla.
Kingfisher Light & Power Department, Kingfisher, Okla.
Lindsay Light & Power Department, Lindsay, Okla
Mangum Light & Power Department, Mangum, Okla.
Marlow Water & Light Department, Marlow, Okla.
Newkirk Power & Light Department, Box 469, Newkirk, Okla.
Town of Okeene, Okeene, Okla.
Pawhuska Light & Power Department, Pawhuska, Okla.
Perry Water & Light Department, Perry, Okla.
Ponca City Water & Light Department, Ponca City, Okla.
Stillwater Water & Light Department, Stillwater, Okla.
Tonkawa Light & Water Department, Tonkawa, Okla.
Fort Gibson Project, Route 1, Fort Gibson, Okla.
Tenkiller Ferry Project, Route 1, Fort Gibson, Okla.
U.S. Army Engineers, Eufaula Dam, Route 4, Box 310, Stigler, Okla.
Western Farmers Electric Cooperative, P.O. Box 510, Anadarko, Okla.
Central Power & Light Co., Corpus Christi, Tex.
Dallas Power & Light Co., 1506 Commerce St., Dallas, Tex.
Houston Lighting & Power Co., Houston, Tex.
Southwestern Electric Service Co., 214 East Rusk St., Jacksonville, Tex.
Texas Electric Service Co., P.O. Box 970, Fort Worth, Tex.
Texas Power & Light Co., P.O. Box 6331, Dallas, Tex.
West Texas Utilities Co., Abilene, Tex.
City of Austin Electric Department, P.O. Box 1088, Austin, Tex.
City of Baird Municipal Plant, 228 Walnut St., Baird, Tex.
Brady Water & Light Works, Brady, Tex.
Brazos River Authority, P.O. Drawer 7555, Waco, Tex.
Brownfield Power & Light Plant, Brownfield, Tex.
Brownsville Water & Light Department, P.O. Box 1632, Brownsville, Tex.
City of Bryan, Bryan, Tex.
Canadian Light Department, Canadian, Tex.
City of Coleman, Coleman, Tex.
Commerce Light & Power Co., Commerce, Tex.
Crosbyton Electric System, Crosbyton, Tex.
Denton Municipal Utility, Department of Public Utilities, Municipal Bldg., Denton, Tex.
Electra Light & Power System, P.O. Box 504, Electra, Tex.

