

9614
Apr 6/1
Em 2/2
980/pt 8

ENERGY AND WATER DEVELOPMENT
APPROPRIATIONS FOR 1980

DOCUMENTS

MAY 11 1979

DOCUMENTS

MAY 11 1979

FARRELL LIBRARY
KANSAS STATE UNIVERSITY

HEARINGS

BEFORE A

FARRELL LIBRARY
KANSAS STATE UNIVERSITY

SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
NINETY-SIXTH CONGRESS

FIRST SESSION

SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT

TOM BEVILL, Alabama, *Chairman*

EDWARD P. BOLAND, Massachusetts

JOHN T. MYERS, Indiana

JOHN M. SLACK, West Virginia

CLAIR W. BURGNER, California

LINDY (MRS. HALE) BOGGS, Louisiana

VIRGINIA SMITH, Nebraska

BILL CHAPPELL, Florida

JOHN W. JENRETTE, Jr., South Carolina

JULIAN C. DIXON, California

HUNTER L. SPILLAN, GEORGE A. URIAN, M. C. GREER, AND DAVID R. OLSON, *Staff Assistants*

PART 8

(Pages 2739-3555)

DEPARTMENT OF ENERGY

POWER MARKETING ADMINISTRATIONS:

Alaska Power, Bonneville Power, Southeastern Power,
Southwestern Power and Western Area Power Market-
ing Administrations.....

2739

FEDERAL ENERGY REGULATORY COMMISSION.....

3069

DEPARTMENTAL ADMINISTRATION.....

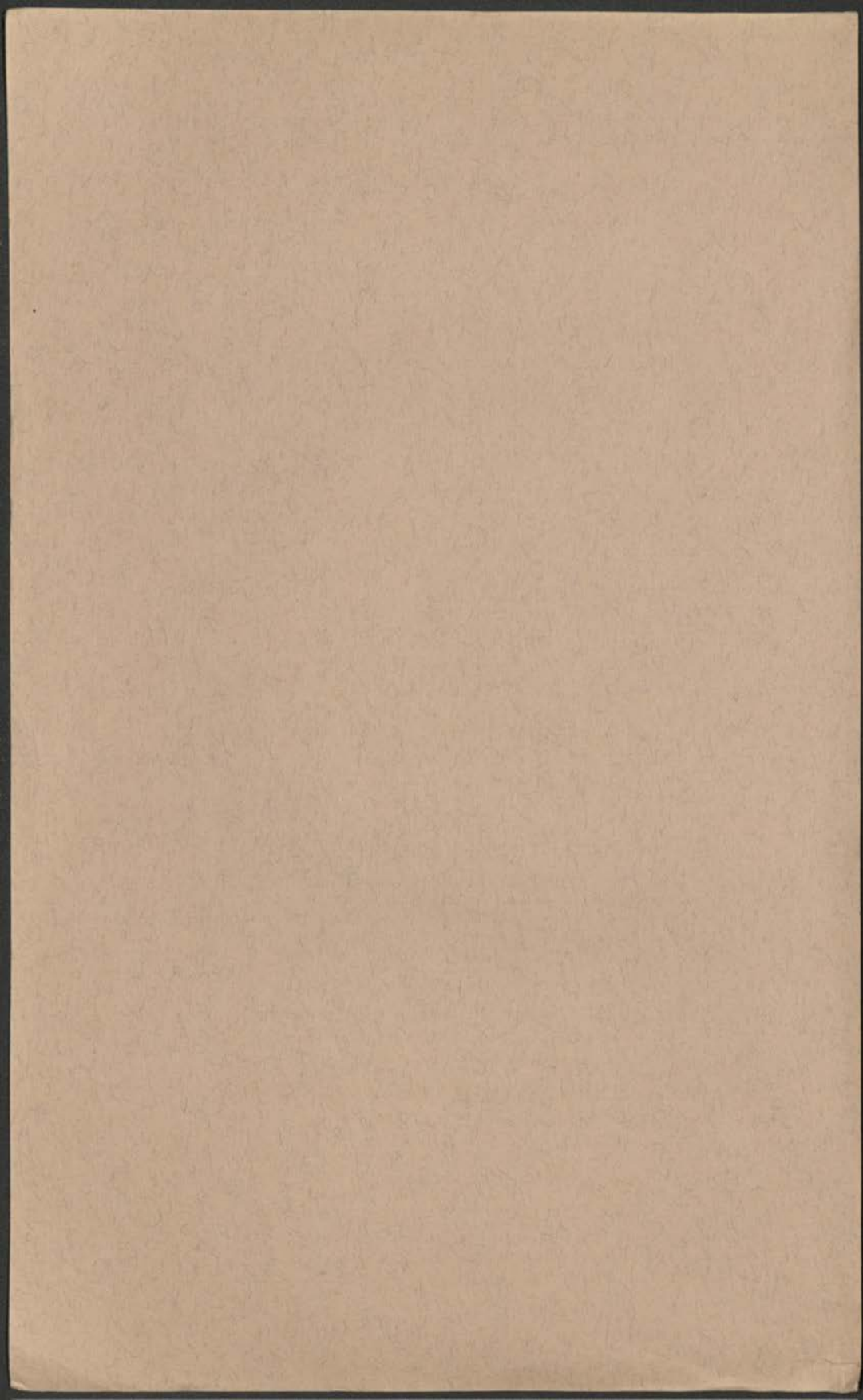
3240

RELATED MATTERS:

Fiscal Year 1979 Reprograming.....

3499

Printed for the use of the Committee on Appropriations



ENERGY AND WATER DEVELOPMENT APPROPRIATIONS FOR 1980

HEARINGS BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES NINETY-SIXTH CONGRESS FIRST SESSION

SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT

TOM BEVILL, Alabama, *Chairman*

EDWARD P. BOLAND, Massachusetts
JOHN M. SLACK, West Virginia
LINDY (MRS. HALE) BOGGS, Louisiana
BILL CHAPPELL, Florida
JOHN W. JENNETTE, Jr., South Carolina
JULIAN C. DIXON, California

JOHN T. MYERS, Indiana
CLAIR W. BURGNER, California
VIRGINIA SMITH, Nebraska

HUNTER L. SPILLAN, GEORGE A. URIAN, M. C. GREER, AND DAVID R. OLSON, *Staff Assistants*

PART 8

(Pages 2739-3555)

DEPARTMENT OF ENERGY

POWER MARKETING ADMINISTRATIONS:

Alaska Power, Bonneville Power, Southeastern Power,
Southwestern Power and Western Area Power Market-
ing Administrations.....

2739

FEDERAL ENERGY REGULATORY COMMISSION.....

3069

DEPARTMENTAL ADMINISTRATION.....

3240

RELATED MATTERS:

Fiscal Year 1979 Reprograming.....

3499

Printed for the use of the Committee on Appropriations

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1979

COMMITTEE ON APPROPRIATIONS

JAMIE L. WHITTEN, Mississippi, *Chairman*

EDWARD P. BOLAND, Massachusetts
WILLIAM H. NATCHER, Kentucky
DANIEL J. FLOOD, Pennsylvania
TOM STEED, Oklahoma
JOHN M. SLACK, West Virginia
NEAL SMITH, Iowa
ROBERT N. GIAIMO, Connecticut
JOSEPH P. ADDABBO, New York
EDWARD J. PATTEN, New Jersey
CLARENCE D. LONG, Maryland
SIDNEY R. YATES, Illinois
DAVID R. OBEY, Wisconsin
EDWARD R. ROYBAL, California
LOUIS STOKES, Ohio
GUNN MCKAY, Utah
TOM BEVILL, Alabama
BILL CHAPPELL, Jr., Florida
BILL D. BURLISON, Missouri
BILL ALEXANDER, Arkansas
JOHN P. MURTHA, Pennsylvania
BOB TRAXLER, Michigan
ROBERT B. DUNCAN, Oregon
JOSEPH D. EARLY, Massachusetts
CHARLES WILSON, Texas
LINDY (MRS. HALE) BOGGS, Louisiana
ADAM BENJAMIN, Jr., Indiana
NORMAN D. DICKS, Washington
MATTHEW F. MCHUGH, New York
BO GINN, Georgia
WILLIAM LEHMAN, Florida
JACK HIGHTOWER, Texas
JOHN W. JENRETTE, Jr., South Carolina
MARTIN OLAV SABO, Minnesota
JULIAN C. DIXON, California
BENNETT M. STEWART, Illinois

SILVIO O. CONTE, Massachusetts
ROBERT H. MICHEL, Illinois
JOSEPH M. McDADE, Pennsylvania
MARK ANDREWS, North Dakota
JACK EDWARDS, Alabama
ROBERT C. McEWEN, New York
JOHN T. MYERS, Indiana
J. KENNETH ROBINSON, Virginia
CLARENCE E. MILLER, Ohio
LAWRENCE COUGHLIN, Pennsylvania
C. W. BILL YOUNG, Florida
JACK F. KEMP, New York
RALPH S. REGULA, Ohio
CLAIR W. BURGNER, California
GEORGE M. O'BRIEN, Illinois
VIRGINIA SMITH, Nebraska
ELDON RUDD, Arizona
CARL D. PURSELL, Michigan

KEITH F. MAINLAND, *Clerk and Staff Director*

ENERGY AND WATER DEVELOPMENT APPROPRIATIONS FOR 1980

DEPARTMENT OF ENERGY

TUESDAY, MARCH 20, 1979.

POWER MARKETING ACTIVITIES

WITNESSES

GEORGE S. McISAAC, ASSISTANT SECRETARY FOR RESOURCE APPLICATIONS

DANIEL M. OGDEN, JR., DIRECTOR, OFFICE OF POWER MARKETING COORDINATION

ROBERT J. CROSS, ADMINISTRATOR, ALASKA POWER ADMINISTRATION

STERLING MUNRO, ADMINISTRATOR, BONNEVILLE POWER ADMINISTRATION

HARRY F. WRIGHT, ADMINISTRATOR, SOUTHEASTERN POWER ADMINISTRATION

JAMES B. HAMMETT, ADMINISTRATOR, SOUTHWESTERN POWER ADMINISTRATION

ROBERT L. McPHAIL, ADMINISTRATOR, WESTERN AREA POWER ADMINISTRATION

Mr. BEVILL. The committee will come to order.

Secretary McIsaac, we are pleased to have you and your staff with us this morning. You may proceed.

Mr. McISAAC. Thank you, Mr. Chairman.

I am George McIsaac, Assistant Secretary for Resource Applications. I have with me this morning Bob McPhail, Administrator, Western Area Power Administration; Sterling Munro, Administrator, Bonneville Power Administration; Bob Cross, Administrator, Alaska Power Administration; Jim Hammett, Administrator, Southwestern Power Administration; and Harry Wright, Administrator, Southeastern Power Administration.

Mr. BEVILL. We are pleased to have each of you here.

Mr. McISAAC. I have submitted prepared testimony for the record, Mr. Chairman.

Mr. BEVILL. That will be made a part of the record, along with the justifications, and you may just summarize it, if you wish, Mr. Secretary.

[The prepared statement and budget request follow:]

STATEMENT OF GEORGE S. McISAAC
ASSISTANT SECRETARY FOR RESOURCE APPLICATIONS
DEPARTMENT OF ENERGY
BEFORE THE
SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT
OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

MARCH 20, 1979

Statement of George S. McIsaac
Assistant Secretary for Resource Applications
Department of Energy
FY 1980 Appropriations Hearings

Mr. Chairman and Members of the Committee:

I am George S. McIsaac, Assistant Secretary for Resource Applications in the Department of Energy.

With me are the Administrators of the five power marketing administrations. They are Robert J. Cross, Administrator of the Alaska Power Administration; S. Sterling Munro, Administrator of the Bonneville Power Administration; Harry F. Wright, Administrator of the Southeastern Power Administration; James B. Hammett, Administrator of the Southwestern Power Administration; and Robert L. McPhail, Administrator of the Western Area Power Administration. Also with me is Daniel M. Ogden, Director, Office of Power Marketing Coordination.

We are appearing before the Committee today to seek appropriations of funds collected from power sales to operate and maintain the five power marketing administrations.

FY 1980 Budget

Until the Congress enacts revolving fund legislation, we will need annual authorizations and appropriations for four of the power marketing administrations. Our total request of \$164,392,000 for fiscal year 1980 does not include Bonneville's budget, which will be financed from its power revenues and sales of bonds to the Treasury. In fiscal year 1980, Bonneville projects outlays of \$525,400,000. We expect total power revenues in fiscal 1979 of \$763,892,000, and in fiscal year 1980 of \$1,048,672,000. The latter figure will depend upon the ultimate size of the Bonneville rate increase.

Table 1 provides the budget request for each power marketing administration. Each Administrator will discuss the details of his program in support of this request.

In response to the Committee's inquiries of last year, we expect to return later to consider the establishment of revolving funds for the other four power marketing administrations similar to the self-financing arrangements authorized for the Bonneville Power Administration in 1974. The draft bill proposing the revolving funds was transmitted to the Congress by the Secretary on Tuesday, February 27, 1979.

Power Marketing Policy

The power marketing administrations carry out Federal power marketing policy which was set forth by Congress in a series of key acts beginning in 1937 with the Bonneville Project Act. The Reclamation Project Act of 1939 and the Flood Control Act of 1944 extended the principles of the Bonneville Project Act essentially to all other Federal water projects outside the Tennessee Valley area. Three decades later the Federal Columbia River Transmission System Act of 1974 established self-financing for the Bonneville Power Administration. Finally the Department of Energy Act of 1977 transferred the power marketing functions to the Secretary of Energy, established the Western Area Power Administration as a separate entity, and transferred all five power marketing administrations to the Department of Energy. Further, the act expressly directed that each Administration be preserved as a separate and distinct organization and that the Secretary shall exercise his power marketing functions acting by and through the power marketing administrations.

These acts and related legislation establish that:

First, the Federal Government constructs and operates multiple-purpose dams itself and generates electricity where it is economically and environmentally justified.

Second, the Federal Government transmits its electric power over its own high-voltage transmission lines or wheels over non-Federal lines and sells the power at wholesale to distribution utilities and certain large power users such as aluminum processing plants. The Federal Government does not sell power directly to homeowners.

Third, the agencies which construct the dams - primarily the Corps of Engineers of the Department of the Army and the Bureau of Reclamation of the Department of the Interior - operate the dams and generate the electricity. The five power marketing administrations transmit and sell the power.

Fourth, in selling power, the power marketing administrations give preference to publicly and cooperatively owned distribution systems. Indeed, recent Federal court opinions uphold the preference clause and find that, while existing contracts may not be abrogated, power not otherwise committed must first be offered to preference customers, which are ready, willing, and able to take and distribute the resource.

Fifth, the power marketing administrations market power at uniform or "postage stamp" rates within their marketing areas. They do not charge zone rates - which would increase as the distance

between the customer and the Federal dam increases. These rates are designed to provide power at the lowest possible cost ^{and} consistent with sound business principles, a feature intended to ^{be} serve as a "yardstick" for non-publicly owned utilities.

Rates for Federal Hydropower

Let me now turn to the rates we charge for power and the rate increases on which I will be acting this year in order to meet the statutory requirement that each power marketing administration recover all costs of producing and marketing electricity.

On December 21, 1978, the Secretary of Energy delegated to me the authority to establish rates for the five power marketing administrations and to confirm and approve those rates on an interim basis. He also assigned final authority to confirm and approve rates to the Federal Energy Regulatory Commission. This procedure should insure prompt implementation of rate adjustments as they are needed.

The power marketing administrations are obliged to recover in full:

1. Annual operation and maintenance costs both for their own activities and for the generation of power by the Corps of Engineers and the Bureau of Reclamation.
2. Annual purchase power and wheeling costs, if any, to fill in gaps in available energy.

3. All of the project costs allocated to power for construction of the dams, powerhouses, transmission lines, and other facilities which generate and transmit Federal hydropower so that each increment of capital is repaid within 50 years or its useful life, whichever is shorter.

4. Interest on the unamortized capital allocated to power.

5. A subsidy for irrigation, as prescribed by Congress. This subsidy is paid without interest and may come after the repayment of capital for power.

The rates each power marketing administration must charge are determined by annual repayment studies. Most of the individual dams are grouped into larger "projects" or "basin accounts" for rate-making purposes such as the Columbia River system or the Upper Colorado River Storage Project. If a repayment study discloses that obligations will exceed revenues, the power marketing administration proposes revised rates, which will insure repayment of all obligations on schedule.

I have here a series of tables and charts which portray the repayment status of each of the power marketing administrations.

Table 2 shows the cumulative repayable investment through 1978 and the amounts repaid by each power marketing administration. You will see that the Federal Government has invested a total of \$11,314,000,000, and we have repaid \$1,876,000,000. This investment provides 28,913 megawatts - about 40 percent of the Nation's total hydro capacity - and serves 34 states.

Table 3 shows cumulative revenues for all five administrations and displays the expenses paid from those revenues.

Revenues have totalled \$8,388,000,000. Of that sum \$2.6 billion has gone for operation and maintenance, \$1 billion for purchased power, \$2.8 billion for interest and the remainder, \$1.9 billion, to repay capital. Of the \$11.3 billion in capital investment, \$9.9 billion is allocated to power and \$1.4 billion is to assist irrigation. The remaining unamortized investment is \$9.4 billion.

The Administrator of each power marketing administration will discuss the repayment status for his agency.

Each power marketing administration involves the public extensively in its review of rates. All follow essentially the same steps, although they differ slightly depending on local circumstances. In collaboration

with the Federal Energy Regulatory Commission, we are nearing completion of common rate adjustment procedures, which will ensure that all provide the same analysis and justification for my review and for FERC analysis.

These procedures require us to make repayment studies, present a preliminary rate proposal at public information forums and public comment forums, and make revisions as necessary. I review the recommended rate and establish, approve, and confirm it on an interim basis. Final confirmation and approval is the responsibility of the Federal Energy Regulatory Commission.

This calendar year, the five power marketing administrations have scheduled 15 rate actions. Table 4 shows these rate proposals and the time schedule for each. The first, an increase for the Southwestern Power Administration's system-wide rates, will go into effect on an interim basis on April 1, 1979, pending final confirmation and approval by the Federal Energy Regulatory Commission.

It is our understanding that the price increase guidelines issued by the President's Council on Wage and Price Stability apply to the five power marketing administrations. However, they do not suggest deferral of increases of the type we are planning, since we are required by statute to recover our costs within established periods of time. Staff members of the council have assured our legal counsel's office that our understanding of the guidelines is correct.

Initiatives in Power Marketing

We are exploring several ways to serve our Nation more effectively during energy shortages. Although the power marketing administrations supply but 6.5 percent of the Nation's electric power needs, they do provide 40 percent of its hydropower. We want to use this hydropower as effectively as possible.

Our hydropower is most valuable for peaking. Except in the Pacific Northwest, where the preponderance of hydro dictates continued serving of firm loads, we are encouraging use of Federal power primarily for peaking. Our customers are rapidly developing their own capacity to meet their base load needs with thermal generation.

This peaking program should insure more efficient use of new thermal generation and reduce the need to build thermal plants to carry peakloads.

We already have arranged with some preference customers, such as the Basin Electric Cooperative - a major customer of the Pick-Sloan Missouri Basin Project - to accomplish just this sort of effort to use Federal hydro efficiently.

We are also stimulating additional hydro development wherever we can. In addition to the Department's low-head hydro program, for which I am also responsible, we are encouraging the Corps of Engineers and the Bureau of Reclamation to re-examine opportunities to install generators at existing dams. Originally, power components were not included in a number of existing dams because at the time of construction the hydropower was not found to be economical. Much of this power is now relatively low cost and should be developed.

Joint planning and even joint development of facilities with our customers is a second marketing strategy. Closely related to the use of Federal hydro for peaking, it has encouraged customers to undertake major transmission construction or has helped make possible key lines to provide greater system reliability. The Miles City, Montana-New Underwood, South Dakota, line is an excellent example of such cooperation. The Western Area Power Administration is building only half of that line, in collaboration with several customer-utilities.

We also are carefully examining opportunities for interregional transmission lines to take advantage of season diversity. Greater capacity to move power north and south in the West may bring significant savings by putting our resources to more efficient use.

A fourth initiative is the development of an oil displacement program using surplus or non-firm electric energy when it becomes available.

Management Efforts

To better manage our power marketing assignments, we are taking two steps.

First, we are asking the Congress to approve self-financing for all power marketing administrations, paralleling the Federal Columbia River Transmission System Act of 1974 which provided self-financing for Bonneville. A separate revolving fund for each administration will enable each Administrator to use the income from power sales to pay current operating, maintenance, and purchase power costs. The legal obligation to charge rates sufficient to repay both capital and interest to special accounts like the Reclamation Fund and to the Treasury will remain unchanged. In light of this continuing obligation, the Administration recently informed the Congress that within 18 months after the enactment of this proposed legislation that it will complete a review and seek to improve the consistency of existing repayment policies and procedures with sound accounting and financial principles.

Second, we have established a system of annual management plans with quarterly reports in which each Administrator presents his plan and his report to me personally.

Accomplishments

Last year the Committee expressed interest in several matters. I am happy to report the following specific accomplishments:

We have appointed Administrators for three of the administrations: Mr. Robert McPhail, Western Area Power Administration; Mr. James Hammett, Southwestern Power Administration; and Mr. Harry Wright, Southeastern Power Administration.

We have organized the Office of Power Marketing Coordination, headed by Dr. Daniel Ogden.

The Western Area Power Administration has secured temporary space for its headquarters in Golden, Colorado, and is negotiating with the General Services Administration for adequate permanent space near the Denver offices of the Bureau of Reclamation.

The Western Area Power Administration (WAPA) has worked diligently to acquire a competent central staff. WAPA is extending its intense recruiting efforts of the past year to fill its authorized ceiling of 1,126 full-time employees and 84 other than full-time employees for a total of 1,210 employees.

We are making heartening progress in negotiating a new contract with the Associated Electric Cooperative of Springfield, Missouri, as the Congress directed in Public Law 95-456. Both parties promptly engaged technical consultants who conducted studies of the two systems and their interrelationships. We then began scheduled negotiations which have led to substantial agreement in principle on major issues. We are now working out engineering and economic details. We look forward to an early and mutually satisfactory agreement which will hopefully begin a new era of cordial cooperation between Southwestern and Associated.

Summary

Even though power marketing was new to the Department of Energy, we have made significant progress over the past year. The five power marketing administrations sold 124.2 billion kilowatthours in fiscal year 1978--6.5 percent of the Nation's total. Gross revenues from those sales were \$702 million in 1978. As shown in Table 5,

we expect revenues of \$764 million in FY 1979 and of \$1,048 million in FY 1980. The FY 1980 request will allow us to continue ~~the~~ service in an efficient and businesslike manner.

Mr. Chairman, that concludes my testimony. The Administrators will now address the more specific activities and proposed budgets for their administrations.

Table 1
BUDGET REQUEST
FOR POWER ADMINISTRATIONS

		<u>Budget Authority</u>
	<u>FY 1979</u>	<u>FY 1980</u>
Alaska	\$ 2,614,000	\$ 2,660,000
Southeastern	1,253,000	1,400,000
Southwestern	36,077,000	32,180,000
Western Area <u>1/</u>	<u>106,986,000</u>	<u>128,152,000</u>
TOTAL	\$146,930,000	\$164,392,000
Bonneville	73,500,000	<u>NET OUTLAY</u> -88,600,000

1/ Western Area includes emergency fund amounts where applicable and Colorado River Storage Project.

Table 2

POWER MARKETING ADMINISTRATIONS

	<u>Cumulative Repayable Investment Through 1978</u>	<u>Repaid</u>
BPA (1938 - 1978)	\$ 6,156,000,000	\$ 732,000,000
WAPA (1937 - 1978)	3,408,000,000	898,000,000
SEPA (1950 - 1978)	975,000,000	202,000,000
SWPA (1944 - 1978)	665,000,000	33,000,000
APA (1955 - 1978)	110,000,000	11,000,000
Total	\$11,314,000,000	\$1,876,000,000

Total Capacity: 28,913 Megawatts

Marketing Area: 34 States

Table 3

Current Status of Repayment

POWER SYSTEMS OF
FIVE POWER MARKETING ADMINISTRATIONS

CUMULATIVELY THROUGH FY 1978:	(\$ Millions)
REVENUES	8,388
EXPENSES PAID	
Operation and Maintenance	2,637
Purchased Power & Other	1,086
Interest	<u>2,789</u>
Total	6,512
REMAINDER APPLIED TO AMORTIZATION	1,876
CUMULATIVE REPAYABLE INVESTMENT	
Power	9,921
Irrigation Assistance	<u>1,393</u>
Total	11,314
LESS CUMULATIVE AMORTIZATION	<u>1,876</u>
UNAMORTIZED INVESTMENT	9,438

Table 5

ANTICIPATED
POWER MARKETING REVENUES

(In Thousands)

	<u>FY 1979</u>	<u>FY 1980</u>
Alaska	\$ 3,120	\$ 3,697
Bonneville	343,000	579,000
Southeastern	55,600	58,300
Southwestern	54,526	66,648
Western Area	<u>309,000</u>	<u>341,000</u>
	\$765,246	\$1,048,645

OFFICE OF POWER MARKETING COORDINATION
Schedule of Expected Rate Actions
Calendar Year 1979

Table 4

Area Code	Amount of Increase	% Increase	Last Rate Adjustment Approval	Date Rate to AD/PA	Vote Rate approved by AD/PA and sent to FERC	Effective Date of Interim Rate	Date Rate Possible Adjustment
WPA - System-wide	\$16,500,000	32.9	1977 <u>12</u>	2/15/79	3/1/79	4/1/79	<u>12</u>
WPA - AP/Daytona	\$ 1,984,000	88.3	1978	2/15/79	3/1/79	1/1/79	NA
SEPA - Laurel	<u>12</u>	0	NA	2/20/79	3/1/79	4/1/79	8/1/79
APA - Scottsdale	0	0	1978 <u>12</u>	3/9/79	3/9/79	4/1/79	<u>12</u>
WPA - San Bayview	\$ 358,300	34.8	1971	3/15/79	4/1/79	5/1/79	3/1/80
SEPA - Laurel	\$ 90,000	6.7	NA	4/1/79	5/1/79	6/1/79	6/30/83
WPA - Central Valley	<u>12</u>	0	1978	4/1/79	4/25/79	5/25/79	<u>12</u>
WPA - Central Valley	\$ 6,400,000	9.0	1978	5/17/79 <u>12</u>	7/25/79	8/25/79	<u>12</u>
SEPA - Cumberland	0	0	7/1/78	5/15/79	6/1/79	7/1/79	6/30/83
SEPA - Jim Woodruff	(1335,000)	(14)	1967 <u>16</u>	5/15/79	6/1/79	7/1/79	8/30/82
WPA - Wheeling	0	0	NA <u>12</u>	5/15/79	6/1/79	7/1/79	<u>12</u>
SEPA - Georgia-Alabama	<u>12</u>	NA	NA	5/15/79	6/1/79	7/1/79	10/1/79
WPA - Frydagsen-Arkansas	Initial Rates	NA	NA	6/1/79	7/1/79	10/1/79	<u>12</u>
SEPA - Georgia-Alabama	\$ 3,600,000	13	NA	7/15/79	9/1/79	10/1/79	10/1/80
WPA - System-wide	\$150,000,000	40 <u>18</u>	1974	8/1/79	9/1/79	12/30/79	7/1/83
APA - Elkhart	\$ 431,000	25	1974	9/1/79	10/1/79	12/31/79	<u>12</u>
WPA - Col. River Storage	\$ 16,500,000	38	1977	10/1/79	11/15/79	1/1/80	<u>12</u>
WPA - Parker Davis	\$ 2,300,000	20.1	1977	12/1/79	1/15/80	3/1/80	<u>12</u>

12 Excludes increased transmission charge of \$2.6 million in May 1970.

16 Rate adjustment.

18 Rate adjustment.

25 Extension of existing rate.

38 Initial rate effective December 1, 1973.

40 Proposed rate must be published for 30-day comment period.

42 Rate adjusted downward 3% in August 1967.

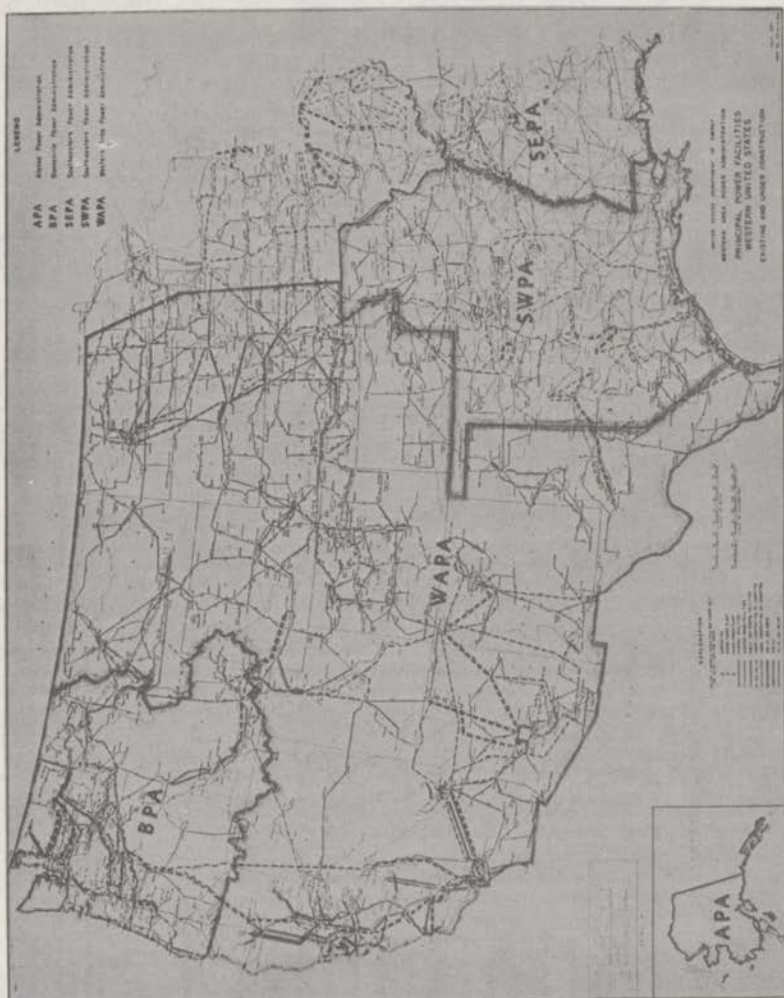
44 Transmission charge initially approved January 23, 1971, to June 30, 1974, for use of surplus transmission facilities.

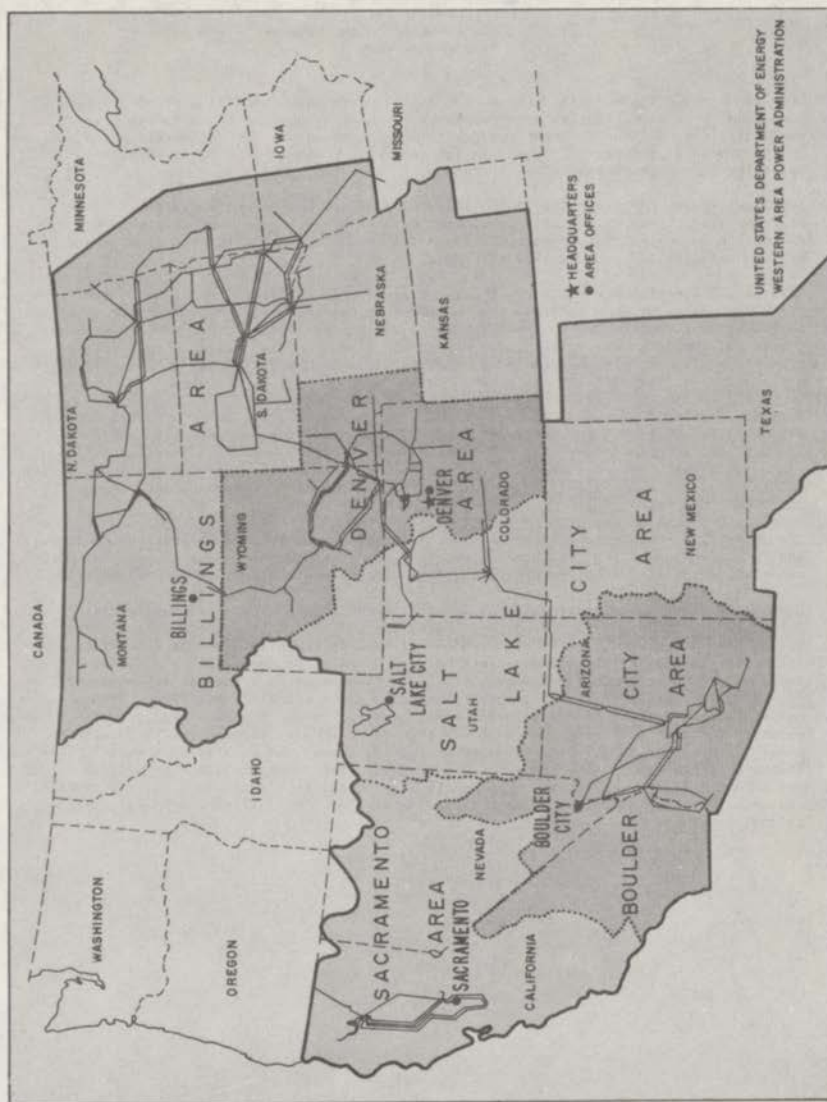
46 Transmission charge initially approved January 23, 1971, to June 30, 1974, for use of surplus transmission facilities.

48 Rate adjustment.

50 Depends upon approval of new bond resolution by participants in Washington Public Supply System plants under construction, from which WPA has acquired output. If resolution is not approved, WPA will need a 10% rate increase.

3/12/79





UNITED STATES DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION

WPA 533-100

Department of Energy
FY 1980 Congressional Budget Request
Program Overview

Five power marketing administrations, the Alaska Power Administration, the Bonneville Power Administration, the Southeastern Power Administration, the Southwestern Power Administration, and the Western Area Power Administration sell hydroelectric power and energy produced at Federally owned dam and reservoir projects in the United States utilizing high voltage transmission systems.

The Alaska Power Administration (APA) is requesting new appropriations in FY 1980 to continue its program of operation, maintenance, and marketing for the Eklutna and Snettisham hydroelectric projects and investigations of future water and power projects and transmission and power market studies.

Eklutna and Snettisham are the two Federal Hydroelectric projects in Alaska. Power from the 80,000 kilowatt Eklutna Project is marketed in the Anchorage and Palmer area, and the 47,000 kilowatt Snettisham Project provides power for the Juneau area. Each powerplant houses two turbine generator sets, and each project has about 40 miles of high voltage transmission lines, plus associated substation and switchyards. Power is marketed at wholesale to a total of five utilities.

Estimated gross power sales revenues for FY 1980 are \$3,622,000, up from \$3,045,000 estimated for FY 1979. The net Federal investment in the two projects totalled \$105,162,874 at the close of FY 1978. The Eklutna Project, which has been in operation since 1955, has repaid all annual operating and interest costs plus over one-third of its initial investment of \$32,079,133. Both projects are meeting repayment requirements under existing law.

The investigation program focuses on hydroelectric potential; other renewable resources; and transmission and power market analyses and is carried out in close cooperation with the State of Alaska, local entities, the Corps of Engineers and other Federal entities.

Bonneville Power Administration (BPA) is the Federal electric power marketing agency for the Pacific Northwest in the Department of Energy. BPA markets power for the Federal Columbia River Power System (FCRPS), which consists of the hydroelectric generating facilities in the Pacific Northwest of the Army Corps of Engineers and the Bureau of Reclamation (30 projects at present), plus BPA's transmission system of approximately 12,450 circuit-miles of high-voltage transmission lines and 346 substations. BPA markets about one-half of the electric power produced in the Northwest and provides about four-fifths of the regions bulk electric power transmission capacity. Also, BPA markets and exchanges electric power interregionally over the Pacific Northwest-Pacific Southwest, Intertie, and in Canada over interconnections with utilities in British Columbia. During FY 1978, the FCRPS generated approximately 79,000,000 kilowatthours of hydroelectricity, equivalent to about 130,000 barrels of oil, if generated by oil-fired thermal power plants.

During the FY 1978 BPA marketed 79 million megawatthours of Federal hydroelectric energy and handled 70 million megawatthours of non-Federal electric energy for a total of 149 million megawatthours. In FY 1979, BPA will have available to market 155 million megawatt hours, and 156 million megawatt hours in FY 1980.

For FY 1979 and FY 1980 BPA will continue its operations on the basis of its self-imposed stable staff policy and operate on a self-financing basis, thus requiring no appropriations. Revenues are estimated at \$319,000,000 in FY 1978, \$342,000,000 in FY 1979, and \$578,000,000 in FY 1980. BPA has proposed a rate increase effective December 1979 to provide sufficient additional revenues to meet its repayment obligations and provide adequate cash flows for operations. By the end of FY 1980, BPA's bonded indebtedness is expected to be about \$550,000,000. With total receipts of \$641,000,000 in FY 1980 and budget outlays of \$552,000,000. BPA will have negative net outlays of about \$88,600,000 (i.e., receipts will exceed budget outlays.)

In FY 1980 BPA will administer an energy conservation program based upon public involvement and utility participation that conforms to Federal energy policy objectives and minimize the need for new generating resources to meet the regions' electric energy needs.

The Southeastern Power Administration (SEPA) basic mission is to effectively market hydroelectric power produced at Federal Projects located in 10 southeastern states.

SEPA currently markets power to 200 wholesale customers in 11 states from 21 operating projects which have combined capacity of 2,712,375 kilowatts. Receipts deposited in the Treasury from the sale and power were \$48,429,000 in FY 1978 and are estimated to be \$51,000,000 in FY 1979 and \$53,700,000 in FY 1980.

The Richard B. Russell Project, now under construction, will add 300,000 kilowatts and is scheduled to begin generation in 1983.

The budget proposal will permit continuation of current personnel levels and will provide a continuation of the basic power marketing program without new program initiatives.

The Southwestern Power Administration (SWPA) is the marketing agent for the disposal of power and energy generated at U.S. Army Corps of Engineer's hydroelectric plants in the six-state area of Kansas, Oklahoma, Texas, Missouri, Arkansas and Louisiana. It is headquartered in Tulsa, Oklahoma, with an operation control center located in Springfield Missouri, and maintenance crews and support warehouses located in Muskogee and Ada, Oklahoma; Jonesboro, Arkansas; and Springfield, Missouri.

The SWPA provides transmission lines, substations, switching stations, and communication facilities for integration and optimal use of diversity between hydroelectric projects and the transmission and sale of power to geographically dispersed customers.

The SWPA schedules and controls the generation of power from 22 hydroelectric projects to 65 customers from 59 system interconnection points with publicly and privately-owned utilities. In addition, the SWPA operates and maintains 1,665 miles of transmission lines consisting of 161, 138 and 69 KV wood pole and steel construction. It performs maintenance on 20 radio and microwave stations, 12 switching and 20 substations, with a total substation capacity of 1,083,434 KVA.

Estimated gross power sales revenues for FY 1980 are \$52,032,000 up from \$36,129,000 estimated for FY 1979 and \$50,220,000 actual in FY 1978.

The Western Area Power Administration (WAPA) Construction, Rehabilitation, Operation and Maintenance program excluding Colorado River Storage Project and Ft. Peck Project involves marketing Federally-generated hydroelectric power within a 15-state area in the West. A major goal is to market power at rates consistent with sound principles of economy and efficiency which will enable timely repayment of capital investment, operating costs and other obligations. Another goal is to operate and maintain about 14,000 miles of transmission lines 161 substations in order to minimize interruptions of customer service due to equipment failures or other malfunctions. In addition, management of the marketing program will emphasize the conservation of the Nation's non-renewable natural resources such as coal, oil and natural gas. Another broad goal is the full implementation of environmental concerns in management of WAPA resources.

The energy available for marketing in FY 1978 total 29,493 gigawatt hours through more than 400 wholesale power customers servicing over seven million people resulting in estimated gross power sales revenues of \$218,682,000. This is equivalent to the amount of energy generated by 69 million barrels of oil. In FY 1979 and FY 1980, plans include continuing cooperative work efforts with non-Federal entities on system replacements, extraordinary maintenance, construction or substations, switchyard additions and transmission inter connecting facilities. In FY 1979, energy available for marketing is estimated at 26,967 gigawatt hours and 26,629 gigawatt hours in FY 1980. This will result in power sales revenues totaling \$148,000,000 and \$160,000,000, respectively. Additionally, an active oil conservation program will continue by supplying hydropower during peak load periods replacing combustion turbine generation. This could result in an estimated savings of two to three million barrels of oil annually.

Furthermore, WAPA will continue to operate, maintain, and construct transmission facilities with the highest degree of efficiency possible and, at the same time, work closely with its customers to conduct repayment studies, determine power rate structures and study industry programs and research in an effort to acquire more advanced technology.

The Colorado River Basin Power Marketing Fund for the Western Area Power Administration (WAPA) encompasses the power marketing and transmission functions associated with the Colorado River Storage Project and the Fort Peck Continuing Fund (Ft. Peck Project) which is geographically located within the Pick-Sloan Missouri River Basin project area. These projects involve operations in six-western states. Goals associated with these projects are: to continue to operate and maintain over 3,000 miles of transmission lines and 47 substations and switchyards with a high degree of reliability so that interruptions of service to over 100 power customers are infrequent; to market existing and potential Federal power resources offering electric resources at rates consistent with sound business practices that will enable meeting repayment responsibilities; and to continue to incorporate environmental concerns in planning, operation and maintenance, and construction activities.

Power sales revenues based on estimated average rates for fiscal years 1979 and 1980 are \$58,000,000 and \$73,000,000 respectively. Total power sales revenues for fiscal years 1981 through 1983 are estimated at \$221,000,000.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF CHANGES
Alaska Power Administration - Operation and Maintenance
Power Marketing - Alaska Power Administration
(In thousands of dollars)

FY 1979 budget authority		2,614	
FY 1980 budget estimate		<u>2,660</u>	
Net change			+ 46
	1979		Change
	<u>Base</u>		<u>From Base</u>
Increases:			
Built-in:			
General Schedule pay raise	803		+ 63
Program:			
Administrative support items	277		+ 54
Communication, utilities, printing, supplies, and materials.			
Equipment - engineering and office services	...		+ 8
Overhaul exciters - Eklutna	...		+ 86
Additional carrier communication - Snettisham	...		+ 35
Maintenance equipment - Snettisham	...		+ 35
Total increases			+ 281
Decreases:			
Program:			
Completion of generator rewind and turbine overhaul - Eklutna	345		- 235
Total decreases			- 235

Alaska Power Administration - Operation and Maintenance
Power Marketing - Alaska Power Administration
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1979 Estimated Budget <u>Authority</u>	FY 1980 Requested Budget <u>Authority</u>
<u>Power marketing - Alaska Power Administration (APA)</u>		
Operating expenses	\$ 1,678	\$ 1,670
General investigations	<u>936</u>	<u>990</u>
Total, power marketing - Alaska Power Administration	\$ 2,614	\$ 2,660

Authorization: Sec. 302, P.L. 95-91

<u>Operating expenses</u>	\$ 1,678	\$ 1,670
---------------------------------	----------	----------

Program objectives are:

Operate and maintain the hydroelectric plants and transmission systems in a manner which protects the Federal investments, maximizes energy production, and provides the highest degree of reliability at the lowest possible rate. Included in this major objective are scheduling and installing necessary replacements and improvements to project facilities.

Market project power in accordance with authorizing legislation; continue full utilization of Eklutna energy and peaking capability; increase utilization of Snettisham Project energy from 75 million kwh in FY 1978 to 163 million kwh in FY 1984.

Continue to enhance public use of project lands and facilities, including visitation, reservoir recreation, and cooperation with the Alaska Department of Fish and Game in the salmon production program at the Snettisham Project.

The 30,000 kw Eklutna Project has been in operation since 1955, providing a sizable block of energy and power to utilities serving the Anchorage and Matanuska-Susitna areas. Through FY 1978, the Project had produced over 3.5 billion kilowatt-hours of energy with revenues to the U.S. Treasury of \$33,958,000. The project energy output is fully utilized, and no operating, maintenance, or marketing problems are anticipated.

The 47,160 kw Snettisham Project has been in commercial operation since October 28, 1975, providing the major portion of the Juneau area's electric energy requirements. Through FY 1978, the Project produced 219 million kwh of energy with revenue to the Treasury of \$3,393,000. The Project has the capability of providing approximately 40 percent more firm energy than is presently needed by the area utilities. Marketing efforts focus on ways to utilize this surplus to effect fossil fuel savings.

Revenues from the two projects in FY 1980 are estimated at \$3,634,000 for 260 million kwh of energy sales. Revenues for FY 1978 were \$3,158,000. These revenue increases are due to increased power sales from the Snettisham Project and an anticipated rate increase for Eklutna Project power on December 1, 1979.

Alaska Power Administration - Operation and Maintenance
Power Marketing - Alaska Power Administration
(Tabular dollars in thousands. Narrative material in whole dollars.)

The budget estimate would provide funds for all normal operation and maintenance activities for the two projects. The items include annual inspections for the generating units, routine maintenance and repair for all facilities, transmission line inspections and repairs where necessary, and the scheduling of reservoir operation for maximum power production.

The budget request would cover the following major maintenance and replacement items:

- o Completion of the generator rewind and turbine overhaul program at Eklutna. FY 1980 estimated costs are \$110,000; FY 1979 estimated costs are \$345,000. The result is a 20 percent increase in rated capacity for the project.
- o Overhaul the exciters (both units) and repair Unit 1 butterfly valve at Eklutna. Estimated costs are \$86,000.
- o Install an additional carrier communication channel between the Snettisham Project and the Juneau Substation, estimated cost, \$35,000. Existing communications are inadequate for this remote project.
- o Purchase of maintenance equipment for the Juneau Substation, estimated cost, \$35,000. This would be a multi-purpose vehicle used for maintenance of the grounds, driveway, and parking lot, and for loading/unloading supplies and materials.

The FY 1980 Operating Expense request is \$8,000 below the FY 1979 appropriations. The changes involve a reduction of \$79,000 in costs for major replacement items and an estimated increase of \$71,000 in other costs due to inflation and salary increases.

Personnel staffing for Operating Expenses for FY 1980 is requested at 22 Full Time Permanent employees. Sixteen positions are wage graded who perform operation and maintenance activities at our two hydroelectric projects. The other six are General Schedule employees which includes two Project Superintendents, two clerical, one Electronic Technician, and the Chief of Power Division. This is the same staffing totals as in previous years.

General investigations \$ 936 \$ 990

The program consists of: inventory, basin, and individual project studies for potential new projects; transmission system and power market evaluations for hydroelectric projects under evaluation by the Corps of Engineers; and participation in electric power aspects of comprehensive land, energy, and water resource planning. All work is coordinated closely with State, local, and other Federal entities.

Program objectives are:

1. Provide evaluations and studies of hydroelectric and other power supply alternatives as a basis for decisions on development of water and power resources. Provide necessary supporting studies, such as evaluation of power demands, present and future.
2. Assure that the water and power resources receive appropriate attention in broader land and resource planning.
3. Facilitate conversion of the State's major electric power systems from their present dependency on oil and gas to hydroelectric and other relatively plentiful energy resources.

Alaska Power Administration - Operation and Maintenance
Power Marketing - Alaska Power Administration
(Tabular dollars in thousands. Narrative material in whole dollars.)

Power demands continue to increase rapidly in Alaska as a result of increasing population and economic activity. Much of the growth is related to energy development, primarily oil and natural gas. The State's power systems are heavily dependent on oil and natural gas, largely as a result of power development decisions made before the 1973 oil embargo. APA has a shared objective with State and local entities of shifting the energy base for Alaska power systems to hydro and other renewable or relatively plentiful sources.

The planning work primarily addresses: (1) the Railbelt area including Anchorage and Fairbanks and representing more than three-fourths of the utility power demands in the State; (2) smaller coastal cities in Southeast Alaska and along the Gulf Coast which generally have good access to local hydroelectric resources; and (3) the small cities and villages scattered throughout the rest of the State. This latter group includes approximately 200 rural communities with less than five percent of the State's power demands.

The highest priority study item for the Railbelt is the proposed Upper Susitna hydroelectric project. This is a major project involving two proposed dams, with a 1500 MW installed capacity, and transmission lines to both Anchorage and Fairbanks. An updated feasibility report by the Corps of Engineers is due early in 1979 in response to a set of questions raised by OMB. The new report includes APA study products on load projections, power market analyses, transmission system costs, and operation and maintenance costs. Further work on area power demands and specific transmission system problems is anticipated in FY 1980 on this project. Limited office studies would be accomplished on other area hydro resources having capability to meet long-range needs.

Power supply planning for the smaller coastal cities involves both reconnaissance and feasibility grade investigations focusing on a group of small hydro projects in the 10 to 40 MW size range. APA work includes power market and transmission system analyses to go with Corps of Engineers investigations as well as conceptual studies for interconnected systems in Southeast Alaska.

Power supply planning for the third group of rural communities involves a careful search for viable alternatives to oil-fired generators. A few promising targets for using small hydro technology have been identified, and wind power options appear promising for many of the communities. APA will pursue evaluations of the better options.

APA plans to continue support programs such as analyses of power supply and usage statistics and load forecasts, including efforts to identify potential demand reductions through conservation. APA will continue cooperation on water and power aspects of land use and other regional planning efforts.

The FY 1980 General Investigation request is an increase of \$54,000 over FY 1979 appropriations. The increase is related to higher costs due to the October, 1978 pay increase and inflation.

General Investigations has a staff of 16 Full Time Permanent employees and two Other Than Full Time, all General Schedule. Seven of the FTP's and the two OTFTP's are involved in our planning and investigations programs. The other nine FTP's perform administrative support for all of the Alaska Power Administration including the Administrator's office.

Alaska Power Administration - Operation and Maintenance
Power marketing - Alaska Power Administration
(Tabular dollars in thousands. Narrative material in whole dollars.)

Revenues (\$3,622,000)

Gross power sales revenues are estimated to increase to \$3,634,000 in 1980. The revenue increase includes an anticipated rate increase for Eklutna due to increased O&M costs. Existing rates were established in 1974. Snettisham revenues reflect increased power utilization from that project. Eklutna revenues for FY 1978 were above normal because of favorable water supply conditions. Revenue deductions are made in the billing process for: (1) expenses of wheeling Snettisham power over non-Federal transmission lines for one customer, and (2) payments to the City of Anchorage for purchase of facilities at the time of the construction of the Eklutna Project. The last of the payments to Anchorage will be made in FY 1979.

	Actual FY 1978	Revenues (\$1,000) Estimated FY 1979	Estimated 1980
Eklutna project power sales.....	\$1,992	\$1,614	\$2,051
Eklutna project wheeling.....	13	20	20
Snettisham project power sales.....	1,166	1,443	1,583
Gross revenue.....	3,171	3,077	3,654
Snettisham project wheeling.....	27	29	32
Payments to Anchorage.....	71	3	...
Revenue deductions.....	- 98	- 32	- 32
Total customer billing.....	\$3,073	\$3,045	\$3,622

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SYSTEMS STATISTICS
Alaska Power Administration
(Dollars in thousands)

	FY 1978 <u>Actual</u>	FY 1979 <u>Estimate</u>	FY 1980 <u>Estimate</u>
<u>Generating capacity:</u>			
Installed capacity (kw)	77,160	77,160	77,160
Leased capacity (kw)	...	...	...
Peak capacity (kw)	77,160	77,160	77,160
<u>Generating stations:</u>			
Generating projects (No.)	2	2	2
Substations/switchyards (No.)	5	5	5
Substations/switchyards (kva capacity)	237,000	237,000	237,000
<u>Available energy:</u>			
Energy generated (megawatt-hours)	276,288	256,000	267,000
Energy purchased (megawatt-hours)	...	...	...
Energy available for marketing (megawatt-hours)	268,629	249,000	260,000
<u>Transmission lines (circuit miles):</u>			
115 kv	60	60	60
138 kv	42	42	42
Total circuit miles	102	102	102
<u>DOE revenues:</u>			
Adjusted gross power revenues a/	\$ 3,171	\$ 3,077	\$ 3,654
Prior year adjustment	...	...	...
Total revenues	\$ 3,171	\$ 3,077	\$ 3,654
<u>DOE annual gross revenues:</u>			
.....	\$ 3,214	\$ 3,120	\$ 3,697
<u>Federal investment allocated to commercial power:</u>			
Generation equipment	\$ 82,036	\$ 82,381	\$ 82,581
Transmission facilities	29,398	29,398	29,398
Total investment	\$111,434	\$111,779	\$111,979

a/ Includes power sales, wheeling, and other revenues.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

POWER MARKETED, WHEELED, OR EXCHANGED BY PROJECT
Alaska Power Administration

<u>Project</u>	<u>State</u>	<u>No. of Plants</u>	<u>Installed Capacity (kw)</u>	<u>FY 1978 Actual Power (kwhrs.)</u>	<u>FY 1979 Estimated Power (kwhrs.)</u>	<u>FY 1980 Estimated Power (kwhrs.)</u>
<u>Power marketed</u>						
Eklutna	Alaska	1	30,000	193,599,880	157,000,000	159,000,000
Snettisham	Alaska	1	47,160	75,028,901	92,000,000	101,000,000
Total, power marketed		<u>2</u>	<u>77,160</u>	<u>268,628,780</u>	<u>249,000,000</u>	<u>260,000,000</u>
<u>Power wheeled and exchanged</u>						
Eklutna	Alaska	1		26,000,000	40,000,000	40,000,000
Total, power wheeled and exchanged		<u>1</u>	<u>—</u>	<u>26,000,000</u>	<u>40,000,000</u>	<u>40,000,000</u>

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

PENDING LITIGATION
Alaska Power Administration

NONE

Department of Energy
FY 1980 CONGRESSIONAL BUDGET

SUMMARY OF CHANGES
Bonneville Power Administration
(In thousands of dollars)

FY 1979 program (obligations)	449,400
FY 1980 program (obligations)	602,100
Net change	+152,700

	1979 Base	Change From Base
Increases:		
Built-in:		
Full-year effect of hourly pay increase	950	+ 680
Classified employees	2,680	+ 90
Program:		
<u>Operation and maintenance</u>		
System maintenance	27,700	+ 1,500
Power management and energy conservation	7,550	+ 1,250
Electric Power Research Institute	4,600	+ 600
General services	7,850	+ 270
<u>Purchase power and wheeling</u>		
Inclusion of Washington Public Power Supply System (WPPSS) Plant #1		+56,000
Debt service increases on WPPSS Plant #2	78,000	+18,000
<u>Interest expense on borrowings</u>		
Borrowings to finance the construction program increase, thus causing higher interest costs	24,000	+ 3,700
<u>Associated project costs</u>		
Increased operation and maintenance costs at U.S. Corps of Engineers projects which are part of Federal Columbia River Power System (FCRPS)	30,900	+ 5,500
<u>Transmission system construction</u>		
Northern Idaho Support and Libby Integration		+13,860
Western Montana Transmission	29,180	+32,900
Hot Springs Bell	1,060	+32,620
South Puget Sound System Reinforcement	500	+11,120
Total increases		+178,090
Decreases:		
Program:		
<u>Operation and maintenance</u>		
General administration	650	- 620
Phase down of Role EIS effort		
<u>Transmission system construction</u>		
Ashe Willamette Valley	24,440	- 20,487
Phase down of construction effort		
Other program costs		- 4,283
Total decreases		- 25,390

Bonneville Power Administration
Bonneville Power Administration Fund
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1979 Estimated Budget <u>Obligations</u>	FY 1980 Estimated Budget <u>Obligations</u>
Bonneville Power Administration (BPA)	\$449,400	\$602,100

Authorization: Bonneville Project Act (as amended)
16 U.S. Code Chapter 12B (1964 Ed.)
Federal Columbia River Transmission System Act
P.L. 93-454

Bonneville Power Administration (BPA)..... \$ 449,400 \$ 602,100

BPA's FY 1980 budget program will require total budget obligations of \$602,100,000. This funding level will enable BPA to perform its system operation and maintenance and transmission system construction programs in a businesslike, prudent utility manner and provide funds for purchase power and wheeling and reimbursable programs at the minimum level required by contractual arrangements.