Floydada Municipal Light and Power, 112–114 West Virginia St., Floydada, Tex.
Garland, City of, Electronic Department, P.O. Box 189, Garland, Tex.
Greenville City of, P.O. Box 1049, Greenville, Tex.
Guadalupe Blanco River Authority, Hydroelectric Division, Seguin, Tex.
Hearne Municipal Plant, Hearne, Tex.
Jasper Municipal Light & Power Plant, Jasper, Tex.
Lower Colorado River Authority, P.O. Box 220, Austin, Tex.
City of Lubbock, Lubbock, Tex.
Red Bluff Water Power Control District, Pecos, Tex.
Sam Rayburn Dam, Corp of Engineers, U.S. Army, Jasper, Tex.
City of Robstown Lighting Power System, Robstown, Tex.
City Public Service Board, San Antonio, Tex.
Sabine River Authority, State of Louisiana, P.O. Box 44155, Capitol Station, Baton Rouge, La.
Seguin Electric & Water Department, Seguin, Tex.
Teague Light Department, Teague, Tex.
Tulia Light & Power Department, Tulia, Tex.
International Boundary & Water Commission, P.O. Box 1859, El Paso, Tex.
Corps of Engineers, U.S. Army, P.O. Box 38 Laguna Park Rural Station, Clifton, Tex.
The Resident Engineers, Corps of Engineers, Denison, Tex.
Vernon Municipal Light Department, Vernon, Tex.
City of Winters, Municipal Electric Department, 310 South Main St., Winters, Tex.
Brazos Electric Power Cooperative, Inc., P.O. Box 6296, Waco, Tex.
Medina Electric Cooperative, Inc., P.O. Box 1028, Pearsall, Tex.
South Texas Electric Cooperative, Inc., P.O. Box 2485, Victoria, Tex.
Montana Light & Power Co., Troy, Mont.
Montana Power Co., 40 East Broadway, Butte, Mont.
U.S. Indian Irrigation Service, Polson, Mont.
Atlanta Power Co., Atlanta, Idaho.
Bonners Ferry Municipal Light & Water Department, Bonners Ferry, Idaho.
Idaho Falls Electric Light Department, City Electric Engineer, Idaho Falls, Idaho.
Soda Springs Light & Power Department, Soda Springs, Idaho.
Cheyenne Light, Fuel & Power Co., P.O. Box 840, Denver, Colo.
Basin Light Power Plant, Box 616, Basin, Wyo.
Public Service Co. of Colorado, P.O. Box 840, Denver, Colo.
Burlington Light, Power & Water System, Burlington, Colo.
Colorado Springs Light & Power Department, Colorado Springs, Colo.
Delta Municipal Light & Power Co., P.O. Box 19, Delta, Colo.
Board of Water Commissioners, City and County of Denver, 144 West Colfax, Denver, Colo.
Town of Estes Park, Estes Park, Colo.
Town of Holly, Holly, Colo.
Julesburg, Town of, Julesburg, Colo.
Municipal Electric Plant, Sixth and Colorado Ave., La Junta, Colo.
Las Animas Municipal Light & Power, Las Animas, Colo.
Lamar Light & Power Department, Lamar, Colo.
Longmont, City of, Longmont, Colo.
Loveland Electrical Department, Loveland, Colo.
Trinidad, City of, Electric Power & Light Department, Trinidad, Colo.
Walsenburg Utilities, City of Walsenburg, P.O. Box 311, Walsenburg, Colo.
Colorado-Ute Electric Association, Inc., P.O. Box 1149, Montrose, Colo.
Redlands Water & Power Co., P.O. Box 216, Grand Junction, Colo.
New Mexico Electric Service Co., Hobbs, N. Mex.
Public Service Company of New Mexico, P.O. Box 2267, Albuquerque, N. Mex.
Clayton Municipal Electric System, Clayton, N. Mex.
Farmington, City of, P.O. Box 900, Farmington, N. Mex.
The Raton Public Service Co., Raton, N. Mex.
City of Tucumcari, Tucumcari, N. Mex.
Southwest Region, Bureau of Reclamation, Herring Plaza, Box H 4377, Amarillo, Tex.
Lea County Electric Cooperative, Lovington, N. Mex.
Plains Electric Generation & Transmission Cooperative, 2401 Aztec Rd. N.E., Albuquerque, N. Mex.
The Tucson Gas & Electric Co., P.O. Box 711, Tucson, Ariz.

Safford Municipal Utilities, P.O. Box 55, Safford, Ariz.
Salt River Project Agriculture Improvement & Power District, P.O. Box 1980, Phoenix, Ariz.
U.S. Indian Irrigation Service, Coolidge, Ariz.
Arizona Electric Power Cooperative, Inc., P.O. Box 148A, Benson, Ariz.
Beaver City Corporation, Beaver, Utah.
Bountiful Municipal Electric Plant, Bountiful, Utah.
Brigham City Corp., Brigham, Utah.
Ephraim Electric Light & Power Plant, Ephraim, Utah.
Fairview Municipal Electric Plant, Fairview, Utah.
Heber Light & Power Plant, Heber, Utah.
Hyrum Electric Light Plant, Hyrum, Utah.
Logan Municipal Light Plant, Logan, Utah.
Manti City Light & Power Plant, 110 South 4th West, Manti, Utah.
Monroe Power & Light Department, Monroe, Utah.
Mount Pleasant Electric Light Department, Mount Pleasant, Utah.
Murray Power Plant Department, Murray, Utah.
Parowan City Corp., Parowan, Utah.
Department of Utilities, Provo City Corp., Provo, Utah.
Springville Electric Light System, 09 East 4th South, Springville, Utah.
Strawberry Water Users Association, Spanish Fork, Utah.
Weber Basin Water Conservation District, 2837 East Highway 193, Layton, Utah.
Garkane Power Association, Inc., Richfield, Utah.
Nevada Power Co., P.O. Box 230, Las Vegas, Nev.
Carlin Municipal Light Co., Carlin, Nev.
Wells Rural Electric Co., Wells, Nev.
Puget Sound Power & Light Co., Puget Power Bldg., Bellevue, Wash.
Centralia Light Department, Centralia, Wash.
Public Utility District No. 1 of Chelan County, Wenatchee, Wash.
Public Utility District No. 1 of Douglas County, 1151 North Main St., East Wenatchee, Wash.
Public Utility District No. 2, Grant County, P.O. Box 878, Ephrata, Wash.
Public Utility District No. 1, Pend Oreille County, Newport, Wash.
Seattle Department of Lighting, 1015 Third Ave., Seattle, Wash.
City of Spokane Water Division, 96 Ea1st Grace Ave., Spokane, Wash.
Department of Public Utilities Light Division, City of Tacoma, Tacoma, Wash.
Washington Public Power Supply System, 130 Vista Way Box 6510, Kennewick, Wash.
Portland General Electric Co., 906 Electric Bldg., Portland, Oreg.
Baker Municipal Electric Plant, Baker, Oreg..
Eugene Water & Electric Board, 500 East Fourth Ave., P.O. Box 1112, Eugene, Oreg.
Pacific Gas & Electric Co., 245 Market St., San Francisco, Calif.
San Diego Gas & Electric Co., P.O. Box 1831, San Diego, Calif.
City of Burbank, Public Service Department, Burbank, Calif.
East Bay Municipal Utility District, P.O. Box 4616, Oakland, Calif.
Glendale Public Service Department, 800 Airway, Glendale, Calif.
Hetch Hetchy Water and Power, 855 Harrison St., San Francisco, Calif.
Imperial Irrigation District, Imperial, Calif.
Merced Irrigation District, P.O. Box 2288, Merced, Calif.
Nevada Irrigation District, P.O. Box 823, Colfax, Calif.
Oakdale and South San Joaquin Irrigation Districts, Tri-Dam Project, P.O. Box 188, Oakdale, Calif.
Oroville Wyandotte I District, P.O. Box 117, Forbestown, Calif.
Placer County Water Agency, Power Systems Division, P.O. Box 667, Foresthill, Calif.
Sacramento Municipal Utility District, P.O. Box 15830, Sacramento, Calif.
State of California, Department of Water Resources, P.O. Box 388, Sacramento, Calif.
Turlock Irrigation District, Turlock, Calif.
Yuba County Water Agency, Power System, P.O. Box 176, Dobbins, Calif.
Yuma County Water Users Association, P.O. Box 708, Yuma, Ariz.
Escondido Mutual Water Co., 620 North Ash St., Escondido, Calif.
Alaska Electric Light & Power Co., 134 Franklin St., Juneau, Alaska.
Alaska Power & Telephone Co., Skagway, Alaska.
Haines Light & Power Co., Haines, Alaska.

Northern Commercial Co., Bethel, Alaska.
Northern Commercial Co., McGrath, Alaska.
Pelican Utility Co., 653 Northeast Northlake Way, Seattle, Wash.
Anchorage Municipal Light & Power Department, P.O. Box 400, Anchorage, Alaska.
Cordova, town of, P.O. Box 20, Cordova, Alaska.
Alaska Power Administration, P.O. Box 50, Juneau, Alaska.
Fairbanks Municipal Utility System, 645 5th Ave., Fairbanks, Alaska.
Hoonah, City of, Box 38, Hoonah, Alaska.
Ketchikan Public Utilities, P.O. Box 1019, Ketchikan, Alaska.
Metlakatla Power & Light, Purple Lake Plant, Metlakatla, Alaska.
Naknek Electric Association, Inc., Naknek, Alaska.
Nome Light & Power Utilities, P.O. Box 70, Nome, Alaska.
Peterburg Light & Power Department, P.O. Box 329, Petersburg, Alaska.
Seward Electric System, P.O. Box 337, Seward, Alaska.
Sitka Municipal Utilities, P.O. Box 79, Sitka, Alaska.
Wrangell Light Department, P.O. Box 531, Wrangell, Alaska.
Chugach Electric Association, Inc., P.O. Box 3518, Anchorage, Alaska.
Copper Valley Electric Association, P.O. Box 45, Glennallen, Alaska.
Golden Valley Electric Association, Inc., P.O. Box 1249, Fairbanks, Alaska.
Kodiak Electric Association, Inc., P.O. Box 787, Kodiak, Alaska
Kotzebue Electric Association, Inc., P.O. Box 44, Kotzebue, Alaska.
Nushagak Electric Cooperative, Inc., Box 197, Dillingham, Alaska.
Hawaiian Electric Co., Inc., P.O. Box 2750, Honolulu, Hawaii.
Hilo Electric Light Co., Ltd., P.O. Box 1027, 1200 Kilauea Ave., Hilo, Hawaii.
Kauai Electric Co., P.O. Box 278, Eleele Kauai, Hawaii.
Maui Electric Co., Ltd., P.O. Box 398, Kahului, Maui, Hawaii.
Molokai Electric Co., Ltd., Kaunakakai, Molokai, Hawaii.