BPA's budget program for FY 1980 has been formulated in accordance with the requirements of the Federal Columbia River Transmission System Act and the Government Corporation Control Act. It requires no appropriation. To fund proposed program obligations of \$602,100,000 will require outlays of \$552,400,000. Revenues and other receipts for FY 1980 are estimated at \$641,000,000. Net outlays will be -\$88,600,000. Of the \$602,100,000 in proposed budget obligations for FY 1980, about 61 percent is for operating costs programs including costs of purchase power and wheeling, 29 percent is for capital outlays for transmission system construction, and 10 percent is for reimbursable programs, which are funded by other entities. As of September 30, 1978, BPA had utilized about \$300,000,000 of its \$1,250,000 borrowing authority. This, coupled with planned borrowings of \$122,640,000 in FY 1979 and \$133,300,000 in FY 1980, will bring BPA's cumulative borrowing to \$555,940,000 by September 30, 1980.

Operating Costs

Operation and Maintenance. Operation and maintenance of the BPA transmission system in FY 1980 will require \$71,000,000, an increase of \$3,000,000 over FY 1979. This increase provides for a combination of growth of the system and growth of the program. About half of the increase, \$1,500,000, will be applied to electrical system maintenance and about \$750,000 will be applied to further develop and to operate the energy conservation program. The remainder represents the net increase of many changes, the largest being the \$600,000 increase in BPA's financial participation in the Electric Power Research Institute. Of the total \$3,000,000, about \$340,000 is required to cover the estimated full-year cost of an hourly wage increase effective March 1979.

Operation and maintenance standards revised in FY 1976 have been combined with greater use of automated equipment to hold down cost increases related to operating and maintaining the transmission system, while at the same time servicing the additional miles of transmission lines and greater number of substations. At the beginning of FY 1980, the transmission system will consist of 12,713 circuit-miles of lines and 346 substations, representing an investment of \$1,979,000,000. By the end of FY 1980 the transmission will include 13,176 miles of transmission and 349 substations, representing an investment of \$2,225,000,000.

Bonneville Power Administration
Bonneville Power Administration Fund
(Tabular dollars in thousands. Narrative material in whole dollars.)

Purchase power and wheeling. Purchase power and wheeling includes the acquisition of power from other entities through purchase and exchange, and the use of other utilities' transmission facilities. The majority of items covered in this activity will be settled through a net-billing process whereby amounts owed by BPA are offset against power sales and other services provided to BPA customers. A small number of the items will be settled by cash payment.

Net-billing of the costs of acquiring power from non-Federal thermal projects is the major component of this activity -- more than 90 percent in FY 1980. The activity increases in cost from \$152,000,000 in FY 1979 to \$202,000,000 in FY 1980, an increase of \$50,000,000, or about one-third. Principal factors are increased net-billing for the Washington Public Power Supply System's WNP No. 2 and first-year net-billing of WNP No. 1. All other purchase power and wheeling activities projected at approximately the same level in FY 1980 as for FY 1979.

Interest expense. This item covers the payment of interest to the U.S. Treasury on borrowings to finance BPA's construction program. P.L. 93-454 provided borrowing authority up to a limit of \$1,250,000,000 which is available for the construction program. The funding requirements for interest expense increases by \$18,000,000 from \$6,200,000 in FY 1978 to \$24,400,000 in FY 1979 as a result of an increase in the interest rate established for BPA borrowing by the Secretary of the Treasury. The increase from FY 1979 to FY 1980 is only \$3,700,000, or about 15 percent, which reflects BPA's higher level of borrowing in FY 1980.

Associated project costs. This activity includes repayment to the U.S. Treasury of the operation and maintenance costs of the U.S. Corps of Engineers and U.S. Bureau of Reclamation power generating projects within the service area of the Federal Columbia River Power System (FCRPS); interest and amortization on the U.S. Bureau of Reclamation investment in irrigation facilities that have been allocated to the FCRPS for repayment; and coordination agreement payments to the Federal Energy Regulatory Commission.

This activity will require obligations of \$66,000,000 in FY 1980, an increase over FY 1979's \$60,000,000 of \$6,000,000, or 10 percent. The major factor is increased operation and maintenance cost at U.S. Corps of Engineers' projects of the FCRPS.

Capital outlays (transmission system construction program)

BPA's Transmission System Construction Program provides for continued construction of facilities under construction, initiation of construction of transmission system additions, and acquisition of capital tools and equipment. Activities included for transmission system construction are preliminary engineering, reconnaissance and environmental studies, surveys, substation and transmission line design, land acquisition, material purchase, and construction.

BPA's proposed transmission system construction program for FY 1980 is \$217,267,000. After applying an undistributed reduction of \$44,267,000 due to unidentified delays expected in program obligations, funded obligations are estimated at \$173,000,000. About \$155,064,000 of the total program, or 71 percent, is for continued construction of facilities previously programed and underway and \$62,203,000, or 29 percent, is for initiation of construction of proposed system additions and tools and equipment. During FY 1980, BPA plans to complete construction of 453 miles of line and 4 substations now underway, continue work on 451 miles of line and 6 substations, and initiate construction on 268 miles of line and 5 substations. The amount of the undistributed reduction compared to total obligations has been increased to recognize the possibility

Bonneville Power Administration
Bonneville Power Administration Fund
(Tabular dollars in thousands. Narrative material in whole dollars.)

of substantial changes occurring in BPA's construction program due to several external factors which have also caused rescheduling in prior years. Program changes have been required by changes in regional needs, plans of utilities, impediments to land acquisition due to litigation and inability to acquire rights-of-way, and compliance with environmental laws and regulations.

The obligational level of \$173,000,000 is \$63,000,000 greater than the FY 1979 estimate and the higher amount basically reflects the following:

1. An increased level of effort for Western Montana Transmission in FY 1980 over FY 1979 (Budget Item 101);
2. Greater concentration of funds in FY 1980 for the Hot Springs-Bell line due to a delay in energization of this line (Budget Item 185); and
3. Inclusion of funding for the first time for Northern Idaho Support and Libby Integration (Budget Item 197).

At the same time that program slippages have occurred due to the types of events cited above, BPA has also had to comply with additional requirements which increase program costs. For example, in 1974, a mile of 500-kV line required about 85 man days of design work. Today it requires about 130 man days, an increase of 53 percent. Most of this increase comes from additional efforts in environmental and route location process as we comply with further Federal, state, and local legal requirements and negotiate with other agencies and the general public. Other areas requiring increased manpower include (1) site location and facility layout work necessary to minimize environmental impacts on surrounding properties, especially landowner concerns regarding noise, appearance, and restrictions on farming and irrigation use; (2) radio frequency management studies necessary to evaluate other Federal agency and utility broadcast plans which may interfere with our own radio systems; and (3) existing building energy conservation studies and implementation plans to fulfill Executive Order 12003.

BPA policy continues to be to provide essential transmission facilities with due concern for protection of the environment and to meet minimum acceptable reliability criteria. Although alternate transmission sources are desirable, some communities will continue to be served over a single radial line because it is not economically feasible to provide multiple lines at this time. In the past, line additions were primarily to improve system reliability or prevent overload of existing facilities. With the increasing cost of energy, it is now becoming economical to add some facilities solely for reducing energy losses on the system.

Reimbursable programs.

BPA's Reimbursable Programs provide for (1) the purchase of energy from other sources for BPA industrial and utility customers during periods when nonfirm energy is not available from the Federal system, (2) construction, operation and maintenance of transmission system facilities which are not provided by BPA under its customer service policy, (3) relocation of BPA facilities as required for highway construction and other purposes, and (4) other services provided by BPA to serve regional interests in the most cost-effective manner.

BPA's Reimbursable Programs are funded by other entities, so there is no net effect on the Federal budget as a result of this activity. BPA's Reimbursable Programs will increase from \$35,000,000 in FY 1979 to \$62,000,000 in FY 1980. The principal element of the increased funding is the acquisition of output from the non-Federal Hanford Generating Project for customers to replace nonfirm energy that will not be available from BPA.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET ESTIMATE

PENDING LITIGATION
Bonneville Power Administration

Natural Resources Defense Council v. Hodel, U.S. District Court for Oregon, No. 75-344, April 17, 1975. On July 1, 1977, the court entered its opinion that held that the plaintiffs were entitled to summary judgment declaring that BPA was required to file a final EIS on Phase II of the Hydro-Thermal Power Program. The court has not yet determined the extent to which it will enjoin BPA's participation in the implementation of Phase II until the final EIS is filed.

Port of Astoria v. Hodel, U.S. Ninth Circuit Court of Appeals, No. 75-3465, 76-3621, 75-3699, 76-1049, appeal filed November 17, 1975. All the briefs have been filed and the case is at issue. The issues involved are the obligation of BPA to do a site-specific EIS for the Alumax plant in Umatilla County and BPA's obligation to reflect in that EIS BPA's involvement with Phase II of the Hydro-Thermal Power Program or alternatively to do an EIS on Phase II of the Hydro-Thermal Power Program. The Ninth Circuit heard oral arguments on the case January 3, 1978, at the Pioneer Courthouse in Portland and its decision is pending.

Columbia Basin Land Protection Association and South Columbia Basin Irrigation District, et. al. v. Schlesinger, U.S. District Court for Eastern District of Washington, No. C-76-6, filed January 12, 1976. On January 12, 1976, the Columbia Basin Land Protection Association, representing a group of landowners whose land would be crossed by BPA's proposed Lower Monumental-Ashe transmission line project, brought suit in the United States District Court for the Eastern District of Washington to enjoin construction of the project. Several issues were raised by the plaintiffs during the course of litigation. The principal issue initially raised by the plaintiffs was the question of whether BPA's EIS on the Lower Monumental-Ashe project was adequate. Later in the proceedings the plaintiffs asserted the claim that, prior to the construction of the transmission line, BPA was required to obtain permits from the Bureau of Land Management (BLM) and the Bureau of Reclamation (BuRec) in accordance with the provisions of Section 507 of the Federal Land Policy and Management Act of 1976 (FLPMA). On April 20, 1977, the District Court filed a Memorandum and Order that ruled in favor of the Government on all issues except on the question of whether permits were required under FLPMA. It held that BPA could not proceed with construction of any portion of the project until it obtained these permits with respect to that portion of the project that traversed BLM and BuRec lands.

The BuRec permit was not previously filed as a result of the Department of Interior's concern that compliance with the court's order would moot a possible appeal on the question of whether FLPMA was applicable to the BuRec. The BuRec permit was filed November 18, 1977, by the Justice Department at the request of the Assistant Secretary for Resource Applications of the Department of Energy. On December 12, 1977, the District Court dissolved the injunction on the basis of the BuRec permit and the BLM permit that had been previously filed. The plaintiffs' request for a stay of construction pending appeal was, also, denied. The plaintiffs are expected to appeal. The construction contract was awarded December 19, 1977. The line has been constructed and was energized in November 1978.

City of Portland, Oregon, v. Schlesinger, U.S. District Court for District of Oregon, No. 77-928, November 14, 1977. Complaint for Declaratory Relief and Mandate under the Bonneville Project Act, the Due Process Clause, and the Administrative Procedure Act. No responsive pleading filed. On December 12, 1978, the Federal Judge dismissed the City of Portland case No. 77-928 on the grounds that the City was not in a position to receive power from BPA. It is not known at the present time what course of action the City will follow.

This case was brought to determine the propriety of the Bonneville Power Administration's methods of allocating federal power and to require the Administrator to hold

hearings and to adopt and publicize rules and procedures concerning the methods. It further challenges the Administrator's decision denying firm power to plaintiff City of Portland for its own use and for intended resale to others. The legal issues concern the construction of the "Preference Clause" of various Federal acts the requirements of the Administrative Procedure Act, and the Due Process Clause of the Fifth Amendment.

City of Portland, Oregon, v. Schlesinger, U.S. District Court for District of Oregon, No. 77-929, November 14, 1977. Complaint for Injunctive and Declaratory Relief. Plaintiffs challenge BPA's ability to execute Power Sales Contracts and other agreements without having filed an EIS. No responsive pleading filed. Government takes the position that plaintiffs do not have standing, that the plaintiffs are barred by laches, and that an EIS is not required in respect to the challenged agreements.

In July 1978, Pacific Power & Light Company, Portland General Electric Company, and Montana Power Company, who had previously been joined by BPA as defendants, filed cross-claims against BPA. They contend that the BPA preference clause entitles them to power for their domestic and rural customers. These claims are considered invalid by BPA.

TORT ACTIONS

Travelers Indemnity Co. v. United States, U.S. District Court for District of Oregon, No. 71-287, filed April 29, 1971. Action by subrogee of PP&L for \$1,600,000.00 in damages suffered in electrical fire in the Malin Substation, a part of the Pacific Northwest-Pacific Southwest Intertie. The case was tried in February 1978. The judge is reserving decision pending additional expert testimony.

Ochampaugh v. United States, U.S. District Court for District of Oregon, No. 75-572V, filed August 6, 1975. Action by parents of two boys who drowned in a lake on a transmission line right-of-way. Amount requested is \$2,000,940.75. Trial was scheduled the week of September 12 but has been delayed indefinitely. U.S. moved June 1, 1978, for summary judgment. A decision on the Government's motion is being held in abeyance pending a decision by the State of Washington Supreme Court on a case involving similar issues.

Richardson v. United States, U.S. District Court for the Eastern District of Washington, No. C-76-260, filed September 30, 1976. Answer filed December 3, 1976. Trial date has not been set. Action for damages for injuries suffered from electrical burns resulting from contact of irrigation pipe with transmission line. Plaintiff asks \$950,000.00. Plaintiff is attempting to seek compromise settlement but we see no liability. A trial has been held on the question of liability and we are awaiting the court's decision.

Trapp v. United States, U.S. District Court, Western District of Washington, No. C78-280V filed May 9, 1978. This is a comparison case to Richardson v. U.S.. The claim is for \$950,000.00. No trial date has been set because the parties are awaiting the decision in the Richardson case.

Iverson v. Reforestation Services v. BPA, U.S. District Court for the Western District of Washington, No. C-77-119T, filed July 27, 1977. Answer filed November 8, 1977. No trial date set. Iverson sued Reforestation for property damage and personal injury from contamination of land and well due to herbicide spill on right-of-way. Reforestation, a BPA contractor, filed third-party complaint against BPA.

Glenn Wagner v. Department of Energy, U.S. District Court for District of Oregon, No. 77-974, filed December 1, 1977. No responsive pleading filed. Plaintiff claims damage for loss of milk production of dairy herd due to electrical current in claimant's milk. Government denies liability for the reason it did not discharge currents that could have caused loss.

Hinrichs v. Bonneville Power Administration, Power City Electric, Inc., and the State of Washington, U.S. District Court, Eastern District of Washington, No. C78-001T, filed January 3, 1978. Plaintiff lost control of his motorcycle while driving at an excessive rate of speed and struck a guard structure erected adjacent to a State of Washington highway by Power City Electric, Inc., a BPA contractor. The complaint alleges negligence on the part of the defendants in permitting the guard structure to be located close to the highway. The United States attorney has filed a motion to dismiss Bonneville Power Administration as a defendant on the ground that the structure was erected by and under the contract of Power City Electric, Inc., as an independent contractor. No decision has been issued on the motion.

Walter C. Smith v. United States, U.S. District Court, Eastern District of Washington, No. C78-100, filed April 6, 1978. Claim of \$150,483 for injuries when plaintiff was rear-ended by a Bonneville Power Administration driver. Plaintiff has offered to settle for \$75,000.00; but, while EPA admits liability, it is believed the case may be settled at a substantially lower figure.

CONTRACT CLAIM

John M. King Co. Contract appeal filed in November 1978 on claim of \$591,637.00. Claim is based on alleged efficiency loss, differing site conditions, and difficulty in assembling and erecting tower steel on a transmission line contract in western Montana. The appeal is pending before the Energy Board of Contract Appeals.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET ESTIMATE

SYSTEM STATISTICS
Bonneville Power Administration Fund
(Dollars in thousands)

	FY 1978 <u>Actual</u>	FY 1979 <u>Estimate</u>	FY 1980 <u>Estimate</u>
<u>Generating capacity: USCE and USBR</u>			
<u>Plants in Federal Columbia River</u>			
<u>Transmission System</u>			
Number of projects.....	30	30	30
Installed capacity (kW).....	16,306,780	18,626,780	18,676,780
Peak capacity (kW).....	18,284,040	20,926,440	20,976,440
<u>Substations:</u>			
Number of substations.....	346	346	349
kVA capacity.....	50,578,413	52,287,496	52,666,996
<u>Available energy: (MWh)</u>			
Energy generated (USCE and USBR Plants in Federal Columbia River Transmission System).....	79,366,284	82,600,000	82,900,000
Energy purchased, wheeled, and exchanged (includes thermal plants).....	70,071,523	72,800,000	73,100,000
Energy available.....	149,437,807	155,400,000	156,000,000
<u>Transmission lines (circuit miles):</u>			
800 kV.....	265	265	265
500 kV.....	2,979	3,137	3,607
345 kV.....	709	709	709
287 kV.....	1,450	1,450	1,450
230 kV.....	3,375	3,402	3,395
138 kV.....	39	46	46
115 kV.....	3,341	3,408	3,408
Lower voltage.....	296	296	296
Total, circuit miles.....	12,454	12,713	13,176
<u>BPA revenue and expenses:</u>			
Revenue.....	320,594	343,000	579,000
Expense.....	<u>-213,546</u>	<u>-263,800</u>	<u>-256,100</u>
Net operating income.....	107,048	79,200	322,900

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF CHANGES
Southeastern Power Administration
Operation and Maintenance
(In thousands of dollars)

FY 1979 budget authority	1,253
FY 1980 budget estimate	<u>1,400</u>
Net change	+147

	<u>1979 Base</u>	<u>Change From Base</u>
Increases:		
Built-in:		
Personnel compensation and benefits costs	898	+13
Program:		
Expenses related to change in assignment of two Headquarters General Counsel staff members to Southeastern Power Administration	...	+80
Purchase power and wheeling charges	212	+38
Other support costs	143	<u>+16</u>
Total increases		+147

Southeastern Power Administration
Operation and Maintenance
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1979 Estimated Budget <u>Authority</u>	FY 1980 Requested Budget <u>Authority</u>
III. Power Marketing -		
Southeastern Power Administration (SEPA)		
Operation and Maintenance		
Operating expenses	\$1,041	\$1,150
Subtotal	1,041	1,150
Purchase power and wheeling		
Operating expenses	212	250
Subtotal	212	250
Total, power marketing -		
Southeastern Power Administration ...	\$1,253	\$1,400

Authorization: Sec. 5, Flood Control Act of 1944 (16 U.S.C. 825a)

<u>Operation and maintenance</u>	\$1,041	\$1,150
--	---------	---------

To carry out an effective power marketing program in the Southeast, the budget request for FY 1980 reflects an increase of \$109,000 over the amount appropriated in the current year.

The major portion of the increase (\$80,000) is required for continuation of legal services to Southeastern, including two fulltime permanent positions, with full year funding for personnel expenses (\$73,000), travel (\$3,000) legal library and equipment (\$4,000). The costs of legal services to Southeastern have previously been funded through the Office of General Counsel. Transfer of the legal service personnel will be accomplished during the current year with partial year funding in FY 1979 by Southeastern from savings resulting from delays in filling vacancies and other program adjustments.

The remaining portion of the increase is required for program costs resulting from increased pay and related personnel costs (\$20,000), increased communication requirements (\$8,000), and travel (\$1,000).

Interest expressed by numerous potential customers throughout the Southeast in purchasing SEPA power and SEPA's recognition that a more formal approach to power policy development was desirable has led to SEPA's decision to formulate new power policy under public participation procedures. Formulation of marketing plans under these procedures will continue during the current and budget years. Appropriate contractual arrangements will then be negotiated for the sale of power under long term contracts. During the current and budget years, marketing policy formulation and contract negotiations will be actively pursued for power to be marketed in South Carolina, North Carolina, and Virginia. Many difficulties involving power allocations among customers and appropriate rate levels are involved in the consummation of new marketing arrangements for this power.

A complete rate review for the Kerr and Philpott projects (2 projects 33 customers) will be made during FY 1980. Subsequent to the implementation of rate levels for the ensuing 5-year period, approval of the rates must be obtained from the Federal Energy Regulatory Administration.

Southeastern Power Administration
Operation and Maintenance

(Tabular dollars in thousands. Narrative material in whole dollars.)

During FY 1980 Southeastern will maintain power billing, collection, and payment functions and will prepare financial and marketing analyses with respect to existing and potential projects as required. Southeastern will coordinate power operations of the 21 operating projects. Studies will continue to maximize future power operations.

No increase in personnel is proposed. Accomplishment of the program objectives for FY 1980 anticipates continuation of the 39 fulltime positions (including legal service personnel) which constitute the current authorized manpower level of Southeastern.

Purchase power and wheeling	\$212	\$250
-----------------------------------	-------	-------

The FY 1980 budget request for this activity is \$250,000, a \$38,000 increase over the amount appropriated in FY 1979.

This activity provides for transmission service and for the purchase of firming energy under contractual arrangements with utilities in the Southeast. Southeastern does not own nor operate any transmission facilities. Delivery of power to customers of the Government is made through contractual arrangements over non-Federal systems. Funds provided for this activity are used only to pay amounts charged the Government under contractual arrangements for (1) delivery of power over non-Federal systems to load centers of preferred agencies for the account of the Government, and (2) purchase by the Government of energy to firm up Federally generated power to the load factor required by preferred agencies and of capacity required to meet commitments from the Jim Woodruff Project under certain water conditions. The activity provides funding based upon the payments under monthly net billing arrangements whereby appropriated funds are required for only the amount due each Company by SEPA for wheeling and firming over and above any amount due the Government by the Company for the purchase of power in the same month. Such a netting of bills substantially reduces the funding requirements.

The \$250,000 requested is the amount that will be required based upon current wheeling and firming estimates if average water conditions prevail. Should adverse water conditions prevail, it will be necessary to utilize the Southeastern Continuing Fund to meet contractual requirements.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

PENDING LITIGATION
Southeastern Power Administration

Greenwood (Miss.) Utilities Commission v. Andrus and Fortune, U. S. District Court for Middle District of Georgia, No. 77-179-MAC; originally filed April 20, 1977, in U.S.D.C., D.C., No. 77-0689; transferred by Order dated September 9, 1977.

Plaintiff, located outside the geographically selected marketing area for Federal power, filed Complaint alleging that Defendants violated Section 5 of the Flood Control Act of 1944, 16 U.S.C. 825s, or otherwise acted unlawfully in (1) denying Plaintiff an allocation of power because of its geographic location, (2) selling power to non-preference customers while denying power to Greenwood, a preference customer, (3) discriminating against Greenwood, while providing service to other preference customers, (4) failing to prepare EIS as required by Section 102 of NEPA, 12 U.S.C. 4332, (5) following unjust and unreasonable allocation procedures, (6) failing to hold a hearing and develop an adequate record upon which valid allocations could be made, (7) failing to develop and promulgate, with interested party input, regulations or procedures governing availability, application for, and allocation of power.

Plaintiff seeks to have the Court declare Defendants refused to sell power to Greenwood a violation of Section 5 and NEPA, declare sale to non-preference customers unlawful, and to set aside all allocations of power pending Defendants promulgation of rules and regulations relative to power allocations after hearings and interested party input.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SYSTEMS STATISTICS
Southeastern Power Administration
(Dollars in thousands)

	FY 1978 <u>Actual</u>	FY 1979 <u>Estimate</u>	FY 1980 <u>Estimate</u>
<u>Generating capacity:</u>			
Installed capacity (kw)	2,712,375	2,712,375	2,712,375
Peak capacity (kw)	2,968,109	3,000,000	3,000,000
<u>Generating stations:</u>			
Generating projects (No.)	21	21	21
<u>Available energy:</u>			
Energy generated (megawatt-hours)	7,526,391	6,700,000	6,700,000
Energy purchased (megawatt-hours)	42,174	50,000	50,000
Energy available for marketing (megawatt-hours)	7,568,565	6,750,000	6,750,000
<u>DOE revenues:</u>			
Annual gross power revenues	\$53,926	\$55,600	\$58,300

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

POWER MARKETED, WHEELED, OR EXCHANGED BY PROJECT

<u>Project</u>	<u>State</u>	<u>No. of Plants</u>	<u>Installed Capacity (kw)</u>	<u>FY 1978 Actual Power (kwhrs.)</u>	<u>FY 1979 Estimated Power (kwhrs.)</u>	<u>FY 1980 Estimated Power (kwhrs.)</u>
<u>Power Market</u>						
John H. Kerr	Va.	1	204,000			
Philpott	Va.	1	14,000	456,755,025*	455,000,000*	455,000,000*
Allatoona	Ga.	1	74,000			
Buford	Ga.	1	86,000			
Carters	Ga.	1	500,000			
Clark Hill	Ga.-S.C.	1	280,000			
Walter F. George	Ga.-Ala.	1	130,000	2,901,780,477*	2,865,000,000*	2,865,000,000*
Hartwell	Ga.-S.C.	1	264,000			
Jones Bluff	Ala.	1	68,000			
Millers Ferry	Ala.	1	75,000			
West Point	Ga.-Ala.	1	73,375			
Jim Woodruff	Fla.	1	30,000	234,850,427	240,000,000	240,000,000
Barkley	Ky.	1	130,000			
Center Hill	Tenn.	1	135,000			
Chsatham	Tenn.	1	36,000			
Cordell Hull	Tenn.	1	100,000	3,698,238,000*	2,949,000,000*	2,949,000,000*
Dale Hollow	Tenn.	1	54,000			
Old Hickory	Tenn.	1	100,000			
J. Percy Priest	Tenn.	1	28,000			
Wolf Creek	Ky.	1	270,000			
Laurel	Ky.	1	61,000	86,832,000	66,000,000	66,000,000
Total - Power Marketed		21	2,712,375	7,378,455,929	6,575,000,000	6,575,000,000

*Projects are integrated hydraulically, electrically, and financially for marketing purposes.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF CHANGES
Southwestern Power Administration - Operation and Maintenance
(In thousands of dollars)

FY 1979 budget authority.....	36,077
FY 1980 budget authority.....	<u>32,180</u>
Net change.....	- 3,897

	1979 <u>Base</u>	Change <u>from Base</u>
Increases:		
Program:		
Operation and maintenance		
personnel and support cost.....	5,446	+418
construction and equipment.....	2,106	+559
Total increases.....		+977
Decreases:		
Program:		
Phase down of Harry S. Truman		
construction project.....	4,149	-4,018
Reduced level of construction		
for Jonesboro EHV substation.....	5,056	-856
Total decreases.....		-4,874

Department of Energy
Southwestern Power Administration - Operation and Maintenance
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1979 <u>BA</u>	FY 1980 <u>BA</u>
Power marketing -		
Southwestern Power Administration (SWPA)		
Operation and maintenance.....	\$ 5,466	\$ 5,884
Purchase power and wheeling.....	19,300	19,300
Construction.....	<u>11,311</u>	<u>6,996</u>
Total.....	\$36,077	\$32,180

Authorization: 16 U.S.C. 825s

<u>Operations and maintenance</u>	\$ 5,466	\$ 6,996
---	----------	----------

These funds will allow an increased level of contracting for basic mission support services in lieu of additional Federal employment. This level of funding will support 165 permanent positions and 18 other, less than full-time positions. This level will accomplish the marketing, operation, maintenance and administration of the SWPA program.

<u>Purchase power and wheeling</u>	\$19,300	\$19,300
--	----------	----------

These funds will pay transmission wheeling expenses and will allow the purchase of thermal energy to support the hydroelectric generation for 6 months of a critical year.

<u>Construction</u>	\$11,311	\$ 5,884
---------------------------	----------	----------

The construction funds will allow the interconnection of a new hydroelectric project to the SWPA transmission grid and correct critical transmission system voltage conditions.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST
OPERATING EXPENSE FUNDED PROJECT DATA SHEET
Southwestern Power Administration

Operation and Maintenance

(Tabular dollars in thousands. Narrative material in whole dollars.)

Harry S. Truman Interconnection
Western Missouri

Total Estimated Cost (TEC) \$7,451,000

Harry S. Truman Interconnection
Western Missouri

Total Estimated Cost (TEC) \$7,451,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

	Cumulative Prior Years Obs.	FY 1978		FY 1979		FY 1980	
		B/A	B/O	B/A	B/O	B/A	B/O
<u>Operating expenses (DOE):</u>							
Design and construction	\$ 143	\$3,008	\$1,500	\$4,149	\$2,870	\$ 131	\$2,703
R&D related to construction							
Facility operations							
Direct project related support costs							
Total operating expenses	143	3,008	1,500	4,149	2,870	131	2,703
<u>Capital Equipment (DOE):</u>							
Other DOE funding:							
(Identify source)							
Total DOE funding:	143	3,008	1,500	4,149	2,870	131	2,703
<u>Non-DOE funding:</u>							
Design and construction							
Facility operations							
Other							
Total Non-DOE funding							
<u>Total Project Funding</u>	\$ 143	\$3,008	\$1,500	\$4,149	\$2,870	\$ 131	\$2,703

Harry S. Truman Interconnection
Western Missouri

Total Estimated Cost (TEC) \$7,451,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

Description, Objective, and Justification

These funds are the estimated amounts required in FY 1980 to continue construction of approximately 142 miles of 161 kv transmission line and substation line terminals to connect the Harry S. Truman hydroelectric project, under construction by the Corps of Engineers, to the SWPA Clinton and Carthage substations and to the Stockton Dam. \$7,170,000 was appropriated in previous fiscal years for right-of-way procurement, equipment purchases, and construction contracts.

The Harry S. Truman project is expected to produce 160,000 kw of hydro peaking capacity using a pump-back type operation requiring off-peak pumping energy. The first unit of the Harry S. Truman hydroelectric project is scheduled by the Corps of Engineers to be operational in October 1979. The Harry S. Truman to Carthage line section will be connected to the Stockton Dam if required to integrate this project with the SWPA transmission grid. The agreement with the Empire District Electric Company whereby the Stockton project is interconnected with the SWPA system through transmission lines of Empire and Associated Electric Cooperative expires in 1983. If a satisfactory agreement with these parties to continue the existing integrated arrangement is not made, it will be necessary to interconnect Stockton to the SWPA grid by direct Federal transmission line construction.

The funds requested herein are required in order to supervise construction of the interconnection facilities, make minor contract change orders caused by field conditions, continue right-of-way procurement activity, make final inspection and acceptance tests, and place the facilities in operation.

Schedule of Planned Activities

	<u>Start</u>	<u>Complete</u>
Harry S. Truman to Clinton Line and Clinton Substation Addition Engineering and Design, R/W Procurement Construction	2nd 1/4 FY 78 2nd 1/4 FY 79	2nd 1/4 FY 79 1st 1/4 FY 80
Harry S. Truman to Carthage Line and Carthage Substation Addition Engineering and Design, R/W Procurement Construction	1st 1/4 FY 80 2nd 1/4 FY 81	1st 1/4 FY 81 2nd 1/4 FY 82
<u>Management and Contracting</u>		
In house.		

Prior Year Achievements

The Environmental Assessment for the Truman to Clinton line has been completed and submitted to the Assistant Secretary for Environment, DOE.

Harry S. Truman Interconnection
Western Missouri

Total Estimated Cost (TEC) \$7,451,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

Land survey, land tract appraisals and engineer design completed on Harry S. Truman to Clinton line.

Engineering design has been completed on Clinton Substation addition.

Current-Year Achievements

Purchase right-of-way and construct the Truman to Clinton line and the Clinton Substation addition.

Reasons for Increases or Decreases

There have been no increases or decreases in TEC since last submission.

Cost Estimate

a. Environmental Assessment, Engineering Design and Inspection	713
b. Construction Costs	6,538
(1) Land Survey and R/W Procurement	1,501
(2) Transmission Line Construction	4,662
(3) Substation Construction	175
(4) Substation Equipment	200
c. Contribution to update Montrose Line	200

Department of Energy
 FY 1980 CONGRESSIONAL BUDGET REQUEST
 OPERATING EXPENSE FUNDED PROJECT DATA SHEET
 Southwestern Power Administration

Operation and Maintenance

(Tabular dollars in thousands. Narrative material in whole dollars.)

Sikeston Substation Addition
 Sikeston, Missouri

Total Estimated Cost (TEC) \$679,000

Sikeston Substation Addition
Sikeston, Missouri

Total Estimated Cost (TEC) \$679,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

	Cumulative Prior Years Obs.	FY 1978		FY 1979		FY 1980	
		B/A	Obs. B/O	B/A	Estimate B/O	B/A	Estimate B/O
<u>Operating expenses (DOE):</u>							
Design and construction	\$	\$	\$	\$	\$	\$	\$
R&D related to construction							
Facility operations							
Direct project related support costs							
Total Operating Expenses				449	449	230	230
<u>Capital Equipment (DOE):</u>							
Other DOE funding: (Identify source)							
Total DOE funding				449	449	230	230
<u>Non-DOE funding:</u>							
Design and construction							
Facility operations							
Other							
Total Non-DOE funding							
Total Project Funding	\$	\$	\$	\$	\$	\$	\$

Sikeston Substation Addition
Sikeston, Missouri

Total Estimated Cost (TEC) \$679,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

	Cumulative Future Years		Total Project Funding	
	B/A	B/O	B/A	
<u>Operating expenses (DOE):</u>				
Design and construction				
R&D related to construction				
Facility operations	\$	\$	\$	679
Direct project related support costs				
Total operating expenses				679
<u>Capital Equipment (DOE):</u>				
Other DOE funding:				
(Identify source)				
Total DOE funding:				679
<u>Non-DOE funding:</u>				
Design and construction				
Facility operations				
Other				
Total Non-DOE funding				
Total Project Funding	\$	\$	\$	679

Sikeston Substation Addition Sikeston, Missouri	Total Estimated Cost (TEC) \$679,000
(Tabular dollars in thousands. Narrative material in whole dollars.)	

Description, Objective, and Justification

The City of Sikeston is planning the construction of a thermal generating plant with a net capability of 207,000 KW, and developing a power pool whereby the plant capacity not used by Sikeston will be sold to other Missouri municipal systems or to the Associated Electric Cooperative. SWPA is negotiating a power sales and interconnection contract with the City of Sikeston which will include the sale by SWPA of 23,800 KW of firm hydro power, 10,000 KW of peaking hydro power, the interconnection of the City's new thermal plant with SWPA's 161/69 KV substation for delivering the plant thermal power to pool members through the SWPA system, and provisions for replacement of high cost thermal energy with low cost excess hydro energy. The funds requested herein will provide the 161 KV interconnection facilities at the SWPA Sikeston substation and additional 161/69 KV transformer capacity for delivering the hydro power to the City's 69 KV distribution system.

The proposed agreement with the City of Sikeston will allow SWPA to market hydro power and energy to a preference customer, to convert hydro excess energy to a more valuable commodity as thermal replacement energy thereby conserving a scarce natural resource, and receive the benefits of interconnected system operations.

Schedule of Planned Activities

Purchase Substation Equipment	Start	Complete
Construct Substation Addition	1st 1/4 FY 79	4th 1/4 FY 79
	1st 1/4 FY 80	3rd 1/4 FY 80

Management and Contracting

In House

Prior Year Achievements

Project Started in Current Year

Sikeston Substation Addition
Sikeston, Missouri

Total Estimated Cost (TEC) \$679,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

Current Year Achievements

SWPA is preparing specifications for the purchase of electrical equipment. Detailed planning and design of substation addition is being accomplished.

Reasons for Increases and Decreases

There have been no increases or decreases in TEC since the last submission.

Cost Estimate

(a) Engineering Planning and Design	55
(b) Construction Costs	623
(1) Electrical Equipment	450
(2) Construction & Installation	150

Department of Energy
 FY 1980 CONGRESSIONAL BUDGET REQUEST
 OPERATING EXPENSE FUNDED PROJECT DATA SHEET
 Southwestern Power Administration

Operation and Maintenance

(Tabular dollars in thousands. Narrative material in whole dollars.)

Jonesboro EHV Substation
 Jonesboro, Arkansas

Total Estimated Cost (TEC) \$ 1 / 12,750,000

Jonesboro EHV Substation
Jonesboro, Arkansas

Total Estimated Cost (TEC) \$ 1/ 12,750,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

	Cumulative Prior Years Obs.	FY 1978		FY 1979		FY 1980	
		B/A	Obs.	B/A	Estimate	B/A	Estimate
<u>Operating expenses (DOE):</u>							
Design and construction 1/ R&D related to construction	\$	\$	\$	\$5,056	\$3,548	\$4,200	\$4,200
Facility operations							
Direct project related support costs							
Total operating expenses				5,056	3,548	4,200	4,200
<u>Capital Equipment (DOE):</u>							
Other DOE funding: (Identify source)							
Total DOE funding: 2/				5,056	3,548	4,200	4,200
Non-DOE funding: 3/ Design and construction							
Facility operations							
Other							
Total Non-DOE funding							
Total Project funding	\$	\$	\$	\$5,056	\$3,548	\$4,200	\$4,200

Jonesboro EHV Substation
Jonesboro, Arkansas

Total Estimated Cost (TEC) \$ 1/ 12,750,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

	<u>Cumulative Future Years</u>		<u>Total Project Funding 6/</u>
	<u>B/A</u>	<u>B/O</u>	
<u>Operating expenses (DOE):</u>			
Design and construction 1/			
R&D related to construction			
Facility operations	\$	\$	\$12,750
Direct project related support costs			
Total operating expenses			<u>12,750</u>
<u>Capital Equipment (DOE):</u>			
Other DOE funding:			
(Identify source)			
Total DOE funding: 2/			<u>12,750</u>
<u>Non-DOE funding: 3/</u>			
Design and construction			
Facility operations			
Other			
Total Non-DOE funding			
Total Project funding	\$	\$	<u>\$12,750</u>

Jonesboro EHV Substation
Jonesboro, Arkansas

Total Estimated Cost (TEC) \$12,750,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

Description, Objective and Justification

By 1980, SWPA will be, under existing contractual commitments, delivering approximately 365,000 kw of hydro capacity to preference customers in northeast Arkansas and southeast Missouri. SWPA has only two 161 KV transmission circuits available from its hydro-plant interconnection grid for delivering this hydro power; an 84-mile line from Greers Ferry Dam to Jonesboro with a nominal capacity of 225,000 KW and a 66-mile line from Norfolk Dam to Water Valley with a nominal capacity of 170,000 KW for a total capability of 395,000 KW. If either of these two transmission circuits are out of service, there will be a major transmission capacity deficit. Also, due to the long transmission circuits involved, it will be impossible to deliver 365,000 KW over these two 161 KV circuits without substantial voltage support at the load centers in northeast Arkansas and southeast Missouri.

SWPA is presently relying to some extent on shunt capacitors but mainly on system interconnections with others for the required voltage support. 161 KV interconnections have been made with Associated Electric Cooperative at New Madrid and Idalia, Missouri, with the Arkansas Power and Light Company at Jonesboro, Arkansas, and with the Union Electric Company at Sikeston, Missouri. These interconnections have allowed SWPA to deliver hydro power to preference customers in the area without additional major investment in transmission line construction.

Computer load flow studies show that by 1980, and thereafter, acceptable delivery voltages cannot be maintained in the Jonesboro area for several single contingency outages during peak load conditions. Also, under normal conditions, reactive kilowatt flow to the SWPA system from the other interconnected systems is excessive and cannot be tolerated by these systems. Shunt capacitors in the amount required to eliminate these deficiencies cannot be physically and economically installed. Therefore, in order to retain an adequately designed transmission delivery system so that SWPA preference customers will be reliably supplied and not experience extensive load shedding and blackouts during emergencies on this transmission system, additional transmission line capacity must be constructed by SWPA to the Jonesboro area.

Funds in the amount of \$5,006,000 were included in the FY 1979 budget to initiate construction of a 500/161 KV substation at Jonesboro and interconnection of this substation to the SWPA 161 KV substation and the AP&L Newport to Osceola 500 KV transmission line. This facility will, as demonstrated by computer studies, provide the transmission support needed in the Jonesboro area for acceptable reliability and continuity of service. The alternative to this proposed plan would require construction of approximately 115 miles of EHV transmission line from SWPA's hydro plant interconnection grid to Jonesboro and an interconnecting substation at Jonesboro. Interconnection with the AP&L 500 KV line will avoid considerable duplication of facilities and the cost and environmental impact of the alternate transmission line construction.

The funds requested in FY 1980 will allow construction of this project to continue as scheduled.

Jonesboro EHV Substation
Jonesboro, Arkansas

Total Estimated Cost (TEC) \$12,750,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

Schedule of Planned Activities

	<u>Start</u>	<u>Complete</u>
Planning and Coordination with AP&L	2nd 1/4 FY 79	3rd 1/4 FY 79
Detail Design and Long Lead Procurement	4th 1/4 FY 79	3rd 1/4 FY 80
Construction	4th 1/4 FY 80	1st 1/4 FY 82
Start up/operation	2nd 1/4 FY 82	3rd 1/4 FY 82

Management and Contracting

In house

Prior-Year Achievements

Project initiated in current year

Current-Year Achievements

Complete planning and interconnection agreement with AP&L.
Begin detailed design and procurement of substation electrical equipment.

Reasons for Increases or Decreases

There have been no increases or decreases in the TEC since last submission.

Cost Estimate

a. Engineering design and initiation		\$1,750
b. Construction costs		8,500
(1) 500 KV interconnecting line (10 miles)	2,000	
(2) 500 KV switching station (3 breakers)	2,000	
(3) 500/161 KV, 400 MVA substation	2,000	
(4) 161 KV switching station (4 breakers)	1,000	
(5) 161 KV interconnecting lines (15 miles)	1,000	
(6) Site preparation, control building, power supplies, metering	500	
c. Contingencies		2,500

Department of Energy
 FY 1980 CONGRESSIONAL BUDGET REQUEST
 OPERATING EXPENSE FUNDED PROJECT DATA SHEET
 Southwestern Power Administration

Operation and Maintenance

(Tabular dollars in thousands. Narrative material in whole dollars.)

Capital Equipment not Related to Construction
 System-Wide

Total Estimated Cost (TEC) \$800,000
 Continuing Annual Requirement

Capital Equipment not Related to Construction System-Wide	Total Estimated Cost (TEC) \$ Continuing Annual Requirement					
	(Tabular dollars in thousands. Narrative material in whole dollars.)					
	Cumulative Prior Years Obs.	FY 1978 Actual Obs.	FY 1979 Estimate B/A	FY 1980 Estimate B/A	FY 1980 Estimate B/O	FY 1980 Estimate B/O
<u>Operating expenses (DOE):</u>						
Design and construction	\$ 650	\$ 522	\$ 800	\$ 800	\$ 800	\$ 800
R&D related to construction						
Facility operations						
Direct project related support costs						
<u>Total operating expenses</u>	<u>650</u>	<u>522</u>	<u>800</u>	<u>800</u>	<u>800</u>	<u>800</u>
<u>Capital Equipment (DOE):</u>						
Other DOE funding:						
(Identify source)						
<u>Total DOE funding:</u>	<u>650</u>	<u>522</u>	<u>800</u>	<u>800</u>	<u>800</u>	<u>800</u>
<u>Non-DOE funding:</u>						
Design and construction						
Facility operations						
Other						
<u>Total Non-DOE funding</u>						
<u>Total Project Funding</u>	<u>\$ 650</u>	<u>\$ 522</u>	<u>\$ 800</u>	<u>\$ 800</u>	<u>\$ 800</u>	<u>\$ 800</u>

Capital Equipment not Related to Construction
System-Wide

Total Estimated Cost (TEC) \$ Continuing Annual Requirement

(Tabular dollars in thousands. Narrative material in whole dollars.)

	Outyear Estimates							
	FY 81		FY 82		FY 83		FY 84	
	Estimate	B/O	Estimate	B/O	Estimate	B/O	Estimate	B/O
	<u>B/A</u>		<u>B/A</u>		<u>B/A</u>		<u>B/A</u>	
Operating expenses (DOE):								
Design and construction	\$ 800		\$ 800		\$ 800		\$ 800	
R&D related to construction								
Facility operations								
Direct project related support costs								
Total operating expenses	<u>800</u>		<u>800</u>		<u>800</u>		<u>800</u>	
Capital Equipment (DOE):								
Other DOE funding:								
(Identify source)								
Total DOE funding:	<u>800</u>		<u>800</u>		<u>800</u>		<u>800</u>	
Non-DOE funding:								
Design and construction								
Facility operations								
Other								
Total Non-DOE funding	<u>—</u>		<u>—</u>		<u>—</u>		<u>—</u>	
Total Project Funding	<u>\$ 800</u>		<u>\$ 800</u>		<u>\$ 800</u>		<u>\$ 800</u>	

Capital Equipment not Related to Construction
System-Wide

Total Estimated Cost (TEC) \$ Continuing Annual Requirement

(Tabular dollars in thousands. Narrative material in whole dollars.)

Total Project Funding b/

Cumulative Future Years

B/A

B/O

B/A

Operating expenses (DOE):

Design and construction

R&D related to construction

Facility operations

Direct project related support costs

Total operating expenses

Capital Equipment (DOE):

Other DOE funding:

(Identify source)

Total DOE funding:

Non-DOE funding:

Design and construction

Facility operations

Other

Total Non-DOE funding

Total Project Funding

\$ Continuing Annual Requirement

\$

\$

\$

Capital Equipment not Related to Construction
System-Wide

Total Estimated Cost (TEC) \$ Continuing Annual Requirement

(Tabular dollars in thousands. Narrative material in whole dollars.)

Description, Objective and Justification

The funds requested will be used to replace automotive vehicles, other than passenger carrying, and heavy equipment which are utilized in the maintenance and operation of transmission lines, microwave stations, and substations. Funds are included for the purchase of construction materials, and equipment used in maintaining the transmission system. Minor modifications not covered elsewhere and necessary replacements are to be provided from these funds.

Allocation of Funds:

(1) Line materials \$290

SWPA's transmission lines will average over twenty years of age in FY 1980 and will be requiring increased maintenance and replacements in comparison to previous years. For example, the number of poles replaced increased from 84 in FY 1972 to over 300 in FY 1977, and is expected to exceed 350 in FY 1980. In addition, the long-range trend indicates additional increases in the cost of wood products which account for a major portion of materials purchased for line maintenance. The \$290,000 requested herein is necessary to purchase the material required to maintain the SWPA transmission lines in accordance with accepted industry standards and practice.

(2) Substation Materials \$110

\$60,000 of the above is requested to purchase a replacement 161 KV OCB. The present OCB is over 28 years old, parts are available only by manufacture when order received and delivery time is approximately 12 months.

\$20,000 of the above is requested to purchase and install current transformers and wave traps. The present transformers and wave traps are undersized due to the heavy loads now carried on SWPA transmission lines.

\$30,000 of the above is for miscellaneous parts and materials which reflect high costs and the increasing number of parts needed due to aging of SWPA equipment.

(3) Test Equipment \$ 14

This \$14,000 is necessary to replace and upgrade a part of SWPA's test equipment. This is necessitated by the fact that the new type equipment now in operation cannot be adequately maintained with the present test equipment.

Capital Equipment not Related to Construction
System-Wide

Total Estimated Cost (TEC) \$ Continuing Annual Requirement
(Tabular dollars in thousands. Narrative material in whole dollars.)

(4) Electronics Equipment Replacements \$ 24

\$24,000 of the above is requested to replace twenty-four mobile radios that are fifteen years old are in need of replacement. These mobile radio units will be obsolete and unusable with the tone-signalling system which SWPA will be installing in FY 1978 and FY 1979.

Capital Equipment not Related to Construction
System-Wide

Total Estimated Cost (TEC) \$ Continuing Annual Requirement

(5) Vehicles (Tabular dollars in thousands. Narrative material in whole dollars.) \$362

This \$362,000 is necessary to replace vehicles and vehicle-mounted equipment, some of which should have been replaced in previous years for which funds were not available.

Vehicles are scheduled for replacement as follows:

Sedans	\$ 6
Light trucks	87
Heavy trucks	100
Tractors and off-highway equipment	93
Trailers	76

Schedule of Planned Activities

Purchase in FY 80 all programmed capital equipment not related to construction

Management and Contracting

In house.

Prior-Year Achievements

This activity is operated on an annual basis with a separate program each FY.

Current-Year Achievements

Complete specifications and purchasing on all programmed equipment.

Reasons for Increases and Decreases

There have been no increases or decreases in TEC since last submission.

Cost Estimate

Line materials	290
Substation materials	110
Test Equipment	14
Electronic Equipment Replacements	24
Vehicles	362

Department of Energy
 FY 1980 CONGRESSIONAL BUDGET REQUEST
 OPERATING EXPENSE FUNDED PROJECT DATA SHEET
 Southwestern Power Administration

Operation and Maintenance

(Tabular dollars in thousands. Narrative material in whole dollars.)

System Metering, Relaying and Communications
 System-Wide

Total Estimated Cost (TEC) \$ 270,000
 (Continuing Annual Requirement)

System Metering, Relaying and Communications
System-Wide

(Tabular dollars in thousands. Narrative material in whole dollars.)

Total Estimated Cost \$ Continuing Annual Requirement

	Cumulative Prior Years Obs.	FY 1978		FY 1979		FY 1980	
		B/A	B/O	B/A	B/O	B/A	B/O
Operating expenses (DOE):							
Design and construction	\$ 92	\$ 111	\$ 111	\$ 106	\$ 106	\$ 270	\$ 270
R&D related to construction							
Facility operations							
Direct project related support costs							
Total operating expenses	92	111	111	106	106	270	270
Capital Equipment (DOE):							
Other DOE funding:							
(Identify source)							
Total DOE funding:	92	111	111	106	106	270	270
Non-DOE funding:							
Design and construction							
Facility operations							
Other							
Total Non-DOE funding							
Total Project Funding	\$ 92	\$ 111	\$ 111	\$ 106	\$ 106	\$ 270	\$ 270

System Metering, Relaying and Communications
System-Wide

Total Estimated Cost \$ Continuing Annual Requirement

(Tabular dollars in thousands. Narrative material in whole dollars.)

	Outyear Estimates							
	FY 81		FY 82		FY 83		FY 84	
	Estimate	B/A	Estimate	B/O	Estimate	B/A	Estimate	B/O
<u>Operating expenses (DOE):</u>								
Design and construction	\$ 275		\$ 175		\$ 180		\$ 180	
R&D related to construction								
Facility operations								
Direct project related support costs								
<u>Total operating expenses</u>	<u>275</u>	<u>275</u>	<u>175</u>	<u>175</u>	<u>180</u>	<u>180</u>	<u>180</u>	<u>180</u>
<u>Capital Equipment (DOE):</u>								
Other DOE funding:								
(Identify source)								
<u>Total DOE funding:</u>	<u>275</u>	<u>275</u>	<u>175</u>	<u>175</u>	<u>180</u>	<u>180</u>	<u>180</u>	<u>180</u>
<u>Non-DOE funding:</u>								
Design and construction								
Facility operations								
Other								
<u>Total Non-DOE funding</u>								
<u>Total Project Funding</u>	<u>\$ 275</u>	<u>\$ 275</u>	<u>\$ 175</u>	<u>\$ 175</u>	<u>\$ 180</u>	<u>\$ 180</u>	<u>\$ 180</u>	<u>\$ 180</u>

System Metering, Relaying and Communications System-Wide	Total Estimated Cost \$ Continuing Annual Requirement		
	(Tabular dollars in thousands. Narrative material in whole dollars.)		
	Cumulative Future Years		Total Project Funding 6/
	B/A	B/O	B/A
<u>Operating expenses (DOE):</u>			
Design and construction	\$	\$	\$
R&D related to construction			
Facility operations			
Direct project related support costs			
Total operating expenses			
<u>Capital Equipment (DOE):</u>			
Other DOE funding:			
(Identify source)			
Total DOE funding:			
<u>Non-DOE funding:</u>			
Design and construction			
Facility operations			
Other			
Total Non-DOE funding			
Total Project Funding	\$	\$	\$
			\$Continuing Annual Requirement

System Metering, Relaying and Communications
System-Wide

Total Estimated Cost (TEC) \$ Continuing Annual Requirement

(Tabular dollars in thousands. Narrative material in whole dollars.)

Description, Objectives, and Justification

This requested amount will continue a program of replacing and updating obsolete, unreliable, and incompatible relay systems.

Minor problems in relaying, metering, telemetering, and communication continually occur. Changes in contractual arrangements and facilities by customers and other interconnected utilities can be expected. These problems and changes frequently require circuit revisions and equipment additions in relaying, metering, load control, telemetering, and communication facilities.

The funds will also provide for the purchase and installation of SWPA-owned telecommunications channels between the Springfield, Missouri, Power Dispatching and Operating Center and the Federal generation and transmission system in Oklahoma. Operation of the Oklahoma Area of the SWPA system from Springfield was initiated in FY 1978 and 1979 and the telecommunication channels are required in order to meet interconnected system criteria for redundancy and reliability.

Schedule of Planned Activities

All funds will be obligated in FY 1980.

Management and Contracting

In house.

Prior-Year Achievements

This activity is operated on an annual basis with a separate program each FY.

Current-Year Achievements

Complete the FY 80 program for relaying, metering, telemetering, and communication system modifications and additions

Reasons for Increases and Decreases

There have been no increases or decreases in the TEC since last submission.

System Metering, Relaying and Communications
System-Wide

Total Estimated Cost (TEC) \$ Continuing Annual Requirement

(Tabular dollars in thousands. Narrative material in whole dollars.)

Cost Estimate (FY 80)

(a) Relaying and metering modifications and additions 30
(b) Telemetering and communications system modifications and additions 240

Department of Energy
 FY 1980 CONGRESSIONAL BUDGET REQUEST
 OPERATING EXPENSE FUNDED PROJECT DATA SHEET
 Southwestern Power Administration

Operation and Maintenance

(Tabular dollars in thousands. Narrative material in whole dollars.)

Load Control System Replacement
 Springfield, Missouri

Total Estimated Cost (TEC) \$1,490,000

Load Control System Replacement
Springfield, Missouri

Total Estimated Cost (TEC) \$1,490,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

	Cumulative Prior Years Obs.	FY 1978		FY 1979		FY 1980	
		B/A	Actual Obs.	B/A	Estimate B/O	B/A	Estimate B/O
<u>Operating expenses (DOE):</u>							
Design and construction	\$	\$	\$	\$ 340	\$ 340	\$1,150	\$1,150
R&D related to construction							
Facility operations							
Direct project related support costs							
<u>Total Operating Expenses</u>				<u>340</u>	<u>340</u>	<u>1,150</u>	<u>1,150</u>
<u>Capital Equipment (DOE):</u>							
Other DOE funding: (Identify source)							
<u>Total DOE funding:</u>				<u>340</u>	<u>340</u>	<u>1,150</u>	<u>1,150</u>
<u>Non-DOE funding:</u>							
Design and construction							
Facility operations							
Other							
<u>Total Non-DOE funding</u>							
<u>Total Project Funding</u>	\$	\$	\$	\$ 340	\$ 340	\$1,150	\$1,150

Load Control System Replacement
Springfield, Missouri

Total Estimated Cost (TEC) \$ 1,469,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

	Outyear Estimates			
	FY 81 Estimate <u>B/A</u>	FY 82 Estimate <u>B/A</u>	FY 83 Estimate <u>B/A</u>	FY 84 Estimate <u>B/A</u>
Operating expenses (DOE):				
Design and construction	\$	\$	\$	\$
R&D related to construction				
Facility operations				
Direct project related support costs				
Total operating expenses				
Capital Equipment (DOE):				
Other DOE funding: (Identify source)				
Total DOE funding:				
Non-DOE funding:				
Design and construction				
Facility operations				
Other				
Total Non-DOE funding				
Total Project Funding	\$	\$	\$	\$

Load Control System Replacement
Springfield, Missouri

Total Estimated Cost (TEC) \$ 1,469,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

	<u>Cumulative Future Years</u>		<u>Total Project Funding</u>	
	<u>B/A</u>	<u>B/O</u>	<u>B/A</u>	
<u>Operating expenses (DOE):</u>				
Design and construction	\$	\$		\$1,490
R&D related to construction				
Facility operations				
Direct project related support costs				<u>1,490</u>
Total operating expenses				
<u>Capital Equipment (DOE):</u>				
Other DOE funding:				
(Identify source)				
<u>Total DOE funding:</u>				<u>1,490</u>
Non-DOE funding:				
Design and construction				
Facility operations				
Other				
<u>Total Non-DOE funding</u>				<u>—</u>
<u>Total Project Funding</u>	\$	\$		<u>\$1,490</u>

Load Control System Replacement
Springfield, Missouri

Total Estimated Cost (TEC) \$1,469,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

Description, Objectives, and Justification

SWPA operates as part of the high-voltage electrical system which is interconnected throughout the United States. As such, the SWPA system is responsible for regulating power flows on its interconnections with others so that inadvertent flows are minimized. SWPA loads are supplied by SWPA generation. Generation or load losses are corrected within the SWPA system without relying unduly on the interconnected system reserves, and for participating in frequency and time correction control activities of the interconnected system.

The SWPA load control system is an analog type installed initially in 1950. Although periodic additions and modifications have been made, the basic concept remains. The SWPA system, however, has grown from five or six interconnections and three hydro plants to over forty interconnections and sixteen integrated hydro projects. The analog load control system no longer provides the accuracy, flexibility, response speed, and operator information needed for dispatching and controlling power and energy deliveries and exchanges on the SWPA system. The project proposed herein will replace the analog system with a digital computer controlled system conforming to the latest developments in this field and coordinated with such systems in use by most all systems with which SWPA is interconnected.

The present analog system must remain in operation until a new system is completed and operational in order to provide continuous load control system functions. The funds requested in FY 1980 are for purchase and installation of the load control system. The \$320,000 included in FY 1979 will allow system planning and design and initiate construction of the additional building space required.

The proposed digital computer operated load control system will provide intangible savings in interconnected system operations by enabling SWPA to meet its responsibilities in this area, to dispatch hydro power in the most efficient manner, and to respond most effectively to system emergencies thereby reducing customer service outages and the risk of widespread blackouts.

Schedule of Planned Activities

	<u>Start</u>	<u>Complete</u>
System Design and Procurement (Two Step Process)	1st 1/4 FY 79	1st 1/4 FY 80
Control Building Addition		
Planning and Design	2nd 1/4 FY 79	3rd 1/4 FY 79
Construction	4th 1/4 FY 79	2nd 1/4 FY 80

Load Control System Replacement
Springfield, Missouri

Total Estimated Cost (TEC) \$1,469,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

Management and Contracting

In House

Prior Year Achievements

Project Initiated in Current Year

Current Year Achievements

SNPA will determine system design details by the two-step procurement process. Complete planning and design and initiate construction of the control building addition will be accomplished.

Reasons for Increases and Decreases

There have been no increases or decreases in TEC since last submission.

Cost Estimate

(a) Engineering Planning and design	240
(b) Construction Costs	1,250
(1) Control Center Building	250
(2) System Manufacture and Installation	1,000

Department of Energy
 FY 1980 CONGRESSIONAL BUDGET REQUEST
 OPERATING EXPENSE FUNDED PROJECT DATA SHEET
 Southwestern Power Administration

Operation and Maintenance

(Tabular dollars in thousands. Narrative material in whole dollars.)

Minor Modifications
 Various Locations

Total Estimated Cost (TEC) \$215,000
 Continuing Annual Requirement

Minor Modifications Various Locations	Total Estimated Cost (TEC) \$ Continuing Annual Requirement							
	(Tabular dollars in thousands. Narrative material in whole dollars.)							
	Cumulative Prior Years Obs.	FY 1978 Actual Obs.	FY 1979 Estimate B/A	FY 1980 Estimate B/A				
		B/A	B/O	B/A	B/O			
<u>Operating expenses (DOE):</u>								
Design and construction	\$ 168	\$ 160	\$ 160	\$ 198	\$ 198	\$ 215	\$ 215	
R&D related to construction								
Facility operations								
Direct project related support costs								
Total operating expenses	168	160	160	198	198	215	215	
<u>Capital Equipment (DOE):</u>								
Other DOE funding:								
(Identify source)								
Total DOE funding:	168	160	160	198	198	215	215	
<u>Non-DOE funding:</u>								
Design and construction								
Facility operations								
Other								
Total Non-DOE funding								
Total Project Funding	\$ 168	\$ 160	\$ 160	\$ 198	\$ 198	\$ 215	\$ 215	

Minor Modifications
Various Locations

Total Estimated Cost (TEC) \$ Continuing Annual Requirement

(Tabular dollars in thousands. Narrative material in whole dollars.)

	Outyear Estimates			
	FY 81 Estimate B/A	FY 82 Estimate B/A	FY 83 Estimate B/A	FY 84 Estimate B/A
<u>Operating expenses (DOE):</u>				
Design and construction	\$ 215	\$ 220	\$ 225	\$ 230
R&D related to construction				
Facility operations				
Direct project related support costs				
<u>Total operating expenses</u>	<u>215</u>	<u>220</u>	<u>225</u>	<u>230</u>
<u>Capital Equipment (DOE):</u>				
Other DOE funding: (Identify source)				
<u>Total DOE funding:</u>	<u>215</u>	<u>220</u>	<u>225</u>	<u>230</u>
<u>Non-DOE funding:</u>				
Design and construction				
Facility operations				
Other				
<u>Total Non-DOE funding</u>				
<u>Total Project Funding</u>	<u>\$ 215</u>	<u>\$ 220</u>	<u>\$ 225</u>	<u>\$ 230</u>

Minor Modifications Various Locations	Total Estimated Cost (TEC) \$ Continuing Annual Requirement		
	(Tabular dollars in thousands. Narrative material in whole dollars.)		
	Cumulative Future Years		Total Project Funding
	B/A	B/O	B/A
<u>Operating expenses (DOE):</u>			
Design and construction			
R&D related to construction	\$	\$	\$
Facility operations			
Direct project related support costs			
Total operating expenses			
<u>Capital Equipment (DOE):</u>			
Other DOE funding:			
(Identify source)			
Total DOE funding:			
<u>Non-DOE funding:</u>			
Design and construction			
Facility operations			
Other			
Total Non-DOE funding			
Total Project Funding	\$	\$	\$
			\$ Continuing Annual Requirement

Minor Modifications
Various Locations

Total Estimated Cost (TEC) \$ Continuing Annual Requirement

(Tabular dollars in thousands, Narrative material in whole dollars.)

Description, Objective, and Justification

- a. Purpose. Purchase a 161 KV oil circuit breaker for the 161 KV interconnection with the ArkMo Power Company at the SWPA Water Valley Switching Station.

Justification. SWPA has a 161 KV interconnection with the ArkMo Power Company at the SWPA Water Valley Switching Station in order to deliver 30,000 KW of hydro peaking power to the Arkansas Electric Cooperative Corp. and 3,000 KW to the City of Thayer, Missouri, preference customers.

When the interconnection was initially made, no 161 KV OCB was installed, in the interest of economy. The 161 KV bus tie OCB at the SWPA switching station is being used on the tie making this OCB unavailable for other use without removing it from the ArkMo interconnection. The bus tie OCB must be used periodically in order to replace other line OCB's for maintenance and repair. Conditions are rapidly reaching the point that removing the bus tie OCB from the ArkMo interconnection cannot be tolerated. The funds requested herein will purchase a 161 KV OCB for installation on the ArkMo Power Company tie at the SWPA Water Valley Switching Station.

- b. Purpose. Modifications and additions for the Nixa 161/69 KV Substation.

Justification. The Nixa 161/69 KV transformer is connected directly to the SWPA Springfield to Table Rock line. Permanent outages of this line (falling, tree, tornado, lightning damage, etc.) cannot be readily sectionalized and an extended outage of service to Nixa will result. Also, the line and line terminal facilities cannot be properly maintained since needed outages cannot be obtained without interrupting service to the City of Nixa. Two sectionalizing disconnect switches, remotely controlled from Springfield, are needed for continuity of service to the City of Nixa and for maintaining the SWPA facilities.

Fused disconnect switches are now used to interrupt fault currents on the Nixa 69 KV line from the SWPA sub. to the Nixa 69/13 KV Sub. When a fault occurs and fuses blow, a knowledgeable maintenance man must be located and sent to the SWPA Nixa Substation to replace the blown fuse or fuses. This causes an outage of at least an hour. Such outages have occurred several times. To eliminate this very undesirable condition, a 69 KV OCB with multi-shot automatic reclosing and remote control from Springfield is recommended. This would reduce outage times to only a few seconds for all faults except those rare ones which permanently damage the 69 KV line.

- c. Purpose. Construct a 138 KV sectionalizing switch structure at Allen, Oklahoma (Allen Tap).

Minor Modifications
Various Locations

Total Estimated Cost (TEC) \$ Continuing Annual Requirement

(Tabular dollars in thousands. Narrative material in whole dollars.)

Justification. SWPA recently entered into long-range contracts with the Public Service Company of Oklahoma and the Western Farmers Electric Cooperative which obligate SWPA to deliver hydro power and energy to loads of both companies at Allen, Oklahoma. The existing Allen Tap structure connecting the SWPA 138 KV transmission line to the load substation does not allow sectionalizing for line maintenance and fault isolation. The funds requested herein are to replace the existing structure with one equipped with 138 KV sectionalizing switches.

d. **Purpose.** Miscellaneous minor modifications.

Justification. To provide for unforeseen deficiencies and conditions and to respond in a timely manner to new facilities construction by others (highways, power lines, etc.) requiring minor changes in SWPA facilities.

Schedule of Planned Activities

161 KV OCB, Water Valley:

Purchase OCB
Install OCB

Start

2nd 1/4 FY 80
1st 1/4 FY 81

Complete

1st 1/4 FY 81
2nd 1/4 FY 81

Nixa Substation Modifications and

Allen Tap Sectionalizing:

Purchase Equipment
Install Equipment

2nd 1/4 FY 80
4th 1/4 FY 80

4th 1/4 FY 80
2nd 1/4 FY 81

Management and Contracting

In House

Prior Year Achievements

This activity is operated on an annual basis with a separate program each FY.

Minor Modifications
Various Locations

Total Estimated Cost (TEC) \$ Continuing Annual Requirement
(Tabular dollars in thousands. Narrative material in whole dollars.)

Current Year Achievements

Complete the purchase of equipment required for the FY 80 minor modifications program and initiate installation.

Reasons for Increases and Decreases

There have been no increases or decreases in TEC since last submission.

Cost Estimate (FY 80)

161 KV OCS, Water Valley	70
Modifications and Additions to Nixa Substation	55
Allen Tap Sectionalizing	50
Miscellaneous Minor Modifications	40

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SYSTEMS STATISTICS
Southwestern Power Administration
(Dollars in thousands)

	FY 1978 Actual	FY 1979 Estimate	FY 1980 Estimate
<u>Generating capacity:</u>			
Installed capacity (kw).....	1,916,700	1,916,700	2,076,700
Peak capacity (kw).....	1,882,500	2,057,500	2,201,500
<u>Generating stations:</u>			
Generating projects (No.).....	21	21	22
Substations/switchyards (No.).....	32	32	32
Substations/switchyards (kva capacity).....	1,083,434	1,083,434	1,083,434
<u>Available energy:</u>			
Energy generated (megawatt-hours).....	4,912,892	5,221,200	5,503,200
Energy purchased (megawatt-hours).....	629,000	1,018,000	1,018,000
Energy available for marketing (megawatt-hours).....	5,338,745	6,052,024	6,325,564
<u>Transmission lines (circuit miles):</u>			
161 kv.....	1,054	1,054	1,083
138 kv.....	348	348	348
69 kv.....	234	234	234
Total circuit miles.....	1,636	1,636	1,665
<u>DOE revenues:</u>			
Adjusted gross power revenues ^{a/}	\$50,249	\$54,526	\$66,648
Prior year adjustment.....	-	-	-
Total revenues.....	\$50,249	\$54,526	\$66,648
<u>Federal investment allocated to commercial Power:</u>			
Generation equipment.....	\$610,000	\$610,000	\$702,000
Transmission facilities.....	61,000	61,000	63,000
Total investment.....	\$671,000	\$671,000	\$765,000

^{a/} Includes power sales, wheeling, and other revenues.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST
Southwestern Power Administration

POWER MARKETED, WHEELED, OR EXCHANGED BY PROJECT

<u>Project</u>	<u>State</u>	<u>No. of Plants</u>	<u>Installed Capacity (kw)</u>	<u>FY 1978^{1/} Actual Power (GWH)</u>	<u>FY 1979^{1/} Esti- mated Power (GWH)</u>	<u>FY 1980^{1/} Esti- mated Power (GWH)</u>
<u>Power Marketed</u>						
(Interconnected System)	Missouri	3	405,200	1,771	1,827	1,809
	Arkansas	8	985,000	1,814	1,725	1,705
20 Projects	Oklahoma	7 ^{2/}	544,000	1,144	908	948
	Texas	1 ^{2/}	65,000	314	376	382
	Louisiana	0	0	63	93	87
	Kansas	0	0	73	36	87
	WAPA ^{3/}	0	0	99	0	0
Subtotals	*	20	1,999,200	5,278	4,965	5,018
<u>Isolated</u>						
Narrows Project	Arkansas	1	25,500	0	0	0
Sam Rayburn Project	Texas	1	52,000	36	78	78
	Louisiana	0	00	24	66	66
Clarence Cannon Project	Missouri	1	58,000	0	0	88
Subtotals		3	135,500	60	144	232
Total, power marketed		23	2,134,700 ^{4/}	5,338	5,109	5,250
<u>Power Exchanged</u>						
Total, power exchanged				136	86	105
<u>Power Wheeled (megawatts)</u>						
				116	226	231

^{1/} Represents power delivered to customer in designated state.

^{2/} 1 Unit of 2 Units Denison Project to Texas; 1 Unit of 2 Units Denison Project to Oklahoma.

^{3/} For disposition to the Western Area Power Administration in the Missouri River Basin.

^{4/} Includes 160,000 KW Harry S. Truman Project, and 58,000 KW Clarence Cannon Project to be installed in FY 1980.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

PENDING LITIGATION
Southwestern Power Administration

Associated Electric Cooperative, Inc. v. Morton, No. 2410-70 (D.D.C.; filed August 12, 1970) seeks declaratory and injunctive relief from the application of an annual \$2.6 million rate schedule transmission charge for service furnished plaintiff under contract. Plaintiff's Motion for Summary Judgment was granted by the District Court January 8, 1973. On November 18, 1974, the Court of Appeals for the District of Columbia reversed that decision, and remanded the case for resolution of issues of fact. Rehearing was denied December 16, 1974, (See Associated Electric Cooperative, Inc. v. Morton, 507 F.2d 1167 (D.C. 1974)). Plaintiff's Application for a Writ of Certiorari to the Supreme Court was denied October 16, 1975. On August 25, 1977, the District Court, following oral argument, dissolved the January 8, 1973, injunction and ordered plaintiff to begin immediate payment of the transmission charge and of one-half of the charges accrued since 1970. Formulation of an Order fixing trial issues and appointing a Special Master to take evidence is pending.

Tex-La Electric Cooperative, Inc. v. Morton (TEX-LA I), No. 77-1445 (D.C. Cir.), filed June 17, 1971, in the United States District Court for the District of Columbia, and Sam Rayburn Dam Electric Cooperative v. Morton, No. 77-1446 (D.C. Cir.), filed July 7, 1971, subsequently consolidated, seek declaratory and injunctive relief from FPC approved lump-sum annual charges of \$97,000 and \$80,000 for electric power and energy purchased by plaintiffs from SWPA and generated from Narrows Dam, Arkansas, and Sam Rayburn Dam, Texas, respectively. An Escrow Order has been entered which requires that the plaintiffs pay disputed charges into an escrow account pending resolution of the case. On April 1, 1977, the District Court granted defendant's Motion for Summary Judgment and found the increased rates to be reasonable and to comport with the requirements of Section 5 of the Flood Control Act of 1944, 16 U.S.C. § 825a. The Court further found that the plaintiffs' actual notice of the rate increases and of the approvals by FPC constituted sufficient due process. Appeal from the Order Granting Summary Judgment was affirmed by the Circuit Court of Appeals for the District of Columbia on May 15, 1978, without opinion (See 578 F.2d 443). Plaintiff's Petition for the Writ of Certiorari to the Supreme Court was filed on September 6, 1978, and is pending.

Tex-La Electric Cooperative, Inc. v. Kleppe (TEX-LA II), No. 76-1648 (D.D.C.; filed September 3, 1976) is similar to the earlier Tex-La case and seeks relief from a subsequent additional rate increase approved by the FPC. The Escrow Order has been extended to cover deposit of charges in this case also. The case is still pending, with resolution probably dependent upon final decision in the earlier case.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF CHANGES
Western Area Power Administration Construction, Rehabilitation,
Operation and Maintenance
Construction, Rehabilitation, Operation and Maintenance -
Western Area Power Administration
(In thousands of dollars)

FY 1979 budget authority	104,500
FY 1980 budget estimate	<u>122,800</u>
Net change	+ 18,300

	1979	Change
	<u>Base</u>	<u>From Base</u>
Increases:		
Built-in:		
<u>Annualization of 68 positions</u>		
<u>for 6 months</u>	15,140	+ 701

Program:		
<u>Power marketing - Western Area</u>		
<u>Power Administration</u>		
Construction and rehabilitation	10,063	+ 9,237
System operation and maintenance	19,413	+ 9,636
Total increases		+ 19,574

Decreases:		
Program:		
<u>Power marketing - Western Area</u>		
<u>Power Administration</u>		
Purchase power and wheeling	59,884	- \$1,274
Total decreases		- 1,274

Western Area Power Administration Construction,
Rehabilitation, Operation and Maintenance

(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1979 Estimated Budget <u>Authority</u>	FY 1980 Requested Budget <u>Authority</u>
<u>Power marketing - Western Area Power Administration (WAPA)</u>		
Construction and rehabilitation:		
Operating expenses	10,063	19,300
System operation and maintenance:		
Operating expenses	34,552	44,890
Purchase power and wheeling:		
Operating expenses	59,884	58,610
Total, power marketing - Western Area Power Administration	104,500 ^{1/}	122,800

Authorization: Sec. 302(a)(1)(E), P.L. 95-91
Department of Energy Organization Act

<u>Construction and rehabilitation</u>	10,063	19,300
--	--------	--------

The FY 1980 budget request for Construction and Rehabilitation is \$19,300,000, a \$9,237,000 increase over the amount appropriated in FY 1979. The tabulation that follows shows a comparison of the FY 1979 budget authority to the FY 1980 budget request for construction-type projects funded from operating expenses:

<u>Category</u>	FY 1979 <u>Budget Authority</u>	<u>Change</u> (\$ in thousands)	FY 1980 <u>Budget Request</u>
<u>Operating Expenses</u>			
<u>Construction Projects</u>			
Central Valley	4,970	+5,692	10,662
Washoe*	...	+ 25	25
Parker-Davis	453	+ 102	555
Pacific Northwest-Pacific Southwest Intertie	1,300	-1,300	...
Pick-Sloan Missouri Basin transmission division	3,170	+4,888	8,058
Supplemental for civilian pay raises	170	- 170	...
Total, budget authority	10,063	+9,237	19,300

^{1/} Includes a pending supplemental request of \$1,248,000 for civilian pay raises.

Western Area Power Administration Construction
Rehabilitation, Operation and Maintenance

(Tabular dollars in thousands. Narrative material in whole dollars.)

Narrative justifications

Project objective: The FY 1980 budget request would complete progress payments under an existing contract with Pacific Gas and Electric Company in California for transmission service. In addition, funds will be used to continue power factor correction work at customer points throughout the Central Valley Project area.

Comparison FY 1980 to 1979 program: The program increase of \$5,692,000 includes \$5,272,000 for progress payments and \$420,000 for continuing power factor improvement work.

Washoe Project

Project objective: To provide preconstruction study activities for the Stampede-Truckee 115-kV Transmission Line located in Nevada. The Stampede powerplant is scheduled for construction in 1980 by Bureau of Reclamation with a scheduled completion target date of 1981. The proposed transmission line would provide transmission service for power generated at this new powerplant. The completion of the construction contract for the proposed transmission line is scheduled for award in FY 1981.

Comparison FY 1980 to 1979 program: The 1980 budget provides \$25,000 for initiating preconstruction activities for the Stampede-Truckee 115-kV Transmission Line. This is in contrast to the FY 1979 program which allowed no new funds for preconstruction work on this project.

Parker-Davis project

Project objective: To conduct preconstruction studies and activities for a 230-kV transmission line from Liberty to Gila substations, Arizona. Other studies are required due to projected load growths, possibility of wheeling revenue, potential for future interconnections, advancing age of existing area transmission system, and future marketing possibilities. Existing transmission capacity in the Yuma area is projected to reach its limit prior to 1984. Additionally, substation additions and related equipment installation will be underway throughout the Parker-Davis Project area.

Comparison FY 1980 to 1979 program: The program increase of \$102,000 is for initiating preconstruction activities for a possible 120-mile, 230-kV transmission line system from Liberty to Gila, Arizona, and for substation additions.

Pacific Northwest-Pacific Southwest Intertie

Project objective: The project, located in parts of California, Nevada, and Arizona, from the Oregon border to Phoenix, Arizona, consists of that part of the EHV Pacific Northwest-Pacific Southwest Intertie which is assigned to the Western Area Power Administration. In conjunction with the Bonneville Power Administration's portion of the Intertie, these facilities will permit the sale of power from the northwest to California and the sale of surplus peaking capacity from the northwest to Arizona and Nevada, together with the seasonal exchange of capacity between the Pacific Southwest and the Pacific Northwest. This plan is designed to integrate the Federal hydroelectric projects in the northwest, northern California, and the Colorado River area.

Western Area Power Administration Construction,
Rehabilitation, Operation and Maintenance

(Tabular dollars in thousands. Narrative material in whole dollars.)

Comparison FY 1980 to 1979 program: The FY 1980 program reduction of \$1,300,000 results from reduced preconstruction engineering and environmental study activity associated with the proposed 1000-kV, 2200 MVA Pacific Northwest-Pacific Southwest D-C Intertie pending surveys of load peaks and customer interest among utilities.

Pick-Sloan Missouri Basin program - transmission division

Project objective: The transmission facilities of the Pick-Sloan Missouri Basin Program are necessary to interconnect and coordinate the operation of Bureau of Reclamation and Corps of Engineers hydroelectric powerplants in the Basin and to deliver power for irrigation pumping, sales to municipalities, cooperatives, private utilities, and other wholesale customers. The transmission facilities of the Missouri River Basin are interconnected to facilities of the Southwestern Power Administration at Maryville, Missouri, and to the Upper Colorado Storage Project at Archer, Wyoming.

Comparison FY 1980 to 1979 program: The FY 1980 program funding increase of \$4,888,000 would meet scheduled completion date of December 1982 for the Miles City-New Underwood 230-kV Transmission Line and the Watertown load frequency control system. The Fort Thompson foundation stabilization work would be completed and power system studies continued. This is in contrast to the FY 1979 program which provides for initiating acquisition of rights-of-way for the Miles City-New Underwood transmission system. The significant FY 1980 increase is to cover new contractor earnings requirements for the transmission line and terminal facilities.

Western Area Power Administration Construction,
Rehabilitation, Operation and Maintenance

(Tabular dollars in thousands. Narrative material in whole dollars.)

<u>System operation and maintenance</u>	34,553	44,890
---	--------	--------

The FY 1980 budget request for System Operation and Maintenance is \$44,890,000, a \$10,337,000 increase over the amount appropriated in FY 1979. The tabulation below shows a comparison of the FY 1979 budget authority and the FY 1980 budget request by major categories within the System Operation and Maintenance program:

<u>Operating expenses category</u>	<u>FY 1979</u> <u>Budget Authority</u>	<u>Change</u>	<u>FY 1980</u> <u>Budget Request</u>
	(\$ in thousands)		
1. Regular operation and maintenance (includes Federal classified and Wage Board salaries, travel; rents, ADP requirements, materials, supplies, power contracts and rate activity expenses, and general administration and supervision expenses)	27,353	+1,087	28,440
2. Transmission line rehabilitation (including wood pole treatment and replacement)	3,280	+4,499	7,779
3. Substation rehabilitation (including relocation and improvements)	1,060	+ 540	1,600
4. Substation equipment	1,030	- 30	1,000
5. Mobile equipment	900	+ 670	1,570
6. Communication and control equipment	320	+2,233	2,553
7. Tools and work equipment	500	- 149	351
8. Maintenance facilities	<u>110</u>	<u>+1,487</u>	<u>1,597</u>
Total, budget authority	34,553	+10,337	44,890

Narrative Justifications

Transmission line rehabilitation. This ongoing program provides for replacing deteriorated wood poles with steel towers, cross-bracing wood-pole structures, reconductoring a line to increase capacity, replacing storm-damaged wood or steel structures, and painting steel structures. Line sections involved include the 230-kV Cottonwood-Elverta #3, 115-kV Folsom-Nimbus and 69-kV Tracy-Ygnacio lines in California; various 161-kV and 115-kV lines in Arizona; 115-kV Seminole-Cheyenne line in Wyoming; 115-kV Fort Morgan-Beaver Creek, 115-kV Green Mountain-Summit, 115-kV Greeley-Beaver Creek, and 69-kV Sterling-Holyoke lines in Colorado; and structures in various lines in North Dakota. This work is necessary to maintain or improve system reliability. The ultimate program for treatment, replacement, and rehabilitation of wood poles could involve 171 miles of 230-kV, 1,182 miles of 161-kV, 313 miles of 138-kV, 6,092 miles of 115-kV, 836 miles of 69 kV, and 376 miles of 34.5 kV transmission lines and below.

Western Area Power Administration Construction,
Rehabilitation, Operation and Maintenance

(Tabular dollars in thousands. Narrative material in whole dollars.)

In addition, replacement of defective (decays or damaged) wood poles in transmission line structures principally in our Phoenix and Bismarck districts will be underway. Experience with initial inspection and treatment of wood poles in the 25- to 35-year age group indicates approximate 10 percent rejects due to advanced decay. It costs about \$80 to treat one pole and \$1,200 to replace it. However, the treatment program did not start until most of the structures were 25 years or older. Therefore, because pole rotting has set in, WAPA must accelerate its treatment and replacement program.

Groundline inspection and treatment, and above-ground spraying of wood-pole transmission structures will continue to extend their useful life. The nominal life of a wood-pole structure is 35 years, but proper treatment at 15-20 years and again at 30-35 years can extend the nominal life to 55 years. WAPA is faced with an increasing budget for wood-pole treatment and replacement. It has some 8,600 miles of wood-pole lines, 69,000 through 230,000 volts. Three thousand miles are from 30 to 34 years old, 1,650 miles 25 to 29 years old, and 2,350 miles 20 to 24 years old. The significant point is that over 80 percent of the wood structures exceed 70 percent of the normal 32-year service life with some 45 percent of this exceeding the normal service life.

Transmission Line Rehabilitation also provides for painting steel towers on the Garrison-Bismarck 230-kV Double Circuit line. This line has been in service since 1952 and the structures are in need of paint to protect the structure from deteriorating from the effects of rust.

Substation rehabilitation. This includes relocation of Guernsey Substation in Wyoming and Erie Substation in Colorado to improve service to customers and addition of service and storage buildings, interrupter and sectionalizing switches, and additional circuit breaker bays for several substations throughout the 15 western states. The Pick-Sloan Missouri Basin Program has 12 Pacific overlikon circuit breakers which were installed in 1954. Spare parts for this equipment are no longer available and the breakers no longer provide required system reliability. Almost \$25,000 is included in FY 1980 for these circuit breakers. Motor-operated disconnect switches are also required for replacement of switches that are presently difficult and costly to maintain and operate. The motor-operated switches also will allow lines to be sectionalized by computer supervisory control. Work is presently accomplished manually.

Substation equipment. Replacement of inadequate capacitors, transformers and circuit breakers and the addition of new transformers, circuit breakers, voltage control and miscellaneous equipment is required to provide adequate and reliable service to customers.

Mobile equipment. Scheduled replacement of transportation equipment and additional heavy equipment is required for the maintenance of the transmission system. It is also necessary to replace aged helicopters at Phoenix, Arizona, and Huron, South Dakota, and provide for a new helicopter for the Loveland District. These helicopters are used extensively for transmission line patrol and emergency maintenance missions. The present helicopter at Phoenix is 11 years old. Specifications for the new helicopter will call for a larger engine that is essential for good operation during high summer temperatures in the southwest desert areas. The new helicopter will also be able to carry two additional personnel to jobsites for emergency repair.

Western Area Power Administration Construction,
Rehabilitation, Operation and Maintenance

(Tabular dollars in thousands. Narrative material in whole dollars.)

Communication and control equipment. Replacement of obsolete communication, control, and metering equipment and the addition of protective relaying and supervisory control systems is needed to enhance the reliability of the power system. The Pick-Sloan Missouri Basin Program has initiated a 5 year program to replace existing revenue demand meters with a magnetic tape metering system. This system will increase accuracy, reduce maintenance, and provide records and revenue data which is absolutely necessary in today's rapid power load shifts.

Communication equipment in the Boulder City Area is required for portions of a radio network for power system operations, such as dispatching and scheduling. A recently completed supervisory control system at Phoenix requires high quality, reliable communication channels. The additional equipment also allows for interconnection with Bureau of Reclamation communication equipment monitoring generation at federal dams along the Colorado River.

Tools and work equipment. This provides for additional hot line tools, test sets and replacement tools required to operate and maintain power transmission facilities.

Maintenance facilities. This provides for construction of service and storage buildings near Tracy switchyard and Keswick Dam in California and in vicinity of Loveland, Colorado and rehabilitation of transferred facilities which because of their age require additional costs to insure reliability and safety of mobile equipment stored in these facilities. The Pick-Sloan Missouri Basin Program has planned in FY 1980 the rehabilitation of O&M service centers to modify ceilings and floors for energy conservation and safety. Construction of flammable material storage buildings is proposed to comply with OSHA regulations. Engineering studies for future system additions will be continued.

<u>Purchase power and wheeling</u>	59,884	58,610
--	--------	--------

The following table summarizes Western Area Power Administration's program of Purchase Power and Wheeling:

Purchase power and wheeling costs financed from appropriated funds	59,884	58,610
Purchase power and wheeling costs offset by credits from sale of power and from rents for wheeling non-Federal power on Western Area Power Administration transmission lines	<u>8,876</u>	<u>16,821</u>
Total obligations for purchase power and wheeling	68,760	75,431

Western Area Power Administration Construction,
Rehabilitation, Operation and Maintenance

(Tabular dollars in thousands. Narrative material in whole dollars.)

The FY 1980 budget request for Purchase Power and Wheeling is \$58,610,000, a \$1,274,000 decrease over the amount appropriated in FY 1979. The net change of \$1,274,000 reflects a \$6,385,000 reduction in energy purchases for Pacific Gas and Electric Company and for payments to Centralia Thermal Project due mainly to the use of dry year water conditions to estimate FY 1979 requirements and average year water conditions to estimate FY 1980 requirements. When the FY 1979 budget estimates were made, both California and the Pacific Northwest were experiencing severe drought conditions with little prospect of improvement. In the winter and spring months of 1977-78, rainfall in both the northwest and California were better than normal. It was, therefore, decided to estimate FY 1980 budget requirements on average water year conditions resulting in a reduction in fund requirements.

Partially offsetting this decrease is an increase in the Pick-Sloan Missouri Basin Program of \$5,111,000 principally for increased energy purchases for participation in the Oil Conservation Program. Oil conserved is projected at 1.2 million barrels. Surplus, low-cost energy is purchased off peak to replace hydropower sold on peak to customers that otherwise would have had to burn high-cost oil to meet loads. Revenue realized to the Treasury from these on-peak sales more than offsets costs of purchased energy.

The tabulations on the following pages provide information on the utility companies and other entities involved in the purchase power and wheeling program and dictate the amount expended or estimated to be expended in fiscal years 1979 and 1980.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

OPERATING EXPENSE FUNDED PROJECT DATA SHEET
Western Area Power Administration

Western Area Power Administration Construction, Rehabilitation, Operation and Maintenance

(Tabular dollars in thousands. Narrative material in whole dollars.)

Central Valley
California

Total Estimated Cost (TEC) \$98,052,000
(For Design and Construction)

Central Valley
California

Total Estimated Cost (TEC) \$98,052,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

	Cumulative Prior Years Obs.	FY 1978		FY 1979		FY 1980	
		B/A	Obs. B/O	B/A	Estimate B/O	B/A	Estimate B/O
Operating expenses (DOE):							
Design and construction	44,477	2,821	2,821 2,821	4,970	5,647 10,662	10,662	10,662
Total operating expenses	44,477	2,821	2,821 2,821	4,970	5,647 10,662	10,662	10,662
Total DOE funding:	44,477	2,821	2,821 2,821	4,970	5,647 10,662	10,662	10,662
Non-DOE funding:							
Design and construction	---	---	---	---	---	---	---
Total non-DOE funding	---	---	---	---	---	---	---
Total project funding	44,477	2,821	2,821 2,821	4,970	5,647 10,662	10,662	10,662

Central Valley
California

Total Estimated Cost (TEC) \$98,052,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

	Outyear Estimates							
	FY 81		FY 82		FY 83		FY 84	
	Estimate	B/O	Estimate	B/O	Estimate	B/O	Estimate	B/O
	B/A		B/A		B/A		B/A	
Operating expenses (DOE):								
Design and construction	300	300	770	770	6,050	6,050	9,200	9,200
Total operating expenses	300	300	770	770	6,050	6,050	9,200	9,200
Total DOE funding:	300	300	770	770	6,050	6,050	9,200	9,200
Non-DOE funding:								
Design and construction	...	...	...	...	...	...	...	...
Total non-DOE funding	...	...	...	...	...	...	...	...
Total project funding	300	300	770	770	6,050	6,050	9,200	9,200

Central Valley
California

Total Estimated Cost (TEC) \$98,052,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

	<u>Cumulative Future Years</u>		<u>Total Project Funding</u>
	<u>B/A</u>	<u>B/O</u>	<u>B/A</u>
<u>Operating expenses (DOE):</u>			
Design and construction	18,125	18,205	98,052
Total operating expenses	18,125	18,205	98,052
Total DOE funding:	18,125	18,205	98,052
<u>Non-DOE funding:</u>			
Design and construction	...	...	...
Total non-DOE funding	...	...	...
Total project funding	18,125	18,205	98,052

Central Valley
California

Total Estimated Cost (TEC) \$98,052,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

Description, objective and justification

The Central Valley Project (CVP) transmission system consists of one substation and 1,322 circuit miles of 69- to 500-kV transmission lines which interconnect seven powerplants, one pumping plant, and one major substation. In addition, WAPA markets electric power to preference customers located in central California and administers a sales, transmission, and interchange contract with the Pacific Gas and Electric Company (PG&E), the major private power utility in the area.

The objective of the CVP Construction Program is to provide the facilities and services needed to interconnect powerplants, pumping plants, local utilities and power customers. The New Melones project will provide either transmission facilities or service contracts to connect new powerplants at various locations to the CVP transmission system. The objective of the Trinity River Division program is to install power factor correction capacitors at certain power delivery points.

Schedule of planned activities

	Start	Complete
Trinity River Division - Tracy Switchyard Additions	2nd 1/4 FY 77	4th 1/4 FY 81
New Melones Transmission Service Contract	3rd 1/4 FY 78	1st 1/4 FY 80

Power factor correction facilities are being investigated to determine the best way possible to meet the commitments with customers to supply high efficiency power.

Central Valley
California

Total Estimated Cost (TEC) \$98,052,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

Prior Year achievements

In FY 1978, a contract was consummated with Pacific Gas and Electric Company (PG&E) providing for power transmission service for the New Melones project. An initial payment of \$2,600,000 was made to the company.

FY achievements

A second payment of \$4,200,000 will be made to PG&E for New Melones transmission service.

Reasons for increases or decreases

The Total Estimated Cost increased \$8,926,170 from \$89,125,830 in the FY 1979 Budget Justifications to \$98,052,000 due to update of estimates to reflect current prices.

Department of Energy
 FY 1980 CONGRESSIONAL BUDGET REQUEST

OPERATING EXPENSE FUNDED PROJECT DATA SHEET
 Western Area Power Administration

Western Area Power Administration Construction, Rehabilitation, Operation and Maintenance

(Tabular dollars in thousands. Narrative material in whole dollars.)

Washoe
 California-Nevada

Total Estimated Cost (TEC) \$442,000
 (For Design and Construction)

Washoe
California-Nevada

Total Estimated Cost (TEC) \$422,000

(Tabular dollars in thousands: Narrative material in whole dollars.)

	Cumulative Prior Years Obs.	FY 1978		FY 1979		FY 1980	
		B/A	Obs. B/O	Estimate B/A	Estimate B/O	Estimate B/A	Estimate B/O
<u>Operating expenses (DOE):</u>							
Design and construction	...	24	2	2	...	25	25
Total operating expenses	...	24	2	2	...	25	25
<u>Total DOE funding:</u>	...	24	2	2	...	25	25
<u>Non-DOE funding:</u>							
Design and construction	...	...	...	...	...	...	...
Total Non-DOE funding	...	...	...	...	...	...	...
<u>Total Project funding</u>	...	24	2	2	...	25	25

Washoe
California-Nevada

Total Estimated Cost (TEC) \$422,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

	Outyear Estimates					
	FY 81		FY 82		FY 83	
	Estimate	B/O	Estimate	B/O	Estimate	B/O
	B/A		B/A		B/A	B/O
<u>Operating expenses (DOE):</u>						
Design and construction	373	373	...	...	...	...
Total operating expenses	373	373	...	...	...	...
<u>Total DOE funding:</u>	373	373	...	...	...	...
<u>Non-DOE funding:</u>						
Design and construction	...	...	...	...	...	...
<u>Total Non-DOE funding</u>	...	...	...	...	...	...
<u>Total Project funding</u>	373	373	...	...	...	...

Washoe
California-Nevada

Total Estimated Cost (TEC) \$422,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

Total Project Funding

B/A

Cumulative Future Years

B/O

B/A

Operating expenses (DOE):

Design and construction

Total operating expenses

Total DOE funding:

Non-DOE funding:

Design and construction

Total non-DOE funding

Total project funding

422

422

422

...

...

422

Washoe
California-Nevada

Total Estimated Costs (TEC): \$422,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

Description, objective and justification

Washoe Project is located in the Carson and Truckee River Basins of Nevada and California. The project's purpose is to furnish water for irrigation, help control flooding, provide hydroelectric power, develop fish and wildlife resources and other beneficial purposes. The main features are the Stampede and Watasheam Dams. Power from the Stampede powerplant is scheduled to come on line in FY 81, a proposed 18-mile transmission line from the dam site to the closest transmission facilities which are owned by Sierra Pacific Power Company would provide transmission source for power generated at the new facility at Stampede Reservoir.

Schedule of planned activities

	<u>Start</u>	<u>Complete</u>
Conceptual design	1st 1/4 FY 81	2nd 1/4 FY 81
Construction	2nd 1/4 FY 81	4th 1/4 FY 81

Prior year achievements

Preconstruction activities continued on feasibility of different transmission lines from Stampede Powerplant and Switchyard to Sierra Pacific Power Company's lines.

CY achievements

Preconstruction activities will continue on the transmission line.

Reasons for increases and decreases in total estimated cost

No change.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

OPERATING EXPENSE FUNDED PROJECT DATA SHEET
Western Area Power Administration

Western Area Power Administration Construction, Rehabilitation, Operation and Maintenance

(Tabular dollars in thousands. Narrative material in whole dollars.)

Parker-Davis
Arizona-California-Nevada

Total Estimated Cost (TEC) \$81,137,000
(For Design and Construction)

Parker-Davis Project
Arizona-California-Nevada

Total Estimated Cost (TEC). \$81,137,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

	Cumulative Prior Years Obs.	FY 1978		FY 1979		FY 1980	
		B/A	Actual	B/A	Estimate	B/A	Estimate
			Obs.	B/O	B/O	B/O	B/O
Operating expenses (DOE):							
Design and construction	71,810	1,755	1,755	1,423	453	785	555
Total operating expenses	71,810	1,755	1,755	1,423	453	785	555
Total DOE funding:	71,810	1,755	1,755	1,423	453	785	555
Non-DOE funding:							
Design and construction	535	20	20	...	75	95	...
Total Non-DOE funding	535	20	20	...	75	95	...
Total Project funding	72,345	1,775	1,775	1,423	528	880	555

Parker-Davis Project
Arizona-California-Nevada

Total Estimated Cost (TEC) \$81,137,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

	Outyear Estimates							
	FY 81		FY 82		FY 83		FY 84	
	Estimate	B/O	Estimate	B/O	Estimate	B/O	Estimate	B/O
	<u>B/A</u>	<u>B/O</u>	<u>B/A</u>	<u>B/O</u>	<u>B/A</u>	<u>B/O</u>	<u>B/A</u>	<u>B/O</u>
Operating expenses (DOE):								
Design and construction	565	565	560	560	310	310	300	300
Total operating expenses	<u>565</u>	<u>565</u>	<u>560</u>	<u>560</u>	<u>310</u>	<u>310</u>	<u>300</u>	<u>300</u>
Total DOE funding:	565	565	560	560	310	310	300	300
Non-DOE funding:								
Design and construction	...	...	...	...	...	...	...	...
Total Non-DOE funding	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
Total Project funding	565	565	560	560	310	310	300	300

Parker-Davis Project
Arizona-California-Nevada

Total Estimated Cost (TEC) \$81,137,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

	<u>Cumulative Future Years</u>		<u>Total Project Funding</u>
	<u>B/A</u>	<u>B/Q</u>	<u>B/A</u>
<u>Operating expenses (DOE):</u>			
Design and construction	29,379	29,379	81,137
Total operating expenses	29,379	29,379	81,137
Total DOE funding:	29,379	29,379	81,137
<u>Non-DOE funding:</u>			
Design and construction	...	...	630
Total Non-DOE funding	...	...	630
Total Project funding	29,379	29,379	81,767

Parker-Davis Project
Arizona-California-Nevada

Total Estimated Costs: \$81,137,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

Description, Objectives, and Justifications.

The Parker-Davis Project contains over 1,600 circuit miles of transmission lines and over 2,000,000 kVA of installed capacity at substations in Arizona, California, and Nevada. The facilities are constructed to carry power generated at U.S. Department of Interior, Bureau of Reclamation hydroelectric plants at Davis Dam and Parker Dam to various load centers of preference customers.

This program funds construction activity associated with additions and modifications to the existing transmission lines and substation facilities in order to provide reliable service to preference customers. Items in the budget year include start of preconstruction activities for a possible 120-mile, 230-kV transmission line from near Phoenix, Arizona, to near Yuma, Arizona; preconstruction for installation of capacitor banks at two substations located between Phoenix and Tucson, Arizona; plus continuing power engineering studies.

Schedule of Planned Activities

	<u>Start</u>	<u>Complete</u>
Parker 69-kV Switchyard Modifications		
Preconstruction	1st 1/4 FY 81	1st 1/4 FY 82
Construction	2nd 1/4 FY 82	4th 1/4 FY 83
Install Capacitor Banks at ED-4 and Coolidge Substations		
Preconstruction	1st 1/4 FY 80	1st 1/4 FY 81
Construction	1st 1/4 FY 81	4th 1/4 FY 82
Engineering Studies	Continuing	Continuing

Parker-Davis Project
Arizona-California-Nevada

Total Estimated Costs (TEC): \$81,137,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

Prior Year achievements - FY 1978

Prior year achievements included continued installation of the supervisory control system at the dispatch building in Phoenix, Arizona and at various substations and switchyards. The system consolidates several existing supervisory systems into a new system. Central monitoring and control of the Federal transmission system of the Boulder City Area Office will be achieved by FY 1980.

In addition, power engineering studies continued to identify problems and solutions for providing adequate service to preference customers.

CY achievements

Installation of the supervisory control system (see above) will continue, along with power engineering studies.

Reasons for increases or decreases in total estimated cost

Increase of \$690,000 provides for increased costs of engineering studies due to changing nature of customer requirements in the Area (\$200,000), increased cost of supervisory control system due to revised estimate of automation and preconditioning costs (\$490,000).

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

OPERATING EXPENSE FUNDED PROJECT DATA SHEET
Western Area Power Administration

Western Area Power Administration Construction, Rehabilitation, Operation and Maintenance

(Tabular dollars in thousands. Narrative material in whole dollars.)

Pacific Northwest -
Pacific Southwest Inter tie
Arizona-Nevada-California

Total Estimated Cost (TEC) \$419,581,000
(For Design and Construction)

Pacific Northwest - Pacific Southwest Intertie
Arizona-Nevada-California

Total Estimated Cost (TEC) \$419,381,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

	Cumulative Prior Years Obs.	FY 1978		FY 1979		FY 1980	
		B/A	Obs. B/O	B/A	Estimate B/O	B/A	Estimate B/O
<u>Operating expenses (DOE):</u>							
Design and construction	71,908	1,220	1220 684	1,300	1,865	...	...
Total operating expenses	71,908	1,220	1220 684	1,300	1,865	...	...
<u>Total DOE funding:</u>	71,908	1,220	1220 684	1,300	1,865	...	...
<u>Non-DOE funding:</u>							
Design and construction	3,259	...	56 51	...	5	...	...
Total Non-DOE funding	3,259	...	56 51	...	5	...	...
<u>Total Protect funding</u>	75,167	1,220	1,276 735	1,300	1,870	...	...

Pacific Northwest - Pacific Southwest Intertie
Arizona-Nevada-California

Total Estimated Cost (TEC) \$419,581,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

	<u>Cumulative Future Years</u>		<u>Total Project Funding</u>
	<u>B/A</u>	<u>B/O</u>	<u>B/A</u>
<u>Operating expenses (DOE):</u>			
Design and construction	344,153	344,153	419,581
Total operating expenses	344,153	344,153	419,581
Total DOE funding:	344,153	344,153	419,581
<u>Non-DOE funding:</u>			
Design and construction	...	...	3,315
Total Non-DOE funding	...	...	3,315
Total Project funding	344,153	344,153	422,896

Pacific Northwest - Pacific Southwest Intertie
 Arizona-Nevada-California

Total Estimated Costs (TEC): \$419,581,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

Description, Objective, and Justifications.

This project, located in parts of California, Nevada, and Arizona, from the Oregon border to Phoenix, Arizona consists of the part of the EHV Pacific Northwest-Pacific Southwest Intertie which is assigned to the Western Area Power Administration. In conjunction with the Bonneville Power Administration's portion of the Intertie, these facilities would permit the sale of power from the Northwest to California and the sale of surplus peaking capacity from the Northwest to Arizona and Nevada, together with the seasonal exchange of capacity between the Pacific Southwest and the Pacific Northwest. This plan is designed to integrate the Federal hydroelectric projects in the northwest, in northern California and in the Colorado River area.

The investment of WAPA constructed facilities of the Pacific Northwest-Pacific Southwest Intertie would be repaid with interest within 50 years from the time the lines become revenue-producing from revenues received through use of the Intertie facilities.

Funds to initiate construction were appropriated in FY 1965. The construction of 500-kV, 345-kV, and 230-kV transmission lines authorized as part of the Pacific Intertie is complete and the lines are in operation. Addition to substation facilities are complete. Construction of the Oregon Border-Mead 1,000-kV DC transmission lines and terminal facilities was deferred in 1969, primarily as a result of lack of customer interest among utilities. A recent survey of loads indicates a renewed customer interest to support summer-winter diversity exchange beginning sometime in the late 1980's. The present plans are to construct two southern DC terminals, one a Mead Substation, and one in the Phoenix, Arizona vicinity.

Schedule of Planned Activities

Construction of 1,000-kV DC Transmission line and Terminal Facilities Preconstruction	<u>Start</u>	<u>Complete</u>
	Continuing	1st 1/4 FY 83

Pacific Northwest - Pacific Southwest Intertie
 Arizona-Nevada-California
 Total Estimated Costs (TEC): \$419,581,000
 (Tabular dollars in thousands. Narrative material in whole dollars.)

Prior Year Achievements - FY 1978

Preconstruction studies and collection of design data continued for construction of the 1,000-kv DC Transmission line and terminal facilities from the Oregon border to Arizona.

CY Achievements

Current year (fiscal year 1979) will continue preconstruction studies and collection of preliminary design data. Plans will be coordinated with power customers in the southwest for the effective disposition of power.

Reasons for Increase and Decrease in Total Estimated Costs

Increase of \$44,535,000 due to updating the estimate and providing for minor design changes.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

OPERATING EXPENSE FUNDED PROJECT DATA SHEET
Western Area Power Administration

Western Area Power Administration Construction, Rehabilitation, Operation and Maintenance

P-S MSP Transmission Division

North Dakota, South Dakota, portions of Colorado, Iowa, Minnesota, Missouri, Montana,
Nebraska and Wyoming

Total Estimated Cost (TEC) \$413,047,000

P-S MWP Transmission Division
North Dakota, South Dakota, portions of Colorado
Iowa, Minnesota, Missouri, Montana, Nebraska, and Wyoming

Total Estimated Cost (TEC) \$413,047,000

(Tabular dollars in thousands)

	Cumulative Prior Years Obs	FY 1978		FY 1979		FY 1980	
		B/A	Actual Obs	B/A	Estimate Obs	B/A	Estimate Obs
Operating expenses:							
Design and construction	364.885	3,719	3,719 2,621	3,192	3,192	7,900	7,900
Total operating expenses	364.885	3,719	3,719 2,621	3,192	3,192	7,900	7,900
Non-DOE funding:							
Design & Construction 1/	4,404	24	12 12	721	732	8,500	8,500
Total Project funding	369,289	3,743	3,731 2,633	3,913	3,924	16,400	16,400

1/ The Non-DOE Funding is a result of contractual arrangements between WAPA and local Rural Electrification Administration cooperatives, public utility districts, and private utilities for the construction of facilities under Cost Sharing arrangements. The estimated advances for these facilities are as follows: Load Frequency Control Computer, \$535,000; Miles City-New Underwood 230-kV Transmission Lines and Terminal Facilities, \$13,800,000; Pick-Sloan Missouri Basin Program Preference Customers, \$9,665,000; for a total of \$24,799,000.

P-S MEP Transmission Division
North Dakota, South Dakota, portions of Colorado
Iowa, Minnesota, Missouri, Montana, Nebraska and Wyoming

Total Estimated Cost (TEC) \$413,047,000

(Tabular dollars in thousands)

	FY 1981 Estimate		FY 1982 Estimate		FY 1983 Estimate		FY 1984 Estimate	
	B/A	B/O	B/A	B/O	B/A	B/O	B/A	B/O
<u>Operating expenses:</u>								
Design and construction	16,920	16,920	3,895	3,895	150	150	150	150
Total operating expenses	16,920	16,920	3,895	3,895	150	150	150	150
Non-DOE funding:								
Design & Construction	4,800	4,800	2,300	2,300	1,100	1,100	1,500	1,500
Total Project funding	21,720	21,720	6,195	6,195	1,250	1,250	1,650	1,650

P-S MWP Transmission Division
 North Dakota, South Dakota, portions of Colorado
 Iowa, Minnesota, Missouri, Montana, Nebraska, and Wyoming

Total Estimated Cost (TEC) \$413,047,000

	(Tabular dollars in thousands)		Total Project Funding B/A
	Cumulative B/A	Future Years B/O	
Operating Expenses:			
Design & Construction	12,236	12,236	413,047
Total Operating Expenses	12,236	12,236	413,047
Non-DOE Funding Design & Construction	1,450	1,450	24,799
Total Project Funding	13,686	13,686	437,846

P-S MBP Transmission Division
North Dakota, South Dakota, portions of Colorado
Iowa, Minnesota, Missouri, Montana, Nebraska, and Wyoming

Total Estimated Cost (TEC) \$413,047,000

(Narrative material in whole dollars.)

Description, Objective and Justification

The transmission facilities of the Pick-Sloan Missouri Basin Program are necessary to interconnect and coordinate the operation of Bureau of Reclamation and Corps of Engineers hydroelectric powerplants in the Basin and to deliver power for irrigation pumping sales to municipalities, cooperatives, private utilities and wholesale customers. A major portion of the transmission system is complete and in operation. Work remaining consists of transmission facilities to assure reliable electric service, to meet operational needs, to supply pumping power to irrigation units, and to provide facilities in the future to market new Federal generation.

Schedule of Planned Activities

	Start		Complete	
Miles City-New Underwood 230-kV Transmission Line and Terminal facilities	1 st quarter FY 1980		4 th quarter FY 1982	
Ellsworth Substation Stage 02 Additions	2 nd quarter FY 1979		4 th quarter FY 1980	
Brookings Substation Stage 05 "	2 nd quarter FY 1979		3 rd quarter FY 1980	
Carrington Substation Stage 05 "	2 nd quarter FY 1979		2 nd quarter FY 1980	
Sterling Substation Stage 06 "	1 st quarter FY 1977		4 th quarter FY 1979	
Poudre Substation Stage 03 "	1 st quarter FY 1978		3 rd quarter FY 1979	

P-S MBP Transmission Division
North Dakota, South Dakota, portions of Colorado
Iowa, Minnesota, Missouri, Montana, Nebraska, and Wyoming

Total Estimated Cost (TEC) \$413,047,000

(Narrative material in whole dollars.)

Prior Year Achievements

Fort Thompson substation Stage 06 is complete with Stage 06A almost 86 percent complete. The Watertown Power Systems Operations Office Building was completed and operational in FY 1978. Watertown-Sioux City 345-kV Transmission Line was completed with only ground cleanup remaining. All construction work related to Stage 06 additions at Sterling Substation and Stage 03 additions at Poudre Substation was substantially complete at the close of FY 1978. Minor work remained on a landscaping contract at Poudre Substation and contractor's claim at Sterling was in process of finding of fact.