APPENDIX I

FPC FORM 23 (12-75)

Form Approved by GAO
No. B-180228 (R002)
Expires 12-31-75

825 North Capital Street
Washington, D.C. 20426

ELECTRIC UTILITY FUEL PLANNING REPORT

(Definitions and Quantities as defined in F.P.C. Form Nos. 4 and 12)

Utility Name and Address	Fuel Plan for (Month, Year)

This report shall be filed in quadruplicate 75 days prior to beginning of subject month, all as set forth in Section 141.300 of the Commission's Regulations, Approved Forms, under the Federal Power Act, 18 CFR 141.300, and Federal Power Commission Order No. 497.

SCHEDULE - 1

PROJECTED ENERGY REQUIREMENTS AND SOURCES
(REPORT BY SYSTEM)

		(A) Projected Kw-hrs During Month of:	(B) Actual Kw-hrs During Same Month Year Earlier
1	System net generation (Should equal total of 5, 6, 7, 8, 9, 10, 11)		
2	Energy received from others (Except border line receipts)		
3	Energy delivered for resale to those class I and II systems which obtain a part of their power supply from sources other than respondent's system.		
4	Net energy for load (Item 1 plus 2 minus 3)		
5	Net generation from hydro power		
6	Net generation from coal		
7	Net generation from natural gas (a) Steam electric generation		
	(b) I.C. and G.T. generation		
8	Net generation from heavy oils (#4, 5, 6) and crude		
9	Net generation from middle distillate oils (#1, 2, kerosene) (a) Steam electric generation		
	(b) I.C. and G.T. generation		
10	Net generation from nuclear power		
11	Net generation from other fuels		

SCHEDULE - 2

PROJECTED FUEL REQUIREMENTS FOR GENERATION

		(A) Projected During Month of: _____	(B) Actual During Same Month Year Earlier
1	Coal (Short Tons)		
2	Natural Gas (Mcf) (a) For steam-electric generation		
	(b) For I.C. and G.T. generation		
3	Heavy Oils (#4, 5, 6) and Crude (42 Gal. Bbl.)		
4	Middle Distillate Fuels (#1, 2, kerosene) (42 Gal. Bbl.) (a) For steam-electric generation		
	(b) For I.C. and G.T. generation		

In items 3 and 4 report the minimum oil requirements consistent with the assured supplies of other fuels.

If items 3 and 4 do not represent the minimum required oil consumptions, explain.

SCHEDULE - 3

FUEL REQUIREMENT CHANGES RESULTING FROM COMPLETED AND SCHEDULED ALTERATIONS, ADDITIONS, OR RETIREMENTS IN SYSTEM GENERATING PLANTS DURING 12 MONTH PERIOD PRECEDING END OF MONTH OF _____

	Plant Name	Action (Use Code)	Date Effective Mo / Yr	Capacity Affected Mw	Effect on System Fuel Requirements for month of_____* (Increase (+) or Decrease (-) and Amount) (A) Coal (Short Tons)	(B) Gas (Mcf)	(C) Heavy Oil (42 Gal. Bbl.)	(D) Distillate Oil (42 Gal. Bbl.)
1								
2								
3								
4								
5								
6								
7								
8								

* Show the estimated differential in total system requirements for each fuel (Increase (+) or Decrease (-)) for the subject month which resulted from the action. For example, if an alteration reduced system coal consumption but increased system heavy oil consumption for the projected month, indicate the differential under coal as a (-) quantity and under oil as a (+) quantity.