FY Achievements

Engineering Surveys and collection of Design Data on the Miles City-New Underwood 230-kV Transmission will continue with the initial right of way beginning in FY 1979. Bids and a contract award will be made on the Ellsworth Substation, Stage 02. Work will continue and substantially complete the Fort Thompson Substation, Stage 06A. Pierre Substation, Stage 04 is essentially complete with only minor cleanup left to accomplish. Contract completion and cleanup is underway on Poudre Substation landscaping and water supply connections.

Reasons for Increases and Decreases in Total Estimated Cost

Reason for increase will be forwarded soon.

The increase of \$19,047,000 from the FY 1979 Congressional Budget Request represents an updating of estimates to reflect current prices.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF POSITIONS AND STAFF YEARS BY APPROPRIATION
BY MAJOR CATEGORY

Western Area Power Administration
Construction, Rehabilitation, Operation and Maintenance

	FY 1978		FY 1979		FY 1980	
	Actual	SY	Estimate	SY	Request	SY
	Pos		Pos		Pos	
Construction, Rehabilitation, Operation and Maintenance -						
Western Area Power						
Administration:						
Headquarters.....						
Field.....	816	841	951	966	951	1,008
Subtotal.....	816	841	951	966	951	1,008
Total.....	816	841	951	966	951	1,008

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SYSTEMS STATISTICS
Western Area Power Administration
(In thousands of dollars)

	FY 1978 <u>Actual</u>	FY 1979 <u>Estimate</u>	FY 1980 <u>Estimate</u>
<u>Generating capacity:</u>			
Installed capacity (kw)	7,688,256	7,738,256	8,152,112
Leased capacity (kw)	...	...	...
Peak capacity (kw)	8,515,817	8,514,212	8,522,612
<u>Generating stations:</u>			
Generating projects (No.)	14	14	14
Substations/switchyards (No.) <u>a/</u>	271	265	265
Substations/switchyards (kva capacity)	17,355,678	17,093,591	17,243,591
<u>Available energy: <u>b/</u></u>			
Energy generated (megawatt-hours)	29,272,403	29,684,728	29,271,478
Energy purchased (megawatt-hours)	6,170,914	6,136,462	6,553,462
Energy available for marketing (megawatt-hours)	35,443,317	35,821,190	35,886,940
<u>Transmission lines (circuit miles):</u>			
800 kV	...	...	...
500 kV	94	94	94
345 kV	957	1,134	1,275
230 kV	6,190	6,190	6,303
161 kV	1,150	1,013	1,013
138 kV	313	313	313
115 kV	6,090	5,685	5,685
69 kV and below	<u>1,145</u>	<u>1,145</u>	<u>1,145</u>
Total circuit miles	15,939	15,574	15,828
<u>DOE revenues:</u>			
Annual gross power revenues <u>c/</u>	274,000	309,000	341,000
Prior year adjustment	...	...	...
Total power revenues	274,000	309,000	341,000
<u>DOE annual gross revenues:</u>	274,000	309,000	341,000
<u>Federal investment allocated to commercial power:</u>			
Generation equipment	1,734,141	1,746,357	1,748,334
Transmission facilities	<u>862,724</u>	<u>887,982</u>	<u>900,508</u>
Total investment	2,596,865	2,634,339	2,648,842

a/ 1978 - Includes 210 WAPA substations and 61 Bureau of Reclamation switchyards.
1979/80 - Includes 208 WAPA substations and 62 Bureau of Reclamation switchyards.

b/ Includes net at plant.

c/ Includes power sales, wheeling and other revenues.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

POWER MARKETED, WHEELED, OR EXCHANGED BY PROJECT
Western Area Power Administration

Project	State	Installed ^{f/} Capacity (kw)	FY 1978 Actual Power (GWH)	FY 1979 Estimated Power (GWH)	FY 1980 Estimated Power (GWH)
<u>Power Marketed ^{g/}</u>					
Boulder Canyon (Boulder City Area)	NV	1,352,000 ^{1/}	3,542	3,828	4,570
Central Arizona (Boulder City Area)	NV	546,750	3,375	3,736	3,736
Central Valley (Sacramento Area)	CA	1,368,094	6,905	6,586	6,948
Collbran (Salt Lake City Area)	CO	13,500	41	41	41
Colorado River Storage (Denver, Salt Lake City, Boulder City Areas)	CO	180,000	2,100	2,218	2,349
	WY	10,000	1	2	2
	UT	108,000	1,610	1,583	1,583
	NM	...	872	844	879
	AZ	950,000	1,178	1,200	1,200
	NV		124	77	77
Subtotal		<u>1,248,000</u>	<u>5,885</u>	<u>5,924</u>	<u>6,090</u>
Falcon and Amistad (Salt Lake City Area)	TX	31,500	99	93	93
Frying Pan - Arkansas ^{1/} (Denver Area)	CO	...	...	...	62
Parker Davis (Boulder City Area)	AZ	360,000	1,270	1,207	1,207
Pick Sloan Missouri Basin Program (Denver, Billings Areas)	MT	485,000	12,146	12,100	10,700
	SD	1,433,000			
	ND	430,000			
	NE				
	CO	391,162	2,094	2,220	2,353
	WY				
Subtotal		<u>2,739,162</u>	<u>14,240</u>	<u>14,320</u>	<u>13,053</u>

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

POWER MARKETED, WHEELED, OR EXCHANGED BY PROJECT
Western Area Power Administration

<u>Project</u>	<u>State</u>	<u>Installed Capacity (kw)</u>	<u>FY 1978 Actual Power (GWH)</u>	<u>FY 1979 Estimated Power (GWH)</u>	<u>FY 1980 Estimated Power (GWH)</u>
<u>Power Wheeled and Exchanged</u>					
Central Valley (Sacramento Area)	CA		3,705	3,511	3,538
Colorado River Storage (Denver, Salt Lake, Boulder City Area)	CO, WY, AZ, UT, NM, NV		3,238	3,036	3,170
Falcon and Amistad (Salt Lake Area)	TX <u>1/</u>		...	...	...
Fryingpan - Arkansas (Denver Area)	CO		...	...	62
Packfic Northwest- Pacific Soughwest Intertie (Boulder City Area)	AZ, NV		785	824	865
Parker Davis (Boulder City Area)	AZ, NV CA		3,389	3,559	3,737
Pick Sloan Missouri Basin Program (Denver, Billings Area)	MT, ND SD, NM IA, NE CO, WY		2,300	2,465	3,202
Provo Project (Salt Lake City Area)	UT		3	3	3
Rio Grande (Salt Lake City Area)	UT		302	151	1
Total, power wheeled and exchanged			13,722	13,549	14,578

1/ Denotes less than a gigowatt

Provo (Salt Lake City Area)	UT	4,950	20	20	20
Rio Grande (Salt Lake City Area)	TX, NM	24,300	67	66	66
Total Power Marketed		7,688,256	35,444	35,821	35,886

f/ Installed as of October 1, 1978.

g/ Energy at load.

h/ Data not available by state. This figure applies to initial six states area listing.

i/ The Fryingpan - Arkansas Project will place its first 100 mw unit in service for FY 1980. This is a pumped back storage unit.

j/ Includes 7,200 (kw) of Colorado River Front Works and Levee System.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

PENDING LITIGATION
Western Area Power Administration

Alloway v. United States, U.S. District Court for the District of Colorado, No. 77-W-831 Civil, filed September 7, 1977. On September 23, 1976, the plaintiffs were injured when a CB antenna and tower they were lowering behind their residence came in close proximity to the Greely-Rosedale 115-kV line (now a U.S. Department of Energy, Western Area Power Administration line). Electricity flashed over the power line to the antenna and traveled down the antenna lead-in wire to ground. The plaintiffs were holding the mast and received electrical burns. Plaintiffs allege that the United States was negligent in construction and maintenance of a high voltage transmission line. Plaintiffs seek damages of \$155,000.00. U.S. Attorney has requested assistance from the WAPA General Counsel's Office in preparing for defense.

Arizona Power Authority Electrical District No. 3 et al. v. Morton, et al., U.S. District Court for the District of Arizona. Case No. Civ 71-683 PHX-CAM, filed December 21, 1971. Plaintiffs alleged that the government's use of a geographical basis for Colorado River Storage Project (CRSP) power allocation was illegal and that the withdrawn provisions in its electrical service contract with the government used to discontinue power and energy deliveries were not valid. On February 6, 1977, parties agreed to dismiss the case. Parties were not able to agree upon a stipulation for dismissal and plaintiff filed a motion to limit liability based upon the extent and terms of the undertaking to stay. Parties are awaiting decision by the court on the motion.

City of Santa Clara v. Schlesinger, et al.; Pacific Gas and Electric v. City of Santa Clara, et al., U.S. District Court, N.D. California, No. 75-1574. Santa Clara challenged the Secretary's action of reducing their allocation of Central Valley Project (CVP) power. Also asserted that CVP power which was "banked" with PG&E was a sale in violation of the "preference" clause of Federal reclamation law, Section 9(c) of the Reclamation Act of 1939, 43 U.S.C. 485h(c). Because the city was receiving both its CVP allocations and its additional requirements from PG&E, the city refused to pay PG&E those amounts due under its contract with PG&E in excess of the amounts it would have to pay had it received the full allocation of CVP power it asserted it was entitled to. PG&E then intervened as a defendant and counterclaimed the sums due and owing (which have been and are still being paid into an escrow account). The amounts in controversy between all parties is in excess of \$100,000,000.00. A pretrial conference is set by the District Court for May 25, 1979 and trial for June 11, 1979.

Hahn v. United States, U.S. District Court, District of South Dakota, South District; Civil No. 78-4107, filed October 16, 1978. Wrongful death. On October 17, 1975, Barbara Ruth Hahn was killed when the plane she was on struck a WAPA 230-kV transmission line near Yankton, South Dakota. Plaintiff alleges negligence on the part of the pilot and on the part of WAPA for failure to provide lights on the power line towers to warn pilots of the towers' presence. Plaintiff seeks damages of \$500,000, plus interest and costs. Complaint filed October 16, 1978. Litigation report is prepared. No answer yet by U.S. Attorney.

Heiden et al. v. United States, U.S. District Court for District of Wyoming; Civil No. C77-201B, filed October 13, 1977. Plaintiff alleges his son was severely burned and disfigured when coming in contact with a fallen high-tension wire owned by Shoshone River Power River Company near South Fork, Wyoming. Plaintiff alleges that the proximate cause of his son's injuries was carelessness and negligence by the Bureau of Reclamation for improper operation and maintenance of the North Cody Substation from which the electrical current could be shut off. Plaintiff seeks \$2,500,000.00. Affidavits, the power contract in force when accident occurred, and a motion for summary judgement will be filed in the U.S. District Court of Wyoming.

McCabe, et al. v. United States, U.S. District Court, D. Wyoming, Civil No. 76-93, filed February 28, 1978. Involves injunctive relief to prevent the U.S. from constructing the Hayden-Ault transmission line near plaintiffs ranch. The line was substantially completed in 1978. Injunctive relief, no amount has been determined. Pretrial hearing date will be set ninety days after the case is at issue.

United States v. Carpenter, et al., U.S. District court, District of South Dakota, South District, Civil No. 75-4082, filed December 12, 1975. Condemnation: Action involved 6 parcels of land that were acquired by the U.S. in Lincoln County, South Dakota, for WAPA's Watertown-Sioux City-Moville 345-kV transmission line. Settlement has been reached on 5 of the parcels. The sum of \$1800.00 was deposited with the Declaration of Taking. Final Judgement of \$7,000.00 was rendered on October 23, 1978, on the sixth parcel. Must still obtain deficiency of \$5,200.00 and forward to U.S. Attorney, South Dakota, for satisfaction of judgement.

United States v. Sacramento Municipal Utility District, U.S. District Court, E.D. California, Civil No. S-75-277-PCW, filed April 15, 1975. The U.S. seeks declaratory judgement interpreting rate adjustment provisions of defendant's power contract with WAPA. Dispute is whether SMUD is liable for any portion of future rate increases which is attributable to the importation of power from the Pacific Northwest. Discovery and case preparation is proceeding. Trial is set for May 8, 1979.

United States v. State of California, State Water Resources Control Board, et al., District Court, E.D. California, No. S-3014, filed September 25, 1978. Declaratory Judgement. The U.S. sought to appropriate certain water for use in the New Melones dam and powerplant in proceedings before the California State Water Resources Control Board. In granting water rights, the board imposed twenty-five conditions affecting both the amount and use of the appropriated water and the construction and operation of the project. The U.S. filed suit for Declaratory Judgement in the U.S. District Court, alleging that the State was precluded under applicable Federal reclamation law from conditioning its permit to the Bureau of Reclamation in any manner whatsoever. The State's position was that the State could so condition the permit granted in any manner not inconsistent with direct Congressional mandates regarding the project. The U.S. Supreme Court adopted the State's position. The Court remanded the case to the U.S. District Court for a factual finding on the consistency issue and for a ruling on the State's res judication and collateral estoppel defenses. The State filed a Motion for Summary Judgement and for Judgement on the Pleadings on September 25, 1978, on the res judicata and estoppel issues, alleging that the court could rule on said issues as a matter of law prior to consideration of the consistency issue. The U.S. filed its brief in opposition to the State's Motion on November 13, 1978. Further briefing on the State's motion is now in progress.

City of Anaheim et al., v. James R. Schlesinger, et al., and Arizona Public Service Company, U.S. Court of appeals, 9th Circuit, No. 77-2431, appeal from U.S. District Court for Arizona. Case No. CIV 74-542 PHX-WEC (formerly CIV 74-307, U.S. District Court for District of Columbia), originally filed February 15, 1974, appealed May 6, 1977. Complaint in the nature of mandamus and for injunctive and declaratory relief. On February 15, 1974, the cities of Anaheim, Riverside, and Banning, California, filed against Rogers C.B. Morton, et al. for preliminary injunctive relief from the U.S. making available Navajo Project power and energy to nonpreference customers. Plaintiff requests Court to enjoin defendants from selling interim federal power to nonpreference customers and requests Court to order defendants to sell plaintiff's power; and requests Court to declare that defendants have no right to enter into contracts with nonpreference customers. Arguments are still being considered by the circuit court.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF CHANGES
Colorado River Basin Power Marketing Fund
Power Marketing Fund - Western Area Power Administration
(In thousands of dollars)

FY 1979 budget authority	2,286
FY 1980 budget estimate	<u>5,152</u>
Net change	+2,866

	1979 <u>Base</u>	Change <u>From Base</u>
Increases:		
Program:		
<u>Power Marketing - Colorado</u>		
<u>River Basin</u>		
Construction	2,286	<u>+2,866</u>
Total increases		+2,866

Colorado River Basin Power Marketing Fund
Power Marketing Fund - Western Area Power Administration
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1979 Estimated Budget <u>Authority</u>	FY 1980 Estimated Budget <u>Authority</u>
<u>Power Marketing - Colorado</u>		
<u>River Basin (WAPA)</u>		
Operation and Maintenance:		
Operating expenses - obligations	38,064	41,380
Subtotal	38,064	41,380
Offsetting Collections: Applied power revenues used to offset operation and maintenance expenses	-38,064	-41,380
Construction:		
Operating expenses	2,286	5,152
Subtotal	2,286	5,152
Total, power marketing - Colorado River Basin	2,286	5,152
Authorization: Sec. 302(a)(1)(E), P.L. 95-91	2,286	5,152
Operation and Maintenance	38,064	41,380

The FY 1980 obligational authority requested for operation and maintenance is \$41,380,000, a \$3,316,000 increase over the amount requested in FY 1979. The increase provides for interest, increased requirement for purchase power and wheeling, scheduled replacements and other operation and maintenance expenses.

The program for FY 1980 provides for purchase power and wheeling of \$26,350,000 which is based on system load studies. Replacements required in FY 1980 for proper operation and maintenance amount to \$1,356,000 and include \$500,000 for initiating acquisition of a replacement computer. Interest payments will amount to \$3,790,000 on Upper Colorado River Storage Project Facilities. The FY 1980 program also includes \$1,885,000 for the operation and maintenance of the Fort Peck powerplant and \$415,000 for extraordinary maintenance on the powerplant generator to be performed by the Corps of Engineers. The Fort Peck Project also requires \$15,000 for completion of the spraying of wood pole structures. The remaining amount

of \$7,434,000 is for all other operation and maintenance requirements and includes personal services and benefits, travel, communications, etc., needed for program operation and maintenance of the Colorado River Storage Project and Fort Peck Project. There are 165 full-time positions involved in the operation and maintenance activity. This staff is required to operate and maintain approximately 3,000 miles of transmission lines, 47 substations, communication systems, metering stations and other support facilities in a safe, reliable and error free method that ensures economical operations, sustains customer interest, and optimizes river operation so the amount of firm power and energy produced and delivered to load centers for sale is maximized.

Construction 2,286 5,152

The FY 1980 budget authority for the Upper Colorado River Storage Project is \$5,152,000, a \$2,866,000 increase over the amount appropriated in FY 1979.

The FY 1980 program provides \$1,778,000 for construction of Archer Substation Stage 05 which is a transformer addition to an existing substation required for additional transmission capacity. The program also provides \$459,000 for Ault Substation, Stage 03. This work is required to complete the Hayden-Ault transmission facilities. System studies indicate a need to interconnect the Missouri Basin Power Project into the interconnected transmission system. Cooperative planning has resulted in a decision to utilize and expand the existing Ault Substation. This action negates the necessity of constructing a new substation and results in less expense and environmental disturbance. Major enhancement of system reliability will be achieved.

Funds are included in the amount of \$1,200,000 for completion of Hayden Substation, Stage 03 and the Microwave System Backup Channels.

Insulation of the Headquarters building located at Montrose, Colorado is scheduled as well as several substation buildings, requiring \$450,000. Minor additions to substantially completed facilities will continue and include: radio system, \$30,000; supervisory control and telemetering, \$18,000; permanent operating equipment, \$250,000; metering, \$11,000; and additions to Automatic Generation Control System to accommodate transmission ties to the CRSP Control Area, \$270,000, will continue.

The remaining amounts are for system studies, planning studies, field data, and environmental studies on proposed future years transmission facilities.

There are 10 full-time permanent employees funded within this program. They provide for the studies, collection of field data, and construction inspection.

The Transmission Division of the Upper Colorado River Storage Project is located in the Colorado River Drainage of the states of Arizona, Colorado, New Mexico, Utah and Wyoming. Fort Peck Project is located in northern Montana.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

OPERATING EXPENSE FUNDED PROJECT DATA SHEET
Western Area Power Administration

Western Area Power Administration Construction, Rehabilitation, Operation and Maintenance

(Tabular dollars in thousands. Narrative material in whole dollars.)

Colorado River Storage Project Transmission Division
Arizona-Colorado-New Mexico-Utah-Wyoming

Total Estimated Cost (TEC) \$326,190,000

Colorado River Storage Project Transmission Division
 Arizona-Colorado-New Mexico-Utah-Wyoming

Total Estimated Cost (TEC) \$133,190,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

	Cumulative Prior Years Obs.	FY 1978		FY 1979		FY 1980	
		B/A	Obs. B/Q	B/A	Estimate B/Q	B/A	Estimate B/Q

Operating expenses (DOE):

Design and construction	156,643	2,969	2,969 2,411	2,286	786	5,152	5,152
Total operating expenses	156,643	2,969	2,969 2,411	2,286	786	5,152	5,152
Total DOE funding:	156,643	2,969	2,969 2,411	2,286	786	5,152	5,152

Non-DOE funding:

Design and construction ^{1/}	23,283	2,669	2,669 2,720	54	34	2,054	2,054
Total Non-DOE funding	23,283	2,669	2,669 2,720	54	34	2,054	2,054
Total Project funding	179,926	5,638	5,638 5,131	2,340	820	7,206	7,206

^{1/} The Non-DOE Funding is a result of contractual arrangements between WAPA and local Rural Electrification Administration Cooperatives and public utility districts for the construction of facilities under cost sharing agreements. The estimated shares for common facilities are as follows:

Hayden-Ault 345 kV TL, Ault Substation - Stage -1 & Archer Substation - Stage 04: Federal 36%
 Tri-State 36%
 Platte River 28%

Ault Substation - Stage 03: Federal 13.77%
 Trust Participants 86.23%

Colorado River Storage Project Transmission Division
 Arizona-Colorado-New Mexico-Utah-Wyoming

Total Estimated Cost (TEC) \$133,190,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

	Outyear Estimates							
	FY 81		FY 82		FY 83		FY 84	
	Estimate	B/A	Estimate	B/O	Estimate	B/A	Estimate	B/O
<u>Operating expenses (DOE):</u>								
Design and construction	1,986	1,986	1,465	1,465	415	415	415	415
Total operating expenses	1,986	1,986	1,465	1,465	415	415	415	415
Total DOE funding:	1,986	1,986	1,465	1,465	415	415	415	415
<u>Non-DOE funding:</u>								
Design and construction	4,417	4,417	1,330	1,330	---	---	---	---
Total Non-DOE funding	4,417	4,417	1,330	1,330	---	---	---	---
Total Project funding	6,403	6,403	2,795	2,795	415	415	415	415

Colorado River Storage Transmission Division
 Arizona-Colorado-New Mexico-Utah-Wyoming

Total Estimated Cost (TEC) \$133,190,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

	Cumulative Future Years		Total Project Funding
	B/A	B/O	B/A
Operating expenses (DOE):			
Design and construction	155,259	155,259	133,190
Total operating expenses	155,259	155,259	133,190
Total DOE funding:			
Non-DOE funding:	155,259	155,259	133,190
Design and construction	108,000	108,000	141,797
Total Non-DOE funding	108,000	108,000	141,797
Total Project funding	263,259	263,259	274,987

Colorado River Storage Project Transmission Division
 Arizona-Colorado-New Mexico-Utah-Wyoming

Total Estimated Costs (TEC): \$133,190,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

Tentative agreements have been made with Platte River Power Association, Tri-State Generation and Transmission Association, and Basin Electric Power Cooperative for participation on construction of the proposed Stage 03 Additions to Ault Substation in Colorado.

Reasons for increases and decreases

The increase in total estimated cost (TEC) of \$12,100,000 is due to updating the estimate to reflect current pricing.

Prior year achievements

Work on the Hayden-Ault transmission line was substantially complete and was placed in temporary service December 12, 1978. Specifications were prepared for Hayden Stage 03 transformer and a ward was made late in the fiscal year. The 69-kV additions to the Glen Canyon Switchyard were started and completion will be approximately April 1979. A contract for wheeling was negotiated with New Mexico Public Service in May 1978 and the Shiprock-Albuquerque line requirement was removed from the program. Plans for joint agency construction of a 230-kV line from Hayden to Mill Tap were formulated.

The Hayden-Ault 345 kV Transmission Line and Ault Substation - Stage 01 was substantially completed during the 4th quarter of FY 1978.

Design data preparation was initiated on Stage 05 Additions to Archer Substation.

The Hayden-Ault 345 kV Transmission Line and Stage 01 of Ault Substation were placed in service during December 1978.

Current year achievements

During fiscal year 1979, construction will begin on Hayden Stage 03 additions and installation of the Glen Canyon Standby Transformer will be completed. Power system joint studies will be underway with other agencies. A storage building will be constructed at Hayden Substation and a microwave system backup channels will be initiated to provide communications around the Abajo microwave site. Specialized tools and electronic test equipment will need to be purchased.

Colorado River Storage Project Transmission Division
Arizona-Colorado-New Mexico-Utah-Wyoming

(Tabular dollars in thousands. Narrative material in whole dollars.)

Description, Objective, and Justifications.

The Transmission Division includes transmission lines, substation, switchyards, and other facilities to provide for the interconnection of storage project powerplants with each other, with participating project power facilities, with other Federal powerplants, and with the electrical facilities of the major investor-owned power companies in the Colorado River Basin area so that the greatest practicable amount of firm power and energy can be produced and delivered to the load centers for sale. Completed features are to be operated by WAPA with joint participation by others on some of the facilities. The principal features are located in Apache, Navajo, Coconino, Yavapai, and Maricopa Counties in Arizona; Moffatt, Rio Blanco, Garfield, Mesa, Weld, Boulder, Delta, Montrose, San Miguel, Ouray, Delores, Montezuma, Gunnison, Chaffee, Fremont, El Paso, Routt, Jackson, Larimer, and Summit Counties in Colorado; San Juan, McKinley, Sandoval, and Bernalillo Counties in New Mexico; Daggett and Uintah Counties in Utah; and Albany, Sweetwater, and Laramie Counties in Wyoming.

The transmission facilities of the Upper Colorado River Storage Project are necessary to interconnect and coordinate the operation of Bureau of Reclamation Corps of Engineer Cooperative and Private Utilities electric generation plants in the Colorado River and Missouri River Basins and to deliver power for irrigation pumping, sales to municipalities, cooperatives, private utilities, and other wholesale customer. The major portion of the system is complete and energized. Remaining work consists of transmission facilities to interconnect with trust participants, to assure reliable electric service, and to meet operational needs.

Schedule of Planned Activities

	Start	Complete
Construction of Hayden Substation, Stage 03	1st Qtr. FY 1979	2nd Qtr. FY 1980
Microwave System Backup Channels, Navajo Dam	2nd Qtr. FY 1979	4th Qtr. FY 1979
Extension of Radio Equipment, Navajo Dam	2nd Qtr. FY 1979	4th Qtr. FY 1979
Construction of Heavy Equipment Storage Building, Hayden	3rd Qtr. FY 1979	4th Qtr. FY 1979

Colorado River Storage Project Transmission Division
 Arizona-Colorado-New Mexico-Utah-Wyoming

Total Estimated Costs (TEC): \$133,190,000

(Tabular dollars in thousands. Narrative material in whole dollars.)

	Start	Complete
Insulate Montrose Headquarters Building	4th Qtr, FY 1979	4th Qtr, FY 1981
Glen Canyon Standby Transformer	4th Qtr, FY 1977	3rd Qtr, FY 1979
Complete Steamboat Tap-Ault 345 kV Transmission Line	Continuing from Aug. 1975	2nd Qtr, FY 1979
Cleanup on Hayden-Ault 345 kV Transmission Line/land Ault Substation - Stage 01	Continuing from FY 1976	4th Qtr, FY 1979
Issue construction specifications for Stage 05 Additions to Archer Substation	Issue Specifications Sept. 1979	4th Qtr, FY 1981
Issue Supply Contractor for Power Circuit Breakers for Ault Substation - Stage 03	Issue Supply Specs. Oct. 1979	2nd Qtr, FY 1981
Complete design data, issue construction specifications award construction contract for Stage 03 Additions to Ault Substation.	Issue Constr. Specs. 2nd Qtr, FY 1980	2nd Qtr, FY 1982

Southeastern Power Administration
Continuing Fund
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1979 Estimated Budget <u>Authority</u>	FY 1980 Requested Budget <u>Authority</u>
<u>Continuing Fund</u>		
Emergency Expenses	\$...	\$...
Total, Continuing Fund	\$...	\$...

Authorization: 16 U.S.C. 825s-2

<u>Continuing Fund</u>	\$...	\$...
------------------------------	-------	-------

The Southeastern Power Administration Continuing Fund of \$50,000, a permanent, indefinite special fund, maintained from receipts for the transmission and sale of electric power in the Southeastern area, is available to defray emergency expenses necessary to insure continuity of service.

Southwestern Power Administration
Continuing Fund
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1979 Estimated Budget <u>Authority</u>	FY 1980 Requested Budget <u>Authority</u>
<u>Continuing Fund</u>		
Emergency Expenses.....	\$...	\$...
Total, Continuing Fund.....	\$...	\$...

Authorization: 16 U.S.C. 823s-1

<u>Continuing Fund</u>	\$...	\$...
------------------------------	-------	-------

The Southwestern Power Administration Continuing Fund of \$300,000, a permanent, indefinite special fund, maintained from receipts for the transmission and sale of electric power in the Southwestern area, is available to defray emergency expenses necessary to insure continuity of service.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF CHANGES

Western Area Power Administration Emergency Fund
Emergency Fund - Western Area Power Administration
(In thousands of dollars)

FY 1979 budget authority	200
FY 1980 budget estimate	<u>200</u>
Net change	...

The Emergency Fund for the Western Area Power Administration as authorized by the Act of June 26, 1948 (43 USC 502), is for purposes of defraying expenses incurred because of unusual or emergency conditions. Appropriations are to remain available until expended for the purposes specified in the Act.

Western Area Power Administration Emergency Fund
 Emergency Fund - Western Area Power Administration
 (Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1979 Estimated Budget <u>Authority</u>	FY 1980 Estimated Budget <u>Authority</u>
Emergency fund (WAPA)		
Emergency fund:		
Operating expenses	\$ 200	\$ 200
Total, emergency fund	\$ 200	\$ 200
Authorization: Sec. 1, P.L. 790	\$ 200	\$ 200
<u>Emergency fund</u>	\$ 200	\$ 200

The Emergency Fund for the Western Area Power Administration as authorized by the Act of June 26, 1948 (43 USC 502), is for purposes of defraying expenses incurred because of unusual or emergency conditions. Appropriations are to remain available until expended for the purposes specified in the Act.

Mr. McISAAC. Very well, sir.

FISCAL YEAR 1980 BUDGET OVERVIEW

Until the Congress enacts revolving fund legislation, Mr. Chairman, we will need annual authorizations and appropriations for four of the Power Marketing Administrations. Our total request of \$164,392,000 for fiscal year 1980 does not include Bonneville's budget, which will be financed from its power revenues and sales of bond to the Treasury. In fiscal year 1980, Bonneville projects outlays of \$525,400,000.

We expect total power revenues in fiscal 1979 of \$765,246,000, and in fiscal year 1980 of \$1,048,645,000.

Our power revenues include: Annual operating and maintenance costs; purchase power costs; annual interest costs, and repayment of capital investment, including replacements within 50 percent of the facilities going into service. That includes the portion allocated to power and also an irrigation subsidy on certain projects.

I would like to submit a chart which shows for each administration where we are in terms of cumulative repayable investment and the amount we have actually repaid from inception through 1978.

[Chart follows:]

POWER MARKETING ADMINISTRATIONS

	Cumulative repayable investment through 1978	Repaid
BPA (1938-78).....	\$6,156,000,000	\$732,000,000
WAPA (1937-78).....	3,408,000,000	898,000,000
SEPA (1950-78).....	975,000,000	202,000,000
SWPA (1944-78).....	665,000,000	33,000,000
APA (1955-78).....	110,000,000	11,000,000
Total.....	11,314,000,000	1,876,000,000

Note: Total capacity: 28,913 MW; marketing area: 34 States.

I might mention as well that the price guidelines issued by the President's Council on Wage and Price Stability apply to the five Power Marketing Administrations. However, these guidelines work in a way that does not suggest a deferral of the type of increases we are planning, since we include no profits. We are merely passing through costs as required by law.

POWER MANAGEMENT

I would like to spend some time on the subject of management.

To better manage our power marketing assignments, we are taking two steps:

First, we are asking the Congress to approve self-financing for all power marketing administrations, paralleling the Federal Columbia River Transmission System Act of 1974 which provided self-financing for Bonneville.

A separate revolving fund for each administration will enable each administrator to use the income from power sales to pay current operating, maintenance and purchase power cost. The legal obligation

to charge rates sufficient to repay both capital and interest to special accounts like the Reclamation Fund and to the Treasury will remain unchanged.

The total capacity of the entire system, the five power marketing administrations, is 28,913 megawatts. The five systems cover 34 States. They transmit and distribute roughly 5 percent of the electric power generated in the United States.

POWER RATES

I would like to just mention, Mr. Chairman, some of the circumstances we have with regard to the rates and to the rate increases on which I will be acting this year in order to meet the statutory requirement that each Power Marketing Administration recover all costs of producing and marketing electricity.

On December 21, 1978, the Secretary of Energy delegated to me the authority to establish rates for the five Power Marketing Administrations and to confirm and approve those rates on an interim basis. He also assigned final authority to confirm and approve rates to the Federal Energy Regulatory Commission. This procedure should insure prompt implementation of rate adjustments as they are needed.

POWER REPAYMENT STATUS

The Federal Government has invested a total of \$11.3 billion in the aggregate so far with the five Power Marketing Administrations; the administrations have repaid \$1.9 billion. Details are reflected on a chart which I will insert in the record.

[Chart follows:]

CURRENT STATUS OF REPAYMENT

Power Systems of Five Power Marketing Administrations

	Dollars in millions
Cumulatively through fiscal year 1978:	
Revenues.....	\$8,388
Expenses paid:	
Operation and maintenance.....	2,637
Purchased power and other.....	1,086
Interest.....	2,789
Total.....	6,512
Remainder applied to amortization.....	1,876
Cumulative repayable investment:	
Power.....	9,921
Irrigation Assistance.....	1,393
Total.....	11,314
Less cumulative amortization.....	1,876
Unamortized investment.....	9,438

Cumulative revenues since initial generation for these five administrations also are reflected on that chart and total \$8.4 billion.

We have 15 rate actions scheduled by the five power Marketing Administrations for fiscal year 1979 and we have a table showing those.

[Table follows:]

OFFICE OF POWER MARKETING COORDINATION

Schedule of Expected Rate Actions

Calendar Year 1979

Rate Case	Amount of Increase	% Increase	Last Rate Adjustment Approval	Date Rate Set by AL/PA and sent to FERC	Effective Date of Interest Rate	Date Next Possible Adjustment
PPA - System-wide	\$16,500,000	31.9	1977 <u>12</u>	2/15/79	4/1/79	<u>12</u>
PPA - APW/Bay Mills	\$ 1,984,000	88.3	1974	2/15/79	1/1/79	NA
SEPA - Laurel	<u>12</u>	0	NA	2/10/79	3/1/79	8/1/79
APA - Scottsbluff	0	0	1978 <u>12</u>	3/18/79	3/9/79	<u>12</u>
PPA - San Joaquin	\$ 358,500	34.8	1971	3/15/79	4/1/79	3/1/80
SEPA - Laurel	\$ 90,000	6.7	NA	4/1/79	3/1/79	6/30/83
WAPA - Central Valley	<u>12</u>	0	1978	4/1/79	4/25/79	<u>12</u>
WAPA - Central Valley	\$ 6,400,000	9.0	1978	5/2/79 <u>12</u>	7/25/79	<u>12</u>
SEPA - Cumberland	0	0	7/1/78	3/15/79	4/1/79	6/30/83
SEPA - Jim Woodruff	(\$335,000)	(14)	1967 <u>12</u>	3/15/79	6/1/79	8/19/82
PPA - Manning	0	0	NA <u>12</u>	5/15/79	6/1/79	<u>12</u>
SEPA - Georgia-Alabama	<u>12</u>	NA	NA	5/15/79	4/1/79	10/1/79
WAPA - Fryman-Johnson	Initial Rates	NA	NA	6/1/79	7/1/79	<u>12</u>
SEPA - Georgia-Alabama	\$ 5,600,000	13	NA	7/15/79	9/1/79	10/1/80
PPA - System-wide	\$150,000,000	40 <u>12</u>	1974	8/1/79	12/30/79	7/1/81
APA - Ellettsville	\$ 431,000	25	1974	9/1/79	10/1/79	<u>12</u>
WAPA - Col. Silver Storage	\$ 16,500,000	38	1977	10/1/79	11/15/79	<u>12</u>
WAPA - Parker Heria	\$ 2,300,000	20.1	1977	12/1/79	1/15/80	<u>12</u>

1/ Exclude increased transmission charge of \$2.6 million in May 1970.

2/ Rate adjustment when needed.

3/ Initial rate effective December 1, 1973.

4/ Initial rate effective December 1, 1973.

5/ Proposed rate must be published for 30-day comment period.

6/ Rate adjusted downward 35 in August 1967.

7/ Transmission charge initially approved January 22, 1973, to June 30, 1976, for use of surplus transmission facilities.

8/ Revised rate approved August 2, 1976, from July 1, 1976, to June 30, 1979. Public Supply System plan under construction.

9/ Revised rate approved August 2, 1976, from July 1, 1976, to June 30, 1979. Public Supply System plan under construction.

NA = Not Applicable

In light of this continuing obligation, the administration recently informed the Congress that within 18 months after the enactment of this proposed legislation, it will complete a review and seek to improve the consistency of existing repayment policies and procedures applying sound accounting and financial principles.

Second, we have established a system of annual management plans with quarterly reports in which each Administrator presents his plan and his report to me personally.

Mr. Chairman, I think I will just cut short any further remarks I have and turn to the power marketing administrators, starting with Bob McPhail from the Western Area Power Administration.

STATEMENT OF ROBERT L. MCPHAIL

Mr. MCPHAIL. Mr. Chairman, it is a pleasure to be here this year to support our budget for the Western Area Power Administration.

I would like to submit my written statement for the record and summarize with a short slide show.

Mr. BEVILL. That will be fine.

[The statement follows:]

STATEMENT OF ROBERT McPHAIL
ADMINISTRATOR
WESTERN AREA POWER ADMINISTRATION
DEPARTMENT OF ENERGY
BEFORE THE
SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT
OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

MARCH 20, 1979

Statement of Robert L. McPhail
Administrator
Western Area Power Administration
FY 1980 Appropriation Hearings

Mr. Chairman,

I am Robert McPhail, and it is a pleasure to appear before this subcommittee as Administrator for the Western Area Power Administration to support our FY 1980 budget request. With your permission, Mr. Chairman, I would like to highlight the major program areas in our 1980 budget request and discuss some of our accomplishments during this past year. Then I would like to review our mission and bring the subcommittee up to date on our progress in establishing WAPA as a separate and distinct Power Marketing Administration within the Department of Energy, after which I will answer any questions on our activities and programs.

1980 BUDGET REQUEST

The total WAPA appropriation request for 1980 is \$128,152,000, an increase of \$21,166,000 from the 1979 appropriation amount of \$106,986,000.

Major components of the 1980 request are \$122,800,000 for construction, rehabilitation, operation and maintenance; \$5,152,000 for the Colorado River Basin Power Marketing Fund; and \$200,000 for the Emergency Fund. Table 1 summarizes our budget request.

Table 1

DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
SUMMARY OF BUDGET REQUEST

	<u>1979</u>	<u>1980</u>	<u>Change</u>
Construction, Rehabilitation, Operation and Maintenance	\$104,500,000	\$122,800,000	+ \$18,300,000
Emergency	200,000	200,000	-0-
Colorado River Basin Power Marketing	<u>2,286,000</u>	<u>5,152,000</u>	+ <u>2,866,000</u>
TOTAL	\$106,986,000	\$128,152,000	+ \$21,166,000

The 1980 request of \$122,800,000 includes construction work which will require \$19,300,000, an increase of \$9,237,000 over the 1979 amount. System operation and maintenance activities will require \$44,890,000, an increase of \$10,337,000 from 1979; and the purchase power and wheeling program will require \$58,610,000, a decrease of \$1,274,000 from the 1979 amount. Table 2 reflects the changes from 1979 to 1980.

Table 2

DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION

CONSTRUCTION, REHABILITATION, OPERATION AND MAINTENANCE

	<u>1979</u>	<u>1980</u>	<u>CHANGE</u>
Construction and Rehabilitation	\$10,063,000	\$19,300,000	+ \$ 9,237,000
System Operation and Maintenance.	34,553,000	44,890,000	+ \$10,337,000
Purchase Power and Wheeling	<u>59,884,000</u>	<u>58,610,000</u>	- \$ 1,274,000
TOTAL	\$104,500,000	\$122,800,000	+ \$18,300,000

CONSTRUCTION

Our request of \$19,300,000 provides for continuing on-going construction and engineering studies on the Central Valley Project, Washoe Project, the Parker-Davis Project, and the Pick-Sloan Missouri Basin Transmission Division. Engineering study activities will also continue on the Pacific Northwest-Pacific Southwest Intertie project utilizing prior-year carryover funds.

Major construction work scheduled in 1980 includes initiating construction on the 328-mile Miles City (Montana)-New Underwood (South Dakota) 230-kV transmission line and terminal facilities under the Pick-Sloan Missouri Basin Transmission Division Program. This line is being constructed for joint use by WAPA, Basin Electric Power Cooperative, and Montana-Dakota Utilities Company.

The Miles City-New Underwood transmission line and terminal facilities will provide urgently needed transmission capacity to several loads in eastern Montana and southwestern North Dakota and will significantly improve the reliability of power system operations. Federal system obligations normally require transfer of Federal hydro-power from eastern Montana into North Dakota and from North Dakota to South Dakota. The eastern Montana area transmission system is vulnerable to severe power outages in the event of loss of the Dawson County-Dickinson-Bismarck 230-kV transmission line. The existing weakness in the eastern Montana power system causes cascading system breakdown in the Dakotas for major faults in either area. Power stability studies

show that construction of this line will provide needed transmission capacity to stabilize the overall Montana-Dakota area when critical transmission line faults occur in eastern Montana or central North Dakota. This proposed line will remove operating restrictions and allow long-term full utilization of the eastern system generation resources at Yellowtail, Fort Peck, and Garrison Powerplants under all system conditions.

The budget request also provides for a \$9 million contract progress payment for transmission service for the New Melones Project which will be an integral part of California's Central Valley Project. Table 3 shows our 1980 construction request compared with 1979.

Table 3

DEPARTMENT OF ENERGY WESTERN AREA POWER ADMINISTRATION			
<u>CONSTRUCTION PROJECTS</u>			
	<u>1979</u>	<u>1980</u>	<u>CHANGE</u>
Central Valley	\$4,970,000	\$10,662,000	+ \$5,692,000
Mashoe	-0-	25,000	+ 25,000
Parker-Davis	453,000	555,000	+ 102,000
Pacific Northwest-Pacific Southwest Intertie	1,300,000	-0-	- 1,300,000
Pick-Sloan Missouri Basin Transmission Division	<u>3,340,000</u>	<u>8,058,000</u>	<u>+ 4,718,000</u>
TOTAL	\$10,063,000	\$19,800,000	+ \$9,237,000

Joint studies are underway on the possible additions of new hydro and wind resources that could have an impact in our service area. We are continuing planning coordination with the Corps of Engineers on the proposed hydro additions at Fort Peck and Garrison Dam and the 1180-megawatt Gregory County Pumped Storage Project in South Dakota. We are also participating in preliminary planning studies on a possible import of 1000 megawatts (with 4400 gigawatthours of annual energy) from Manitoba, Canada. Both of these potential hydro projects could have expected in-service dates in the mid-1980's.

SYSTEMS OPERATION AND MAINTENANCE

Our systems operation and maintenance program in 1980 totals \$44,890,000 which reflects an increase from 1979 to 1980 of \$10,337,000. See Table 4.

Table 4

DEPARTMENT OF ENERGY WESTERN AREA POWER ADMINISTRATION

	<u>SYSTEM OPERATION AND MAINTENANCE</u>		
	<u>1979</u>	<u>1980</u>	<u>Change</u>
Regular Operation and Maintenance	\$27,353,000	\$28,440,000	+ \$1,087,000
Transmission Line Rehabilitation	3,280,000	7,779,000	+ 4,499,000
Substation Rehabilitation	1,060,000	1,600,000	+ 540,000
Substation Equipment	1,030,000	1,000,000	- 30,000
Mobile Equipment	900,000	1,570,000	+ 670,000
Communication and Control Equipment	320,000	2,553,000	+ 2,233,000
Tools and Work Equipment	500,000	351,000	- 149,000
Maintenance Facilities	<u>110,000</u>	<u>1,597,000</u>	<u>+ 1,487,000</u>
TOTAL	\$34,553,000	\$44,890,000	+ \$10,337,000

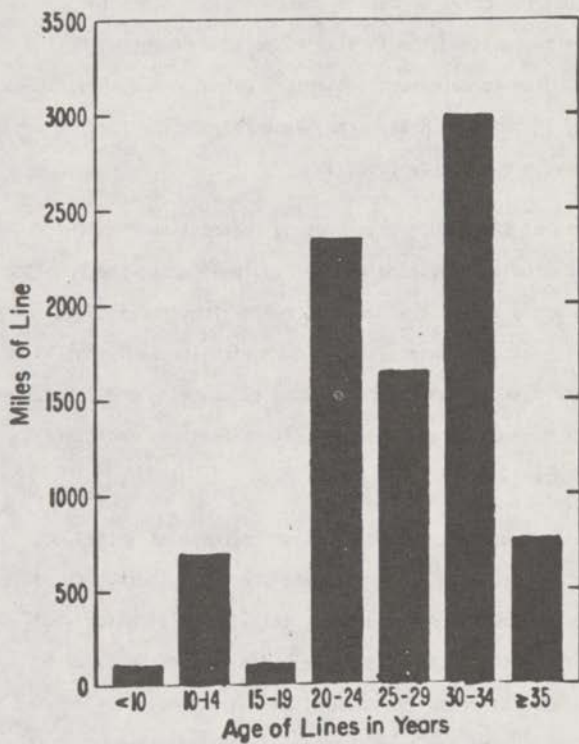
This increase principally provides for needed transmission line rehabilitation work, including wood pole treatment and replacement of \$4,499,000. Wood poles throughout the WAPA power system have deteriorated from rot, woodpecker damage, crossarm fires, and general weathering. During FY 1980, significant contract work will be initiated for chemical treatment of affected wood poles, replacement of severely deteriorated wood poles, cross-bracing wood pole structures, and reconductoring of transmission lines. Our ultimate program for treatment, replacement, and rehabilitation of wood poles could involve up to 9,000 miles of wood pole lines ranging from 34.5-kV to 230-kV over the next several fiscal years. However, before making major replacements, the future transmission needs of the area will be carefully studied to determine if transmission line uprating is desirable and feasible.

The average life of a wood pole is normally expected to be 35 to 40 years. Treatment of a wood structure is about 10 percent of replacement cost but must be accomplished within the first 15 to 20 years of life to be effective. However, the treatment program on WAPA's system was not initiated until most of the structures had already reached the age of 25 years or older. Therefore, because advanced pole rotting has set in, WAPA must now accelerate its treatment and replacement program. See Figure 1.

Figure 1

WESTERN AREA POWER ADMINISTRATION

AGE OF WOOD POLE TRANSMISSION LINES
H-FRAME CONSTRUCTION
69 to 230 kV



Additionally, the \$670,000 increase in mobile equipment items will provide funds for purchase of three helicopters and mobile equipment such as line trucks, snowtractors, mobile cranes, and other heavy line truck equipment. Helicopters are invaluable to WAPA's operation and maintenance programs. In addition to line patrol and inspection, they also provide access for crews to remote communications sites for emergency repairs to transmission facilities located in rugged or difficult terrain, and to carry out mechanical operations such as those required recently in the Salt River area, near Phoenix, Arizona, where steel structures were ravaged by floods.

The increase of \$2,233,000 will provide for replacement of obsolete communication and metering control equipment, and the addition of protective relaying and supervisory control systems required to enhance reliability of the power system. Communication equipment is required for power systems operations such as dispatching and scheduling. This equipment is frequently subjected to severe weather conditions in high mountainous areas.

The increase in our maintenance facility program of \$1,487,000 will provide for construction of service and storage buildings to house and store mobile equipment. Additionally, this item will allow for construction of flammable material storage buildings to comply with OSHA regulations and for rehabilitation of O&M service centers to modify ceilings and floors for energy conservation and safety.

The increase of \$1,087,000 for regular operation and maintenance expenses provides for increased costs of salaries, travel, ADP, materials and supplies and administration.

Included in our continuing substation rehabilitation program is our request for an increase of \$540,000 for major substation additions at Brookings, South Dakota, and for other substation rehabilitation work, including relocation and improvement of facilities such as Erie and Guernsey Substations, in Colorado and Wyoming, to improve service to preference customers.

PURCHASE POWER AND WHEELING

The FY 1980 budget request for purchase power and wheeling is \$58,610,000, a \$1,274,000 decrease over the amount appropriated in FY 1979. This net change reflects a \$6,385,000 reduction in energy purchases due mainly to the use of dry year water conditions to estimate FY 1979 requirements and the use of average year water conditions to estimate FY 1980 requirements. When the FY 1979 budget estimates were made, both California and the Pacific Northwest were experiencing severe drought conditions with little prospect of improvement. Recovery from the drought occurred in the winter and spring months of 1977-78 when rainfall in both the Northwest and California was better than normal.

Partially offsetting this decrease is an increase in the Pick-Sloan Missouri Basin Program of \$5,111,000, principally for increased energy purchases for participation in the Oil Conservation Program. A summary of our purchase power and wheeling program is shown in Table 5.

Table 5

DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION

<u>PURCHASE POWER AND WHEELING</u>			
	<u>1979</u>	<u>1980</u>	<u>Change</u>
Purchase power and wheeling costs financed from <u>appropriated funds</u>	\$59,884,000	\$58,610,000	- \$1,274,000
Purchase power and wheeling costs offset by <u>credits</u> from sale of power and from rents for wheeling non-Federal power on Western Area Power Administration transmission lines	<u>8,876,000</u>	<u>16,821,000</u>	+ \$7,945,000
Total obligations Purchase Power and Wheeling	\$68,760,000	\$75,431,000	+ \$6,671,000

COLORADO RIVER BASINS POWER MARKETING FUND
CONSTRUCTION

The FY 1980 budget request for the Upper Colorado River Storage Project is \$5,152,000, a \$2,866,000 increase over the amount appropriated in FY 1979.

This program amount provides for WAPA participation in construction of Archer Substation, Stage 05, which allows for transformer additions to an existing substation required for additional capacity. Also, construction will be underway on Ault Substation, Stage 03, in order to complete integration of the Hayden-Ault transmission system with other major systems in this area.

Additionally, funds are included in the budget request for completion of Hayden Substation, Stage 03, the microwave system backup channels, and for insulation of District Office buildings at Montrose, Colorado.

We are also studying transmission requirements in the Utah and Colorado areas for the Central Utah Project and Domingez Project pumped storage units planned by the Bureau of Reclamation. In Wyoming we are assisting the Bureau of Reclamation by studying transmission and marketing for a potential 100 megawatt wind farm.

OPERATION AND MAINTENANCE

The FY 1980 budget request includes obligational authority of \$41,380,000 for operation and maintenance expenses of the Upper Colorado River Storage Project and the Fort Peck Project. This is an increase of \$3,316,000 over the FY 1979 program.

The FY 1980 program amount provides for regular operation and maintenance, purchase power and wheeling, replacements required for operation and maintenance, and for interest payments on Upper Colorado River Storage Project Facilities. The program also includes operation and maintenance expenses of the Fort Peck powerplant and for extraordinary maintenance performed by the Corps of Engineers on the powerplant generator.

EMERGENCY FUND

\$200,000 is requested for the Emergency Fund to defray expenses of unusual or emergency conditions which may result from severe ice and snowstorms or other conditions causing or threatening to cause interruption in operating of power systems.

MISSION

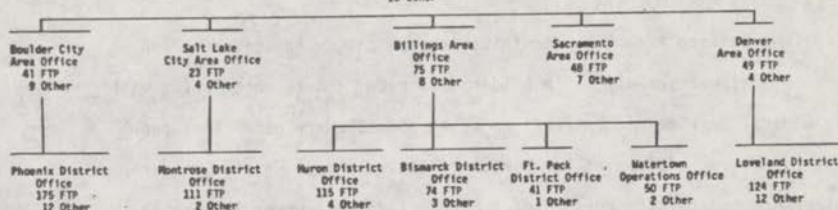
The Western Area Power Administration was created on December 21, 1977, pursuant to Section 302 of Public Law 95-91 (The Department of Energy Organization Act) and is responsible for the Federal electric power marketing and transmission functions in 15 central and western states encompassing a 1.3 million square mile geographical area. WAPA is responsible for the sale and distribution of power to 426 wholesale preference customers consisting of cooperatives, municipalities, public power districts, and Federal and state agencies, which provide service to millions of retail power customers in all or part of the states of California, Nevada, Montana, Arizona, Utah, New Mexico, Texas, North Dakota, South Dakota, Iowa, Colorado, Wyoming, Minnesota, Nebraska, and Kansas. WAPA is responsible for the operation and maintenance of about 16,000 miles of transmission lines, 208 substations, and various appurtenant power facilities in the above geographic area and also for construction and operation and maintenance of additional Federal transmission facilities that may be authorized in the future. Electric power marketed by WAPA is generated by the Bureau of Reclamation, the Corps of Engineers, and the International Boundary and Water Commission in Texas, which operate 46 hydro-power generating plants in our service area with a current installed generating capacity of 7,700,000 kilowatts. Additionally, we market the United States entitlement from the large Navajo coal-fired plant near Page, Arizona.

ORGANIZATION

In carrying out the Federal power marketing program, WAPA has an established and approved organization consisting of a Headquarters Office located in Golden, Colorado, and five Area Offices located in Denver, Colorado; Billings, Montana; Boulder City, Nevada; Salt Lake City, Utah; and Sacramento, California. Additionally, there are six District Offices which include 40 operation and maintenance field stations and one Power Operations Office. Distribution of WAPA personnel in these offices is shown in Table 6.

TABLE 6
DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
STAFF DISTRIBUTION

BOLDEN HEADQUARTERS OFFICE
200 FTP
16 Other



Summary

1,126 Full-Time Permanent (FTP) Positions
84 Other Than Full-Time Permanent Positions
1,210 Total Personnel Ceiling for WAPA

Our FY 1979 and FY 1980 employment ceiling is 1,126 full-time permanent and 84 other-than-full-time permanent positions. Although this is an increase of 135 full-time permanent and 36 other-than-full-time permanent positions, from the 1978 end-of-year ceiling of 991 full-time permanent and 48 other-than-full-time permanent positions; this increase has been provided to enable WAPA to become fully operational. WAPA continues to fully support the President's efforts to hold down Federal employment.

We have made excellent progress this past year in recruiting a highly qualified administrative and management staff which now allows us to be much less dependent on the Bureau of Reclamation. Several functional areas such as personnel, procurement, property management, budget, and power management are now independently operational, and schedules are established to become independent in other functions such as engineering, finance, and construction by the end of this

fiscal year. The automatic data processing function is scheduled to become independent in 1980 and WAPA expects to be fully independent by the end of Fiscal Year 1980.

The Western Area Power Administration has secured temporary space for its Headquarters office in Golden, Colorado, and is negotiating with the General Services Administration (GSA) for adequate permanent space near the Denver offices of the Bureau of Reclamation. We also have made space arrangements for our District Offices and are currently working with GSA to obtain permanent space for our Area Offices.

We have completed an in-depth review of property, personnel, and power functions which were transferred from the Bureau of Reclamation to the Department of Energy as required by Public Law 95-91. This study identified a number of what we believe to be inequities in the transfer. Accordingly, we recently notified the Bureau of Reclamation of our concerns and have proposed a meeting with them to resolve the matter before the summer of 1979.

The Western Area Power Administration has prepared and is operating under an Annual Management Plan as requested by the Assistant Secretary for Resource Applications. The plan identifies major organizational goals and associated objectives. It also defines the operating plans for managing the power marketing, planning, design, construction, operation and maintenance programs and provides for quarterly management reviews.

POWER RATES

Progress has also been made this past year toward raising power rates to put our projects on a sound financial base. To meet project repayment obligations, project power rate adjustments must first be established by the Assistant Secretary for Resource Applications and approved and finalized by the Federal Energy Regulatory Commission. The project power rates must be adequate to pay annual operating and maintenance costs, annual purchased power and wheeling costs, annual interest expense on the unamortized investment in power facilities, and to repay the Federal investment within the lesser of 50 years or the service life of the facility.

Boulder Canyon Project. We believe the present rate is adequate for payout of the project. By contract, power rates for this project are adjusted annually to meet revenue requirements, including repayment.

Colorado River Basin Project. The repayment schedule for the United States entitlement in the Navajo coal-fired plant is incorporated in the Central Arizona Project repayment schedule. Interim contract provisions provide for monthly recovery of all Navajo generating costs; and revenues are being applied toward repayment of the power investment of the project which was placed in service during the period 1974 to 1976. Completion of the major facilities is now scheduled for 1987. WAPA will then market Navajo power and energy that is surplus to pumping requirements.

Central Valley Project. An interim rate increase for this project was placed in effect May 25, 1978. This rate was set at a level below the proposed permanent increase in order for it to become effective as quickly as possible. Although the proposed rate increase which we believe would meet repayment obligations has been the subject of much controversy, we are presently continuing efforts to implement the needed rate adjustment. We plan to have the rate increase become effective on an interim basis later this year pending final approval by the Federal Energy Regulatory Commission.

Collbran Project. We believe the present rate is sufficient to accomplish repayment.

Colorado River Storage Project. Current power repayment studies indicate the need for a rate increase for the Colorado River Storage Project. Three preliminary meetings have been held with the customers to advise them of this need and to indicate our willingness to work with them in implementing a rate change. We plan to propose a rate increase to become effective in FY 1980.

Falcon-Amistad Project. At the present time the Falcon project has a 5-year contract with a fixed rate of 14 mills per kilowatthour. The Amistad project is under construction and is scheduled to be available for commercial operation in 1982. After completion of the Amistad project and expiration of the 5-year Falcon contract, a new 50-year repayment contract which has already been executed, will become effective. We believe this contract will be sufficient to meet project pay-out requirements.

Fryingpan-Arkansas Project. The first 100-megawatt pumped storage generating unit of the Mt. Elbert Powerplant in Colorado is scheduled for initial operation in early FY 1980. The second unit is scheduled for initial operation in FY 1981. Power will initially be marketed on a season-by-season basis in order to gain operating experience. The initial temporary rate is expected to be finalized by early FY 1980.

Pacific Northwest-Pacific Southwest Intertie. The present project rate for use of capacity of the transmission facilities is \$4.46 per kilowatt per year. We believe this rate is adequate to repay the completed AC facilities which include the Mead-Liberty 345-kV transmission line and associated terminal facilities.

Parker-Davis Project. A rate increase for firm power and firm transmission service is needed to meet repayment obligations of the project. Tentative new rates are being developed to increase revenues to meet repayment criteria and are scheduled to become effective in FY 1980.

Pick-Sloan Missouri Basin Program. We believe the present firm power rate of 5.45 mills per kilowatthour is sufficient to accomplish repayment.

Rio Grande Project. A new three-step increase was placed in effect for the Rio Grande Project. The first step became effective in April 1978, the second step is scheduled in April 1979, and the third in April 1980. At the time these rates were developed, this third step was slightly below the cost of the alternative supply in the area, and was also slightly below the rate level required for repayment. Since that time the cost of alternative supply has increased. We anticipate

that by 1981 we will have another rate increase in process which will result in rates adequate to accomplish project repayment.

REVENUES AND ENERGY SALES

In FY 1978, WAPA had total gross power revenues of about \$274 million. This total includes power sales, wheeling for others, and other miscellaneous power revenues. We now estimate that total revenues in FY 1979 will be about \$309 million. Our estimate for FY 1980 is \$341 million. Table 7 shows estimated WAPA power revenues and Table 8 shows estimated energy sales for the period FY 1979 through FY 1984.

Table 7

DEPARTMENT OF ENERGY

WESTERN AREA POWER ADMINISTRATION

ESTIMATED POWER REVENUES FY 1979 THROUGH FY 1984 (\$ IN THOUSANDS)

Project	FY79	FY80	FY81	FY82	FY83	FY84
Boulder Canyon Project	\$ 14,400	\$ 16,700	\$ 17,900	\$18,400	\$18,900	\$19,000
Central Valley Project	58,921	74,748 ^{1/}	75,816	59,971 ^{2/}	60,246	61,576
Collbran Project	450	450	450	450	450	450
Colorado River Basin Project	42,700	44,500	46,000	48,000	50,200	52,500
Colorado R. Storage Project	59,370	72,640 ^{1/}	73,240	73,840	74,440	87,890
Falcon-Amistad Projects	1,264	1,264	1,264	1,264	2,837 ^{3/}	2,837
Fryingpan-Arkansas Project	-	4,311 ^{4/}	5,655	5,655	5,655	5,655
Parker-Davis Project	11,300	13,100 ^{1/}	13,000	13,000	13,000	14,600
Pick-Sloan Missouri R. Basin	116,830 ^{5/}	109,530	93,630	96,230	96,630	92,130
PWM-PSW Intertie	2,606	2,808	2,808	4,113	4,448	4,448
Rio Grande Project	880	1,051 ^{1/}	1,051	1,051	1,051	1,051
TOTAL ESTIMATED POWER REVENUE	\$308,721	\$341,102	\$330,814	\$321,974	\$327,857	\$342,137

^{1/} Reflects anticipated rate increases.

^{2/} Decrease represents termination of purchases from the Northwest and associated resale of purchased energy to Pacific Gas and Electric Company.

^{3/} Increase due to start of commercial power operation of Amistad Project in FY 1983.

^{4/} Initial operation.

^{5/} Reflects better than average water conditions.

Table 8

DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
ESTIMATED ENERGY SALES FY 1979 THROUGH FY 1984 (IN GWH)

<u>Project</u>	<u>FY79</u>	<u>FY80</u>	<u>FY81</u>	<u>FY82</u>	<u>FY83</u>	<u>FY84</u>
Boulder Canyon Project	3,800	4,600	4,700	4,600	4,600	4,300
Central Valley Project	6,600	6,800	6,800	6,800	7,000	7,100
Collbran Project	65	65	65	65	65	65
Colorado River Basin Project	3,600	3,600	3,600	3,600	3,600	3,600
Colorado River Storage Project	5,800	5,800	5,800	5,800	5,800	5,800
Falcon-Amistad Projects	90	90	90	90	90	90
Fryingpan-Arkansas Project	-	60 ^{1/}	60	60	60	60
Parker-Davis Project	1,200	1,200	1,200	1,300	1,300	1,500
Pick-Sloan Missouri River Basin	14,000	12,600	11,500	11,600	11,600	11,200
PNW-PSW Intertie ^{2/}	-	-	-	-	-	-
Rio Grande Project	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
TOTAL ESTIMATED ENERGY SALES	35,255	34,915	33,915	34,015	34,215	34,215

^{1/} Initial operation of project.
^{2/} No generation associated with this project; wheeling only.

MARKETING PLANS

One of the most difficult and controversial tasks facing the Western Area Power Administration is to develop criteria that are fair and equitable to all preference customers in the reallocation of Federal power when existing contracts expire. WAPA's existing contracts for delivery and sale of electric power expire during the period 1981-2004, as depicted in Table 9.

Table 9

 DEPARTMENT OF ENERGY
 WESTERN AREA POWER ADMINISTRATION
POWER CONTRACT EXPIRATION DATES

<u>Project</u>	<u>Expiration Date</u>
Boulder Canyon	May 31, 1987
Central Valley	Expiration dates range from September 30, 1983 to December 31, 2004
Collbran	December 31, 1981
Colorado River Basin (interim sales contracts)	Terminate on 5-year notice
Colorado River Storage	September 30, 1989
Falcon-Amistad	Will terminate 50 years from date ready for service
Parker-Davis	1986
Pick-Sloan Missouri Basin Program	Expiration dates vary between December 31, 1985 and December 31, 1991
Rio Grande	June 7, 1990

The basic question is, which preference customers should get the low-cost Federal power in the future? Should existing contracts be renewed? Should a large portion of hydropower be allocated to the larger G&T Cooperatives for peaking purposes? Should more Federal power be allocated to small municipalities which are in weak financial condition? Should Federal or state loads get super-preference to hold down the cost of government? These and other questions must be analyzed. Decisions on these questions will need to be made after marketing plans have been developed for each project and after much public discussion. The decisions will have an economic impact on millions of people in our service area.

We are currently re-evaluating present marketing criteria and arrangements based on estimated future load and water conditions. This involves a reanalysis of such things as our marketing products, including firm and peaking power, distribution, system reserves, regulation, transmission, new allocations or reallocations as appropriate, and new contractual arrangements. As stated above, numerous alternatives must be considered and evaluated prior to the Federal Government announcing proposals to the public.

In order to establish generating supplies to meet their total expected loads, our preference customers urgently require advance information of any major changes planned by WAPA which may affect their future planning for generation.

Therefore, before any marketing plan is finalized, WAPA will hold public meetings and accept comments from customers and other interested parties. Comments received will be considered in deciding which marketing plans are established.

OIL CONSERVATION PROGRAM

One of the most significant programs in Federal power marketing is the oil conservation program. Surplus low-cost thermal energy is purchased off-peak by WAPA and water is stored in reservoirs for later use. Then WAPA sells hydropower on-peak at 85 percent of fuel cost to customers that otherwise would use high-cost oil- or gas-fired generation. For the period December 1972 through September 1977, we conserved 29.5 million barrels of oil. Our FY 1978 program resulted in conservation

of 5.8 million barrels of oil; and in FY 1979 and FY 1980, an estimated 7 million barrels of oil will be conserved annually.

During the period December 1972 through September 1978, our increased revenues to the Treasury from the oil conservation program amounted to nearly \$178.6 million. These revenues are in addition to those collected from normal power sales and are the result of an innovative marketing program initiated by WAPA personnel. Table 10 shows results of our oil conservation program.

Table 10

DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION

OIL CONSERVATION PROGRAM

<u>Fiscal Year</u>	<u>Increase of Annual Revenues</u>	<u>Equivalent Barrels of Oil Saved</u>
1972-1977 Actual	\$144,000,000	29,500,000
1978 Actual	\$34,604,823	5,766,400
1979 Estimate	\$41,160,000	7,000,000
1980 Estimate	\$41,160,000	7,000,000

This concludes my presentation, and I will now answer questions you have on WAPA's programs and activities.

WESTERN AREA POWER ADMINISTRATION

Mr. McPHAIL. The Western Area Power Administration was created on December 21, 1977 pursuant to the Department of Energy Organization Act.

Our nearly 16,000 miles of transmission lines comprise the longest interconnected power system in the United States. We provide wholesale power to 426 preference customers. We market almost 8,000 megawatts of installed generation capacity. Energy sales this year will be about 36 billion kilowatt hours and revenues will be about \$309 million.

WAPA HEADQUARTERS

A headquarters office for the Western Area Power Administration has been established in Golden, Colorado. We have 200 full-time permanent positions allocated to the headquarters office. The other 926 WAPA positions are allocated to the various field locations; the majority of these positions are involved in the operation and maintenance of the transportation system.

In May of 1978 we established the headquarters office for the Western Area Power Administration in trailers located in Golden, Colorado just west of Denver.

In July of 1978 we were able to move the headquarters office and about half of our headquarters staff to other buildings, including the basement of a building located a short distance from the trailers.

WAPA TRANSMISSION SYSTEM REHABILITATION

A major item in our operation and maintenance budget this year is our transmission system rehabilitation work. Western has about 8,600 miles of H-frame wood-pole transmission lines. The normal life of a wood-pole structure is about 35 years but can be extended if chemical treatment is initiated within the first 15 to 20 years of life.

Nearly 7,500 miles (or about 87 percent) of wood-pole construction in our system is already more than 20 years old and therefore past the time when a treatment program would be most effective. Substantial contract work will be initiated this year for replacement and chemical treatment of wood-poles and for the uprating and upgrading of old transmission lines.

Many poles show the results of severe weathering and woodpecker activity. Needless to say, our linemen are not anxious to climb these rotten poles. These old poles present a serious safety hazard to our linemen.

Another aspect of our rehabilitation program is repairing damaged structures. In eastern South Dakota, we had blizzard conditions this winter with conductor icing and extremely high winds, causing damage to 20 wood pole structures.

High winds can also cause damage to steel towers when ice accumulates on the transmission lines.

Another significant maintenance problem is replacing insulators that have been used for target practice.

In January of this year, severe floods hit the Phoenix area and damaged several steel towers carrying one of our 230 kV transmission lines.

We were able to save some towers by using our helicopter to string a guywire from the top of the tower to a ground anchor. This is only one of the many uses of our helicopters in addition to transmission line patrol.

A number of steel towers were lost to the flood. Line crews installed temporary structures in order to get the line back in service.

Hoover Dam and Lake Mead near Las Vegas, Nevada are a part of the Western Area system. Water releases through Hoover are determined by Mexican Treaty obligations, U.S. consumptive use, and flood control.

MEETING WAPA CONTRACT OBLIGATIONS

The floods in the Phoenix area caused large inflows to the Colorado River below Hoover Dam. These inflows presently meet almost all downstream water requirements.

Because of these large inflows, the U.S. Bureau of Reclamation has substantially reduced water releases from Hoover Dam. We estimate these reduced flows passing through Hoover, Davis, and Parker power plants will create a power deficiency of about 1 billion kilowatt hours by October 1979. This represents a 20 percent reduction of the normal generation.

To fulfill its contract obligations, Western may be required to purchase energy to meet this deficiency. We do not have adequate authority in our budget to cover these unexpected purchases. We are presently working with the Bureau of Reclamation and affected parties to get approval for releasing more water from Hoover to eliminate the need for these purchases.

This energy loss compounds an existing problem upstream in the Colorado River Storage Project. The CRSP is now normally energy deficient and we must purchase power every year to meet contract commitments. This is due principally to the fact that the reservoirs in the upper basin have not filled since Glen Canyon Dam was constructed.

Due to these factors plus the high cost of energy this year, Western must request from this committee reprogramming authority to expend additional power revenues from the CRSP revolving fund to purchase additional energy to meet contract commitments.

WAPA PROJECT POWER RATES

A top priority program for Western is to make sure that project power rates are adequate to meet project repayment obligations. This is the status of the firm power rates for the Western Area Power Administration.

We have initiated procedures to increase rates on four projects in order to accomplish project payout.

An interim rate increase for the Central Valley Project in California was placed in effect on May 28, 1978. We expect the final rate to take effect in August 1979. The total 121 percent rate change will increase annual revenues by about \$30 million.

Repayment studies indicate a need for a 38 percent rate increase for the Colorado River Storage Project. Our plans call for this rate increase to be in effect about January 1980. The annual increase in revenues is about \$16 million.

A 20 percent rate increase is needed for the Parker-Davis Project in Arizona. This rate increase will be effective about March 1980. The

annual increased revenues of \$2.1 million will be derived from increases in power rates and transmission service.

A new 3-step 91 percent rate increase has been placed in effect for the Rio Grande Project in New Mexico. This rate is designed to increase annual revenues a total of \$496,000. The first step became effective in April 1978. The second step takes effect in April 1979 and the third in April 1980. We anticipated that by 1981 we will need another rate increase of \$343,000 annually to meet project repayment.

WAPA OIL CONSERVATION PROGRAM

One of Western's most significant programs is the oil conservation program. Surplus low-cost thermal energy is purchased off-peak by Western, and water is stored in reservoirs for later use. Then Western sells hydropower on-peak at 85 percent of displaced oil cost to customers that otherwise would burn high cost oil or gas. Over the past 6 years, we have conserved about 35 million barrels of oil.

In addition to saving oil, this program has increased revenues to the U.S. Treasury by nearly \$179 million. These revenues are in addition to those collected from normal power sales and are the result of an innovative marketing program initiated by Western personnel.

Western's total appropriation request for fiscal year 1980 is \$128,152,000. This is an increase of \$21,166,000 from our 1979 budget.

WAPA BUDGET REQUEST

There are three significant items that contribute to this increase: First, the transmission rehabilitation program mentioned earlier;

Second, initiating construction on the 330 mile transmission line from Miles City, Montana to New Underwood, South Dakota;

And third, payment for construction of transmission for the New Melones Project in California which is a part of the Central Valley Project.

We are also participating in joint studies on the possible additions of new hydro and wind resources that could have a significant impact in our service area. We have initiated preliminary discussions with Manitoba Hydro on a possible import of 1000 megawatts of hydroelectric generation from the Conawapa Project near Hudson Bay in Manitoba, Canada.

This concludes my presentation.

Mr BEVILL Very good.

Mr. McISAAC. We could either entertain questions now with regard to Western or we could go ahead and complete all of them.

Mr. BEVILL. Let's go ahead and complete them first.

Mr McISAAC. I would like to introduce Jim Hammett, the Administrator of Southwest Power Administration.

STATEMENT OF JAMES B. HAMMETT

Mr. HAMMETT. I am pleased to present for the consideration of the committee our budget request for fiscal 1980. My written statement has been furnished to the committee and with your permission I would like to ask that it be included in the record.

Mr. BEVILL. Permission is granted.

[The statement follows:]

2922

STATEMENT OF JAMES HAMMETT
ADMINISTRATOR
SOUTHWESTERN POWER ADMINISTRATION
DEPARTMENT OF ENERGY
BEFORE THE
SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT
OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

MARCH 20, 1979

Statement of James B. Hammett
 Administrator
 Southwestern Power Administration
 Department of Energy
 FY 1980 Appropriation Hearing

Funds are requested to conduct SWPA's power marketing program during fiscal year 1980 to carry out the following activities:

Operation and Maintenance	\$ 5,884,000
Purchase Power and Wheeling	19,300,000
Construction	<u>6,996,000</u>
Total	\$32,180,000
Offsetting Receipts	\$52,032,000

The requested appropriation represents a 11% decrease or \$3,897,000 from the appropriation required for FY 1979.

Mission

The Southwestern Power Administration (SWPA) carries out the responsibilities imposed upon the Secretary of Energy pursuant to Section 5 of the Flood Control Act of 1944 and Section 302 of the Department of Energy Organization Act. The acts authorize the disposal of power and energy produced at certain multipurpose reservoir projects constructed by the Corps of Engineers, Department of the Army, in the six-state area of Arkansas, Kansas, Louisiana, Missouri, Oklahoma and Texas.

SWPA has the responsibility of marketing the power generated at 23 projects with an installed capacity of 2,134,700 kilowatts. Twenty-one projects have

been completed and are in operation. Two projects are under construction and are expected to be ready for commercial operation in fiscal years 1980 and 1981.

In carrying out its power marketing program SWPA has constructed a transmission system of approximately 1,636 miles of high-voltage transmission lines and 32 high-voltage substations and switching stations to interconnect the existing hydroelectric generating plants; to obtain the benefits of integrated operations of these multipurpose reservoir projects and to make system interconnections with public and private utilities which provide for the delivery of power and energy in wholesale quantities.

It is estimated that gross revenue during fiscal year 1980 from the sale of power and energy with increased rates will be \$66,648,000. All receipts from the sale of power are deposited in the Treasury.

Budget Programs

The estimate of \$5,884,000 for Operation and Maintenance will provide funds to conduct the marketing activity of negotiating and administering power sales contracts; establishment and review of rate levels, the operation and dispatching of power to the customers, the maintenance of substations, switching stations, communication facilities and transmission lines and the direction and support of the organization. The amount represents an increase of \$418,000 from the previous year, which includes a negotiated pay increase for wage-hour employees represented by the International Brotherhood of Electrical Workers, an increase in overtime and temporary pay due to increased construction activity and increases in communications and utilities, supplies, materials and contracting.

The estimate of \$19,300,000 for Purchase of Power and Wheeling includes \$5.4 million for contractual expenses and \$13.9 for purchasing thermal energy in support of the hydro system for five months of a critical year. The amount is the same as that requested for FY 1979.

The estimate of \$6,996,000 for the Construction program will provide funds to continue construction of the 500 KV interconnection and associated 500/161 KV substation with the Extra High Voltage (EHV) transmission system of the Arkansas Power and Light Company near Jonesboro, Arkansas, needed to provide vital voltage support on SWPA's lines. These lines serve customers in south-east Missouri and northeast Arkansas.

Funds are included in this estimate to make system improvements at substations on the high-voltage transmission system and to provide for the replacement of obsolete and inefficient load-frequency control equipment at SWPA's Springfield Load Control Center with a computer operated automatic generation control system which is necessary to meet the operating standards of the interconnected electric systems in the area, of which the SWPA system is an integral part.

Manpower

I would like to point out that SWPA has also made substantial progress in effectively managing its personnel resources. From FY 1970 we have reduced federal employees on the rolls of SWPA from 258 total positions to the requested ceiling of 183. This effort represents a 30% decrease during a period when the SWPA program, in terms of generating capability, number of hydro projects on line, and revenue, has grown approximately 40%. We fully support the President's efforts to hold down federal employment.

Rate Increase

Much progress has been made since last year's Hearings. SWPA prepared a power repayment and rate design study and submitted it to our customers and other interested parties. We conducted five public forums to explain the development and content of these studies and to answer all questions on how best to develop a completed study. As a result of these meetings, on November 22, 1978, we submitted revised studies to the Assistant Secretary, Department of Energy, for approval and submission to the Economic Regulatory Administration (ERA) for concurrence. Subsequently, the rate approval function was transferred by the Secretary from ERA to the Federal Energy Regulatory Commission (FERC). In general, the study calls for a 33% overall system increase, which amounts to \$16.5 million in additional revenue. The study calls for recovery of \$14.2 million from our general customers and \$2.3 million from a contract with Reynolds Metal Company in Arkansas used for aluminum production. The contract has been a source of continuing problems caused by an over commitment of energy and subsidized rates. Because SWPA has not had a general rate increase since 1957, we are hoping the FERC will give their concurrence soon. During FERC's period of review, the Department has approved the rate and ordered it to be placed into effect on an interim basis April 1, 1979, subject to refund, based upon FERC's final determination. With the increased rates in effect, SWPA will achieve a top priority objective of improving financial management and achieving fiscal responsibility.

Associated Electric Cooperative Negotiations

We have entered into negotiation with the Associated Electric Cooperative with the objective of negotiating new marketing arrangements to service preference customers in the State of Missouri. This contract has been the

source of constant controversy due to the financial credits granted to the Associated Electric Cooperative and litigation dating back to 1971. As this Committee knows, Public Law 95-456, dated October 13, 1978, addressed the need for a completely new contract.

Allocation of Power

We have a proposed power allocation under consideration. This allocation attempts to distribute among the many preference customers in the six-state area a limited amount of hydroelectric power that SWPA has available. At the present time, SWPA has contracted to market all installed capacity and has contracted to market some of the new capacity from the two projects under construction. This has been a very difficult thing to do, but you can be assured that we are making every effort to be fair and equitable in our allocations. We propose to hold a public hearing on the proposed allocation with the preference utilities in our area and consider their suggestions and comments before a final allocation is adopted.

We believe the public hearing process has a definite useful role in dealing with issues as significant as rates and power allocation and believe that giving interested parties a look at how we make decisions and an opportunity for them to offer comments and suggestions on those decisions is a healthy governmental process.

H. S. Truman Transmission Line

In the FY 1978 budget the Congress appropriated funds to start construction of 30 miles of the H. S. Truman transmission line. The 30 miles connects the H. S. Truman pump storage project to our Clinton, Missouri, substation. We plan to have this segment completed in FY 1980.

Litigation

A continuing problem area which SWPA has had for the last eight years has been litigation which challenged the Secretary's rate making authority. In all of these cases involving the Sam Rayburn Dam Electric Cooperative, the Tex-La Electric Cooperative and the Associated Electric Cooperative, the court has reaffirmed the authority of the Secretary to change rates.

Concerning the 1971 Tex-La and Sam Rayburn case, I am pleased to report that on January 8, 1979, the United States Supreme Court denied Certiorari. This case and the pending 1976 case are both in a position to be closed and finalized.

In the Associated litigation, the case was remanded to the District Court for judicial review of the material facts relating to the reasonableness of the amount of the transmission service charge. These matters are still pending before the court and should be resolved in FY 1979.

As just discussed, good progress has been made at SWPA during the past year. At the last hearing, one of the Committee's concerns pertained to the desire of the Congress for independence of action to be continued for the power marketing administrations. I am happy to relate that, as far as SWPA has been concerned, the Assistant Secretary has fully honored that intent, and wanted to take this opportunity to thank him for that degree of confidence in the SWPA staff.

Mr. Chairman, that concludes my formal presentation.

SOUTHWESTERN POWER ADMINISTRATION

Mr. HAMMETT. With headquarters in Tulsa, Southwestern Power Administration carries out the responsibilities assigned to the Secretary of Energy pursuant to Section 5 of the Flood Control Act of 1944 and Section 302 of the Department of Energy Organization Act. The acts authorize the disposal of power and energy produced at certain multipurpose reservoir projects constructed by the Corps of Engineers, Department of the Army, in the 6-State area of Arkansas, Kansas, Louisiana, Missouri, Oklahoma and Texas and the output of the hydro electric projects generated at the Corps of Engineers dams in those six States.

Section 5 of the Flood Control Act provides that such power and energy shall be transmitted and marketed in such a way as to encourage the most widespread use at the lowest possible rates consistent with sound business principles.

SWPA REPAYMENT POSTURE

Last year at our hearings, this committee expressed strong criticism of SWPA's repayment posture due primarily to the fact that SWPA had not had a system rate increase since 1957, a period of 21 years.

I am pleased to inform you this morning that Secretary McIsaac on March 1 approved a rate increase for Southwestern Power Administration to be effective on April 1, 1979, which will average about a 33 percent overall increase to our customers and which will represent an increased revenue to Southwestern Power Administration of \$16,500,000 annually.

SWPA RATE INCREASES

Our rate and repayment studies indicated the need for that level of a rate increase in order to make us financially sound and let us meet our repayment schedule. We did hold 5 public information and public comment forums starting last April and extending through the summer of 1978. We had full public participation in those forums, both from the customers and other interested parties.

I am pleased to tell you that we have almost unanimous support from the customers for those rate increases after their review and full examination. With few exceptions, we have the customers endorsing SWPA's new fiscal policies.

All of our contracts will now be on a sound financial basis. We have applied our new system rates to the contract between SWPA and the Arkansas Power and Light Company and Reynolds Metals Company. These new rates will increase their power bill by \$2.1 million annually. We have renegotiated the contracts with the Arkansas Electric Cooperative at Little Rock and the Western Farmers Electric Cooperative at Anadarko, Oklahoma. We also renegotiated the contracts with the municipal systems in Oklahoma and with the Oklahoma Gas and Electric and Public Service Companies of Oklahoma.

This was another area of concern that the committee discussed with us last year.

SWPA BUDGET REQUEST

Our budget request this year is for a total of \$32,180,000 which represents a \$3,879,000, or 11 percent decrease from last year's budget. SWPA's budget is made up of three primary activities: the operation and maintenance program, \$5.8 million to pay the expenses of the marketing program, and the scheduling and dispatching of power and maintenance of the transmission system which includes 32 power substations and switching stations and 33 interconnections with other utilities, both public and investor-owned.

The budget includes an increase in certain areas of about \$418,000 over last year. This is required primarily for two items: a negotiated wage increase with the International Brotherhood of Electrical Workers and contracting services in our maintenance programs.

Our purchase power and wheeling activity is holding steady at \$19.3 million, approximately \$5 million going for contract and transmission services. The balance is for the purchase of supplemental energy to firm up our hydroelectric system.

SWPA CONSTRUCTION

The construction request of \$6.9 million covers the capital investment to build transmission lines and substations to interconnect new hydro projects, to make certain system additions which accommodate customers' load patterns, and to modify and improve power flow and voltage in certain parts of our system. This is about \$4 million less than the previous year's request due to a completion of funding for the H. S. Truman interconnection project in South Central Missouri.

SWPA MANPOWER

Our manpower requests remain constant for the past three years, 165 full time permanent employees and 18 other than full-time positions.

Mr. Chairman, that completes my oral report. I will be happy at the proper time to answer the committee's questions.

Mr. BEVILL. All right.

Mr. McISAAC. Next we have Mr. Harry Wright, Mr. Chairman, Administrator of the Southeast Power Administration.

STATEMENT OF HARRY F. WRIGHT

Mr. WRIGHT. Thank you, Mr. Chairman, and members of the committee. It is a pleasure to appear before you to present Southeastern Power Administration's proposed budget for fiscal year 1980.

I would like to request that my written statement be included in the record at this time and I will proceed to summarize it.

Mr. BEVILL. Permission is granted.

[The statement follows:]

STATEMENT OF HARRY WRIGHT
ADMINISTRATOR
SOUTHEASTERN POWER ADMINISTRATION
DEPARTMENT OF ENERGY
BEFORE THE
SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT
OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

MARCH 20, 1979

Statement of Harry Wright
Administrator
Southeastern Power Administration
Department of Energy
FY 1980 Appropriations Hearings

Mr. Chairman and Members of the Committee, it is a pleasure to appear before you to present Southeastern Power Administration's proposed budget for fiscal year 1980.

FY 1980 BUDGET

An appropriation of \$1,400,000 is requested to effectively carry out Southeastern's mission in a 10-state area of the Southeast. The Budget Authority requested for FY 1980 is an increase of \$147,000 over the \$1,253,000 appropriated for FY 1979.

A comparison of the FY 1980 Operation and Maintenance budget request with the amounts available in FY 1979 by activities is as follows:

	<u>FY 1979</u>	<u>FY 1980</u>	<u>Difference</u>
System Operation and Maintenance	\$308,000	\$315,000	\$+ 7,000
Purchased Power & Wheeling Charges	212,000	250,000	+38,000
Power Contracts and Rates	443,000	526,000	+83,000
General Administration	<u>290,000</u>	<u>309,000</u>	<u>+19,000</u>
Total Budget Authority	\$1,253,000	\$1,400,000	\$+147,000

JUSTIFICATION OF INCREASES

Accomplishment of the program objectives for FY 1980 anticipates an employment level of 39 permanent positions. These 39 positions include full year employment of two persons who have provided legal services to SEPA over a long period of years, but who, prior to January 1979, were funded by the Department of Interior's Office of the Solicitor and later by the Department of Energy's Office of General Counsel.

Overall, the personnel requirements of Southeastern have been reduced during the past 10 years although the amount of power sold, the number of projects in operation, and the number of customers served have increased. We fully support the President's efforts to hold down Federal employment. The budget proposed for FY 1980 will provide for a continuation of the basic power marketing program at the same personnel level that has prevailed for the last several years. Of the total increase requested, \$20,000 is required for within-grade increases and related personnel pay costs.

An increase of \$80,000 is requested to cover the expenses related to the inclusion of legal services in SEPA's budget. An increase of \$9,000 is requested to cover increased requirements for communications, rental, and other costs.

The remaining increase in costs in the FY 1980 budget is a \$38,000 cost increase for purchased power and wheeling charges. This addition is needed to cover increases in purchased power costs caused primarily by higher net payments to Florida Power Corporation.

OVERVIEW

Southeastern Power Administration, located in Elberton, Georgia, was created in 1950 by Order of the Secretary of the Interior to carry out the Secretary's responsibility under Section 5 of the Flood Control Act of 1944 in the Southeast. On October 1, 1977, pursuant to the Department of Energy Organization Act, Southeastern became a part of the Department of Energy reporting to the Assistant Secretary for Resource Applications.

Southeastern's function is to market surplus hydroelectric power from projects constructed and operated by the U. S. Army Corps of Engineers and located in 10 southeastern states. The states are West Virginia, Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, and Kentucky. The States of West Virginia and Mississippi have no projects located physically within their borders.

Power is sold in each of the 10 states with the exception of West Virginia. In addition, power is sold to customers located in Indiana and Illinois, outside the 10-state area. The estimated power revenues for FY 1980 are \$58,300,000. This reflects the projected sale of 2,712 megawatts of capacity and 6,750,000 megawatt-hours of energy. Southeastern has no transmission lines, and it accomplishes the delivery of power by wheeling agreements with power utilities in the area that have the necessary transmission facilities.

Southeastern's overall repayment status is current. Cumulative repayment totals through FY 1978 are \$202,400,000 of the capital investment, \$237,500,000 of annual electric operating expenses, and \$295,500,000 of interest expense.

EXISTING MARKETING ARRANGEMENTS

Southeastern markets power from 21 hydroelectric projects to 199 customers. The projects are grouped for marketing purposes into four systems which are financially independent of each other. The power systems and the existing marketing arrangements are given below.

GEORGIA-ALABAMA PROJECTS

The Georgia-Alabama Projects are comprised of the Allatoona, Buford, Carters, Clark Hill, Walter F. George, Hartwell, Jones Bluff, Millers Ferry, and West Point projects. Two of the four units at Carters' are pumping units. Power from the system is sold to customers located in the States of Georgia, Alabama, North and South Carolina, southeastern Mississippi and panhandle Florida.

Power rates for this system were approved by the Federal Power Commission through June 30, 1979. SEPA has given public notice that it proposes to raise the rates approximately 13 percent on October 1, 1979, and a public comment forum has been scheduled for March 20, 1979. We propose to submit a rate approval presentation to the Federal Energy Regulatory Commission this summer.

Construction work is well underway for the Richard B. Russell Project, on the Savannah River, which is scheduled for completion in 1984.

CUMBERLAND BASIN PROJECTS

The Cumberland Basin Projects include the Wolf Creek, Center Hill, Dule Hollow, Old Hickory, Cheatham, Barkley, J. Percy Priest, and Cordell Hull projects. The projects have been constructed on the Cumberland River or its tributaries and are all located in northern Tennessee and southern Kentucky. System power is marketed to customers located in Tennessee, Kentucky, Indiana, and Illinois.

Contractual rates for power generated at the Cumberland Basin Projects were established in 1978, and the rates were submitted to the Economic Regulatory Administration for confirmation and approval in June 1978. These rates which provided a 16 percent increase in power revenues were disapproved by ERA on December 29, 1978, based on a finding that the rates were too high. After reviewing the repayment studies, we plan to submit a revised rate approval presentation to FERC as soon as possible.

KERR-PHILPOTT PROJECTS

The John H. Kerr and Philpott Projects are located in the Roanoke River Basin in Virginia. The power output of these projects is marketed to customers in Virginia and North Carolina. Federal Power Commission approval of the power rates has been obtained through June 30, 1980.

JIM WOODRUFF PROJECT

The Jim Woodruff Project is located on the Apalachicola River on the Georgia-Florida state line. All dependable capacity available at the Project is being sold to preferred customers in peninsula Florida.

In July of 1977, the Department of the Interior submitted rates to the Federal Power Commission for application to Jim Woodruff power for a five-year period beginning August 20, 1977. The proposed rates to preference customers were unchanged while the rates for power sold to Florida Power Corporation were lowered. These rates were not acted upon by FPC, and subsequent to the formation of the Department of Energy, the rate approval function for these rates was transferred to the Economic Regulatory Administration. ERA disapproved these rates on December 29, 1978, as being too high. SEPA is reviewing its repayment studies and plans to submit a new rate adjustment proposal to FERC for confirmation and approval in the near future.

CURRENT PROGRAM MATTERSLAUREL PROJECT MARKETING

Southeastern has for several years attempted to implement marketing arrangements for Laurel Project power whereby one-half of the project's output would be sold to East Kentucky Power Cooperative which supplies the power requirements of 18 distribution cooperatives in eastern Kentucky, and the other half would be delivered to Kentucky Utilities Company with allocated

portions wheeled for the account of the Government to eight municipally-owned systems served from the Company's system. East Kentucky agreed to wheel the power to their border with Kentucky Utilities. Kentucky Utilities, however, has steadfastly insisted on several major conditions, which the Government could not accept as a prerequisite for wheeling power. The project became operational on October 25, 1977.

SEPA has now modified its marketing approach to provide for the sale of all Laurel power to East Kentucky Power Cooperative, with a provision which allows SEPA to withdraw up to 25,000 KW of peaking power which East Kentucky is now purchasing from SEPA and which is generated at the Cumberland Basin Projects. This 25,000 KW would be made available to the eight Kentucky municipalities who SEPA planned to serve from Laurel Project contingent upon arrangements being secured for transmission of the power to the cities by Kentucky Utilities from TVA-KU interconnections. The proposed arrangement effectively removes East Kentucky as a possible supplier of power to the municipalities and makes available for the municipalities a more usable and reliable power product than is produced at Laurel.

We hope to obtain a voluntary solution among the parties regarding the delivery of power over Kentucky Utilities' transmission lines.

POWER MARKETING POLICY FORMULATION

As reported to you last year, preference agencies' interest in purchasing power from Southeastern has increased substantially during the past few years. The desire to purchase Federal power by these agencies is motivated by many factors including the recent large cost increases from alternative sources of supply. The requests for additional power by agencies throughout the area are coming at a time when only one project, the Richard B. Russell Project, is scheduled to begin operation and add power resources during the next 10-year period.

As a result of the many requests for power, SEPA has taken and is taking several actions. First, a determination was made not to allow existing contracts to automatically renew for additional terms until a review of power marketing policy could be made. As a result Virginia Electric and Power Company and Carolina Power & Light Company were informed on June 29, 1977, that SEPA planned to terminate its contract with them as of June 30, 1980, rather than allow an automatic extension to June 30, 1985. Also, notice was given to South Carolina Public Service Authority that SEPA planned to terminate its contract as of June 30, 1981, rather than allow its automatic extension. Contracts with three generation and transmission cooperatives were also terminated as of October 31, 1980, to prevent automatic extension of those contracts in 1985. These latter contracts were later renegotiated to terminate in 1983, the same time that the TVA contract for Cumberland power expires.

As a second step SEPA has adopted final procedures which it proposes to follow in the development of future power marketing policy and which provide for wide public input and participation. SEPA has also issued a Notice of Intent to develop Marketing Policy applicable to a portion of its marketing area. It is hoped that policy can be established prior to the expiration of all existing contracts except those with Duke Power Company and preference customers in the Duke service area. These contracts may have to be extended in their present form for a period of time to allow the establishment of future power policy.

GREENWOOD (MISS.) UTILITIES COMMISSION VS. ANDRUS & FORTUNE

The key elements in the pending litigation of Greenwood (Miss.) Utilities vs. Andrus and Fortune are set forth on page 64, volume 5 of the Department of Energy FY 1980 Congressional Budget Request. This case is presently in the discovery phase.

Mr. WRIGHT. Although I have been with Southeastern for a number of years, this is the first time I have had the pleasure to appear before this committee as Administrator, having been appointed to the position some three months ago.

Mr. BEVILL. We would like you to furnish us a biographical sketch for the record.

Mr. WRIGHT. All right, sir. I will be happy to do so.

[The information follows:]

BIOGRAPHICAL DATA, HARRY F. WRIGHT, ADMINISTRATOR,
SOUTHEASTERN POWER ADMINISTRATION

I am a native of Elberton, Georgia, where Southeastern Power Administration has its headquarters. I served in the Army for 2½ years and attended the University of Florida, Penn State University, New York University, and the University of Georgia where I received bachelor's and master's degrees in mathematics. I have been with the Southeastern Power Administration since 1951 having worked in various positions prior to becoming Chief, Division of Fiscal Operations, a position in which I served for a number of years. I was appointed Administrator in December, 1978.

SOUTHEASTERN POWER ADMINISTRATION BUDGET REQUEST

Mr. WRIGHT. Southeastern's budget request for fiscal 1980 is for \$1,400,000. This represents an increase of \$147,000 over the appropriation which we had for 1979.

The increase is due primarily to three factors. The first and biggest is that we included for the first time the costs of legal services which are performed for Southeastern and which in the past have been covered by the Office of General Counsel of the Department of Energy. We are transferring two people and funding the necessary costs to accomplish that.

The second factor is a pay increase for our existing personnel of approximately \$20,000.

The third item is an increase in purchase power and wheeling charges which are incurred under our net billing arrangements with Florida Power Corporation at the Jim Woodruff project and which amounts to about \$38,000.

SEPA MANPOWER

Our manpower level for fiscal year 1980 is projected to be the same as our presently authorized positions after taking into account the shifting of two positions for legal services.

SEPA REVENUE

Our revenues are projected in 1980 to be in excess of \$58 million. This revenue is derived from the sale of power from 21 hydroelectric projects located in the Southeast. These are projects that were constructed and are operated by the U.S. Army Corps of Engineers.

The combined capacity of these projects is 2.7 million kilowatts and they produce 6.8 billion kilowatt hours in an average year. The power is sold to 199 wholesale customers throughout the Southeast.

The projects which we have are grouped for marketing purposes and for rate and repayment purposes into four systems which are operated independently of each other.

SEPA REPAYMENT STATUS

Our repayment status as of this point is considered satisfactory. We have a total repayment obligation of \$975 million at Southeastern and of this amount we have repaid \$202 million.

Additionally, we have repaid \$295 million of interest expense and \$238 million of operation and maintenance expense during our operation to date.

In order to keep repayment on a current basis, the rates at the Cumberland River system were increased by 16 percent last year and we are currently in the process of increasing the rates at the Georgia-Alabama system project by approximately 13 percent.

Our rates for the Kerr-Philpott projects are approved through June 30, 1980. At that time we plan to reexamine those to see what rate level is required.

SEPA CURRENT PROGRAM

With regard to current program matters, I would like to mention just two items. The first relates to the sale of power from the Laurel project which is located in the State of Kentucky and will eventually be part of the Cumberland River system. We are now selling all the output of this project to the East Kentucky Power Cooperative but have a provision in this contract to withdraw 25 megawatts of power for sale to eight municipalities located in the State of Kentucky.

We are working with the municipalities and with the Kentucky Utilities Company to get an arrangement whereby Kentucky Utilities will wheel the power for Southeastern to these municipalities. We hope to obtain a voluntary solution among the parties providing for the delivery of this power.

The other item I would like to mention is that last year Southeastern finalized public participation procedures which it will follow in the future in the development of power marketing policy.

We are now implementing these public participation procedures for the Georgia-Alabama system of projects. We plan in the near future to go forward with the Kerr-Philpott system, the Jim Woodruff project, and ultimately the Cumberland River system, to develop the power marketing policies on a system-by-system basis.

Thank you, Mr. Chairman. This concludes my summary statement.

Mr. BEVILL. Thank you.

Mr. McISAAC. Next we have Mr. Robert Cross of the Alaska Power Administration.

STATEMENT OF ROBERT J. CROSS

Mr. CROSS. Mr. Chairman, if I may, I would like to summarize the statement I have submitted for the record.

Mr. BEVILL. Permission is granted.

[The statement follows:]

STATEMENT OF ROBERT J. CROSS
ADMINISTRATOR
ALASKA POWER ADMINISTRATION
DEPARTMENT OF ENERGY
BEFORE THE
SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT
OF THE
COMMITTEE ON HOUSE APPROPRIATIONS
HOUSE OF REPRESENTATIVES

March 20, 1979

Mr. Chairman:

I am Bob Cross, Administrator of the Alaska Power Administration. It is an honor to present APA's FY 1980 program and budget proposals for consideration by your Committee.

APA is requesting \$2,660,000 in new budget authority and appropriations in FY 1980 to continue our programs in power operations, maintenance, power marketing and planning for future water and power development in Alaska. The request is \$46,000 or 2 percent above FY 1979 appropriations. The request would maintain our programs at essentially the same service levels as in FY 1978 and FY 1979. Overall, the personnel employment ceiling of the Alaska Power Administration has remained constant since 1972. We fully support the President's efforts to hold down Federal employment.

Responsibilities

Within the Department of Energy, the Alaska Power Administration reports to the Assistant Secretary for Resource Applications. APA operates in the State of Alaska and is responsible for the operation, maintenance, and marketing of power from the Federal hydroelectric projects in the

State and for conducting general investigation studies on Alaska hydroelectric resources, power marketing and electric transmission.

The operating projects are Eklutna, which provides 30,000 kilowatts of power for the Anchorage and Palmer areas, and the 47,160-kilowatt Snettisham Project serving the Juneau area. In addition to the reservoirs, waterways, and powerplants, APA is responsible for about 90 miles of high-voltage transmission lines, substations, switchyards, and necessary maintenance and repair facilities. The projects represent a total Federal investment of \$111 million and a replacement value approaching \$200 million.

The projects produced about 9 percent of statewide utility electrical energy requirements in FY 1978.

The general investigations studies address alternatives for future water and power development in Alaska. The work focuses on hydroelectric and other renewable power supply options and includes power marketing and transmission system analyses for projects under study by the Corps of Engineers. The general investigations efforts address broad objectives of facilitating conversion of the State's major electric power systems from oil and natural gas to hydroelectric and other renewable or relatively plentiful energy resources. The objectives are shared by the utilities and local and State governments. The problems involve rapid increases in demands and high investment costs for developing hydro and other renewable power options.

Fiscal Operations

For FY 1978, our final actual figures show the two projects produced 276 million kilowatthours gross generation, with sales of 269 million kilowatthours and gross power sales revenues of \$3,157,000. The sales and revenues were above normal because of excellent water supply conditions at the Eklutna Project.

The FY 1978 rate and repayment studies show that both projects are meeting repayment requirements under existing law. Eklutna, which has been in operation since 1955, has repaid all annual operation, maintenance, and interest costs, as well as one-third of its initial investment.

Under terms of the 1976 Water Resources Development Act, major portions of the interest expenses on the Snettisham Project are being deferred during a 10-year load development period. The full project costs, including the deferred interest, are to be repaid in a subsequent 50-year period. The project is repaying annual operation and maintenance expenses, the principal payments specified in the 1976 Act, and part of the annual interest expense.

We obtained a commercial audit of our FY 1977 and 1978 fiscal operations. The FY 1978 rate and repayment studies and audited financial statements are available for both projects.

Estimated revenues for power sales for FY 1979 and FY 1980 are \$3,120,000 and \$3,697,000 respectively. The slight dip in FY 1979 assumes a return to average water supply conditions at Eklutna following two years of high runoff and above average power production. Snettisham sales are expected to increase in both FY 1979 and 1980 due to growth in the power market area. We expect a rate increase of about 25 percent for Eklutna on December 31, 1979 to cover inflation-related cost increases since 1974 when the existing rates were set.

Accomplishments

Operation, Maintenance, and Marketing

All normal operation and maintenance objectives were met in FY 1978 and we expect the same for FY 1979.

Eklutna is continuing its excellent record of reliable service. The Project compiled new monthly and annual power production records in 1978. Since initial operation in 1955, sales of project energy have totaled 3.5 billion kilowatthours.

We are proceeding with the program for rewinding the Eklutna generators and a major overhaul of the turbines for which initial funds are provided in the FY 1979 program. The Bureau of Reclamation is assisting with the

designs and specifications for the new generator windings. The program will upgrade the rated capacity at Eklutna by 6 MW or 20 percent.

The Eklutna 115-kv transmission line is becoming an increasingly valuable element of the Anchorage area power supply system. We reported last year on a proposal from Chugach Electric Association to replace at their expense about 7.6 miles of the Eklutna line with a double circuit line insulated to 230 kv. This is part of a major generation and transmission program for Chugach. APA would maintain complete control of one circuit. If we accept this proposal, construction could begin in the summer of 1979 or 1980.

We are considering a proposal from the City of Anchorage for a new intertie and wheeling agreement which would increase the flow of non-Federal power over APA lines and further strengthen system interconnections.

The Snettisham Project transmission line relocation in 1976 was the starting point of reliable and essentially continuous service for that Project.

We are still working on plans for further avalanche and snow creep protection measures on the Snettisham transmission line, and expect to have a feasibility study completed this summer.

The State of Alaska will begin construction of its new salmon hatchery at the Snettisham Project in 1979. The hatchery is a valuable additional

public use for the Project, and will result in some savings in APA operation and maintenance costs.

Snettisham Project power production and sales have increased each year since 1976. Improved reliability of the transmission system and continued growth in Juneau area demands result in improved utilization of Project power.

We are negotiating a new set of longterm power sale contracts for the Eklutna Project which will assure continued full utilization of that resource.

General Investigations

The major planning effort for FY 1978 and the first half of 1979 is a thorough update of the power market analyses for the proposed Upper Susitna hydroelectric project. This project would provide 1.5 million kilowatts and 6.9 billion kilowatthours annual energy for the Alaska Railbelt, including the Anchorage and Fairbanks areas. The power market area represents over 80 percent of the utility power requirements in Alaska. The APA studies complement work by the Corps of Engineers to refine the 1975 feasibility analyses in response to a series of questions raised by the Office of Management and Budget. The Corps obtained new damsite foundation data regarding geologic and engineering feasibility. The APA studies provide more thorough evaluation of markets for power, alternative costs, and financial viability.

Other accomplishments include a new power market report for the authorized Bradley Lake hydroelectric project which would provide 70 to 110 MW of power at the southern end of the Railbelt, and a series of transmission and power market studies as input to Corps of Engineers feasibility studies for smaller projects in Southeast Alaska.

In further support of hydroelectric studies in Southeast Alaska and efforts to utilize surplus power from the Snettisham Project, APA is examining the use of electric energy as a part of total energy systems in the Juneau area. The area has an abundance of small- and medium-sized hydroelectric resources, but is otherwise dependent on petroleum products for all of its energy. Significant savings are possible by substituting electrical energy for oil through use of heat pumps and for gasoline through use of electric vehicles.

APA is preparing preliminary feasibility studies on three small hydroelectric projects that would serve isolated villages on Kodiak Island. APA is preparing a regional appraisal of power alternatives for the Bristol Bay area, where small hydro and wind potential holds some promise. These actions are in response to intense interest in finding viable power alternatives for the many remote communities in Alaska that now depend totally on fuel oil for power supplies.

Proposed Programs for FY 1980Operation, Maintenance, and Marketing

APA is requesting \$1,670,000 for operation, maintenance, and power marketing activities. This is \$8,000 less than the FY 1979 appropriations. The changes involve a reduction of \$79,000 in costs for major replacement items, and an expected increase of \$71,000 in other costs due to inflation, capital equipment and salary increases.

The request would continue all normal operating and maintenance activities for both projects. The generator rewind and turbine overhaul program at Eklutna would be completed by early summer 1980. At the same time, we plan to overhaul the unit exciters and repair one of the butterfly valves. FY 1980 costs are estimated at \$196,000.

Major O&M items at Snettisham would be an additional carrier communication channel (\$35,000) to upgrade communications between the Project and the Juneau Substation, and purchase of a multipurpose maintenance vehicle for the Substation. Good communications are essential since the remote Project is operated by supervisory control from the Substation. The existing channels are overloaded.

Power marketing efforts would continue to focus on effective ways to utilize Snettisham's surplus power and energy.

General Investigations

The General Investigations request is \$990,000, an increase of \$54,000 or 6 percent over the FY 1979 appropriations. The increase reflects the October 1978 general schedule pay increase and other minor increases due to inflation. The request would continue planning efforts at their current levels.

This portion of the budget includes APA's general administrative expenses, such as budget, finance, accounting, property and personnel management, rents and utilities.

The planning programs complement efforts at the local and State levels towards development of renewable power resources, and include the transmission and power market studies for hydroelectric projects under study by the Corps of Engineers.

The planning programs basically involve three groups of study efforts:

- hydro power and transmission alternatives for the Alaska Railbelt, including Anchorage and Fairbanks, representing about 80 percent of the present and future Alaska power demands.
- hydro power and transmission alternatives for Southeast Alaska and Gulf Coast cities which represent about 15 percent of the present and future power demands.

--small hydro and other renewable energy sources for the many small, isolated, and primarily native villages in the Alaska bush.

We estimate that about 70 percent of the FY 1980 program will be directed to the transmission and power market studies needed to accompany Corps of Engineers feasibility studies, including the Corps new program on small hydroelectric projects. The APA portion of these studies include power demands, estimates of transmission and operating expenses, and demonstration of financial viability.

The President's 1980 budget proposes a start on preconstruction design by the Corps of Engineers on the Bradley Lake Project near Homer. This project was authorized in 1962, with re-analyses completed in 1978, including APA power market studies. APA will provide input to the design studies on operation and maintenance requirements as well as the necessary studies to develop the final transmission and marketing plans.

The 1980 budget does not provide for further work on design stages for the Upper Susitna Project, pending decisions on how that study program should be financed.

The combined efforts of APA, the Corps, the State, and local entities show good promise for further development of the renewable resources in Alaska.

ALASKA POWER ADMINISTRATION BUDGET REQUEST

Mr. Cross. I am Bob Cross, the Administrator of the Alaska Power Administration.

The APA is requesting in 1980 new budget authority of \$2,660,000. This is an increase of 2 percent over fiscal year 1979. The request would allow us to continue our programs at current levels with no changes in staff size.

APA OPERATIONS

The Alaska Power Administration is headquartered in Juneau. We have responsibility for operation, maintenance and marketing of the two Federal hydroelectric projects in that State and we participate in the planning programs for future water development.

Our operating projects are Eklutna, which provides 30,000 kilowatts of power for the Anchorage and Palmer areas, and the 47,160 kilowatt Snettisham Project serving the Juneau area.

In addition to the reservoirs, waterways, and powerplants, APA is responsible for about 90 miles of high voltage transmission lines, substations, switchyards, and necessary maintenance and repair facilities. The projects represent a total Federal investment of \$111 million and a replacement value approaching \$200 million.

APA SALES AND REVENUES

In fiscal year 1978, our final actual figures show the two projects produced 276 million kilowatt hours gross generation, with sales of 269 million kilowatt hours and gross power sales revenues of \$3,157,000. This amounted to about 9 percent of the utility power supply in the State of Alaska.

We are estimating 1980 revenues of \$3.6 million and that includes revenues from an anticipated rate increase at the Eklutna Project that would go into effect at the end of calendar year 1979. Both projects are meeting repayment requirements under existing law and we expect that situation to continue.

APA OPERATION AND MAINTENANCE

In 1980 our request for power operation and maintenance and marketing amounts to \$1,670,000. This is a decrease of \$8,000 from the 1979 amount.

The main reason for the decrease is a wind down of the generator rewind program at the Eklutna Project for which the bulk of the money is provided in FY 1979.

Certain other items in that budget are increasing because of inflation. The program will allow us to meet all normal operation and maintenance objectives for both projects in 1980.

APA GENERAL INVESTIGATIONS AND PLANNING

The general investigations request is \$990,000, an increase of \$54,000 or 6 percent. The increase is related to increased costs of doing business; the program is projected at the same level as 1979.

The planning programs for future water and power projects and for transmission and power marketing analysis that accompany Corps of Engineers hydroelectric investigations in the State of Alaska involve a number of potential new hydro projects. One is the Bradley Lake program, a new small hydropower program initiated in 1979. We will also be engaged in further study in the rail-belt and Southeast Alaska areas.

The studies, of course, are carried out in very close cooperation with State and local entities and we do quite a bit of the supporting work such as power statistics and estimates of future power demands needed to support the veracity of these investigations.

The present power situation in Alaska involves dependence of over 70 percent on oil and natural gas for power supply, very rapid rates of growth, and a serious need to consider a shift to renewable resources where it is feasible to do so.

We believe our investigation program is making an important contribution toward further use of renewable resources for power.

Thank you very much, Mr. Chairman.

Mr. BEVILL. Thank you.

Mr. McISAAC. Mr. Chairman, last but not least we have Mr. Sterling Munro of the Bonneville Power Administration, our largest power administration.

STATEMENT OF STERLING MUNRO

Mr. MUNRO. Mr. Chairman, thank you for this opportunity to present our proposed fiscal year 1980 program.

I have submitted a full statement for the record and this is my oral summary.

[The statement follows:]

STATEMENT OF STERLING MUNRO
ADMINISTRATOR
BONNEVILLE POWER ADMINISTRATION
DEPARTMENT OF ENERGY
BEFORE THE
SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT
OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
MARCH 20, 1979

Statement of Sterling Munro

Administrator

Bonneville Power Administration

Fiscal Year 1980 Appropriations Hearings

Introduction

Mr. Chairman and Members of the Committee:

Thank you for this opportunity to present the budget proposal of the Bonneville Power Administration (BPA) for Fiscal Year 1980. This is my second budget presentation to the Congress and BPA's second as part of the Department of Energy (DOE).