CODE: New Unit= New; Unit Altered= Alt; Unit Converted to other fuel= Conv; Retirement= Ret; Change in licensed power= Lic.

SCHEDULE - 4

PROJECTED FUEL STOCKS

			(A) Beginning of Month of: _____	(B) End of Month of: _____
1	COAL	(a) Short Tons		
		(b) Burn Days		
2	HEAVY OILS	(a) 42 Gal. Bbl.		
		(b) Burn Days		
3	MIDDLE DISTILLATE OILS	(a) 42 Gal. Bbl.		
		(b) Burn Days		

SCHEDULE - 5

OIL SUPPLIERS

	List all current Contract oil suppliers and approximate Per Cent each provides of each oil type	(A) Per Cent Heavy Oils Supplied	(B) Per Cent Middle Distillate Oils Supplied
1			
2			
3			
4			
5			
6	TOTAL ALL OTHER SUPPLIERS		
	TOTAL	100.0 %	100.0 %

SCHEDULE - 6

POWER IMPORT CAPABILITY IN CASE OF FUEL DEFICIENCIES

(Systems less than 200 MW capacity)

1	DO YOU HAVE INTERCONNECTION CAPABILITIES?	☐ YES ☐ NO
2	INTERCONNECTION CAPACITY, MW	
3	PROJECTED PEAK LOAD DURING MONTH, MW	

FEDERAL POWER COMMISSION,
Washington, D.C., December 7, 1973.

FPC ORDERS ELECTRIC UTILITIES TO FILE REPORTS ON PROJECTED GENERATION AND FUEL REQUIREMENTS

The Federal Power Commission today directed the nation's utilities which generate electric power to immediately commence filing monthly reports on their projected electric generation and fuel requirements.

The FPC said that the projections must be consistent with minimum consumption of petroleum and natural gas fuels.

The Commission's order went to approximately 900 utilities. The reporting systems own and operate essentially all of the nation's electric utility generating capacity, and include investor-owned, publicly owned, and cooperatively owned utilities.

The FPC said it planned to collate the data by operating utilities, power pools and electric reliability council areas. The Commission said the information would provide an assessment of utility fuel availability, requirements, and generating capability among utilities, regionally and interregionally. The Commission said it anticipated that Federal governmental fuel allocation procedures will reflect a continuing substantial use of this information.

The first of the reports (Form 23) covering January of 1974, are to be filed by December 18. The February and March reports are both due by December 31. Thereafter, the reports must be submitted 75 days in advance of the beginning of the month covered.

The Commission noted that fuel supply availability for electric utility generation varies from system-to-system and from region-to-region. Coastal region utilities the larger users of petroleum resources for boiler fuel, and utilities in the southwest and south central regions, the larger users of natural gas for boiler fuel, are experiencing increasing shortages of these critical fuels, the FPC said.

The Commission said that the new report form will provide a data base upon which utility uses of petroleum resources may be allocated or authorized under the Emergency Petroleum Allocation Act of 1973 (P. L. 93–159, 87 Stat. 627) or other statutory authority. The information also is relevant to utility and regulatory commission analyses of intersystem and interregional transfers of electric power to maximize the use of coal, nuclear fuel, and hydroelectric capacity, nationally, the FPC said.

The Commission said further that the data also relates informationally to its activities in allocating natural gas supplies under the Natural Gas Act, insofar as that fuel is still used in electric utility generation. The Commission said it was not exercising its natural gas regulatory jurisdiction, but rather is surveying all electric utility fuel needs.

The report will provide the following information:

Projected generation requirements and energy sources for the month, as compared to the corresponding month of the previous year;

Projected fuel consumption for the month, compared to the corresponding month of the previous year;

Effects of plant alterations, additions, retirements or other changes within the past year on projected fuel consumption for the month;

Projected fuel stocks at the beginning and end of the month;

A list of the utility's oil suppliers; and

Identification of the interconnection capacity and projected peak load during the month for systems with less than 200 megawatts capacity.

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