Background and Budget Summary

BPA is the DOE power marketing agency for the Pacific Northwest. The region encompasses about 300,000 square miles with a population of nearly seven million. The Federal power system in the Northwest, designated the Federal Columbia River Power System (FCRPS), consists of the hydroelectric generating facilities at 30 multipurpose water resource projects of the U.S. Army Corps of Engineers and the U.S. Bureau of Reclamation, plus BPA's transmission system of more than 12,450 circuit-miles of high-voltage transmission lines and 346 substations. BPA markets about one-half of the electric energy produced in the Northwest and provides about four-fifths of the region's electric power transmission capacity. Also, BPA markets and exchanges electric power interregionally over the Pacific Northwest - Pacific

Southwest Intertie and over interconnections with British Columbia utilities. During FY 1978, BPA had power sales of 76.5 billion kilowatthours. Of this, 6.2 billion kilowatthours (equivalent to about 10.3 million barrels of oil-fired electricity generation) were sold outside the region, mostly to California utilities.

BPA's budget for FY 1980 proposes total obligations of \$602.1 million, of which \$367.1 million is for operating costs, \$173 million is for transmission system construction, and \$62 million is for reimbursable programs. To finance program obligations of \$602.1 million will require outlays of \$552.4 million. Receipts are estimated at \$641 million, leaving an anticipated surplus of budget receipts over budget outlays of \$88.6 million.

Improved Management Controls

During the past year BPA has taken several actions to improve management performance and control capability, most notably, a Planning, Budgeting, and Control Process (PBC) augmented by a new Annual Management Plan (AMP) and a restoration of the internal audit we had prior to 1966. Some of these management improvements made at my direction were initiated by my predecessor, and some were also suggested by those outside Bonneville. All of them are designed to improve our internal management and our accountability to the Executive and Congress.

The key to our efforts is the PBC process. This is the umbrella management and evaluation system in BPA. It is conducted under the guidance of top management and key staff exercising decisionmaking responsibilities through a PBC Policy Committee.

The PBC process is a formal, systematic decisionmaking process designed to provide management policy and program direction and organization control with minimum involvement of top management in the daily operating decisionmaking exercised by middle managers and first-line supervisors. It is intended to ensure that all important factors are considered in planning, budgeting, and operating decisions; clarify the need for key decisions; provide a mechanism for monitoring and controlling implementation of decisions; and meet management accountability requirements. The process integrates BPA's existing planning, budgeting and operations control elements and relevant available management planning concepts and techniques into a systematic framework. The PBC process has four sequential phases: Policy Planning; Program Formulation; Budget Preparation; and Operational Planning, Control and Feedback. Its key analyses, decisions, and information resources are documented by a Management Planning Guide, Basic Mission Document, Long-Range Program Memoranda, short-range plans (zero-base budget decision documents), and Action Plans.

A vital adjunct to the PBC process is the AMP, the first of which has been developed and approved for FY 1979 and is now in effect. It is an action plan for carrying out the approved program during the fiscal year and focuses on program, financing, policy issues, management, and operations.

The Annual Management Plan is designed to present a total picture of BPA and is similar in concept to an annual operating plan submitted to the parent corporation by the head of a wholly-owned subsidiary. We view this plan as a tracking mechanism to assist DOE in carrying out its legislatively prescribed duties while allowing the flexibility given BPA by its authorizing legislation. Following acceptance of the plan by DOE's Assistant Secretary for Resource Applications at the start of each year, progress is reviewed quarterly by the Assistant Secretary and his staff. Although early in its first year of operation, the Assistant Secretary and I both feel the plan is making an important contribution to improved DOE - BPA operations.

An Office of Audit reporting to the Administrator has been approved by DOE and is beginning to function. It will provide independent review to assist management in exercising its responsibilities of control and accountability to assure assets are safeguarded and programs are performed in a cost-effective manner. The office will conduct internal financial, operational, and management reviews of BPA activities and perform other traditional internal audit functions.

BPA had an internal audit program for financial review prior to 1966, when that function was centralized by the Department of the Interior. The need for reestablishing internal audit capability became evident with implementation of the Federal Columbia River Transmission System Act in 1974 which made BPA responsible for operating as a self-financed, businesslike organization.

Studies by Management Consultants

In addition to these management improvements developed and implemented in-house, we have employed outside consultants to help us make improvements in our management controls. Early in 1978, a consultant began a study of BPA's automatic data processing (ADP) activities, requirements, resources, and management to identify and correct deficiencies in ADP management and operation and incorporate recent advances in ADP systems and hardware into BPA's ADP systems. The study was designed to provide a detailed statement of our ADP requirements during the next 5 to 10 years, develop proposals for resources to serve them, and make specific recommendations for changes in ADP management methods.

During the course of the consultant's study, the U.S. General Accounting Office (GAO) reviewed BPA's management of ADP systems development activities as part of a Government-wide study to develop policies and guidance for improving management of ADP systems development. The GAO recommended that we take immediate action to institute an effective ADP management system before considering any major equipment acquisitions. They specifically recommended that we (1) directly involve the Administrator's Office in managing ADP resources, (2) improve ADP systems development

planning, (3) implement a budget and reporting system that would allow comparison of actual and estimated system development and equipment use costs, and (4) develop and enforce uniform agency-wide policies, standards, guidelines, and procedures for ADP systems development. These GAO recommendations were incorporated into the ADP consultant's scope of work statements, and the consultant has presented its study recommendations. We are working with the consultant and have either initiated action or have specific plans to take action soon to meet the GAO recommendations including a new central ADP organization, improved policy guidance and control by top management, and more discriminating cost reporting.

Also in 1978, we hired a management consultant firm with experience in nuclear project construction to evaluate the overall project management performance of the Washington Public Power Supply System (WPPSS) and the relationship between WPPSS and BPA. BPA has contracts to purchase electric generating capacity from three net-billed projects under construction by WPPSS. There have been lengthy schedule delays and cost increases in the construction of these projects. WPPSS' 1979 budget for these projects, compared to its 1978 budget effective January 1, 1978, shows further delays in project completion ranging from 12 to 18 months and a combined net-billed construction cost increase of \$1.3 billion, a 33 percent increase. Even though schedule delays and recurring cost increases are common to the construction of thermal nuclear projects, we intend to do everything possible to minimize future WPPSS' project delays and cost increases.

Under present agreements, WPPSS has management responsibility to finance, design, construct, operate and maintain the projects. BPA has an oversight responsibility and authority for certain budget and contract approvals. In January 1979, the management consultant issued its report which identified strengths and weaknesses of the relationships of WPPSS and BPA and recommended specific management actions by both BPA and WPPSS. Since issuance of the report, BPA, WPPSS, and the WPPSS Board of Directors have been meeting to review, discuss, and implement the consultant's recommendations. BPA and WPPSS have agreed upon an action plan to implement the recommendations.

Recently, Congress has taken a direct interest in the rapidly accelerating costs of the WPPSS projects from which BPA has contracted to obtain power. The Subcommittee on Energy and Power of the House Interstate and Foreign Commerce Committee has asked the GAO to conduct an audit of the BPA-WPPSS agreements, and that audit is now underway. Also, on February 19, 1979, we appeared before the Water and Power Resources Subcommittee of the House Committee on Interior and Insular Affairs to discuss our rates and the construction cost increases of the WPPSS' projects.

Program Economies

We have recently made a move toward increased reliance on industry standards for some BPA system equipment. During FY 1979, we are purchasing customer service transformers on the basis of these standards, which approximate those of "off-the-shelf" items. Our initial procurement on this basis saved \$620,000 or 27 percent, over the prices previously paid for such equipment. We plan to expand this approach to other categories of transmission system equipment if it is practical, such as power circuit breakers, instrument transformers, and relays.

We also continue to seek operating economies throughout our program in traditional ways. For example, by means of an automated supervisory control and dispatch program for the power system, we are able to operate and maintain an expanding transmission system with far fewer additional substation operators than otherwise necessary. We have improved design and construction methods and modified preventive maintenance schedules without taking unacceptable risks to system reliability. We also support the President's efforts to hold down Federal employment and we have closed line construction offices, consolidated some plant services facilities, and implemented a marketing procedure that schedules procurement actions in accordance with prevailing market conditions to maximize savings to BPA. These economies are estimated to save about \$40 million in the 4 years 1977-1980.

Now, let me describe our program situation for the Committee.

Review of Power Operations

After the severe drought of 1977, streamflows and power supply were good throughout 1978, but the region was hard-pressed to meet its peaking and energy requirements during the long cold wave extending from November 1978 into February 1979.

BPA energy sales for the 1977-78 operating year were about 71 billion kilowatthours, compared to 69 billion kWh for the 1976-77 operating year. Each operating year runs from July 1 to June 30.

In December 1977, soon after the drought ended, BPA and the region's utilities were able to rescind the call for voluntary curtailment that had been in effect since the previous February.

In January 1978, reservoir conditions had improved sufficiently to enable BPA to resume some secondary energy deliveries to all Pacific Northwest customers, and in March full deliveries. Curtailment of secondary energy had been in effect since November 1, 1976, for private utilities and our direct-service industrial customers, and since December 1, 1976, for public agencies.

And after not having any surplus power to offer to markets outside the Northwest since September 13, 1976, we were able on April 2, 1978, to once again make sales to California over the Pacific Northwest-Pacific Southwest Intertie.

When the 1978-79 operating year began on July 1, the region's power reservoirs were essentially full. Streamflows were normal during August and October, and near record-high levels during September. This enabled us to offer limited supplies of secondary energy to the investor-owned utilities and to supply part of the nonfirm load of the direct service industries in August and October, and all of the nonfirm load in September. Reservoirs were full during the first 10 days of September and, with water that otherwise would have been spilled, we were able to produce electricity for sale to Pacific Southwest utilities. But since October 23, secondary energy deliveries to the Northwest's private utilities and direct-service industrial customers have been curtailed. Our industrial customers have met their full requirements for nonfirm energy by a combination of "advance energy" purchases from us--energy that must be returned unless reservoirs refill faster than now expected-- and purchases of non-Federal energy at significantly higher cost than the standard BPA rates. Secondary energy sales to our public agency customers in the Northwest were curtailed November 21, 1978, but restored again January 19, 1979.

In November and December 1978 and January 1979, cold weather caused several successively higher 1-hour peak load and 1-day peak load records, and several successively higher generating records as well. Consequently, BPA and the region's utilities again had to appeal to consumers to try to curtail use, especially during peak load periods.

November 1978 through January 1979 were among the coldest months ever recorded across the region. Precipitation during these months was low--30 to 60 percent of normal at many recording stations--and streamflows receded. By year's end, the region's reservoirs were below normal operating levels for that time of year. Adverse weather and low streamflows were not alone responsible. We had made advance energy deliveries to the region's industries, as noted, and to the Portland General Electric Company because its Trojan Nuclear Project was out of service.

In fact, the region was without the Trojan output from March 1978 through the end of the year. The plant had been shut down for maintenance and refueling in March. But during shutdown, it was determined that the control house walls did not meet Nuclear Regulatory Commission earthquake standards. The NRC's Atomic Safety and Licensing Board held hearings between October 23 and December 14, 1978, and determined that the plant could be operated while repairs were being made. The plant started up again on January 2 and reached full output January 5, 1979.

As a result of this long idle capacity, we had to take back from our direct service industrial customers the Hanford Generating Project energy for use in meeting our energy needs this operating year. With the return of Trojan, we were able to reassign the Hanford energy to the industries. This in turn eliminates the increased purchase power obligation in FY 1979 to replace the Hanford energy, the cost of which was included in our FY 1980 budget. Also, because of firm energy

deficits forecast for the region, we may need to withdraw this Hanford energy each year from 1980 until the proposed shutdown of the Hanford NPR in June of 1983. If average hydro conditions prevail in any year, we could reassign the energy as we have done this year.

Power Outlook

The Pacific Northwest faces an uncertain power outlook in both the short range and the long range.

Although we expect to be able to meet BPA's firm load requirements during the remainder of this operating year, there may be problems. Snow survey data in February indicated runoff to the Columbia River for the January-July period may be only about three-quarters of normal, reducing potential amounts of secondary energy and again causing concern whether reservoirs will refill this spring. There is a 50-50 probability that runoff will be sufficient to enable us to meet our firm obligations and refill reservoirs before the start of next year's storage drawdown.

Also, peaking capacity may be short at times because of the malicious damage to three 800-megawatt generating units at Grand Coulee Dam's Third Powerhouse, making them unavailable until repairs are completed. That is expected to be March 1979 for two of the units and August 1, 1979, for the third.

As for the longer term, the region faces large firm energy deficits in each and every one of the next 10 years should critical streamflow conditions occur. This bleak outlook is based on the 1978 forecast prepared by the Pacific Northwest Utilities Conference Committee (PNUCC), which consolidates load forecasts for the region's electric utilities. The PNUCC forecast is not universally accepted outside the utility industry, but it is the one that at present guides us and the region's utilities. It shows that, under poor water conditions, the region would be short in each of the next 10 years even if all 13 thermal power plants now under construction or scheduled for completion before 1990 were, in fact, completed on schedules in effect in 1978. But the fact is that these 13 plants have slipped further since the 1978 PNUCC forecast. Consequently, the 1979 PNUCC forecast, due to be published shortly, is expected to show even greater deficits. The present forecast shows the deficit exceeding the entire output of a large thermal generating plant in most of the years and, in some years, exceeding the output of three large thermal plants.

I also should like to point out each of the PNUCC's forecasts over the past several years has shown a lower total requirement for the region between now and 1995, but construction delays keep putting the region deeper in the hole. Until 1974, the PNUCC forecast showed a historical energy growth of approximately 6 percent annually that characterized our region in the 1960's and early 1970's. Then in 1975 the PNUCC

forecast indicated a 4.7 percent growth rate, by 1977 it was 4.4 percent, and by 1978 it was 4 percent.

Fourteen new generating units, totalling 2,285 megawatts of capacity, have been added to the Federal Columbia River Power System since July 1977. This includes one 800-MW unit at Grand Coulee Dam, six 109-MW units at Chief Joseph Dam, two 155-MW units at Little Goose Dam, three 155-MW units at Lower Granite Dam, and two 28-MW units at Lost Creek Dam. Although these units add significant amounts of peaking capability to the system, they contribute only about 100 average megawatts of firm energy. There simply is not enough water in the river or capable of being stored to run all those additional machines day-in and day-out around the clock, which is what is necessary to produce firm energy. But the machines are there to use for short periods of time to meet periods of peak demand.

The kind of shortages of which I have been speaking that are in sight over the next 10 years are energy shortages and not peaking shortages. But the long-range outlook for peaking capacity also is worrisome. Last year I told the Committee how, over the years, the duration of the region's peak--on the order of a 10-hour average--and other factors may cause peaking shortages. Chief among these factors are a steady increase in electric space heating; delays in thermal power plant completion dates; inability of reservoirs to supply sufficient water to downstream dams, especially on the lower Snake River; and

operating restrictions on the power system associated with fish runs and navigation and recreation. Further, a river bank instability problem extending six miles downstream from Grand Coulee Dam has been identified which will limit operation of the dam for peaking purposes whenever more than four of the six Third Powerhouse units are in operation. Until remedial action can be taken by the Bureau of Reclamation, Grand Coulee's peaking capability will be reduced by about 1.5 million kilowatts, or nearly one-fourth of its capacity.

Because the region heretofore had a comfortable cushion of peaking capacity, we and the PNUCC had continued to use a short duration single "spike" peak period for planning purposes. Beginning with the 1979 PNUCC forecast, we will be using a 10-hour average peak for evaluating loads and resources. This change will substantially affect the region's peaking outlook for future years, reducing the cushion in some years and actually showing peaking deficits in other years.

Intertie Planning and Development

For all of these shortages of energy and peaking capacity forecast for the future, there still have been and will be times when Northwest streamflows are so good that we can offer surplus power for sale outside the region.

In 1977 we were able to sell no surplus power to California but during Calendar Year 1978 our region was able to sell to the Pacific Southwest some 16 billion kilowatthours. BPA sales accounted for about one-third of the total. These combined sales from Northwest utilities represent a savings of more than 27 million barrels of oil that would otherwise have been used by Southwest thermal plants.

There presently are two 500-kV alternating current lines from the vicinity of John Day Dam in north-central Oregon to Los Angeles, California, and one 800-kV direct-current line from The Dalles, Oregon to Los Angeles. Even so, there are some periods when there is more surplus energy available from the Pacific Northwest and Canada than can be transmitted over the existing Intertie lines. Consequently, Northwest and Southwest utilities have been studying three proposals to add to the Intertie's capacity.

One proposal--to upgrade the operating voltage of the existing d-c line to 1,000 kV--is reflected in BPA's FY 1980 budget.

The other two proposals--still under study as to economic benefits and possible later implementation--are to build a third a-c line to California and to construct a second d-c line to Nevada and Arizona. The latter was part of the original intertie proposal approved by the Congress in 1964.

California utilities have expressed concern about the impact of BPA's proposed "share-the-savings" rate in our draft of proposed rate schedules to take effect in December, 1979. Under current rates, BPA surplus energy is sold at from 3.0 to 3.5 mills per kilowatthour, displacing very high cost oil-fired generation, so most of the benefits accrue to utilities in the Southwest. For example in Calendar Year 1976, a very good water year, BPA alone sold almost as much to the Southwest as the entire Northwest region did during the past calendar year. These 1976 BPA sales produced revenues of about \$50 million and displaced the equivalent of 26 million barrels of oil worth \$410 million. California utilities saved \$360 million. Had a "share-the-savings" rate been in effect, each region's ratepayers would have saved \$180 million.

While a "share-the-savings" rate would increase costs of surplus BPA power to the Southwest, the savings to the Southwest in terms of oil and money would continue to be substantial.

Revenues and Repayment

Revenues from FCRPS operations during FY 1978 were a record \$334 million--\$110 million above FY 1977 revenues--and the largest year-to-year increase in FCRPS revenues to date. Passage of drought conditions in the region was the major factor in the increase. The \$318 million revenue reported in our budget document was an estimate made before the audit was completed and fixed the actual amount at \$334 million.

Although revenues increased, so too did expenses, mostly for purchased power and higher operating costs. Due mainly to the inadequacy of BPA's rates to cover higher power costs, the FCRPS experienced a net loss on the cost-accounting basis of \$17 million in FY 1978, compared to but far less than the loss of almost \$56 million in 1977 due to the drought conditions.

Assuming average streamflows, total FCRPS revenues are estimated to be \$342 million for FY 1979 and \$578 million for FY 1980. The FY 1980 estimate assumes new rate schedules effective in December 1979, which will produce a 90 percent annual revenue increase. A smaller rate increase such as is discussed later in this statement would reduce this revenue forecast for FY 1980.

We determine the adequacy of BPA revenues by preparing a power system repayment study of the FCRPS. This study projects estimated revenues and costs of the power system for the remainder of the repayment period

to determine whether there will be enough revenues to recover all costs. Public Law (P.L.) 89-448 authorized construction of the Grand Coulee Third Powerplant, and Congress requested that a repayment study be prepared annually and transmitted by the Secretary to the President and Congress. Repayment criteria adopted by DOE require that BPA's revenues from all sources must be sufficient to recover all costs to the Government of producing, purchasing, and transmitting electric energy. If the repayment study shows that all costs will not be recovered, the Secretary is required to take action to increase rates at the earliest opportunity.

Under existing repayment procedures, the test of whether projected revenues are sufficient to meet the repayment criteria is provided by a year-by-year comparison of the unamortized investment to the allowable unamortized investment. (The allowable unamortized investment is developed by adding each year's investment as it goes into service and then deducting it at the end of its allowable repayment period.) The allowable unamortized investment thus provides the maximum amount of power investment which can remain unamortized for each year of the study and still meet the repayment criteria.

The repayment study based on existing rates demonstrates that all costs will not be recovered as required. Consequently, we have proposed wholesale power rate schedules to be effective December 20, 1979, (the earliest date allowed by our contracts) that would increase

annual revenues by the amount indicated by the repayment study to be necessary to assure full cost recovery. These rates would remain in effect until July 1981 after which time BPA could make annual rate adjustments in accordance with a contract amendment which has been accepted by all of our customers.

When we announced our rate proposal last August, we anticipated a need for a 90 percent increase in revenues. We may, however, be able to propose final rate schedules reflecting reduced revenue requirements for the 1979-1981 period, probably in the range of a 40 percent increase over present revenues. This reduction in BPA's revenue requirements could be achieved by the Washington Public Power Supply System (WPPSS) providing bond financing of the debt service on net-billed nuclear powerplants it is constructing until the plants become available for operation. BPA's contracts with WPPSS for acquiring output from the plants provide that BPA pay the debt service commencing at specified dates. These dates are set by contract to tie with dates the projects initially were planned to be available for service. If WPPSS issued additional bonds to finance debt service on the plants until start-up, BPA could omit that cost from its repayment studies for the period FY 1979 through FY 1981, and thereby also reduce its budget costs for purchase power and its revenue requirements for the period. BPA and the WPPSS Board of Directors have approved this change in financing of

debt service on the WPPSS plants under construction, and we believe that all participants will also approve, as is necessary to proceed with this arrangement.

If this change is approved, and we need to increase rates by only about 40 percent now, the cost of the WPPSS' projects still will have to be recovered when they are available for commercial operation. This would require larger rate increases in the future than if we were to increase rates by the approximately 90 percent required to cover precommercial debt service of the net-billed projects on top of our other requirements for higher rates effective December 1979. Studies by BPA and WPPSS indicate that the WPPSS funding alternative would be beneficial to the region's ratepayers in both the short range and the long range.

Final approval of an increase in our transmission ("wheeling") rates is also pending. We began wheeling services in the 1950's for utilities that constructed or purchased power from non-Federal hydroelectric projects on the middle reach of the Columbia River, and since then have expanded wheeling services to make full use of the BPA transmission grid.

Since establishing wheeling services, the wheeling rates have been adjusted several times to reflect cost changes. On July 30, 1976, our proposed wheeling rate schedules were filed with the Federal Power Commission (FPC) pursuant to law. On June 10, 1977, the FPC

issued a conditional confirmation and approval of BPA's transmission rates through June 30, 1978. Subsequently, BPA came under the jurisdiction of the Department of Energy, and the Economic Regulatory Administration (ERA) was delegated authority to review our rates. ERA authorized extension of BPA's interim transmission rates through June 30, 1979. Effective January 1, 1979, however, the Secretary of the DOE rescinded the delegation to ERA and delegated authority to confirm or disapprove BPA's rates to the Federal Energy Regulatory Commission (FERC). At this date approval of our wheeling rate filing is pending before FERC.

Research and Development

Practically from BPA's inception, research and development has been an important part of our basic power marketing and transmission responsibilities. Mainly, we have sought to advance the state-of-the-art in high-voltage electric power transmission and to coordinate our efforts with other Federal electric energy research and development activities as well as those of the electric utility industry.

But even before energy conservation became a national objective, a major goal of our research and development program was to conserve energy on our system and reduce our requirement for scarce program resources.

Research and development has enabled us to develop one of the largest 500-kV transmission networks in the world. Recently we installed and

are operating prototype 1,200-kV electrical and mechanical test facilities at two locations in Oregon although we would not at present plan to operate at higher than 1,100 kV. Such voltages are likely to be needed by the 1990's to transmit increased amounts of power while holding right-of-way requirements to a minimum. Higher voltages also reduce system losses.

In a further attempt to reduce our transmission losses, we are looking into several potentially cost-effective concepts including speeding up system additions and conversion of lines to higher voltage. We also are studying a variety of other technical changes. We have developed and are now considering several program adjustments that could put these concepts into operation.

BPA coordinates its research and development effort with DOE to further the accomplishment of national energy policy goals. We are involved in such DOE-funded research programs as the testing of electric vehicles and the use of photovoltaic sources to light towers for airway warning purposes. Also, we contributed to the Department's national effort to develop alternative energy sources, such as wind power, by proposing a study site in southcentral Washington for installation and test operation of a prototype wind turbine generator (WTG). DOE did not select this site, but we are continuing to inventory sites in the Pacific Northwest for possible future installation of WTG's.

Recently, we reviewed with DOE the results of wind energy studies conducted in the Pacific Northwest during the past 4 years.

Discussions are underway with DOE regarding the possibility of BPA obtaining two 2,500-kW demonstration WTC's.

We also participate in the research and development activities of the utility industry's Electric Power Research Institute (EPRI) through membership on committees and task forces and financial contribution. EPRI was founded in 1972 to coordinate a research and development program to help the utility industry meet the nation's energy requirements in an environmentally, economically, and technologically desirable manner.

Last year, we proposed to commence full financial participation in EPRI's program in FY 1979 based upon the application of an industry-accepted assessment formula. The Congress suggested that the proposed funding amount of \$9.3 million seemed excessive in relation to

our in-house research and development program. In response to Congress' recommendation, we have reduced our FY 1979 EPRI financial participation to \$4.6 million and plan to contribute \$5.2 million to EPRI in FY 1980. These amounts represent the contributions of the region's public agencies and cooperatives which buy their wholesale power from BPA and have chosen to make their research contributions through BPA, as well as BPA's share for its direct sales to large industries.

BPA is also assisting others to apply state-of-the-art electric power transmission technology to the design, engineering, construction, operation and maintenance of high-voltage power systems. As an example, we are providing system planning, environmental, and reconnaissance and location studies for the Dickey-Lincoln School Lakes Project, a Corps of Engineers multipurpose hydroelectric project in northern Maine. We are performing this work on a reimbursable basis.

Regional Power Planning Situation

BPA has two major areas of concern right now--availability of sufficient power supplies to meet the demands of our customers reliably and efficiently, and the effectiveness and economy of our program performance as the Government's Federal electric power marketing agent in the Pacific Northwest. Early in this statement, I described to the Committee some major actions we have taken to enhance our managerial effectiveness and control.

I would now like to bring the Committee up to date on the power planning situation in the region and our role in it. Uncertainty of future supplies of electricity continues to haunt the power planners of the Pacific Northwest. It was more than 10 years ago that the Federal Government, through Bonneville, and the region's investor and publicly owned utilities launched a cooperative re-

source development effort known as the Hydro-Thermal Power Program. This program was formulated to guide transition of the region's power system from a hydro base, as the development of economically and socially acceptable hydro energy resources neared completion, to a system of hydro resources for peaking and thermal resources for base load.

Practically since inception of the program, however, thermal resources have run into delays and higher costs. Schedules have been delayed again and again due to a variety of reasons including extended permit and licensing procedures, labor disputes, retrofitting, and regulatory design requirements. These delays along with general inflation and a scarcity of capital have contributed to cost increases.

We and other power entities in the region are unable to carry out in a timely manner some of our responsibilities under the program, and this has also increased uncertainty about future power supplies and the role of various power interests in meeting the region's future needs. We have reported to the Committee on our actions to develop by mid-1980 a power-allocation formula and policies for the period after July 1, 1983, when we will no longer be assured of meeting our preference (utility) customers' load requirements or being able to execute new contracts with our direct-service industrial customers when their existing contracts expire beginning in 1981.

This uncertainty in regional power planning and the prospect of restricted Federal power supplies have prompted various interests in the region to express interest in or initiate procedures to form publicly or cooperatively owned utilities that would qualify as preference customers entitled to share in power available from BPA. For instance, the State of Oregon, where most domestic and rural consumers are served by investor-owned utilities, has created a State Domestic and Rural Power Authority to come into existence on March 1, 1979, as marketing agency for public power. Meanwhile,

The City of Portland, Oregon, instituted a legal action against BPA challenging BPA's interpretation of the preference clause and asking the Court to declare the City to be a preference customer and thereby entitled to a power sales contract. In an oral decision, the judge indicated he would dismiss the case on the grounds that the controversy is not "ripe" for judicial determination, but requested additional briefing of factual and legal points prior to entry of a final order which is expected soon.

Several legislative proposals have been presented to Congress. All would greatly affect BPA's role in the region's electric power supply system. Legislation titled "The Pacific Northwest Electric Power Supply and Conservation Act," (S.2080 and H.R. 9020) developed under the auspices of the PNUCC, was introduced in Congress in September of 1977. Legislation was also introduced in Congress in

1977 by Congressman Weaver from Oregon to create a Columbia Basin Energy Commission (H.R. 5862). Congressional hearings were held in the region during December of 1977 on both of these legislative proposals.

A new legislative proposal titled "Pacific Northwest Electric Power Planning and Conservation Act" (S. 3418, H.R. 13931) was introduced in 1978, with most members of the Pacific Northwest congressional delegation as co-sponsors. This legislative proposal received mixed support from the diverse electric power interests of the region, the Nation, and--with some recommended amendments--was generally supported by the Administration.

Among its most significant provisions are the following: (1) BPA would be required to consult with the states, utilities, and local governments and the public on its major program proposals such as load forecasts, rates, transmission, conservation, power acquisition; (2) In acquiring resources to meet regional needs as determined in consultation with the states and others, BPA would be required to give first priority to feasible and cost-effective conservation programs, and next priority to cost-effective and feasible renewable resources (i.e., hydro, wind, solar) ahead of nuclear and other conventional resources; (3) BPA would continue to meet the contract requirements of preference customers at a "regional rate" (melded

hydro and net-billed thermal); (4) Over a period of 5 years, exchanges between BPA and investor-owned utilities (IOU's) would increase from 50 to 100 percent of the latter's residential and small farm load. The BPA melded rate also would apply to all such increasing sales (exchanges) with IOU's which sell (exchange) an equivalent amount of generation from their resources at their average system cost to BPA (this provision would substantially reduce the difference between rates charged preference utility customers and IOU residential customers); (5) BPA industrial customers would exchange existing contracts for long-term (20 years) contracts at higher rates thus obtaining assurance of a long-term power supply; and, (6) BPA would submit its proposals for major new resource acquisitions to Congress.

Hearings were held by House and Senate Committees on this legislation, but no bill was reported out of committee. Members of the Pacific Northwest congressional delegation have stated that this bill or one with substantially similar provisions would be introduced in the new Congress in 1979.

Energy Conservation

Current law limits BPA's conservation efforts. In addition, many of our preference customers are constrained by their state laws or state constitutions from engaging in highly effective conservation programs. The various regional electric power planning and supply legislation that has been proposed would accomplish two very

important objectives--reduce power supply planning uncertainty by delineating BPA's role in meeting the region's future electric power needs and provide the basis for cost-effective energy conservation in the region.

Meanwhile, BPA can and will continue the principal thrusts of its 5-year old energy conservation program which has provided information and assistance to its customers, and through them, to consumers, and which has substantially reduced energy consumption in our own operations. Details of these have been presented to the Committee in BPA budget presentations.

Also, we are increasing our emphasis on energy conservation within existing legislative authority and that which is provided by the recently approved National Energy Act.

We have created an energy conservation section within our Branch of Power Resources. BPA is developing appropriate energy conservation programs which are feasible and cost effective within existing authority. Before we undertake any significant expenditure not contemplated in our budget for conservation activities, however, we will obtain appropriate review by the Executive and Congress.

FY 1980 Proposed Budget Program

With this background on our program situation, I will highlight for the Committee BPA's proposed budget program for FY 1980 to carry out our mission in ways that will help hold costs to the minimum while still paying our way.

Funding of the FY 1980 budget program will require total budget obligations of \$602 million. This funding level will enable us to perform our system operation and maintenance and transmission system construction programs in a businesslike, prudent utility manner and provide funds for purchase power and wheeling and reimbursable programs at the minimum level required by contractual arrangements.

Our budget program for FY 1980 has been formulated in accordance with the requirements of the Federal Columbia River Transmission System Act and the Government Corporation Control Act. It requires no appropriation. To fund proposed program obligations of \$602 million will require outlays of \$552.4 million. Revenues and other receipts for FY 1980 are estimated at \$641 million. Net outlays are estimated to be -\$88.6 million. Of the \$602.1 million in proposed budget obligations for FY 1980, about 61 percent is for operating costs (including costs of purchase power and wheeling), 29 percent is for capital outlays, and about 10 percent is for reimbursable programs, which are funded by other entities.

As of September 30, 1978, we had utilized about \$300 million of our \$1.250 billion borrowing authority including a short-term borrowing of \$250 million at an interest rate of 9.125 percent and a \$50 million long-term bond to be repaid at an 8.95 percent interest rate. This \$300 million coupled with planned borrowings of \$122 million in FY 1979, and \$133 million in FY 1980, will bring our cumulative borrowing to \$555 million.

Of the \$367 million budgeted for operating costs, about 19 percent (\$71 million) is for transmission system operation and maintenance. FY 1980 operation and maintenance is continued at the current level of services, with increases in funding to cover rising costs, public involvement and environmental personnel, and contractual analytical services.

About 55 percent of operating costs for FY 1980 (\$202 million) is for purchase power and wheeling costs. The increase in purchase power and wheeling is due primarily to the inclusion for the first time of net-billing 1/ cost of the Washington Public Power Supply System's Nuclear Project No. 1 (WNP No. 1) and increased cost for WNP No. 2.

If WPPSS funds debt service on its projects as previously discussed, we could reduce our purchase power and wheeling costs for FY 1979 and FY 1980 significantly.

1/ The method used by BPA to acquire preference customers' entitlement to the Trojan and WPPSS 1, 2, and 3 nuclear plants. This acquisition is accomplished by offsetting the preference customers' costs for output from those nuclear plants against power sales revenues due BPA from the preference customers.

About 18 percent, or \$66 million, of the FY 1980 operating costs program is associated project costs of the FCRPS which include:

(1) operation and maintenance for Bureau of Reclamation and Army Corps of Engineers power facilities; (2) interest on the Bureau's facilities; and (3) payments to the Treasury for distribution by FERC for downstream benefits to non-Federal hydroelectric projects from operation of Federal reservoirs, collected through FCRPS revenues. In addition to interest payments on U.S. Treasury borrowings, which account for about 8 percent of the operating costs program, BPA repays the interest on unamortized appropriation investment in Corps of Engineers' generating facilities and BPA's appropriation-financed transmission facilities by capital transfer from the BPA Fund to the U.S. Treasury.

The total program estimate for our FY 1980 transmission system construction program is \$217.3 million. With application of an undistributed reduction of \$44.3 million due to delays we cannot identify now but which experience indicates will occur, estimated program obligations are \$173 million. About \$174.3 million of the total program estimate, or 80 percent, is for continued construction of facilities previously programmed and underway; and \$43 million, or 20 percent, is for initiation of construction of proposed system additions and tools and equipment.

There are no major transmission system facilities included in our proposed FY 1980 program which require express approval by Congress. However, we have been requested by the Montana Power Company, on behalf of the Colstrip participants, to construct 500-kV transmission and substation facilities, as needed, from BPA's existing main grid to interconnect with two 500-kV lines proposed to be built by The Montana Power Company. (These combined facilities would transmit a part of the output from two 700-MW generating units at the Colstrip project, located in eastern Montana, to load centers in the Pacific Northwest.)

We have agreed to construct these additions to our system subject to executive and congressional approval, compliance with the National Environmental Policy Act, and acceptable commercial arrangements. Both houses of Congress have approved inclusion of this project in our FY 1979 program which will permit us, if environmental considerations and resolution of rights-of-way issues are resolved, to begin timely design and construction of facilities. The final Federal Environmental Impact Statement, for which BPA is lead agency, is scheduled for completion in FY 1979. Energization of BPA facilities will depend on completion dates of the Colstrip units which have been delayed for lack of EPA approval. It is anticipated that energization of the first 700-MW unit would not occur before January 1983.

Also, we may later request congressional approval to construct transmission system additions to deliver surplus generation from Pacific Power & Light Company (PP&L) coal-fired plants in Wyoming to the Northwest, particularly southwest of Oregon. The facilities also would permit us to supply the long-term needs of our customers in southern Idaho, enable increased sales and exchanges between West Group and East Group utilities, and enhance the use and reliability of the interties with California. We have issued a draft environmental statement on these facilities in preparation for possible presentation of an adjustment to our FY 1979 budget. If, as currently being considered, these facilities are to be used to transmit the surplus Wyoming generation to the Northwest in lieu of a proposed PP&L transmission line across southern Oregon, FY 1979 budget support will be needed to allow enough time to complete the design, land acquisition, material procurement, and construction of facilities by October 1982.

Summary and Conclusion

If regional legislation is enacted in this Congress, BPA would enter a new era in its power marketing mission in the Pacific Northwest.

As I have described to the Committee, we have initiated action to enhance our managerial performance, to make our decisionmaking more effective and to hold down our program costs. We have a Public

Participation Procedure which assures public access and involvement in BPA's major policy making. We are almost ready to issue our final "Role EIS" (Environmental Statement on "The Role of BPA in the Pacific Northwest Power Supply System, Including Its Participation in the Hydro-Thermal Power Program") which is designed to help define BPA's future role in the region. We are increasing our energy conservation efforts within the authority provided by our long-standing legislative mandate and the new National Energy Act; and as we testified last year, we support the general outline of new regional power legislation that would let us invest in conservation. Approval of this budget will enable BPA to continue its tradition of leadership in providing reliable, economic electric power for the region.

Thank you for this opportunity to appear before the Committee. I and my staff will gladly answer any questions.

BONNEVILLE POWER ADMINISTRATION

Mr. MUNRO. The Bonneville Power Administration has two major areas of concern right now. One is the availability of sufficient power supplies to serve our customers reliably and efficiently. The other is to hold the line on power costs by efficient and businesslike management of our own operations and by our oversight role related to the "net-billed" thermal power additions to our supply.

BPA POWER SUPPLY

Utility forecasts show that in any of the next 10 years in which streamflows are low, the region would be short of energy to meet its total load. In some years the deficit could be as much as the equivalent of 3 large thermal plants—even if all 13 thermal plants, 9 nuclear and 4 coal, now under construction or scheduled for completion before 1990 were completed on schedule. They won't be. Construction schedules are slipping, not speeding up. And nothing is scheduled beyond 1990.

We have a new power supply problem: The region will be short of not just energy, but peaking power as well, in several of the next 10 years.

To deal with these problems, the region has turned to Congress for a legislative solution of the type represented by S. 3418 and H.R. 13931 in the last Congress—legislation which BPA and the national administration generally supported, but to which we proposed amendments.

IMPROVED MANAGEMENT, BPA

During the past year we have taken several actions to improve our management performance with an eye toward ever-better control of costs. We now have in force a new Planning, Budgeting and Control Process, augmented by a new Annual Management Plan and restoration of internal audit capability BPA had prior to 1966. We also have employed outside consultants to help us improve management controls.

During the time that we had a consultant under contract to study BPA's automatic data processing activities, the U.S. General Accounting Office also reviewed BPA's use of ADP as part of a government-wide study. The GAO recommendations were incorporated into the consultant's study, now complete, and we are working with the consultant to implement the combined recommendations.

We also employed a consultant to advise us on our oversight relations with the Washington Public Power Supply System, from whose plants we will acquire nuclear generated power. BPA and WPPSS are now working to implement the recommendations.

BPA BUDGET

Specifically as to our budget for fiscal year 1980, BPA proposes total obligations of \$602 million. Of that amount, \$367 million is for operating costs; \$173 million for transmission system construction; and \$62 million for reimbursable programs. Power purchases and construction costs account for the bulk of the increase of approximately \$150 million over our fiscal year 1979 budget obligations. Being self-financed, we require no appropriations for fiscal year 1980.

BPA BORROWING

As of September 30, 1978, we had utilized \$300 million of our \$1¼ billion Treasury borrowing authority. This sum, coupled with planned borrowings in fiscal year 1979 and fiscal year 1980, will bring our cumulative borrowing to \$555 million.

BPA RATE INCREASES

To meet all of our financial obligations and thus to continue paying our own way, we have proposed to raise our rates, effective December 20, 1979, to the levels shown by our repayment studies to be necessary. That would be more than \$300 million, or about 90 percent if BPA must pay debt service on the WPPSS nuclear plants by certain dates, as required in the contracts, even if the plants are not in service by those dates—and they will not be. Rates would have to be raised approximately 40 percent to provide increased revenues of nearly \$150 million if WPPSS is able to issue special bonds to finance debt service prior to commercial startup of the plants involved. This arrangement has been agreed upon by WPPSS and BPA, but is subject to approval by the participating utilities of the region.

If we could meet our obligations with only a 40 percent increase this year, we would need larger rate increases in future years than if we had a 90 percent increase this year. However, we have conducted joint studies with the WPPSS which indicate that the region's consumers would benefit in the long run as well as the short run if we are able to apply the smaller rate increase at this time.

Our rate proposal includes a share-the-savings rate for sales of surplus energy. This reflects substantial savings to utilities for fuel costs, mainly oil, that can be displaced when surplus hydro is available on the BPA system.

RESEARCH AND DEVELOPMENT

In closing, let me say that we are pushing research and development aimed at economics and conservation through use of ever-higher transmission voltages and by contributions to the research efforts of the Electric Power Research Institute. We are also investigating the feasibility of a number of alternative and renewable electric energy sources of supply.

We have under development several pilot conservation programs that are feasible, cost-effective and can be undertaken within existing authority. We have established a new conservation section to analyze a broad scope of conservation alternatives. We would welcome the additional authority that the proposed regional power legislation would give us to invest in cost-effective and feasible conservation and renewable resources.

BPA'S CHANGING ROLE

BPA stands at a crossroads in its historical power marketing role in the Pacific Northwest. The main alternatives will be set forth in the environmental impact statement we are almost ready to issue in final form.

Decisions to be made soon—possibly by Congress this year—will determine whether and to what extent our traditional role will be

modified. We look forward to discharging in an efficient and business-like manner whatever role is assigned to us.

Thank you for this opportunity to appear before the committee.

Thank you, Mr. Chairman.

Mr. BEVILL. Does that conclude your presentation?

Mr. McISAAC. That concludes it, Mr. Chairman.

Mr. BEVILL. The committee's report last year reflected four specific concerns with respect to the power marketing activities.

NEW BPA RATES

One was establishment of new rates for the Southwestern Power Administration and other administrations as necessary to recover costs and meet repayment requirements.

Now you testified, of course, that you are putting new rates into effect. But I would like further comment on that. Where exactly do you stand?

Mr. McISAAC. We are well along the road to accomplishing it, Mr. Chairman. As you heard from our testimony earlier, we have instituted the first of several reasonably sizable rate increases and we have, as has been indicated in my prepared testimony and the addendum to that, very deliberate schedules which we are working toward to accomplish the rest of those rate increases this year.

So we would expect by the close of this calendar year to be on a sound financial basis throughout the power marketing program to repay our investments in these facilities as required.

To that end we are meeting with all of our customers in a continuing series of public hearings, as indicated by Mr. Munro with the Bonneville rate increase, to fully explore the impact and methods of application of increases in all power marketing areas.

These meetings are well along, I would presume, in permitting us to make increase decisions, have these decisions approved by FERC and move out through the year in accordance with the rate schedule we have outlined for you.

Your second concern has to do with maintaining reasonable independence for the power marketing administration.

Mr. BEVILL. Mr. Secretary, it has been a year. Why is it taking so long?

Mr. McISAAC. For the rate increases?

Mr. BEVILL. Yes, sir.

Mr. McISAAC. As I indicated, we have a rather substantial requirement to conduct our rate increase discussions in open public forums. We have hearings and publications of notices in the Federal Register. We had to iron out how we were going to get approval authority for our rates and that involved some legal interpretations, a delegation to the FERC, and all of these matters have taken a substantial period of time, but we anticipate closing all of our rate—

Mr. BEVILL. How long did it take the department to resolve their guidelines and issue their instructions?

Mr. McISAAC. The Department of Energy?

Mr. BEVILL. Yes.

Mr. McISAAC. With the Federal Regulatory Commission it took us from May to December, six months.

Mr. BEVILL. All right. So you have had about six months, haven't you?

Mr. McISAAC. Yes, sir. In the meantime our administrators were conducting public hearings. In effect, even if the Department had resolved its role in one month, I don't anticipate that we would have speeded these rate increases in terms of the final decisions.

Mr. BEVILL. It would still take all this time?

RATE INCREASE PROCEDURES

Mr. McISAAC. Yes, sir. There is a considerable amount of discussion and negotiation involved. If I may, I would like to have Mr. Hammett outline the procedure that he had to go through to effect this increase.

Mr. BEVILL. The subcommittee is very interested in this matter. As you know, on the floor last year, we assured the Members of the House last year that this would be resolved by the next time we brought a bill back on the floor.

So we would like for you to go into detail. We need to know why it has not been accomplished.

Mr. HAMMETT. As the Secretary already pointed out, Mr. Chairman, there were requirements for public participation in the rate-making process and disclosure, a review of the rate and repayment studies. The Department had some suggestions.

There was some negotiation back and forth between the SWPA and the Department. It was a new experience for all of us, you might say.

As we pointed out, the Southwestern Power Administration had not had a rate increase in 21 years. This was the first system rate increase to come before the Assistant Secretary and his staff. We could have hurried the hearings somewhat, but in an attempt to avoid any litigation with the customers over the new rates, we made a couple of extensions to the hearings. We received written comments from the customers, other interested parties, and met with them. Our staff after review of the comments met with the customer representatives and finalized the rates in late December.

There were some corrections made to our studies and then Mr. McIsaac did get the delegated authority to put the interim rates into effect and he did that as soon as possible.

Mr. BEVILL. I am looking at the record last year. Secretary McIsaac said, "We will set up our public hearings, and in fact we will go ahead and get the notices out now, with anticipation that they will be cleared through the department within 30 days."

Mr. McISAAC. I believe that was the notice that I was referring to.

Mr. BEVILL. Yes.

Then I asked you, I said, "So you will have the hearings within 30 days or the notices out within 30 days?"

Your answer: "We will have the notices out within 30 days."

Mr. Myers said, "What is the matter with tomorrow?"

We were led to believe that you all were moving ahead even before the bill went through last year. Did you put those notices out within 30 days?

Mr. McISAAC. I believe so. Didn't we get them out?

Mr. HAMMETT. I don't recall the exact sequence.

Mr. BEVILL. Would you check and see when you put those notices out and provide that for the record?

Mr. McISAAC. That was referring to Southwest, Mr. Chairman, I believe, was it not?

Mr. BEVILL. Yes, that was Southwest.

[The information follows:]

CHRONOLOGY OF SWPA RATES ACTIONS SINCE MARCH 1978

1. April 19, 1978—Notice published in the Federal Register announcing tentative system power rates and setting dates for Public Information and Public Comment Forums.
2. May 18, 1978—Public Information Forum held in Tulsa, Oklahoma.
3. June 15, 1978—Notice published in the Federal Register adding another Public Information Forum and revising the date for the Public Comment Forum and expiration of comment period.
4. June 22, 1978—Second Public Information Forum held in Tulsa, Oklahoma.
5. July 20, 1978—Public Comment Forum held in Tulsa, Oklahoma.
6. August 17, 1978—Notice published in Federal Register providing for a second Public Comment Forum.
7. August 24, 1978—Second Public Comment Forum held in Tulsa, Oklahoma.
8. September 13, 1978—Comment period closed.
9. November 8, 1978—Informal meeting between SWPA staff and customers to discuss comments and revisions in Repayment Study to be recommended to the Administrator.
10. November 22, 1978—Proposed rates and supporting data submitted to Assistant Secretary for Resource Applications for approval and submission to the Economic Regulatory Administration.
11. December 21, 1978—Authority to confirm rates on an interim basis delegated to the Assistant Secretary for Resource Applications and authority to confirm and approve rates on a final basis was delegated to FERC.
12. February 9, 1979—Proposed Rates and supporting data, revised for submission to FERC, was submitted to Assistant Secretary for Resource Applications.
13. March 1, 1979—Proposed rate approved by the Assistant Secretary for Resource Applications and ordered placed into effect April 1, 1979, on an interim basis. The proposed rate was also transmitted to FERC for confirmation and approval on a final basis.

Mr. McISAAC. There are some other matters that affect our timing of rate increases. For example, provisions in existing contracts of the Bonneville Power Administration limit rate increases to every five years. The next opportunity to increase rates for Bonneville occurs December 20 this year.

Of course, that is our most sizable potential rate increase, a rate increase of approximately 40 percent, worth nearly \$150 million.

Mr. MYERS. Why must you wait until then? Can't you go ahead, have your hearings and get those out of the way so that on that date you can increase the rates?

Mr. McISAAC. We have done so.

Mr. BEVILL. Can you put a provisional rate in effect?

Mr. McISAAC. We cannot increase the rate before December 20 without breaking the contract. So our deadline is the day of contract expiration.

Mr. Munro conducted public information forums for two weeks in September 1978 and public comment forums for two weeks in November 1978. These were held in the Pacific Northwest on the matter of the rather sizable Bonneville rate increase. We have all of these things in motion.

I believe we are contract bound as well on several other potential rate increases; among them, the Georgia-Alabama rate increase, which should be of interest to you, Mr. Chairman. I believe our contract expires on October 1 this year. We are taking steps now to make a rate increase at that time and we have engaged in some preliminary hearings.

Mr. WRIGHT. There is a public hearing today in Atlanta.

Mr. BEVILL. Well, of course, you realize this subcommittee's primary concern is that the Department is moving as fast as possible.

Mr. McISAAC. Yes, sir.

Mr. BEVILL. Is it your testimony now that is the case?

Mr. McISAAC. Yes, sir. We are moving as quickly as I think it is possible to do, given the contract limitations, the requirements for public hearings, and the fact that these rates are rather long lived. Moreover, the number of rate cases this year—fifteen—far exceeds the number in any previous year.

While in specific instances we could probably have moved a bit faster, I think our record is pretty good on this score.

Mr. BEVILL. I'm sure Mr. Hammett is doing a fine job. But he inherited a problem there.

Mr. McISAAC. Yes, sir.

INDEPENDENCE OF POWER MARKETING ADMINISTRATIONS

Mr. BEVILL. Well, that is at least encouraging. Let us go to another one of the four issues from last year: maintaining reasonable independence for the power marketing administrators, as intended by Public Law 95-91. We would like to have your comments on this item of concern.

Mr. McISAAC. Well, I suggest that you ask the power marketing administrators how they feel about it, too. But being a student of management for a number of years—and particularly management in the Federal establishment—I would say that our power marketing administrators are as independent from overriding interference and day-to-day administrative interference with their operations as any administrative division I have ever seen within a larger departmental structure.

There are a couple of areas that we are paying constant attention to with regard to the mix of activities between the functional staff officers in the Department of Energy and myself and the power marketing administrators because the functional officers, of course, have the responsibility for policy determination within their areas. These include budgeting functions of the Controller, the labor relations activities of the Director of Administration and the activities of the Director of Procurement and Contract Management and the like.

They determine policy for the Department as a whole, including the Power Marketing Administrations. In terms of operational matters, however, the decision authority and responsibilities channel is vested in me and I have delegated nearly all authority to the Administrations, with the exception of the ultimate approval of rates and certain other authority, such as the approval of annual plans and the approval of the budgets before they are submitted to OMB.

However, there are always differing points of view on the matter of independence and I would welcome any questions that you might direct to the administrators for their viewpoints on this as well.

Mr. BEVILL. Yes. I would like to hear the Administrator's comments and what you have to say about it. In other words, are these bureaucrats in Washington loading you down with redtape and guidelines to the extent that you cannot function and not accomplish your mission? I realize I'm asking this in front of your boss.

Mr. McISAAC. The boss has a very light touch.

Mr. BEVILL. But we are the boss' boss, so we can ask these questions and can do something about it if there are problems.

Mr. MUNRO. Mr. Chairman, I will volunteer, although that is probably a very bad mistake. The Bonneville Power Administration formerly was part of the Department of Interior and now it is part of the Department of Energy.

There is a considerable difference in the way the Department of Interior is organized and the organization of the Department of Energy. In the Department of Interior, Bonneville reported to the Assistant Secretary as a bureau. The Assistant Secretary really was totally responsible for all the Bonneville functions.

In the Department of Energy there are a number of Assistant Secretaries who have interests with regard to what the Power Marketing Administrations may do. There are considerable discussions with regard to how that interest is to be expressed and how they affect the operation of the Power Marketing Administrations. As we read the intent of the Congress, the Power Marketing Administrations were to retain the kind of responsibilities and authorities they had under the Interior Department.

Now since the Interior Department and the Department of Energy are organized so differently, that automatically, I think, raises differences of view that have to be resolved.

I must say, and maybe this sounds too self-serving, but I am very grateful to Assistant Secretary McIsaac for the efforts he has made to resolve these issues. However, he alone cannot assume full responsibility for satisfactory resolution. The totality of the Department of Energy has to be addressed in resolving these issues.

IMPACT OF REORGANIZATION ON LABOR NEGOTIATIONS

Mr. BEVILL. What effect is this having on your labor negotiations?

Mr. MUNRO. We are currently in the negotiations with the Columbia Power Trades Council and have been since January. One of the issues that is a sore point with labor is who is responsible for approving an agreement when we reach one.

We have not reached an agreement because we have been bargaining with regard to management rights issues that are of concern to the department and the government in general. We are also at issue with regard to the application of the President's guidelines on wages; historically wage rates have been set on the basis of comparability. That would differ from the guidelines of the President.

But the issue that has been raised is whether those matters involving management rights that have been in existence for over 30 years in contracts with our bargaining unit are grandfathered or whether, because of the move to the Department of Energy, it opened up all of those matters.

The other issue is, can the Bonneville Power Administrator sign an agreement that is binding? From labor's standpoint, if there is doubt about that, then there is doubt in their mind as to whether they should be negotiating with the Bonneville Power Administrator or with whomever has the final authority.

These are issues that have not been totally resolved in discussions within the Department of Energy.

Mr. BEVILL. Thank you.

WAPA HEADQUARTERS

I will move on to the next question which is on establishment and staffing of the Western Area Power Administration headquarters office. This is another concern that the subcommittee expressed last year.

We would like your comments on that.

Mr. McISAAC. My comments on this, Mr. Chairman, are that the establishment and staffing of the Western Area Power Administration headquarters did not proceed as rapidly as we would have liked.

First, there were several major issues to be resolved. For example, even though we had a certain amount of authority for staffing in terms of the numbers of people we would employ, it became difficult for us to find and transfer the numbers of people that we wanted as quickly as we would have liked. Personnel concerns and recruiting concerns were involved.

We are continuing to work on this problem. We won't know whether or not our staffing levels are appropriate to the task at hand until we have filled all of these positions with competent people who are well trained to carry out the jobs that they are going to be given.

Secondly, in terms of the establishment of the headquarters office itself, the Western Area Power Administration, was an amalgam of five power marketing regions from the Bureau of Reclamation.

So we had a double problem, a problem of amalgamating and consolidating into an area administration, functions that were previously separated in the five regions where there was a regional power distribution structure in the Department of Interior. There were questions of what was going to be done by whom and in which locality and what will be done at the area headquarters in Denver.

Then we had the problem of amalgamating that whole into the Department of Energy. At the same time we had to find office space for the headquarters.

You saw earlier in the hearing a slide of the trailer which I heard a great deal about, not only from Mr. McPhail but from his customers, because it provided unsatisfactory quarters. We had the problem of finding satisfactory quarters in a hurry and getting the kind of facilities necessary for controlling this massive, regionally spread structure.

Mr. BEVILL. Is that still hung up with GSA?

Mr. McISAAC. No, I think we have reached resolution of that. The GSA circumstance has been appealed to OMB and we got a favorable ruling from OMB that our operations could be established permanently in the approximate locality where they have been temporarily located.

So I feel on both the staffing and the headquarters location we are moving ahead quite well. My concern with the Western Area Power Administration at the moment is one of getting it proceduralized, with a full complement of staff, in order that we can really carry out all the functions and activities that should be normal for a power marketing headquarters and with the same relative degree of dispatch that these matters are accomplished in, say, Bonneville or the Southwest Power Administration.

We are short in certain areas of key staff. We are short, for example, in our budgetary finance and controllership functions. We are short on the engineering function. That is going to take a further series of

negotiations with the Bureau of Reclamation. We are short in terms of some of our construction oversight activities.

We are moving on all of these fronts. I would hope that when we come back up here a year from now, or if there are any hearings on these matters six months from now, that we will be fully operative.

Since I have outlined for you some of our problems with start-up, I want to hasten to add that these problems have not kept us from providing the services which we are required to provide to our customers under law. We have had a couple of power outages, but these were not traceable to any personnel shortages or the like.

We are working on our rate increases. I think they are being handled with dispatch.

I think we have a good budget. The budget has been subjected to certainly extensive analysis here in headquarters. I think the budget is entirely defensible.

There are a couple of other WAPA activities under way through capital investment to try to improve our facilities. These activities are not completely coordinated since they are involved with transfers from the Bureau of Reclamation.

I think all these things are going to work. Maybe Mr. McPhail would have some further comments in this regard.

Mr. BEVILL. All right.

ADDITIONAL STAFFING FOR WAPA

Before we leave this, how many of the 171 additional personnel we gave you last year are employed now?

Mr. McISAAC. Of 171, how many, Bob, 100 of that? I think we have 100 open positions.

Mr. MCPHAIL. We were allocated an additional 135 full-time permanent positions and 36 other than full time. Of that 171 additional allocation, we have hired about 70. So we are still in the process of staffing and bringing people onboard at the present time.

Mr. BEVILL. When did you get the authority to hire the 171?

Mr. MCPHAIL. I believe it was in January.

Mr. McISAAC. It was when the President lifted the hiring freeze.

Mr. BEVILL. This past January?

Mr. MCPHAIL. Yes, sir.

Mr. BEVILL. Was there anything else you wanted to add?

Mr. MCPHAIL. No, sir. I think Mr. McIsaac summarized our situation very well.

POWER PRODUCTION

Mr. BEVILL. The fourth item from last year relates to your utilizing fully the authorities to provide hydro-electricity so as to substitute for oil and gas.

Mr. McISAAC. We are currently utilizing all available authority in the PMA's where feasible to displace oil and gas-fired thermal with hydro power. Examples of this are contained in WAPA's oil displacement program and BPA's energy conservation and proposed "share the savings" programs. The use of hydro is primarily dependent on weather conditions and stream flows and is therefore of particular use in peaking as opposed to firm power loads.

POWER MARKETING STAFF

Mr. BEVILL. Why do you need a staff of 15 positions in Washington to administer the PMA's? What does this staff do?

Mr. McISAAC. The Office of Power Marketing Coordination provides five basic functions for the power marketing program. First, it develops and insures compliance with common procedures on such matters as rate adjustments. All rate increase proposals are examined for adequacy and compliance with legal and administrative requirements before they are submitted to the Assistant Secretary for action. Second, it provides staff support for the Assistant Secretary on inter-agency matters dealing with hydroelectric power, particularly the Water Resources Council. The Director led the inter-departmental hydroelectric technical group to China with Secretary Schlesinger. Third, it conducts studies and reviews proposed projects, comments on projects, and renders other power and transmission evaluations. It is participating in the National Grid Study, conducting the State Power Authority study required by the Public Utility Regulatory Act of 1978, and reviews reports by the Corps of Engineers and Bureau of Reclamation on water resource projects. One staff member represents the Secretary of Energy on the Permanent Engineering Board of the Columbia River Treaty. Fourth, it acts as the Washington Office for the Alaska, Southeastern, Southwestern, and Western Area Power Administrations. Bonneville has a separate Washington office staff of six. The staff responds to congressional inquiries, public inquiries, provides liaison to the Office of Management and Budget, Interior Department agencies, other Federal agencies, and other parts of the Department of Energy on behalf of each Power Marketing Administration. Fifth, the Office serves as a staff arm to the Assistant Secretary for Resource Applications in policy matters relating to power marketing. It prepares his testimony, speeches, correspondence, and other papers; it provides leadership for special task forces and studies on which power marketing must be represented; it coordinates budget submissions for the Assistant Secretary; and handles preparation of legislative proposals.

The Office of Power Marketing Coordination is authorized to have 10 professional positions and 5 secretarial. Recruitment is underway for two positions at this time. The Office is organized with a Director and three divisions: a Division of Power and Water Resources, which handles physical resource matters such as generation and transmission; a Division of Rates, Repayment, and Allocation, which handles power marketing matters; and a Staff Office, which handles budget, finance, personnel, organization, procurement, correspondence control, and other support functions. There are three professionals and one secretary assigned to each division.

POWER PRODUCTION

Mr. BEVILL. What is the potential for expansion of hydroelectric production in the power marketing areas to substitute for oil and gas-fired units?

Mr. McISAAC. Each of the power marketing administrations is actively working with the Corps of Engineers and the Bureau of Reclamation to optimize the use of hydro to displace oil-fired thermal

generation. All water available is used to generate energy now, and much is used on peak where it displaced as much oil as possible.

Various specific actions can be taken to increase hydroelectric generation by installing turbines in existing Federal dams, by filling reservoirs like the New Melones project in California, and by undertaking new hydroelectric projects at sites which are economically and environmentally acceptable.

Mr. BEVILL. What is being done about it?

Mr. McISAAC. Our most successful efforts have been the Western Area Power Administration's oil displacement program in the Missouri basin, and the Bonneville Power Administration's sales of surplus energy in California.

RATE STRUCTURE

Mr. BEVILL. Explain the legislation enacted last year regarding rate structure for the Southwestern Power Administration, the effects of this legislation and what must be done to implement it.

Mr. McISAAC. Public Law 95-465 dated October 13, 1978, requires the Southwestern Power Administration to sell power and energy at uniform systemwide rates without discrimination between customers whether Southwestern delivers the power and energy by federally-owned transmission lines or lines which it uses by lease, wheeling, or other arrangements. The law also provides that it will not go into effect until the existing contract between the United States of America and the Associated Electric Cooperative, Incorporated of Springfield, Missouri, has been amended in a manner mutually agreeable to the parties thereto. In his signing statement, the President made clear that Southwestern retained the right to have different rates for different classes of service.

The first section of the Act, in effect, repeals a transmission service charge which the Southwestern Power Administration imposed upon Associated in 1970 to offset in part \$4.6 million per year in credits accorded Associated by the contract, signed in 1962. These credits, many of them highly controversial, had been severely criticized by the General Accounting Office, the Federal Power Commission, and the Interior Department auditors. In 1968, the Federal Power Commission refused to extend Southwestern's rates further until steps were taken to reduce the credits. When negotiations with Associated were unsuccessful, Southwestern imposed the transmission service charge to offset \$2.6 million in credits it was granting Associated for delivery of power over Associated's lines. Associated contested the charge in court and the charge was sustained as legal. This Act, in effect, repeals the transmission service charge to Associated and restores all of the controversial credits.

However, the second section provides that the Act will not go into effect until a new contract has been agreed upon. Thus, the transmission service charge remains in effect and will remain in effect, even after the new rate schedule is implemented on April 1, 1979, until a new contract is agreed upon.

Even before passage of the Act, Southwestern and Associated entered into negotiations for a mutually satisfactory new contract. Outside experts were employed by both parties to assess the physical and economic data. Several productive meetings have been held. Key principles have been discussed and agreement reached on several.

Southeastern has presented a proposal to Associated, which Associated is now examining carefully. A further meeting is now scheduled for the last week in March to continue discussions. There are many highly technical elements to consider, and additional detailed engineering and economic studies may be necessary followed by detailed working sessions between the two parties. We now expect a rather protracted period of specific review and negotiations leading to a mutually satisfactory new contract in the next few months. We expect that both the transmission service charge and the controversial credits will be eliminated.

REVOLVING FUND

Mr. BEVILL. Regarding the revolving fund proposal for the Power Marketing Administrations now being considered, what changes do you expect in the Power Marketing Administration relationships with this Committee if the revolving fund bill is enacted?

Mr. McISAAC. The power marketing administrations will continue to appear before the Appropriations subcommittees of the House and Senate to present their annual budget plans. The subcommittees will have to approve legislation authorizing the construction of major new transmission facilities. However, the committees will not have to recommend appropriations acts each year. The relationship to the committee will be like that of the Bonneville Power Administration.

SURPLUS POWER, APA

Mr. BEVILL. Mr. Cross, what progress have you made in finding markets for the surplus power available from your system?

Mr. CROSS. The Eklutna power is fully utilized, and we have increased sales of Snettisham power each year since 1976. Our target is to increase sales from 75 million kilowatt-hours in FY 1978 to 163 million in 1984. Part of the surplus will be used for supplemental space heating to conserve oil. The General Services Administration has plans to add electric heating capability at the Juneau Federal Building by the fall of 1979. Several other buildings in the community could be converted to electric heat. We have a recent study that indicates heat pumps are feasible for new residential construction in the Juneau area. We are also interested in electric vehicles. The electric space heating is our best opportunity for immediate use of the surplus.

OIL AND GAS CONSERVATION, APA

Mr. BEVILL. Much of the Alaska electricity requirement is dependent on oil and gas. How much oil and gas could you save by substituting additional hydroelectricity?

Mr. CROSS. We are pursuing use of surplus hydroelectric power at the Snettisham project to save oil used in space heating. This has a near-term potential saving of over 1 million gallons of oil per year. Alaska now obtains over 70 percent of its electric power from oil and natural gas. Power demands are increasing rapidly along with the increases in population and the economy. We estimate that power use levels in the year 2000 will be at least three to five times the present use. New hydroelectric production of around 10 billion kilowatt-hours per year could be utilized within the next 20 years. This would be equivalent to about 800 million gallons of oil per year used for power.

REVENUES AND REPAYMENT, APA

Mr. BEVILL. Your revenue estimates are based on a rate increase effective December 1, 1979. How much will your rates increase and where do matters stand with respect to placing the increased rates into effect?

Mr. CROSS. The projected increase is for the Eklutna Project for which the existing rates were established in 1974. Our latest rate study indicates an increase is needed from the present 10.3 mills per kilowatt-hour to about 12.5 mills, or 21 percent. We have discussed the increase with our customers and have developed a schedule of actions necessary to place the new rate in effect in December 1979.

Mr. BEVILL. Would you supply for the record a table showing the current status of your projected revenues, expenses and repayment requirements by project? Show what you have repaid to date and indicate any major adjustments anticipated in the future to repay project costs in accordance with applicable requirements.

Mr. CROSS. I will be happy to provide tables which show revenues and repayment status at the end of FY 1978.

[Tables follow:]

<i>Eklutna project (1975-1978)</i>	
Total revenues.....	\$35, 687, 761
Revenue deductions, including O&M and interest.....	24, 768, 173
Revenues applied to repayment.....	10, 919, 588
Balance to be repaid.....	19, 864, 813
Project investment.....	30, 237, 373
Present rate for firm energy.....	10. 3 mills/kwh
Expected adjustment, December 1979.....	+ 2. 2 mills/kwh
Expected new rate, December 1979.....	12. 5 mills/kwh
<i>Snettisham project (1976-1978)</i>	
Total revenues.....	3, 050, 539
Revenue deductions, including O&M and interest.....	8, 572, 742
Revenues applied to repayment.....	465, 718
Balance to be repaid:	
Project investment.....	78, 890, 095
Deferred interest.....	5, 987, 921
Total.....	84, 878, 016
Present rate for firm energy.....	15. 6 mills/kwh
Expected adjustment, 1986.....	+ 8. 9 mills/kwh
Expected new rate, 1986.....	24. 5 mills/kwh

NOTE.—P.L. 94-587, The Water Resources Development Act of 1976, provides an initial 10-year period during which minimum principal payments are required and interest may be deferred. All project costs including the deferred interest are to be repaid in a subsequent 50-year period.

EKLUTNA POWER PRODUCTION

Mr. BEVILL. Why is the estimated power delivery from the Eklutna project below 1978 levels despite a 20 percent increase in generating capacity.

Mr. CROSS. The 20 percent capacity increase at Eklutna will not be available until the generator rewind is completed in early summer 1980. We had high inflow to the Eklutna Project in FY 1977 and FY 1978, which resulted in above-average power production and revenues for those 2 years. Our estimates for FY 1979 and 1980 assume a return to average water supply conditions.

APA MAINTENANCE VEHICLE

Mr. BEVILL. Why do you need \$35,000 for a multipurpose vehicle for maintenance of the grounds driveway and parking lot in Juneau?

Mr. CROSS. The APA Juneau substation serves many purposes. It is the central dispatch center for the Snettisham Project and non-Federal power plants in the Juneau system, the headquarters office for the Project Superintendent, and a depot for spare parts and equipment in support of the transmission line maintenance program. The pressing need for the new vehicle is in handling heavy material and spare parts such as tower components, spare reels of conductors, and electrical equipment components into and out of storage in our warehouse and storage yard. The vehicle would also handle snowplowing and other maintenance of the substation grounds.

BUDGET REDUCTION

Mr. BEVILL. Why did OMB reduce your budget request by nearly \$400,000? What did you request that was cut out?

Mr. CROSS. Two specific items were included in the \$400,000; namely, a \$250,000 request for construction of avalanche protection measures on the Snettisham transmission line, and \$150,000 for the purpose of augmenting APA's power marketing and planning functions. APA has a feasibility study underway on the avalanche problem, and results are expected by early summer. OMB informed us that funding for the avalanche problem should be deferred until the feasibility study is completed so as to get a more precise handle on the actual costs. We understand that the other \$150,000 was reduced in line with the general administration policies in this tight budget year. The cuts do not affect APA's ability to continue its programs at current service levels.

GENERAL INVESTIGATIONS

Mr. BEVILL. What are the more significant projects being carried on in the General Investigations account?

Mr. CROSS. In February, we completed a new draft power market report for the Upper Susitna Project. This was done as a companion document to the Corps of Engineers' revision and update of the 1976 feasibility analysis. The reports were prepared in response to a series of questions raised by OMB. The report basically addresses marketability of project power under alternative assumptions for future demands and costs. The final report will be published by April 1, 1979.

Other studies we are conducting in connection with Corps of Engineers investigations include power market analysis for the Ketchikan and Petersburg/Wrangell areas which will test the marketability of power from potential new hydro projects. The Corps of Engineers has included the Bradley Lake project preconstruction engineering studies in its FY 1980 Budget Request. We will be providing operation and maintenance design criteria, a test of marketability of power, and the O&M plan for this project.

We are conducting a preliminary feasibility analysis of small hydro-electric sites near three villages on Kodiak Island. If these prove feasible, we may recommend demonstration of small hydro technology in the remote areas of Alaska.

A study contract was recently awarded to determine the energy and electric power potential of the Bristol Bay area. The study will determine if there are replacement or supplemental alternatives, such as small hydro and wind power, to the present high-cost diesel generation systems.

On our continuing efforts to fully utilize Snettisham surplus power, we have been looking at a number of possibilities. A contract study was recently completed on the role of electric power in Juneau's energy economy. The study indicates that heat pumps may be a feasible alternative to oil for space heating in new homes. The General Services Administration recently advised that they will add electric heating to the Juneau Federal Building by the fall of 1979. We are continuing to explore possibilities for demonstrating electric vehicles in the Juneau area. This summer, we will make a preliminary feasibility study of a transmission interconnection between Snettisham and the Petersburg/Wrangell area.

An update of the Alaska electric power statistics publication will be completed by early fall. This report covers statistics on Alaska power systems and power use through CY 1978.

APA continues its participation as DOE's representative on the Alaska Water Study Committee currently involved in the Level R study of the Southcentral Alaska region. We have been lead agency for the electric power work group comprised of State agencies and the Corps of Engineers.

BPA BUDGET INCREASES

Mr. BEVILL. What are the major elements in the budget increase of \$152,700,000 over 1979 levels?

Mr. MUNRO. The major increases in the BPA budget are displayed in a table I would like to submit for the record.

[Table follows:]

[Dollar amount in thousands; fiscal years]

	1979	1980	Difference
Operations and maintenance.....	\$68,000	\$71,000	\$3,000
Purchase power and wheeling.....	152,000	202,000	50,000
Interest expense.....	24,400	28,100	3,700
Associated project costs.....	60,000	66,000	6,000
Construction.....	110,000	173,000	63,000
Reimbursables.....	35,000	62,000	27,000

Of the \$3,000,000 increase in Operations and Maintenance, approximately \$1,500,000 is required to operate and maintain electrical facilities, about \$750,000 is to further develop the energy conservation program, \$600,000 is for increased participation in the Electric Power Research Institute, and the balance is required to cover the full-year cost of an hourly wage increase that will become effective in March 1979.

There are three major contributions to the Purchase Power and Wheeling Program increase of \$50,000,000. First, net billing costs for the Washington Public Power Supply System (WPPSS) Plant #1 begins in January 1980 and will total \$56,000,000 in fiscal year 1980. Second, net billing costs for WPPSS Plant #2 will increase by \$18,000,000 in fiscal year 1980. These net billing costs are offset by

decreased project costs of \$21,000,000 at the Hanford project (due to increased Hanford output being sold to direct service industries), decreased costs of the Trojan project of \$2,500,000 and decreased use of facilities costs of \$500,000.

The net increase of \$3,700,000 in Interest Expense is caused by increased borrowings to finance transmission system construction.

The \$6,000,000 of increased Associated Project Costs include \$5,500,000 for operations and maintenance costs of Corps of Engineers generating projects and \$500,000 for operations and maintenance, costs, and interest and amortization of Bureau of Reclamation projects.

The higher level for Construction in fiscal year 1980 reflects the addition of several new projects as well as additional funding for projects previously approved including the Western Montana Transmission and the Hot Springs-Bell Project.

The \$27,000,000 increase in Reimbursables is due to a change in the energy purchase trust arrangements in effect for the Hanford project. A larger portion of the fiscal year 1980 Hanford output is being sold to direct service industries increasing the trust agreement transactions and thereby increasing BPA's reimbursables.

WPPSS NET BILLING INCREASE

Mr. BEVILL. Explain briefly why you need \$56,000,000 for inclusion of Washington Public Power Supply Plant No. 1 and \$96,000,000 for debt service on Plant No. 2.

Mr. MUNRO. Under present contract arrangements, BPA must pay the debt service on the Washington Public Power Supply System's net-billed project bonds from dates specified in the contracts even though the plant is not in service. The debt service on Washington Public Power Supply System Plant #2 bonds increases from \$78,000,000 in fiscal year 1979 to \$96,000,000 in 1980. In addition, the net billing agreements for WPPSS #1 require that net billing begin in January 1980, and we anticipate net billing of \$56,000,000 on the project during that year. If WPPSS funded the debt service, there would be no net billing on either plant during fiscal year 1980.

INTEREST COSTS

Mr. BEVILL. Why do interest costs increase by \$3,700,000? How much additional money are you borrowing from the Treasury in 1980?

Mr. MUNRO. Public Law 93-454, the Federal Columbia River Transmission System Act, provides for the availability of \$1,250,000,000 in authority to borrow from the U.S. Treasury at rates comparable to borrowing at open market rates for similar issues to finance the construction of transmission facilities.

The net increase of \$3,700,000 in Interest Expense from \$24,400,000 in fiscal year 1979 to \$28,100,000 in fiscal year 1980 is caused by increased borrowings to finance the transmission system construction program.

BPA's borrowings at the start of fiscal year 1979 were \$300,000,000 and the borrowings at the start of fiscal year 1980 are estimated to be \$422,640,000, an increase of over \$122,000,000. This would cause the gross interest expense to increase by \$10,976,000 if the beginning

balance was outstanding for the entire year. However, current reductions in borrowings during the year caused by receipts exceeding outlays reduce the Interest Expense to a net increase of \$3,700,000 for fiscal year 1980.

BPA's additional borrowing in fiscal year 1980 is currently estimated to be \$133,000,000.

BPA CONSTRUCTION PROGRAM

Mr. BEVILL. Why do you need to increase construction funding by \$63,000,000 over 1979 levels?

Mr. MUNRO. The FY 1980 proposed program increase of \$63 million includes \$43 million for system additions. These additions include \$18,770,000 for main grid items including Salem Area Support, System Reactive Facilities, and Northern Idaho Support/Libby integration; \$480,000 for two customer service items; \$5,630,000 for transformer additions; \$3,320,000 for miscellaneous replacements and additions and \$14,800,000 for general system facilities. These facilities include buildings, power system control and tools and equipment, to include support of research and development.

The remainder of the increase, \$20 million, is a result of the increased requirements for facilities programmed in prior years.

INCREASED OPERATING

Mr. BEVILL. What accounts for the increase of \$5,500,000 for operation and maintenance costs at Corps of Engineers projects?

Mr. MUNRO. There are several additions which have been made or are being made to the Corps of Engineers hydroelectric projects. These include additions at Chief Joseph, Little Goose, and Lower Granite dams. In addition to support of expanded facilities, there has been a general increase in costs for operating and maintaining previously completed facilities.

EPRI PARTICIPATION

Mr. BEVILL. The Committee asked you last year to reconsider the proposed contribution to the Electric Power Research Institute in view of Bonneville's own R and D program. How was this resolved?

Mr. MUNRO. BPA has executed a membership agreement with EPRI on behalf of our customer utilities and ourselves, effective October 24, 1978. We had calculated a full assessment contribution of \$9.3 million for FY 1979, based on the normal EPRI formula. After a series of discussions with our customers, we agreed to recognize the significant BPA R and D program financed by the region's ratepayers as a deduction from the EPRI formula. This modification reduced the FY 1979 contribution to \$4.6 million. We have encouraged our customers to voluntarily make a supplemental contribution to EPRI on an individual basis, based on their delivery of energy from non-Federal resources.

Mr. BEVILL. Why are you proposing to increase the EPRI contribution by \$600,000 in 1980?

Mr. MUNRO. Since the EPRI formula is based on the level of energy sales, the 1980 contribution reflects the increased amount of

energy estimated to be delivered to BPA customers participating in the EPRI contribution. The FY 1980 also recognizes expenditures for BPA's own R and D program; the same rationale we used in determining the \$4.6 million contribution in FY 1979.

ADP OPERATIONS, BPA

Mr. BEVILL. GAO has been very critical of Bonneville's Administrative Automatic Data Processing operations. Tell us briefly what the problems are and what is being done to correct them.

Mr. MUNRO. I would like to supply for the record a complete summary of the GAO recommendations and BPA's corrective action. [The following was submitted for the record:]

GAO Recommendation.—Directly involve the Administrator's Office of the Bonneville Power Administration in managing ADP resources.

Corrective Action.—An ADP Policy Board, consisting of the four Assistant Administrators, was established on November 14, 1978. Responsibilities of this Board include:

- Review of the ADP Management Plan which is prepared annually and recommends approval by the Administrator.

- Review of the capital and annual ADP budget and recommend approval by the Administrator.

- Review and approve the major acquisitions of ADP equipment and services.

- Review and approve all major system development projects.

- Evaluate performance of ADP system development, as defined in the annual plan, reviewing accomplishments against projected plans and schedules.

- Establish priorities for major ADP system development projects.

An Office of Audit was established December 17, 1978, in the Administrator's Office which will provide both financial and management audit examinations of the operation and use of ADP.

GAO Recommendation.—Improve ADP systems development planning.

Corrective Action.—BPA engaged Arthur Andersen & Co., in December 1977. Arthur Andersen & Co., is now completing a study of the ADP planning, budgeting, cost collecting, and reporting procedures at BPA. Recommendations submitted in February 1979 are being evaluated. The consultant is also making recommendations concerning project management and system development.

GAO Recommendation.—Implement a cost accounting and budget system that will allow tracking actual versus estimated system development and equipment use costs by application.

Corrective Action.—Arthur Andersen and Co. designed a budgeting and cost reporting system covering all ADP costs. We made minor modifications to the proposed system and implementation has been initiated.

GAO Recommendation.—Develop and enforce uniform agencywide policies, standards, guidelines, and procedures governing ADP systems development, including project management phasing, change control, and user participation.

Corrective Action.—BPA is adopting, upon approval by the DOE, organizational proposals by the consultant that include the establishment of a consolidated central ADP organization to be supervised by a Manager of Information Systems. This organization will develop and enforce uniform policies, standards, guidelines, and procedures governing ADP systems development.

Mr. BEVILL. It appears that it would be a mistake for the Committee to agree to more ADP equipment at Bonneville until there is substantial improvement in ADP management. What equipment were you planning to acquire in fiscal year 1980 and what is the effect of deferring these acquisitions until the situation has improved?

Mr. MUNRO. ADP equipment acquisitions budgeted for fiscal year 1980 total \$420,000. This equipment is needed to increase the efficiency of our present ADP equipment. About \$150,000 is to replace computer terminal equipment in 3 of BPA's Area Offices. Approximately \$50,000

is for graphic terminals; \$50,000 for additional permanent disk storage; and \$35,000 for programmable calculators. The remaining \$120,000 is for small acquisitions of other peripheral equipment.

These acquisitions will be reviewed by the new ADP Policy Board to ensure that they are compatible with the future plans adopted as a result of the consultant's recommendations. Deferring all of these acquisitions would prevent us from achieving the potential increased efficiency of the existing computer system.

BPA CONSTRUCTION PROGRAM

Mr. BEVILL. Summarize briefly the status of your major construction projects with respect to costs, schedules and milestones compared to last year's projections.

Mr. MUNRO. I would like to provide a complete summary for the record.

[Summary follows:]

The status of each construction budget item which has a total cost of \$10 million or more is summarized below.

B.I. 101—Western Montana Transmission.—BPA will not expend significant funds for these facilities which were requested by the Montana Power Company until compliance with the National Environmental Policy Act of 1969 has been assured. This item was inserted in the FY 1979 Public Works Appropriation Bill by the Congress. Estimated cost of this facility is \$152,240,000.

B.I. 183—Ash-Willamette Valley.—Energization of this project is still scheduled for September 1980. The total cost of this project has increased since the last congressional document from \$137 million to \$156 million. This includes an additional \$4.5 million required for rights-of-way crossing the Warm Springs Indian Reservation, an additional \$8.2 million plus overheads for actual and anticipated construction contracts and an additional \$3.5 million for substation equipment.

B.I. 185—Hot Springs-Bell.—Energization of this project has been delayed 1 year to coordinate with delays in the scheduled commercial operation date of Colstrip Unit #4. No change in estimated total cost.

B.I. 188—WNP #3 and 5 Integrating Transmission.—Bonneville is enjoined by a U.S. District Court ruling from performing work on facilities associated with WNP Plant No. 5. The facilities for Plant No. 3 are proceeding on schedule. Total cost is now estimated at \$50,980,000 which is a 2 percent increase.

B.I. 191—Skagit Integrating Transmission.—This has been delayed from November 1982 to July 1984 to coordinate with a delay in scheduled commercial operation of the Skagit #1 thermal plant. The scheduled energization of the facilities associated with the Skagit #2 thermal plant remains August 1986. Due to a District Court ruling, BPA is enjoined from continuing with these facilities. No change in estimated total cost.

B.I. 195—Bonneville Dam Integrating Transmission.—Schedules for this project have remained the same. The plan-of-service for this item has been changed to increase reliability and reduce system losses. The total cost has increased from \$2.8 million in the FY 1979 Congressional Document to \$4.8 million in the FY 1980 Congressional Document.

B.I. 198—South Puget Sound.—A joint study being conducted with the City of Tacoma could permit deferment of facilities proposed in this item. No change in estimated cost.

WPPSS OVERSIGHT

Mr. BEVILL. What oversight responsibilities does BPA have regarding the WPPSS net-billed plants? How is BPA carrying out this responsibility?

Mr. MUNRO. Project Agreements for nuclear projects WNP-1, 2, and 3 between the Bonneville Power Administration and the Washington Public Power System, provide the contractual framework of the

BPA WPPSS relationship, and, specifically, the BPA oversight or review rights of WPPSS actions.

WPPSS, subject to BPA approval rights, has the complete responsibility to finance, design, construct, operate and maintain each project in accordance with Prudent Utility Practice. The objective of BPA's oversight is to assure that WPPSS is managing effectively to meet its prime objective of constructing, operating, and maintaining the net-billed projects at the lowest reasonable cost with reliability, safety, and expedition.

A brief definition of Prudent Utility Practice would be "any of the practices, methods, and acts engaged in or approved by a significant proportion of the electrical utility industry—which in exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition."

BPA has the oversight responsibility to assure for the benefit of the ratepayers and the Congress that WPPSS is performing its responsibilities in a businesslike manner consistent with Prudent Utility Practice. The oversight includes but is not limited to engineering, design, procurement, construction, budget, accounting, public relations, management, legal and other related activities associated with the construction and operation of all of the WPPSS thermal projects from which BPA acquires all or a portion of the power generation through purchase or other arrangements. BPA staff reviews significant matters with respect to the construction and operation of such thermal projects. The purpose of such review is to insure that management systems are operating effectively and to evaluate and effectively address all proposed decisions or actions that may have a significant impact on the cost of thermal power purchased by BPA.

BPA has the approval rights for construction and operation budgets, the Administrative and General Budget, all contracts and change orders in excess of \$500,000, financing proposals, and selection of the nuclear steam supply system and the turbine generator. We also have the option of having onsite personnel. There are currently six BPA employees responsible to carry out the oversight, an Assistant to the Administrator for Thermal Projects, a Financial Management Specialist, a Projects Manager, and one Project Engineer at each of the three net-billed project sites. Various other members of the BPA staff are utilized as necessary by this group.

The Supply System has the responsibility to keep BPA informed of all significant matters with respect to construction or operation of the projects, including plans, specifications, engineering studies, environmental reports, budgets, fuel plans, estimates and schedules. This information must be supplied in a timely manner if requested since BPA has the contractual right to review and comment on all WPPSS proposals. Many proposals of the Supply System, if not otherwise disapproved by BPA, are considered to be approved 7 days after receipt.

Mr. BEVILL. Why did you contract for a report by Theodore Barry and Associates on WPPSS construction? What were the conclusions? What is being done to implement the recommendations?

Mr. MUNRO. BPA contracted with Theodore Barry and Associates to make an overall assessment of the roles of BPA and WPPSS in the

net-billed plants with the idea of improving the effectiveness of this relationship as it contributes to the timely and economic construction of such plants. The January 1979 TB&A report identified numerous strengths and weaknesses in WPPSS's project management capabilities and in the BPA WPPSS relationship including BPA's role. The TB&A report provides a sound management guide for WPPSS and BPA to follow to minimize future plant construction delays and cost increases. Since issuance of the report, BPA, WPPSS, and the WPPSS Board of Directors have been meeting to review, discuss, and implement the consultant's recommendations. These activities have produced an action plan which includes implementation of most of the recommendations on a priority basis.

BPA RATES

Mr. BEVILL. We understand there may be strong objections to the power rates for irrigators. What are the objections and what, if anything, does BPA intend to do about them?

Mr. MUNRO. Many comments have been received from irrigation farmers and from utilities with large irrigation loads. They want an energy rate differential or a return to an irrigation discount. They argue that BPA's proposal represents a drastic departure from BPA's past policy of encouraging irrigation loads. Many farmers say they have made long-term investments based on this encouragement, and they believe that removal of the incentive is unfair. They also note that irrigation loads coincide with seasonal surplus hydropower production during good water years. They argue that the surplus power should benefit Northwest farmers instead of Californians. BPA staff is currently analyzing these comments. We have not determined what changes, if any, should be made in the revised rate proposal.

PEAKING DEFICITS

Mr. BEVILL. In the General Statement of your budget document you project deficits from 1980 to 1983 for sustained peaking operation of the power system. What are you doing to eliminate them?

Mr. MUNRO. It is not possible to install generating resources in the time available to meet the projected peaking deficits from 1980 to 1983. Power purchases or seasonal exchanges probably will not serve to eliminate deficits because many other utilities, including utilities in the Pacific Southwest, are also short of peaking capability or do not have sufficient surplus to meet the regional demand. We will investigate all such possibilities of course. If we are faced with immediate deficits, we would cut interruptible loads and appeal to the public to shift their power demands from peak to off-peak hours.

PACIFIC NORTHWEST-SOUTHWEST INTERTIES

Mr. BEVILL. What activity is in progress with respect to new interties or upgrading of existing interties between BPA and other systems?

Mr. MUNRO. Representatives of BPA, WAPA, and Pacific Southwest utilities met in July 1978 to discuss the possibility of building a second DC line to the Phoenix area and to outline a plan to conduct

further studies. This line has been under study since 1975 and its earliest completion date is estimated to be in the late 1980's. Another joint meeting on the second DC line is scheduled for early 1979.

Preliminary studies of a third 500 kilovolt AC line, capable of carrying 2,000 megawatts to northern California, indicate that it could be completed by the mid- to late 1980's. Additional studies are necessary to establish the feasibility of this line.

The feasibility of each of these two projects is impacted by delay in the completion of Pacific Northwest resources as well as by reduced peaking capability in the region as a result of recent studies. Each project, however, merits continued analysis by Pacific Northwest and Southwest entities.

Upgrading the capacity of the existing High Voltage Direct Current Celilo-Sylmar line, is included as project B.I. 100 in our budget request for fiscal year 1980. This project is planned for completion by 1984. Feasibility studies in which representatives of utilities from the Pacific Northwest and Pacific Southwest participated, showed a minimum benefit-to-cost rate of 1.8 to 1 for this increased capacity.

Mr. BEVILL. How does your rate increase affect that situation?

Mr. MUNRO. We do not expect any effect. Our ongoing studies have contemplated increases in power costs in both the Pacific Northwest and in the Pacific Southwest. Further, the studies recognize that increasing amounts of now surplus Northwest hydrogeneration will become usable in growing Northwest loads—future sales of surplus energy to the Southwest will increasingly come from Northwest coal and nuclear generation which have much lower fuel costs than oil fired generation used in the Southwest. The rate increases BPA now proposes will not significantly alter these factors nor the feasibility of the interties.

WHEELING RATES, BPA

Mr. BEVILL. You mentioned last year that BPA was operating on interim wheeling rates. Have final wheeling rates been approved? Do you anticipate another wheeling rate increase in the near future?

Mr. MUNRO. BPA's proposed wheeling rates have not received final approval. Authority to confirm and approve BPA rates has been transferred from the economic Regulatory Administration to the Federal Energy Regulatory Commission (FERC). The proposed wheeling rates were first approved on an interim basis by the Federal Power Commission and thereafter the Economic Regulatory Administration extended this interim approval. FERC must now determine what further proceedings are necessary for it to reach a final decision.

We anticipate that BPA will require an additional wheeling rate increase on July 1, 1980, the earliest date BPA's current contracts allow BPA to implement a change in wheeling rates.

BPA "ROLE EIS"

Mr. BEVILL. The justifications also indicate that you have included your conservation policy in the final Role EIS. What is the status of the Role EIS?

Mr. MUNRO. A draft of the Role of BPA in the Pacific Northwest Power Supply System, Including its Participation in the Hydro-Thermal Power Program was filed with the President's Council on Environmental Quality on July 22, 1977. Subsequently, we embarked upon a major public involvement program which included 25 public meetings in the Pacific Northwest, distribution of more than 1200 sets of the EIS, and extensive media coverage.

The comments received at the public meetings and the more than 500 letters we have received on the draft Role EIS have been reviewed and considered in the preparation of the final Role EIS which is scheduled to be completed within the next month. The final Role EIS will be considerably shorter and will focus on the regional energy alternatives facing BPA and the Pacific Northwest; specific resource issues such as acquisition of generation from new thermal plants will be the subject of future environmental analyses.

The final Role EIS, when completed, will be forwarded to the Department of Energy for review and is scheduled for filing with the Environmental Protection Agency in early summer.

FISH LOSS MITIGATION

Mr. BEVILL. Last year you discussed the history of fish loss mitigation on the Columbia River and BPA funding proposals. Has the experience of these projects in the last year proven them worthwhile and do you anticipate any funding changes based upon this year's experience?

Mr. MUNRO. It will be several years before the fruits of these efforts will be fully realized, primarily because the anadromous salmon under study have a 3- to 4-year average life cycle. It is hoped that the results of these studies and projects will serve not only to sustain and enhance the Columbia's fishery resources, but will also provide information that will permit more flexible operation of the Federal Columbia River Power System for power production without adverse effects on migrant fish. Because the studies have the potential to benefit both fisheries and power uses of the river, BPA believes that their continued support is warranted. However, BPA anticipates that not more than a modest increase in future expenditures will be made until results materialize which would justify a different level of funding.

Mr. BEVILL. Does BPA anticipate being able to help relieve fisheries resource problems in the 200-mile offshore commercial fishing zone through its fish loss mitigation program?

Mr. MUNRO. To the extent that the projects which BPA funds in its fishery restoration program result in lower levels of fish mortality during the juvenile salmon migration to the sea, the program will assure an increased anadromous fish population within the 200-mile fishing zone. Also, any additional information on habits of various species and races of anadromous fish gained from the program will allow improved selective management techniques to be applied and will enhance both the river and ocean fishery. Because of the life cycle habitat of anadromous fish, the success of BPA's restoration program is directly linked to relief of fisheries resource problems both in Northwest rivers and in the 200-mile offshore commercial fishing zone.

ENERGY ALLOCATION

Mr. BEVILL. Where do you stand with respect to the power allocation issue among your various customers?

Mr. MUNRO. BPA is currently developing computer models for simulating various amounts of Federal power to be received by customers and the power costs involved. By using the simulation models, we will be able to vary the scenarios and test the different alternative allocations of power and the cost impacts on customer classes. As the scenarios are developed, various policy considerations are being explored as well as an assessment of the environmental impacts. We expect to have some proposed allocation policy alternatives for discussion by this summer and a BPA proposal available for public consideration in June. This will be followed by public information and comment forums, and consideration of the comments in development of a final allocation proposal which also will be submitted for public comment. The present plan is to have the allocation policy adopted by May 1980.

CITY OF PORTLAND LAW SUIT

Mr. BEVILL. The City of Portland filed a lawsuit against BPA to obtain power from the federal system. What is the status of that suit?

Mr. MUNRO. On November 14, 1977, the City of Portland filed two lawsuits against BPA. The first suit sought to obtain power; the second to require BPA to prepare Environmental Impact Statements on all power sales contracts. The suit to obtain power was challenged by a Federal Government motion to dismiss for lack of jurisdiction filed on July 19, 1978. On December 27, 1978, the judge heard oral arguments on the motion and at the conclusion thereof announced from the bench that he would prepare an order dismissing the case. Subsequently, the court requested additional briefs. Entry of a formal order has been delayed pending the court's review of these briefs. The suit to require BPA to prepare impact statements is still pending but is currently inactive.

REGIONAL LEGISLATION

Mr. BEVILL. Regional energy legislation was considered in Congress last year but was not enacted. Is BPA supporting similar legislation this year? What would be the impact on BPA if such legislation became law?

Mr. MUNRO. No regional energy legislation has been introduced in the 96th Congress. It is expected, however, that similar legislation will be introduced together with certain amendments. BPA and the Administration testified last year in support of regional legislation but offered some proposed changes. It is anticipated that a similar position would be taken with respect to legislation in this Congress. The impacts of the legislation are hard to assess with certainty because it is unknown which amendments might be adopted. It is generally assumed, however, that the bill if passed into law would constitute a major expansion of BPA's power marketing program. Some key features of the bill are anticipated to be authorization of long-term purchase of capability and exchanges of electric energy to meet regional deficiencies; establishment of a comprehensive program for BPA investment in conservation; and stimulation of the development of alternative resources.

INTEREST RATES

Mr. BEVILL. Comment on the recent criteria established by the Treasury for setting interest rates for your borrowing.

Mr. MUNRO. BPA obtained cash advance of \$125 million on September 30, 1977. That advance was repaid on September 30, 1978, at which time BPA obtained a new one-year advance of \$250 million and also sold its initial long-term bond in the amount of \$50 million.

The Treasury has adopted the position that BPA's bonds are comparable in quality to those of a high grade, AAA-rated utility, the highest rating, and, therefore, fixes the interest rates on BPA's cash advances and bonds at the going rate in the market for borrowing by an AAA utility at the time of the BPA borrowing. The rate thus established on the \$250 million one-year advance obtained on September 30, 1978, was 9.125 percent, and the rate on the long-term bond was set at 8.95 percent. The term of the bond is 35 years, and it is callable after 5 years.

A peculiar result of the application of this criteria is that many of the Rural Electric Cooperatives served by BPA secure financing thru the Federal Financing Bank. The FFB rates on September 28, 1978, when BPA secured its financing, were 8.749% as compared to BPA's long term rate of 8.95%.

This inability by BPA to borrow funds from Treasury at rates as low as some of BPA's smaller customers is seen as an unusual result of the application of the Treasury criteria.

POWER DEMANDS

Mr. BEVILL. We understand that you have had a very cold winter in the Pacific Northwest this year. The drought two years ago seriously depleted water levels in the Columbia River Basin. Are you going to be able to meet all power demands on the BPA system? If not, what do you intend to do to meet those demands?

Mr. MUNRO. We anticipate that we will be able to meet all firm energy obligations on the BPA system in the upcoming, July 1, 1979, to June 30, 1980, operating year. Precipitation has been adequate to overcome the reservoir deficits which occurred during the last 2 years and the depletion caused by the cold winter the Northwest experienced last year. We anticipate that the Columbia River Basin reservoirs will fill, as planned, by the end of July 1979. It should be noted that although we expect to be able to meet firm energy demands, we will not be able to serve all of our direct-service industrial load which is served with interruptible energy. In addition, these industries may have difficulty purchasing adequate replacement power to meet their full load requirements.

REPAYMENT STATUS

Mr. BEVILL. Supply for the record a table showing the current status of your projected revenues, expenses and repayment requirements. Show what you have repaid to date and indicate any major adjustments anticipated in the future to meet repayment requirements.

Mr. MUNRO. I will be happy to provide such a table.

[Details follow.]

The following table summarizes the projected revenues based on current rate levels, expenses and plant investment repayment requirements identified as Allowable Unamortized Investment for the Federal Columbia River Power System (FCRPS). On September 30, 1978, cumulative revenues were \$3,632,915,000. Of this amount, \$2,900,445,000 has been applied to Operation and Maintenance Expense, Purchase and Exchange Power and Interest Expense and the balance of \$732,470,000 to amortization of the Plant Allocated to Commercial Power. The FCRPS Unamortized Investment was \$4,815,367,200 as compared to an Allowable Unamortized Investment of \$5,480,935,000.

This table shows that current rates are not sufficient to meet repayment requirements. To meet repayment requirements, BPA has proposed a rate increase to be effective December 20, 1979, when current power sales contracts next permit a rate increase.

The level of rate increase has not been determined at this time. BPA is currently discussing a change in the financing arrangements for debt service prior to completion of construction for the Washington Public Power Supply System's nuclear plants 1 and 2. If this arrangement is agreed upon by the participants in those projects, the average rate increase for December 20, 1979 would be about 40 percent. If these arrangements cannot be agreed upon, the December 20, 1979 average rate increase will be approximately 90 percent.

TABLE 6 - FEDERAL COLUMBIA RIVER POWER SYSTEM - REPAYMENT STUDY FOR 1978 - AUTHORIZED PROJECTS
(ALL AMOUNTS IN \$1,000)

FISCAL YEAR ENDING SEPT 30 CUMULATIVE	REVENUES	OPERATION AND MAINTENANCE EXPENSE	PURCHASE AND EXCHANGE POWER	INTEREST EXPENSE	PLANT ALLOCATED TO			ALLOWABLE UNAMORTIZED INVESTMENT
					CUMULATIVE INVESTMENT IN SERVICE	AMORTI- ZATION	UNAMORTIZED INVESTMENT	
1978	3,632,915	1,073,937	464,546	1,361,962	5,547,837	732,470	4,815,367	5,480,935
1979	337,000	118,220	134,000	178,863	6,185,303	94,083-	5,346,916	6,116,620
1980	345,000	121,679	100,363	200,355	6,389,661	77,397-	5,828,651	6,316,286
1981	358,000	125,562	118,017	220,007	6,759,201	115,586-	6,313,797	6,682,626
1982	379,000	130,133	177,529	260,177	7,248,953	188,839-	6,984,388	7,161,275
1983	389,000	130,729	196,527	278,424	7,317,021	217,680-	7,278,136	7,227,585
1984	396,000	132,758	176,529	316,134	7,745,518	231,421-	7,938,054	7,646,555
1985	408,000	132,814	176,529	332,730	7,791,384	235,173-	8,219,093	7,662,157
1986	422,000	133,814	176,529	345,073	7,831,527	233,566-	8,492,802	7,681,968
1987	459,000	133,964	176,529	358,759	7,884,979	240,252-	8,786,506	7,707,782
1988	429,000	133,964	176,529	373,509	7,930,696	255,002-	9,087,225	7,685,041
1989	417,000	133,964	176,529	391,194	7,988,456	284,687-	9,429,672	7,697,599
1990	416,000	133,964	176,529	410,969	8,056,900	305,462-	9,803,578	7,731,529
1991	415,000	133,964	176,529	432,384	8,118,192	327,877-	10,192,747	7,708,743
1992	414,000	133,964	176,529	458,756	8,245,645	355,249-	10,675,449	7,775,888
1993	412,000	133,964	176,529	490,870	8,395,908	389,363-	11,215,075	7,835,559
1994	413,000	137,084	176,529	564,793	9,084,515	465,406-	12,369,088	8,491,259
1995	421,000	138,484	177,529	608,856	9,144,643	503,869-	12,933,085	8,539,851
1996	422,000	138,484	177,529	650,188	9,375,912	544,201-	13,708,555	8,748,499
1997	430,000	141,888	177,529	701,800	9,594,085	605,937-	14,532,665	8,915,610
1998	440,000	143,848	177,529	735,262	9,657,392	613,639-	15,209,611	8,945,176
1999	445,000	143,848	177,529	767,382	9,731,092	643,959-	15,927,270	8,972,086
2000	448,000	143,848	176,529	804,436	9,797,902	676,813-	16,670,893	8,964,801
2001	448,000	143,848	176,529	843,633	9,884,246	726,458-	17,483,695	8,982,441
2002	448,000	143,848	177,529	888,419	9,994,135	761,796-	18,355,380	8,972,816
2003	449,000	143,848	177,529	932,340	10,059,996	804,717-	19,225,958	8,909,129
2004	450,000	143,848	177,529	977,745	10,135,022	849,903-	20,150,887	8,672,899
2005	450,000	143,848	177,529	1,025,631	10,208,602	897,008-	21,121,475	8,376,462
2006	450,000	143,848	177,529	1,077,484	10,305,494	948,851-	22,167,228	8,276,795
2007	450,000	143,848	176,529	1,137,663	10,465,773	1,008,040-	23,335,547	8,196,433
2008	449,000	143,848	176,529	1,198,761	10,538,756	1,073,089-	24,481,619	8,037,852

FISCAL YEAR ENDING SEPT 30	REVENUES	MAINTENANCE AND EXPENSE	EXCHANGE POWER	INTEREST EXPENSE	CUMULATIVE IN SERVICE	AMORTI- ZATION	UNAMORTIZED INVESTMENT	ALLOWABLE UNAMORTIZED INVESTMENT
CUMULATIVE								
2009	449,000	143,848	177,529	1,264,188	10,626,069	1,142,806-	25,711,738	7,996,753
2010	447,000	143,848	177,529	1,356,277	10,744,375	1,230,654-	27,060,698	7,964,983
2011	443,000	143,848	161,529	1,462,674	10,948,096	1,325,051-	28,589,470	8,069,659
2012	442,000	143,848	142,529	1,575,170	11,154,161	1,420,050-	30,215,585	8,029,928
2013	442,000	143,848	41,806	1,690,280	11,266,015	1,471,552-	31,798,991	8,048,819
2014	442,000	143,848	41,806	1,791,986	11,355,773	1,576,950-	33,465,699	7,999,806
2015	442,000	143,848	41,806	1,897,914	11,435,614	1,686,336-	35,231,876	7,934,692
2016	437,000	143,848		2,021,191	11,647,715	1,834,110-	37,278,087	8,045,094
2017	422,000	143,848		2,154,597	11,744,893	1,931,643-	39,306,908	8,077,270
2018	422,000	143,848		2,309,578	11,852,773	2,051,698-	41,466,486	8,016,512
2019	421,000	143,848		2,492,656	11,952,862	2,275,608-	43,822,203	7,790,030
2020	420,000	143,848		2,690,727	12,103,453	2,451,133-	46,443,907	7,664,937
2021	418,000	143,848		2,861,977	12,256,525	2,606,494-	49,203,267	7,732,885
2022	418,000	143,848		3,031,859	12,397,365	2,775,219-	52,119,532	7,833,109
2023	418,000	143,848		3,209,757	12,483,244	2,941,731-	55,147,142	7,822,612
2024	418,000	143,848		3,396,823	12,574,503	3,140,063-	58,378,464	7,807,209
2025	418,000	143,848		3,598,173	12,716,773	3,332,653-	61,853,387	7,284,123
2026	418,000	143,848		3,811,615	12,831,560	3,556,898-	65,525,072	6,890,050
2027	418,000	143,848		4,037,976	12,939,543	3,783,926-	69,416,981	6,896,168
2028	418,000	143,848		4,277,414	13,026,976	4,021,605-	73,526,019	6,724,677
2029	418,000	143,848		4,531,656	13,131,280	4,270,458-	77,900,781	6,189,378
2030	418,000	143,848		4,800,925	13,215,811	4,529,238-	82,514,550	6,240,482
2031	418,000	143,848		5,087,310	13,343,614	4,822,372-	87,464,725	6,057,046
2032	418,000	143,848		5,393,495	13,489,032	5,119,343-	92,729,486	5,592,922
2033	418,000	143,848		5,716,178	13,578,247	5,442,026-	98,256,727	5,641,781
2034	418,000	143,848		6,057,673	13,666,884	5,791,033-	104,142,397	5,358,027
2035	418,000	143,848		6,420,726	13,757,905	6,167,006-	110,398,424	5,403,737
2036	418,000	143,848		6,807,493	13,864,127	6,568,895-	117,073,541	5,448,354
2037	418,000	143,848		7,219,378	13,967,595	6,977,213-	124,154,222	5,492,022
2038	418,000	143,848		7,655,842	14,056,258	7,381,690-	131,624,575	5,534,618
2039	418,000	143,848		8,117,280	14,154,729	7,857,376-	139,580,422	5,576,295
2040	418,000	143,848		8,608,647	14,262,052	8,334,495-	148,022,240	5,616,927
2041	418,000	143,848		9,130,035	14,378,928	8,884,233-	157,023,349	5,656,710
2042	418,000	143,848		9,687,616	14,500,031	9,441,991-	166,636,443	5,695,640
2043	418,000	143,848		10,277,864	14,639,198	10,034,770-	176,760,380	5,637,524
2044	418,000	143,848		10,903,314	14,744,389	10,693,228-	187,558,799	5,164,153
2045	418,000	143,848		11,570,905	14,879,233	11,338,761-	199,032,404	5,201,206
2046	418,000	143,848		12,281,889	15,089,626	12,022,738-	211,265,535	5,106,745
2047	418,000	143,848		13,033,785	15,216,691	12,780,458-	224,172,858	5,143,255
2048	418,000	143,848		13,830,918	15,356,493	13,582,496-	237,695,356	5,179,430
2049	418,000	143,848		14,676,432	15,537,586	14,440,511-	252,436,970	5,216,102
2050	418,000	143,848		15,574,152	15,564,888	15,324,383-	267,866,643	5,252,967
TOTALS	33,980,915	11,218,528	6,440,547	267,661,254			752,301,757-	

BPA CONSTRUCTION PROJECTS

Mr. BEVILL. Please provide for the record a summary listing of your construction projects together with the statutory authorization for the projects

Mr. MUNRO. Yes, sir.

[Details follow:]

The Bonneville Power Administration was created as part of the Bonneville Project Act of August 20, 1937, 16 U.S. Code Chapter 12B (1964 Ed.) et seq. The Act states, "To authorize the completion, maintenance, and operation of Bonneville Project for navigation, and for other purposes." Facilities constructed since that date have been considered as part of that original authorization. Prior to passage of the Federal Columbia River Transmission System Act (FCRTSA) PL 93-454, 93rd Congress, S. 3362 October 18, 1974, construction was financed from annual appropriations. The FCRTSA provided for financing construction through sale of bonds plus revenues from sale of power. In addition to normal budgetary approvals, PL 93-454 states that the Administrator shall not "commence construction of any major transmission facility within the Pacific Northwest, unless the expenditure of the funds for the initiation of such construction is specifically approved by act of Congress."

The Act further states in Section 3.(c) "The term 'major transmission facilities' means transmission facilities intended to be used to provide services not previously provided by the Bonneville Power Administration with its own facilities."

This budget contains only one major transmission facility which meets this definition, B.I. 101, Western Montana Transmission, which was approved as part of BPA's FY 1979 Budget. The following is a summary listing of BPA's construction projects now under construction:

FACILITIES PROGRAMED IN PRIOR YEARS
(In thousands of dollars)

Item No.	Facility	Scheduled Energy- station	Estimated Total Cost	Actual Obligations		Estimated 1979 Program	Estimated 1980 Program	To Complete
				To 9/30/77	1978			
Main Grid								
101	Western Montana Transmission	7/83	\$152,240	\$ --	\$ --	\$ 29,180	\$ 62,080	\$ 60,980
112	Industrial Services	1/82	6,040	31	--	40	2,190	3,779
137	Sherwood-Carlton-Tillamook	10/80	3,560	--	1,775	600	1,120	65
150	System Reactive Facilities	--	11,210	5,272	2,643	2,570	695	30
180	Frederickson Substation	10/81	4,090	13	--	1,450	2,020	607
181	WNP No. 2 Integrating Transmission	12/79	8,040	6,415	759	710	156	--
182	Portland Area Transmission Reinforcement ..	10/80	8,260	896	4,190	2,170	1,000	4
183	Ashie-Willamette Valley	9/80	156,170	74,723	33,054	24,440	3,953	--
184	Lower Snake Grid Reinforcement	12/79	23,900	16,397	6,195	1,200	108	--
185	Hot Springs-Bell	7/83	69,370	193	17	1,060	33,680	34,420
188	WNP No. 3 and No. 5 Integrating Transmission	11/84	50,980	68	468	12,680	11,700	25,064
190	Franklin Area Support	5/81	6,950	--	--	4,120	2,150	680
191	Skagit Integrating Transmission	8/86	20,160	--	--	20	20	20,120
194	WNP No. 1 and No. 4 Integrating Transmission	1/83	8,740	--	1,045	1,500	1,850	4,345
195	Bonneville Dam Integrating Transmission	3/81	4,820	29	447	2,200	1,780	364
198	South Puget Sound Reinforcement	10/82	25,210	--	--	500	11,620	13,090
199	White Bluffs-PFTF	8/81	970	--	--	450	160	360
Subtotal			560,710	104,037	70,593	84,890	136,282	164,908
Area and Customer Services								
227	San Juan Islands Area Service	10/81	4,390	--	--	70	2,800	1,520
311	Drain Area Service	12/79	2,680	--	792	1,680	208	--
507	Declo-Hecks-Albion Area Service	4/80	360	--	12	220	128	--
605	Okanogan Area Service	9/81	5,740	158	67	80	5,360	75
714	Richland Area Service	10/79	660	36	21	580	21	--
715	Scotensley Area Service	5/81	2,710	--	--	1,390	850	470
770	Customer Services	--	9,280	3,453	2,054	2,370	1,253	150
Subtotal			25,820	3,649	2,946	6,390	10,620	2,215

BP 27

Facilities Programmed In Prior Years (continued)

Item No.	Facility	Scheduled Energy- ization	Estimated Total Cost	Actual Obligations To 9/30/77	1978	Estimated 1979 Program	Estimated 1980 Program	To Complete
<u>General System Facilities</u>								
810	General Structures and Improvements	--	\$ 8,850	\$ 1,867	\$ 2,782	\$ 2,730	\$ 1,441	\$ 20
820	Power System Control	--	34,210	16,879	4,814	8,940	2,840	737
830	Tools and Equipment	--	9,122	--	4,672	4,650	--	--
840	Preliminary Engineering	--	10,439	--	4,099	6,340	--	--
845	Prototype Energy Retrieval System for Substations	1/80	1,310	1,144	95	60	11	--
	Subtotal		63,931	19,890	16,472	22,520	4,292	757
<u>System Electrical Facilities</u>								
871	Transformer Additions	--	21,220	8,045	5,783	5,270	1,800	322
880	Miscellaneous Replacements and Capital Additions	--	20,970	3,349	6,372	9,070	2,070	109
	Subtotal		42,190	11,394	12,155	14,340	3,870	431
	Total Programmed in Prior Years		\$692,651	\$138,970	\$102,166	\$128,140	\$155,064	\$168,311

FY 1980 TRANSMISSION SYSTEM CONSTRUCTION PROGRAM SUMMARY
(Obligation Basis)
(In thousands of dollars)

Item No.	Facility	Estimated Total Cost	Actual Obligations		Estimated 1979 Program	Estimated 1980 Program	To Complete
			To 9/30/77	1978			
<u>Facilities Programmed in Prior Years</u>							
		\$692,651	\$138,970	\$102,166	\$128,140	\$155,064	\$168,311
<u>Proposed System Additions:</u>							
<u>Major Grid:</u>							
100	D.C. Intertie No. 1 Upgrading	31,380	--	--	--	190	31,190
103	Libby Reregulation Intergration	860	--	--	--	20	840
106	Salem Area Support	5,590	--	--	--	2,410	3,180
150	System Reactive Facilities	4,000	--	--	--	2,290	1,710
197	Northern Idaho Support and Libby Intergration..	29,900	--	--	--	13,860	16,040
	Subtotal	71,730	--	--	--	18,770	52,960
<u>Area and Customer Services</u>							
770	Customer Services	1,000	--	--	--	480	520
	Subtotal	1,000	--	--	--	480	520
<u>General System Facilities</u>							
810	General Structures and Improvements	1,140	--	--	--	1,130	10
820	Power System Control	5,110	--	--	--	2,500	2,610
830	Tools and Equipment	4,430	--	--	--	4,430	--
840	Preliminary Engineering	6,740	--	--	--	6,740	--
	Subtotal	17,420	--	--	--	14,800	2,620

FY 1980 Transmission System Construction
Program Summary

(cont. inued)

System Electrical Facilities						
871 Transformer Additions	\$ 7,110	--	--	\$ --	\$ 5,630	\$ 1,480
880 Miscellaneous Replacements and Capital Additions	4,880	--	--	--	3,320	1,560
Subtotal	11,990	--	--	--	8,950	3,040
Total Proposed System Additions	\$102,140	\$ --	\$ --	\$ --	\$ 43,000	\$ 59,140
Items completed in current year (1979)	11,720	8,375	2,534	811	--	--
Completion of Prior Year Programs	22,173	13,230	8,691	252	--	--
Miscellaneous Facilities	--	--	--	--	19,203	-19,203
Total, Transmission System Construction Program	\$828,684	\$160,575	\$113,391	\$129,203	\$217,267	\$208,248
Undistributed Reduction Based on Anticipated Delays	--	--	--	-19,203	-44,267	63,470
Total Obligations	\$828,684	\$160,575	\$113,391	\$110,000	\$173,000	\$271,718

BPA LITIGATION

Mr. BEVILL. Summarize briefly the significant items of litigation affecting your Administration and the possible impacts if adverse decisions were reached in these cases.

Mr. MUNRO. I would be glad to supply a complete summary for the record.

[Summary follows:]

Natural Resources Defense Council v. Hodel, U.S. District Court for Oregon, No. 75-344, April 17, 1975. On appeal to 9th Circuit Court of Appeals. On July 1, 1977, the District Court rendered its opinion that BPA was required to file a final EIS on Phase II of the Hydro-Thermal Power Program. In accordance with this opinion, an injunction was entered enjoining BPA from certain activities associated with new generating facilities scheduled to come on line and from entering into certain new contractual arrangements. The injunction expressly excluded the projects or contractual arrangements relating to Phase I of the Hydro-Thermal Power Program. Briefs on the appeal have been filed but oral argument has not been scheduled.

BPA is preparing an EIS which it is anticipated will be responsive to the directions of the Court. If the Court finds the EIS satisfactory, the injunction would be lifted. If the Court rejects the EIS, then the injunction would continue and BPA would be required to supplement the EIS to comply with the requirements of the Court.

Port of Astoria et al v. Hodel, U.S. District Court for Oregon, No. 75-3465. Appealed to 9th Circuit Court of Appeals, opinion filed, March 5, 1979. The Court of Appeals on March 5, 1979, handed down its decision affirming the decision of the U.S. District Court. BPA is obligated to prepare an EIS on the site-specific aspects of the Alumax plant to be located in Umatilla County, and on certain provisions of the industrial contract with Alumax. The decision of the Court of Appeals requires a sharper focusing on some aspects of the industrial sales contracts than has so far been reflected in either the Role EIS or the Alumax EIS. It is possible that portions of both EISs will have to be rewritten in order to fully comply with the decision of the Court of Appeals.

Until the EISs are written, BPA cannot affirm its contract for delivery of power to Alumax and Alumax would be unable to initiate construction of its proposed reduction plant.

City of Portland, Oregon v. Schlesinger, U.S. District Court for Oregon, No. 77-928, November 14, 1977.

The City of Portland filed this suit challenging BPA's administration of its authorizing legislation as being in violation of the Bonneville Project Act, the due process clause of the Constitution and the Administrative Procedures Act. The City seeks declaratory relief granting it a power allocation from BPA.

On December 28, 1978 the Court heard oral argument on the defendants' motion to dismiss the case and stated from the bench that he would grant the motion and prepare an order of dismissal. Subsequently, the Court established a briefing schedule on four specified questions. The briefing was completed by the parties February 1979.

If the Court should determine that its initial decision to dismiss the case was in error, a trial on the merits would presumably result. A decision adverse to BPA would result in a judicial allocation of BPA power with resultant prospects for much additional litigation and a significant delay, if not complete frustration, of BPA's ongoing allocation efforts.

City of Portland, Oregon v. Schlesinger, U.S. District Court for Oregon, No. 77-929, November 14, 1977.

The City of Portland filed this complaint asking that all of BPA's power sales contracts and net-billing agreements executed since January 1, 1970 be set aside because BPA had not prepared an EIS on each contract.

Aside from some discovery efforts during early and mid-1978, there has been virtually no activity regarding this case.

As a result of the filing of the challenge to the net-billing agreements between the date of receipt of bids on the purchase from WPPSS of \$180 million bond issues and the date of delivery of such bonds, it was necessary to cancel the sale and re-issue the bonds at a later date. The loss to the ratepayers of the region resulting from the interest differential between the original bid and the interest on the subsequent sale was approximately \$10 million over the life of the bonds.

If an adverse decision were rendered by the Court, BPA would be required to prepare EISs on its contracts executed since January 1, 1970.

SEPA PURCHASE POWER AND WHEELING

Mr. BEVILL. Why do you anticipate the need of \$250,000 in purchase power and wheeling for SEPA?

Mr. WRIGHT. The estimated total cost for purchase power and wheeling in 1980 is estimated to be \$4,846,000 of which \$4,596,000 will be offset through Southeastern's net billing arrangements with power utilities in the area. This leaves a balance of \$250,000 which Southeastern must obtain from appropriations. This amount will be sufficient only under average water conditions and, if adverse conditions occur, Southeastern will be required to use its Continuing Fund to cover the increased costs.

The entire \$250,000 results from transactions between SEPA and the Florida Power Corporation in the purchase of power during times of adverse flow conditions at the Jim Woodruff Project. The fiscal year 1980 estimate is higher than that for 1979 due to required higher net payments by Southeastern to Florida Power Corporation.

Mr. BEVILL. Why do you project less delivered power in 1979 and 1980 than delivered in 1978?

Mr. WRIGHT. Power delivered in 1978 is based upon actual water conditions that occurred during the year, whereas, 1979 and 1980 power deliveries are based upon average water conditions. fiscal year 1978 water conditions for the Cumberland Basin projects were substantially above average and resulted in deliveries of approximately 700,000,000 kilowatt hours in excess of normal.

SEPA REPAYMENT STATUS

Mr. BEVILL. Supply for the record a table showing the current status of the rate and repayment situation for your projects. Show what you have repaid to date and indicate any major adjustment anticipated to repay project costs.

Mr. WRIGHT. I will be glad to supply the information for the record.
[Table follows:]

SOUTHEASTERN POWER ADMINISTRATION
STATEMENT OF PROJECT REVENUES, EXPENSES, AND REPAYMENT OF INVESTMENT

	Operating Revenue ^{1/}	Electric Operating Expenses	Operating Revenue Less Operating Expenses	Interest on Unamortized Investment	Amortization of Investment	Additions to Electric Plant in Service	Remaining Federal Investment	Cumulative Repayment of Capital
Merrill-Pollack Projects								
Cumulative through FY 1975	\$104,249,850	\$ 45,054,950	\$ 59,194,900	\$ 39,081,281	\$ 20,113,619	\$ 80,476,592	\$ 60,382,973	\$ 20,113,619
FY 1976 ^{2/}	7,482,353	2,839,124	4,643,229	2,884,254	217,700	57,695,725	22,998,573	22,998,573
FY 1977	7,073,030	2,651,465	4,421,565	1,392,472	3,129,093	54,827,766	56,127,666	56,127,666
FY 1978	5,920,712	2,568,138	3,352,574	1,247,330	2,103,244	52,891,010	55,891,010	55,891,010
Laurel Project								
FY 1978	1,479,688	285,228	1,214,460	711,707	502,753	29,308,633	28,305,880	502,753
Cumberland Basin Projects								
(Cumberland, Little Backlick, Wolf Creek, Old Hickory, Chastain, Barkley, J. Percy Priest, Cordell Hull)								
Cumulative through FY 1975	174,956,394	39,097,241	135,859,153	86,091,095	49,768,058	261,044,359	211,276,301	49,768,058
FY 1976 ^{2/}	15,511,933	5,427,103	10,084,830	6,591,233	5,493,597	8,324,017	215,106,721	53,261,653
FY 1977	10,419,322	3,638,115	6,781,207	3,525,429	5,123,412	14,848,182	229,954,933	58,385,065
FY 1978	17,183,323	5,143,332	12,040,001	6,306,265	5,774,336	17,523,136	247,728,274	59,771,834
Georgia-Alabama Projects								
(Allatoona, Buford, Clark Hill, Hartsell, Walter F. George, Milledgeville, West Point, Joe B. White, Conroe) Cumulative through FY 1975	264,026,114	76,811,142	187,214,972	105,715,571	81,499,401	365,573,822	284,074,421	81,499,401
FY 1976 ^{2/}	35,931,611	12,833,259	23,098,352	11,100,575	9,997,777	105,064,290	379,140,934	91,497,178
FY 1977	28,282,633	11,695,140	16,587,493	9,416,239	7,171,254	56,569,390	429,539,070	98,664,432
FY 1978 ^{2/}	26,011,970	13,567,677	12,444,293	11,321,853	5,115,440	7,483,298	432,906,928	101,781,672
Jim Woodruff Project								
Cumulative through FY 1975	29,357,512	11,229,070	18,128,442	8,744,141	9,384,301	25,197,220	15,812,919	9,384,301
FY 1976 ^{2/}	5,041,511	1,077,156	3,964,355	431,289	1,533,066	152,978	16,432,831	10,917,387
FY 1977	2,222,235	1,167,158	1,055,077	326,989	728,068	247,610	13,962,373	11,645,435
FY 1978	8,266,565	1,462,742	6,803,823	329,079	474,744	169,613	13,647,242	12,126,179
Totals - All Projects								
Cumulative through FY 1975	572,589,870	172,192,403	400,397,467	239,632,088	160,765,379	732,291,993	571,526,614	160,765,379
FY 1976 ^{2/}	59,947,408	22,176,642	37,790,766	19,881,372	17,909,394	113,758,991	667,276,211	178,674,773
FY 1977	47,997,460	20,132,376	27,865,084	16,044,826	11,804,258	74,725,730	736,977,683	190,479,031
FY 1978	54,862,858	23,007,107	31,855,751	19,921,234	11,980,517	54,586,168	775,953,334	202,409,548
Cumulative totals through								
FY 1978 ^{2/} & ^{3/}	735,417,596	237,528,528	497,889,068	295,479,520	202,409,548	975,342,882	775,953,334	202,409,548

^{1/} Includes revenue collected by Corps of Engineers and Federal Power Commission and credited to power.

^{2/} Includes figures for the Transition Quarter, July-September, 1976.

^{3/} Includes prior year adjustments.

Southeastern Power Administration
February 1979

F/O

SEPA POWER ALLOCATION

Mr. BEVILL. What steps are you taking to insure a fair allocation of power to your customers?

Mr. WRIGHT. SEPA adopted a Final Procedure for the Development of Marketing Policy on July 6, 1978. The Procedure provides for interested parties to present, and SEPA to obtain, desired public comments in an orderly, timely and adequate manner. Under this Procedure, SEPA obtains comments from interested parties prior to making its proposals. It then holds public information and comment forums where questions are answered and oral comments from interested parties are obtained. After this, SEPA goes through a further consultation and comment period before a staff evaluation is prepared. Following the staff evaluation the Administrator makes a final decision regarding the marketing policy. We believe that this procedure which we are now implementing for marketing power in the Georgia-Alabama system, assures all potential customers of fair treatment in power marketing decisions.

SEPA CONSTRUCTION PROJECTS

Mr. BEVILL. Mr. Wright, would you please bring us up to date on construction projects in your area?

Mr. WRIGHT. Southeastern Power Administration has no construction program of its own. The Corps of Engineers has under construction two major projects related to the hydroelectric program in the Southeast. These include the Richard B. Russell Project which is estimated to be completed in 1984. About 50 percent of the land acquisition has been completed for the project and a contract for the concrete dam and intake works has now been let. The other project, dealing with remedial work at the Wolf Creek Dam, requires construction of a curtain wall extending some 2,200 feet from the concrete section of the dam. It is estimated that this work will be completed in 1981.

SEPA LITIGATION

Mr. BEVILL. Summarize briefly the significant items of litigation affecting your Administration and the possible impacts if adverse decisions were reached in these cases.

Mr. WRIGHT. Greenwood, Mississippi Utilities Commission has pending litigation against Southeastern Power Administration alleging that Southeastern acted unlawfully in denying Greenwood an allocation because of its geographic location. This suit is presently in the discovery phase. We believe the procedures Southeastern is following in its power marketing policy formulation for the future will eliminate suits of the nature Greenwood has filed.

SWPA BUDGET

Mr. BEVILL. What adjustments did OMB make to your budget submission?

Mr. HAMMETT. The Office of Management and Budget added \$11.9 million to SWPA's budget estimate to the Purchase of Power and Wheeling activity.

SWPA CONTRACT EFFORT

Mr. BEVILL. You mention on page 76 "an increased level of contracting . . . in lieu of additional Federal employment." What is being contracted for and why? Is it more expensive than use of Federal employees?

Mr. HAMMETT. The funds will be used to contract for maintenance of specific segments of our lines and substations.

In the last two years SWPA has initiated a substantial construction program and is attempting to do it without additional staff. Some of the larger projects can be contracted out but many of the smaller ones can be done more efficiently and safely by the SWPA personnel. This is especially true where the coordination of outages of working the project hot is required.

Because the SWPA system is aging, the maintenance is increasing and can no longer be deferred while the crews are working on construction.

On a short-term basis contracting may be more expensive due to the contractor's profit factor. However, over the long run, because of the up and down fluctuations of our construction program, it will be more efficient and certainly less disruptive than the hiring and subsequent termination of additional Federal employees.

SWPA RESERVOIR CONDITIONS

Mr. BEVILL. What is the condition of your reservoirs? Will you need to use all of the FY 1979 funding provided for purchase power and wheeling?

Mr. HAMMETT. The power pools in the interconnected system of reservoirs are currently approximately 94 percent full. With respect to the isolated reservoir projects, the Sam Rayburn reservoir is in the flood pool, that is, more than 100 percent full, and the power pool in the Narrows reservoir is approximately 82 percent full. We have used approximately \$9 million through February for purchase power and wheeling. If median inflows continue, we expect we will use approximately \$13 million for the year. The use of purchase power funds could significantly increase, however, if stream flows deteriorate since the power in storage at the reservoir projects is sufficient to meet estimated loads for only about 6 weeks.

SWPA PURCHASE POWER

Mr. BEVILL. Why do you estimate you will need an additional \$19,300,000 for purchase power and wheeling in FY 1980?

Mr. HAMMETT. A review of the hydraulic records indicates \$19,300,000 will be needed for purchase power and wheeling charges in the first 5 months of a minimum stream flow year in order for SWPA to maintain service to its customers. This review also indicates that such an amount will be more than adequate 85 percent of the time, but prudent system operation requires that plans be made to serve the load during the worst stream flow conditions.

An additional amount would be needed if the low stream flow period extends for the whole year, but funding for 5 months gives SWPA time to seek additional funds or take whatever steps may be indicated at the time without disrupting service.

SWPA REVENUES

Mr. BEVILL. Your estimated revenues increase from \$54,526,000 in FY 1979 to \$66,648,000 in 1980. Is this level adequate to meet repayment requirements? If not, what do you intend to do about it?

Mr. HAMMETT. The \$66,548,000 estimated revenue in FY 1980 assumes the application of SWPA's new system rates which will be placed in effect on an interim basis on April 1, 1979. The revenue will therefore be adequate to meet the repayment requirements of the interconnected system.

That portion of the revenue applicable to the sale of Sam Rayburn Dam and the Narrows Dam, \$1,030,000 and \$556,000 respectively, are inadequate. A new proposed rate in the amount of \$1,388,300 for the Rayburn Dam Project is under consideration by the Assistant Secretary for Resource Applications. A study to determine the revenue level to recover Narrows costs is scheduled to be completed by July 1, 1979.

SWPA REVENUES

Mr. BEVILL. Provide a breakdown of FY 1979 and 1980 revenues for power sales, wheeling and other revenues.

Mr. HAMMETT. Revenues for fiscal year 1979 and 1980 are projected to be \$54,526,000 and \$66,648,00 respectively. The 1979 figure includes the 33 percent rate increase I have discussed earlier effective April 1, 1979, and for the entire 1980 fiscal year. A detailed breakdown of revenue sources will be included for the record.

[Details follow:]

DETAIL OF SALES

[Dollar amounts in thousands]

Sales	1979	1980
Municipal sales.....	\$16,547	\$20,310
Coop sales.....	24,873	31,185
Investor-owned utility sales.....	7,397	6,384
Wheeling transmission charges.....	3,793	3,711
Other power and energy.....	1,916	5,058
Total revenue.....	54,526	66,648

SWPA CONSTRUCTION ACTIVITY

Mr. BEVILL. Summarize briefly the status of your major construction activities in relation to the cost schedule and milestone data submitted last year.

Mr. HAMMETT. Of the eight construction projects underway this year, all but two, the H. S. Truman transmission line and the Jonesboro 500/161 kilovolt substations are on or ahead of schedule. The H. S. Truman transmission line was started in May 1978 after concurrence by the Department. The development of the environmental assessment and its subsequent approval by the Department took 110 days longer than we originally anticipated. We were required by law to hold up purchasing transmission right-of-way easements until approval was granted by the Assistant Secretary for the Environment. We now have possession of more than 50 percent of the approximately 70 easements and, in the last 30 days, awarded a \$2.4 million construc-

tion contract to the low bidder. If our present schedule holds, the line will be in service by mid-February.

We have been unable to start construction of the Jonesboro 500/161 kilovolt substations because the Arkansas Power and Light Company has only recently completed construction planning and site selection of its 500 kilovolt line with which our substation must interconnect. Technical power flow studies are now underway with AP&L to determine the most feasible method of interconnections to provide the necessary voltage support.

PROJECT SCHEDULE

Mr. BEVILL. Would you supply for the record a table showing the current status of your projected revenues, expenses and repayment requirements by project? Show what you have repaid to date and indicate any major adjustments anticipated in the future to repay project costs in accordance with applicable requirements.

Mr. HAMMETT. I have such a table and will provide it for the record.
[Table follows:]

SWPA CONSTRUCTION PROJECTS

Mr. BEVILL. Provide for the record a summary listing of your construction projects together with the statutory authorization for the projects.

Mr. HAMMETT. The 1978 Appropriation Act, Public Law 95-96 dated August 7, 1977, appropriated funds for the H. S. Truman transmission line; Carthage Substation; Weleetka Substation; Supervisory Control and Data Acquisition; System Metering; Capital Equipment and minor modifications.

The 1979 Appropriation Act, Public Law 95-482 dated October 18, 1978, appropriated funds for the H. S. Truman line; System Metering; Capital Equipment; Minor Modifications; Jonesboro Capacitor Bank; Jonesboro 500/161 kV Substation; Sikeston Substations addition and the Springfield Load Control system.

I will submit for the record a listing of projects and costs.

[List follows:]

SOUTHWESTERN POWER ADMINISTRATION—CONSTRUCTION PROJECTS

[Dollar amounts in thousands; fiscal years]

	Budget authority		
	1978	1979	1980
(1) H. S. Truman.....	\$3,008	\$4,149	\$131
(2) Carthage substation addition.....	167		
(3) Weleetka.....	167		
(4) SCADA.....	337		
(5) System meter.....	111	106	270
(6) Capital equipment.....	362	800	800
(7) Minor modification.....	160	198	215
(8) Jonesboro capacitor bank.....		213	
(9) Jonesboro 500/161-kV substation.....		5,056	4,200
(10) Sikeston substation addition.....		449	230
(11) Springfield load control.....		340	1,150
Total.....	4,312	11,311	6,996

PENDING LITIGATION, SWPA

Mr. BEVILL. Summarize briefly the significant items of litigation affecting your Administration and the possible impacts if adverse decisions were reached in these cases.

Mr. HAMMETT. SWPA is engaged in several law suits: one by the Associated Electric Cooperative, challenging a 1970 Transmission Service Charge; a consolidated case in which the Tex-La Electric Cooperative and the Sam Rayburn Dam Electric Cooperative contest 1971 increases in the payment for power from two isolated projects; and one additional suit by the Tex-La Electric Cooperative challenging a further increase in 1976. In 1974 the Court of Appeals for the District of Columbia Circuit upheld the legality of the transmission charge in the Associated case but remanded to the District Court to determine the proper calculation of the charge. A new contract is being negotiated consistent with the intent of Public Law 95-456. The consolidated litigation involving Tex-La and Sam Rayburn was concluded in January 1979 when the Supreme Court denied the Cooperatives' petition for a Writ of Certiorari, and SWPA will collect approximately \$2,000,000 that has been placed in escrow. We hope to settle the remaining case with Tex-La.

WAPA OFFICE SPACE REQUIREMENTS

Mr. BEVILL. What other space requirements do you need to provide for effective operations for WAPA?

Mr. McPHAIL. WAPA has the need for office facilities at Golden, Colorado; Sacramento, California; Billings, Montana; Salt Lake City, Utah; Bismarck, North Dakota; and Boulder City, Nevada.

In addition WAPA is in the process of studying the feasibility of a consolidated operations and maintenance center for the Wyoming and Eastern Colorado Area. The Bureau of Reclamation recently consolidated their Wyoming-Eastern Colorado water control and maintenance activities into their Eastern Colorado facilities leaving insufficient space for WAPA Denver Area power activities.

WAPA OIL CONSERVATION

Mr. BEVILL. If funds were available, how much more oil could be displaced through the oil conservation program? What are the relative costs and benefits?

Mr. McPHAIL. We believe our current funding level will enable us to carry on an active oil conservation program. However, we should point out that water condition can change drastically from year to year which makes it most difficult to predict the funding needs. If water conditions happen to be ideal, there is a potential of saving an additional 500,000 barrels with an additional \$2,000,000.

In addition to saving a significant amount of oil for the Nation, the benefit-cost ratio for this program is in the order of 3 to 1.

OMB ADJUSTMENTS TO WAPA

Mr. BEVILL. What adjustments did OMB make to your budget request and what are the effects of these adjustments?

Mr. McPHAIL. The Western Area Power Administration's FY 1980 budget request was initially submitted in accordance with guidelines set by the Administration which was structured around zero base budgeting principles. Basically, three multilevel decision justification packages were developed; minimum, current, enhanced.

A minimum level of \$5,152,000 was submitted for the Colorado River Basin Program. No adjustments were made to this request by OMB.

The current level budget figure for our construction, rehabilitation, operation and maintenance programs (including the emergency fund) closely approximates the FY 1980 budget request to the Congress. This amounts to \$123,000,000. OMB adjustments made to the funding level were not significant and have insignificant impacts on WAPA programs.

WAPA PLANNING

Mr. BEVILL. What is the potential for hydro additions to existing projects or pumped storage that could substitute for oil consumption?

Mr. McPHAIL. WAPA is continuing planning coordination with the Bureau of Reclamation, Corps of Engineers, and others on numerous facility additions. A list of these additions will be provided for the record.

[List follows:]

<u>Project</u>	<u>Powerplant</u>	<u>State</u>	<u>Size (MW)</u>
<u>Under Construction</u>			
Fry-Ark Project	Mt. Elbert	CO	200
Central Valley	New Melones	CA	300
Central Valley	Auburn	CA	300
CRSP	Glen Canyon (Rewind)	AZ	160
Amistad	Amistad	TX	33
Central Utah	Bonneville	UT	476
<u>Authorized</u>			
Kendrick	Seminole (Rewind)	WY	8.0
Washoe	Stampede	CA	3
Central Valley	Marysville	CA	50
CRSP	Blue Mesa (Rewind)	CO	20
CRSP	Flaming Gorge (Rewind)	UT	20
<u>Other Potential</u>			
Fort Peck	Fort Peck	MT	185
P-SMBP	Fort Randall	SD	282
P-SMBP	Garrison	ND	272
P-SMBP	Canyon Ferry	MT	70
P-SMBP	Yellowtail	MT	11.4
P-SMBP	Gregory Co Pumped Storage	SD	1180
P-SMBP	Fort Benton	MT	360
P-SMBP	Tiber	MT	5
P-SMBP	Gibson	MT	7.5
Central Valley	Keswick (Rewind)	CA	10.5
Central Valley	Shasta (Rewind)	CA	41.3
Central Valley	Auburn	CA	450
CRSP	Blue Mesa (Increase)	CO	50
CRSP	Flaming Gorge (Increase)	UT	40
CRSP	Glen Canyon (Increase)	AZ	250
Dominguez	Dominguez	CO	518
Canadian Import	Conawapa	Manitoba, Canada	1100
Central Valley	Monticello	CA	16
Central Valley	Friant	CA	22.7
Central Valley	Whiskeytown	CA	4
Parker-Davis	Headgate Rock	AZ	13
P-SMBP	Longtree	ND	16
Yuma County	New Siphon Drop	CA	5
P-SMBP	Green Mountain Aftebay	CO	18.4
P-SMBP	Carter Lake-St. Vrain	CO	4
CRSP	Utah Lake Pumped Storage	UT	1440
P-SMBP	North Platte Pumped Storage (Alcova & Kortes)	WY	800
P-SMBP	Pinewood-Carter Pumped Storage	CO	200
Fry-Ark	Phantom Canyon Pumped Storage	CO	500
Boulder Canyon	Pinto Valley Pumped Storage	NV	5.1
Conventional Total			5321.8 MW
Pumped Storage Total			4125.1 MW
GRAND TOTAL			9446.9 MW

Estimate annual oil equivalency is 30 million barrels.

NEW MELONES PROJECT

Mr. BEVILL. In view of the shortage of oil due to the Iranian situation, how soon could New Melones be up to capacity and capable of displacing oil?

Mr. McPHAIL. In the event the present litigation is resolved in favor of the United States, a minimum of 3 to 4 years will be required under normal water conditions to fill the reservoir. Under adverse water conditions it could take up to 10 years. The Supreme Court of the U.S., in July 1978, ruled that the State of California has authority to impose conditions on control, appropriations, use, or distribution of water in a Federal Reclamation project provided that those conditions are not inconsistent with Congressional directives respecting the project. The ruling remanded the case to the District Court to resolve whether the conditions imposed by the State are consistent with those directives. Further litigation is anticipated and it may be some time before a final decision is reached.

COST OF PURCHASED POWER, WAPA

Mr. BEVILL. Provide for the record the average cost per kilowatt hour of purchased power to meet contractual long-term commitments—by project—for the last 10 years. Explain the increase. Are you considering longer term purchases to meet your future commitments.

Mr. McPHAIL. I will submit for the record a table which shows the average cost per kilowatt hour for purchase power by fiscal year for the period 1969–1978 by projects.

[Table follows:]

AVERAGE COST OF PURCHASES, PERIOD FISCAL YEAR 1969-78

[Mills per kilowatt-hour]

Area office and projects	Fiscal year—										
	1969	1970	1971	1972	1973	1974	1975	1976	1977 ¹	1977	1978
Salt Lake City:											
CRSP											
Rio Grande											
Parker-Davis											
Billings: Pick Sloan	2.4	2.6	3.1	3.5	4.3	4.4	6.0	0	0	10.0	12.0
Boulder City: Boulder Canyon	2.9	2.5	3.5	3.6	3.7	4.9	5.3	5.3	5.6	23.3	15.9
Sacramento: CVP	2.6	2.5	2.8	3.5	4.2	5.6	6.0	6.7	7.0	8.3	8.6

¹ 3 mo (July to September) transition quarter between fiscal year 1976 and fiscal year 1977.

The annual increases in purchase power costs were not significant until 1977 when the severe drought condition hit the Western United States. This eliminated possible transfer of surplus hydro power between river basins and put pressure on other sources of energy. The other item that has had a significant effect upon price of purchase power is the delays in construction of new base-load thermal units.

We have a number of short-term—generally less than two years—arrangements with area utilities to purchase energy in the off-peak hours which enables us to hold down our purchase power costs. We believe we must consider the possibility of longer term purchases to avoid the high costs of short-term purchases during less than normal water years.

REPAYMENT STATUS, WAPA

Mr. BEVILL. Would you supply for the record a table showing the current status of your projected revenues, expenses and repayment requirements by project. Show what you have repaid to date and indicate any major adjustments anticipated in the future to repay project costs in accordance with applicable requirements.

Mr. McPHAIL. Yes, we can provide such a table.

[Table follows:]

REPAYMENT STATUS, AS OF SEPT. 30, 1978

[In millions of dollars]

Project	Revenues	Expenses	Investment	Repaid to date	Unpaid balance
Boulder Canyon.....	404	306	145	98	47
Central Valley ¹	612	478	850	134	716
Colbran.....	7	7	2 15	0	15
Colorado River Basin (Navajo).....	128	99	206	29	177
Colorado River Storage ²	459	364	656	95	561
Falcon-Amistad.....	8	8	9	0	9
Parker-Davis.....	230	154	153	76	77
Pick Sloan Mission Basin.....	1,355	889	1,298	466	832
Pacific Northwest-Pacific Southwest					
Intertie.....	7	7	61	0	61
Rio Grande.....	24	24	15	0	15
Total.....	3,234	2,336	3,408	898	2,510

¹ An interim rate was established in May 1978 that increased annual revenues \$22,000,000, representing a hike of about 95 percent. The firm power rate proposal scheduled to go into effect in August 1979 indicates the need for an additional increase in annual revenues of \$6,000,000. This would result in an approximately 13 percent increase over the interim rate.

² No repayment period established in the legislation. We are currently preparing a payout study that will amortize the investment.

³ An estimated increase in annual revenue of \$16,000,000 is needed and will be obtained by raising the firm power rates effective January 1980. This will result in an approximately 38 percent increase.

⁴ Initial rates were not established on the basis of specific repayment requirements. Current power contracts provide that the Amistad powerplant is placed in service the associated power rates will be increased to repay the project on a timely basis.

⁵ An estimated increase in annual revenue of \$2,100,000 is needed and will be obtained by raising the firm power and the transmission service rates effective March 1980. The preliminary proposal indicates the need for a 20 percent increase in power rates and a 26 percent increase in the transmission of wheeling rate.

⁶ Facilities were a part of the proposed Mead-Oregon Border D.C. transmission which has not been completed. Therefore, only a part of the revenue-producing facilities costs are being recovered.

OPERATION AND MAINTENANCE, WAPA

Mr. BEVILL. Discuss briefly the need for additional replacement helicopters or fixed-wing aircraft for your operations.

Mr. McPHAIL. Currently, WAPA has four helicopters: two located in Phoenix, Arizona; one in Huron, South Dakota; and one in Montrose, Colorado. The primary use of helicopters is for transmission line patrol and for emergency maintenance of WAPA's 16,000 miles of transmission lines including appurtenant facilities. Helicopters are used to rapidly dispatch maintenance crews and equipment directly to trouble spots for repairs or damage assessment thereby shortening the duration of power outages. Helicopters are utilized to facilitate year-around maintenance or emergency repairs to transmission lines located in mountain areas where no access roads exist to maintain radio and microwave stations.

The normal life of these aircraft is ten years. One of the helicopters in Phoenix, Arizona is 11 years old; the helicopter in Huron, South Dakota is 10 years old. It is our intention to replace these aircraft. WAPA does not have a helicopter for maintenance of facilities in the Denver area and requires this capability in order to perform necessary

patrolling and maintenance work on approximately 3,000 miles of transmission lines.

WAPA now has no fixed-wing aircraft and is studying the feasibility and the cost effectiveness of obtaining such services to transport personnel over the 15-state service area.

We note that nearly all the locations in which such an aircraft might be used are within 600 miles of the WAPA Headquarters office in Golden, Colorado.

Mr. BEVILL. What are the major elements of the transmission line rehabilitation program?

Mr. McPHAIL. The major elements are replacement of defective—decayed or damaged—wood poles with new poles or steel structures; ground-line inspection and treatment, and above ground spraying of wood-pole transmission structures to extend their useful life; reconductoring lines to reduce losses and increase capacity; and increase of voltage on old lower voltage lines. This work is necessary to maintain the integrity of the transmission system, and in some cases, to improve system reliability, and to conserve energy by reducing line losses. Each case is considered independently for economics and for transmission needs of that area.

OPERATION AND MAINTENANCE

Mr. BEVILL. What are the total estimated costs for your wood pole replacement program? How much will be required each year for the next 15 to 20 years?

Mr. McPHAIL. A large percentage of our 9,000 miles of wood-pole transmission is in excess of 25–30 years old. To maintain a reliable transmission system, we estimate the need for about \$18 to \$23 million per year for the next 10–15 years. This will enable WAPA to make wood pole replacement, reconductor and update the capacity on 150 to 200 miles of transmission lines each year and also treat and replace rejected poles on another 450 miles of transmission line each year.

WAPA DATA PROCESSING

Mr. BEVILL. What automatic data processing capabilities do you have and what is required to make you totally operational?

Mr. McPHAIL. Although we are in the process of procuring two mini-computers, we currently lease computer time and data systems from the Bureau of Reclamation. An independent analysis by the Federal Computer Performance Evaluation and Simulation Center indicated the most economical approach to meet our ADP requirements is to acquire five mini-computers, four remote job entry terminals and miscellaneous supporting equipment installed at various WAPA locations to become totally operational.

WAPA CONSTRUCTION

Mr. BEVILL. Summarize briefly the status of your major construction activities in relation to the cost schedule and milestones data submitted last year.

Mr. McPHAIL. I would be happy to provide such a summary for the record.

[Summary follows:]

Central Valley Project: A final payment of \$9.0 million will be made in FY 1980 to Pacific Gas and Electric Company under terms of contract for furnishing transmission service for New Melones Powerplant for a 50-year period. Payments were to be made over a three-year period with an initial payment of \$2.5 million being made in FY 1978. The FY 1979 payment of \$4.2 million was made in January 1979 and the final payment is presently scheduled for January 1980. In addition, activities on this project will be continuing for corrective work and engineering studies.

Pick-Sloan Missouri Davis Basin-Transmission Division: Presently WAPA is engaged in preconstruction activities on the Miles City-New Underwood 230 kilovolt transmission line and Terminal Facilities. The preliminary route selection for this facility has been completed and an aerial survey contract is in progress to gather design data along the selected route.

Engineering designs and specifications for the WAPA portion are expected to be completed early in FY 1980 with contract award planned by the second quarter of FY 1980. The complete project is expected to be in service by early FY 1982.

The Draft Environmental Impact Statement was issued on August 31, 1978. Public Hearings were held November 14, 1978, in Miles City, Montana; November 15, 1978, in Hettinger, North Dakota; and November 16, 1978, in Bisom, South Dakota. The comment period has ended and public reaction to the proposed 328-mile, 230 kilovolt transmission line has been good. The Final Environmental Statement is scheduled for submittal to the Environmental Protection Agency in April 1979.

Actual acquisition of right-of-way for the transmission line is scheduled to begin after the final EIS is issued and structures have been sited along the selected route. We expect that purchases of rights-of-way will commence in June 1979 and be complete by February 1980.

Colorado River Storage Project Transmission Division: Construction is presently underway on the Hayden Substation and microwave additions. During fiscal year 1979, construction will be completed for the most part on Hayden Ault transmission facilities, Glen Canyon standby transformer and the Hayden heavy equipment storage building. During fiscal year 1980 work will be underway on Archer and Ault substations. The program also provides for Federal participation in construction of Hayden Mill Tap 230/345 kilovolt transmission system. Engineering and preconstruction activities will continue on future transmission lines and interconnecting facilities.

Mr. BEVILL. Describe briefly the Washoe, California-Nevada Project and why it is needed.

Mr. McPHAIL. The Stampede Powerplant, presently planned at about 3,000 kilowatts, will be located about 15 miles northeast of Truckee, California. Power generated from this plant will be marketed in the Washoe Project service area which includes the Truckee, Lake Tahoe area of California; and the Reno, Carson City, Fallon area of western Nevada. During fiscal years 1979 and 1980, study activities will be underway to survey preference customer load requirements and collect preliminary design data for a 115 kilovolt transmission line for delivery of power to preference customers. Stampede Powerplant is scheduled for construction in 1980 by the Bureau of Reclamation with a target completion date of 1981.

Mr. BEVILL. Why is no funding requested in 1980 for the Pacific Northwest-Pacific Southwest Intertie?

Mr. McPHAIL. No new funds were included in our 1980 budget for this project because of rescoping of preconstruction activities underway in 1979 as a result of recent load surveys. These surveys indicated renewed customer interest to support summer-winter diversity exchanges beginning in the late 1980's. This has resulted in a stretch-out of planning activities. We anticipate that adequate fiscal year 1979 carryover funds will be available to cover staff expenses in 1980 for continued planning, environmental study activities, and rights-of-way acquisition.

INTERTIE CAPABILITY

Mr. BEVILL. Would new electrical interconnections with Bonneville Power Administration or Southwestern Power Administration allow exchanges of power which would conserve oil? Do you have funds in FY 1980 for this type of effort?

Mr. MCPHAIL. Yes; additional intertie capability with both the Bonneville Power Administration and the Southwest Power Administration would increase operating flexibility between these major hydro systems to permit use of renewal resources to replace oil-fired generation. WAPA's capability to effect oil conservation is presently limited to the Pick-Sloan Missouri Basin program and Colorado River Storage project.

Adequate funds are included in WAPA's FY 1980 budget to continue engineering studies of potential direct interties to BPA and SWPA.

WAPA BUDGET DETAIL

Mr. BEVILL. Please provide for the record the usual detail for regular operation and maintenance and purchase power and wheeling.

Mr. MCPHAIL. The tabulations entitled "Effect of Net Billings on Appropriation Requirements for Purchase Power and Wheeling" will be provided to explain increases in the PP and W program. Our additional support document titled "Explanation of Changes in Appropriation Requirements" for regular Operation and Maintenance will also be provided.

[Details follow:]

WESTERN AREA POWER ADMINISTRATION
OPERATING EXPENSES
PURCHASE POWER AND WHEELING
EFFECT OF NET BILLINGS ON APPROPRIATION REQUIREMENTS FOR PURCHASE POWER AND WHEELING
(in Thousands of Dollars)

	Fiscal Year 1979			Fiscal Year 1980		
	Gross Billing Purchase Power & Wheeling	Credit due to Net Billing	Appropriation Required	Gross Billing Purchase Power & Wheeling	Credit due to Net Billing	Appropriation Required
Sacramento Area						
Pacific Gas and Electric	\$ 8,790	\$ -2,927	\$ 5,863	\$ 6,944	\$ -6,161	\$ 783
Centralia Thermal Project	49,749	--	49,749	48,444	--	48,444
Subtotal - Mid- Pacific Region.	58,539	-2,927	55,612	55,388	-6,161	49,227
Billings Area						
Basin Electric Power Coop- erative	900	-900	--	900	-900	--
Black Hills Power and Light Co. . .	256	36	220	580	82	498
Central Iowa Power Cooperative . . .	44	-44	--	99	-99	--
Corn Belt Power Cooperative . . .	58	-58	--	132	-132	--
Dairyland Power Cooperative . . .	380	150	230	861	251	610

WESTERN AREA POWER ADMINISTRATION
OPERATING EXPENSES - CONTINUED
PURCHASE POWER AND WHEELING
EFFECT OF NET BILLINGS ON APPROPRIATION REQUIREMENTS FOR PURCHASE POWER AND WHEELING
(In Thousands of Dollars)

State, Project, and Utility	Fiscal Year 1979			Fiscal Year 1980		
	Gross Billing Purchase Power & Wheeling	Credit due to Net Billing	Appropriation Required	Gross Billing Purchase Power & Wheeling	Credit due to Net Billing	Appropriation Required
<u>Billings Area</u>						
(Continued)						
East River						
Electric Power						
Coop., Inc. . .	176	-176	--	398	-398	--
Interstate Power						
Company . . .	534	-340	194	1208	-556	652
Iowa Electric						
Light and						
Power Co. . . .	388	-208	180	877	-394	483
Iowa Power and						
Light Co. . . .	95	- 95	--	217	-217	--
Iowa Public						
Service Co. . .	73	- 73	--	167	-135	32
L & O Power						
Cooperative . .	15	-15	--	33	-33	--
Minnesota						
Power and						
Light Co. . . .	22	-6	16	50	-11	39
Minnesota						
Valley Coop-						
erative	7	-7	--	17	-17	--
Minnesota Power						
Coop., Inc. . .	205	-205	--	464	-464	--

WESTERN AREA POWER ADMINISTRATION
OPERATING EXPENSES - CONTINUED
PURCHASE POWER AND WHEELING
EFFECT OF NET BILLINGS ON APPROPRIATION REQUIREMENTS FOR PURCHASE POWER AND WHEELING
(In Thousands of Dollars)

	Fiscal Year 1979		Fiscal Year 1980			
State, Project, and Utility Billing Area	Gross Billing Purchase Power & Wheeling	Credit due to Net Billing Area	Appropriation Required	Gross Billing Purchase Power & Wheeling	Credit due to Net Billing	Appropriation Required
(Continued)						
Montana Dakota Utilities Co. .	322	-322	--	731	-731	--
Montana Power Company	1,110	-179	931	2,513	-289	2,224
Nebraska Public Power Dis- trict	840	-840	--	1,901	-1901	--
Northern States Power Co. . . .	1,511	-1,094	417	3,421	-1,757	1,664
Northwest Iowa Power Coop- erative	220	-220	--	498	-498	--
Northwestern Public Service Company	147	-75	72	50	-50	--
Pacific Power and Light Company	796	--	796	796	--	796

WESTERN AREA POWER ADMINISTRATION
OPERATING EXPENSES - CONTINUED
PURCHASE POWER AND WHEELING
EFFECT OF NET BILLINGS ON APPROPRIATION REQUIREMENTS FOR PURCHASE POWER AND WHEELING
(in Thousands of Dollars)

	Fiscal Year 1979			Fiscal Year 1980		
	Gross Billing Purchase Power & Wheeling	Credit due to Net Billing Area	Appropriation Required	Gross Billing Purchase Power & Wheeling	Credit due to Net Billing	Appropriation Required
State, Project, and Utility Billings Area (Continued)						
Southwestern Power Admin- istration . .	1,000	--	1,000	1,000	--	1,000
United Power Association .	431	373	58	977	611	366
Total, Billings Area	9,991	-5,877	4,114	19,213	-10,588	8,625
Denver Area						
Nebraska Pub- lic Power District. . .	9	-9	--	9	-9	--
Pacific Power and Light Company . . .	42	-42	--	42	-42	--
Public Service Co. of CO . .	156	--	156	156	--	156
Tri-State G&T Assn., Inc. .	21	-21	--	621	-21	600
Washakie Rural Electric Assn.	1	--	1	1	--	1

WESTERN AREA POWER ADMINISTRATION
OPERATING EXPENSES - CONTINUED
PURCHASE POWER AND WHEELING
EFFECT OF NET BILLINGS ON APPROPRIATION REQUIREMENTS FOR PURCHASE POWER AND WHEELING
(In Thousands of Dollars)

	Fiscal Year 1979			Fiscal Year 1980		
	Gross Billing Purchase Power & Wheeling	Credit due to Net Billing Area	Appropriation Required	Gross Billing Purchase Power & Wheeling	Credit due to Net Billing	Appropriation Required
State, Project, and Utility						
Denver Area						
(Continued)						
Wheatland Rural Electric Assn.	1	--	1	1	--	1
Total - Denver Area	230	-72	158	830	-72	758
GRAND TOTAL - ALL AREAS	68,760	-8,876	59,884	75,431	-16,821	58,610

DEPARTMENT OF ENERGY

WESTERN AREA POWER ADMINISTRATION

OPERATION AND MAINTENANCEEXPLANATION OF CHANGES IN APPROPRIATION REQUIREMENTS

<u>Categories</u>	<u>FY 79 budget request</u>	<u>Change</u>	<u>FY 80 budget request</u>
<u>OPERATING EXPENSES</u>			
Operation and Maintenance	\$25,853,000	\$+1,087,000	\$26,940,000
Wage board salaries	(7,967,000)	(+370,000)	(8,337,000)
Classified salaries	(6,831,000)	(+390,000)	(7,721,000)
Materials and supplies	(2,210,000)	(+170,000)	(2,380,000)
Other	(8,845,000)	(+157,000) ^{1/}	(9,002,000)
New facilities in FY 80 program	-	+244,000 ^{2/}	244,000
Extraordinary maintenance	1,500,000	-380,000 ^{3/}	1,120,000
Replacement and additions	<u>7,200,000</u>	<u>+9,386,000</u>	<u>16,586,000</u>
Total, (Budget Authority)	\$34,553,000	\$10,337,000	\$44,890,000

Explanation of change:

The net change of \$10,337,000 includes \$760,000 for wage board and classified salary expenses due to the October 1977 civilian pay act; \$170,000 for supplies and materials; \$157,000 for increased costs of rents, communications, utilities, travel, and administrative expenses; \$244,000 for operating expenses of new facilities in FY 80; partially offset by decrease of \$380,000 for completion of extraordinary maintenance contracts for transmission line pole inspection, treatment and replacements in Pick-Sloan Missouri Basin Program during FY 1979.

The replacement and addition program in FY 1980 provides increases of \$4,510,000 for transmission line rehabilitation work; \$540,000 for substation relocation, rehabilitation and improvements; \$1,500,000 for maintenance facilities primarily for Sacramento and Denver areas; \$670,000 for mobile equipment and helicopters (2 replacements and one purchase); \$2,240,000 for communication and control equipment; and \$100,000 for engineering studies for a Colorado-Wyoming Operation and Maintenance complex for the Denver Area.

These increases are partially offset by minor reductions in tools and work equipment (\$144,000) and substation equipment (\$30,000).

- 1/ Reflects increased costs for performing overall WAPA-wide administrative functions including such items as utilities, rents, and costs for planning.
- 2/ Provides for initial operating expenses in FY 80 for the Fort Thompson Substation State (06A), Ellsworth and Brookings Substation additions, 161-kV breaker additions at Spencer Substation, Energy Control System for Watertown Power System Operations Office, and Poncha Substation of the Fryingpan-Arkansas Project.
- 3/ Decrease principally associated with completion of pole inspection, treatment, and replacements on Williston-Garrison, Jamestown-Groton-Devils Lake, Garrison-Wm. J. Neal, Bismarck-DeVaul, Edgeley-Forman and Garrison-Mallard-Rugby transmission lines (P-SMBP).

COST OF PURCHASE POWER AND WHEELING, WAPA

Mr. BEVILL. Explain briefly the need for an increase in total obligations for purchase power and wheeling.

Mr. McPHAIL. The fiscal year 1980 total obligations estimated for purchase power and wheeling is \$75,431,000 which reflects an increase of \$6,671,000 from fiscal year 1979. This is primarily for increase net billing credits with utility companies and other entities from sale of power and from rents for wheeling non-Federal power on WAPA transmission lines. Additionally, this increase will allow WAPA to participate to a greater extent in the oil conservation program within our marketing area.

REPLACEMENT COMPUTER, WAPA

Mr. BEVILL. Why do you need \$500,000 to initiate acquisition of a replacement computer for the Colorado River Activities? What is the total cost of the replacement system and why is it needed?

Mr. McPHAIL. In our fiscal year 1980 Budget, we have requested \$500,000 to initiate acquisition of a Supervisory Control and Data Acquisition System which is needed to replace an outdated GE412 computer plus outmoded supervisory control equipment of various manufacturers. This replacement is required due to age of equipment, increasing maintenance expenses and limited availability of replacement parts. This is not an administrative computer; it is an on-line controller for the power system operation which is needed to improve the reliability of our power system. Total cost of this system is \$6.5 million.

COLORADO RIVER BASIN CONSTRUCTION

Mr. BEVILL. Why do you need an increase of \$2,866,000 for Colorado River Basin construction activities?

Mr. McPHAIL. The fiscal year 1980 construction program for the Upper Colorado River Storage Project activities is \$5,152,000; a \$2,866,000 increase over fiscal year 1979.

The program will provide \$1,778,000 for construction of Archer Substation which is a transformer addition required for additional transmission capacity and \$459,000 for Ault Substation. System studies indicate a need to interconnect the Missouri Basin Power Project into the interconnected transmission system. Cooperative planning has resulted in a decision to utilize and expand the existing Ault Substation. This action negates the necessity of constructing a new substation and results in less expense and environmental disturbance. Major enhancement of system reliability will be achieved.

Also \$1,200,000 is included for completion of Hayden Substation and the microwave system backup channels. Insulation of the Headquarters building located at Montrose, Colorado, is scheduled as well as several substation buildings, requiring \$450,000. Minor additions to substantially complete facilities will continue and include: radio system, \$30,000; supervisory control and telemetering, \$18,000; permanent operating equipment, \$250,000; metering, \$11,000; and additions to automatic generation control system to accommodate transmission ties to the CRSP control area, \$270,000. System and planning studies for proposed future years' transmission facilities will be continued.

EMERGENCY FUND

Mr. BEVILL. Why do you need \$200,000 for the emergency fund in FY 1980?

Mr. McPHAIL. Based on recent surveys of transmission system repair costs, we feel a budget request of \$200,000 is a minimum requirement for purposes of restoration of service in the event of unusual or emergency conditions and would cover only minor emergency repair expenses. This is based on current replacement costs of structures and large equipment. Emergencies that may be covered within the current budget amount of \$200,000 would include losses for one—or possibly two—230 kilovolt single-circuit steel towers, or one mile of 115-kilovolt wood-pole line, or a 230 kilovolt oil circuit breaker.

RESEARCH AND DEVELOPMENT

Mr. BEVILL. Explain your needs for research and development funding and what would be accomplished if such funds were provided.

Mr. McPHAIL. In the past the Bureau of Reclamation carried on a program of applied or mission-oriented research tailored to meet the particular needs of the 16,000 mile transmission system in support of the engineering design and operations and maintenance functions of the organization. This provided a valuable means for the development and testing of components, and control schemes directly related to the performance of the interconnected power system. This program provided a vehicle for remaining abreast of, and contributing to the research and development activities of the power industry and to power technology in general. At the present time WAPA has taken the position in negotiating with the Bureau of Reclamation that the transfer of this activity and the associated personnel are required by the DOE Organization Act.

WAPA AUDITS

Mr. BEVILL. How are the WAPA accounts audited and verified and what are the relative merits and costs of audits by a public versus Federal activity?

Mr. McPHAIL. In addition to regular audits by the General Accounting Office and Departmental audit staffs, current regulations require a comprehensive audit of power systems at least every two years to the extent of expressing an opinion as to the financial condition of a project.

Due to the frequency and scope of such audits, it is doubtful that Federal auditors could meet these requirements. Therefore, WAPA will utilize accounting firms to augment Federal audit staffs, as necessary, to satisfy these requirements.

We estimate that the total annual cost for these audits will range between \$750,000–\$1,000,000.

WAPA CONSTRUCTION

Mr. BEVILL. Provide for the record a summary listing of your construction projects together with the statutory authorization for the projects.

Mr. McPHAIL. Yes, sir.

[List follows:]

Appropriation Title: Western Area Power Administration - Construction, Rehabilitation,
Operation and Maintenance

CENTRAL VALLEY PROJECT, CALIFORNIA

FISCAL YEAR: 1980

Work Proposed

Program

Trinity River Division. Installation of capacitors will be continued for corrective work at customer delivery points.

\$ 1,023,000

New Malones Project Facilities. For completion of contract payments for power furnishing transmission power service. This power wheeling contract is in lieu of Government constructed power transmission facilities.

9,604,000

Project General. For continuing preconstruction engineering study activities on future transmission lines.

35,000

TOTAL

\$10,662,000

Authorization

Finding of Feasibility, December 2, 1935;
Public Law 75-392, August 26, 1937;
Public Law 89-161, September 2, 1965;
and Public Law 95-91, August 4, 1977

Appropriation Title: Western Area Power Administration - Construction, Rehabilitation, Operation
and Maintenance

WASHOE PROJECT, CALIFORNIA

FISCAL YEAR: 1980

Program

Work Proposed

Stampede Powerplant-Transmission Service. For continued preconstruction engineering activities on the Stampede Transmission Facilities.

\$25,000

TOTAL

\$25,000

Authorization

Public Law 84-858, August 1, 1956,
amended August 21, 1958, Public Law 85-706;
and Public Law 95-91, August 4, 1977

Appropriation Title: Western Area Power Administration - Construction, Rehabilitation, and
Operation and Maintenance

PARKER-DAVIS PROJECT, ARIZONA-CALIFORNIA-NEVADA

FISCAL YEAR 1980

Work Proposed

Additions and Modifications to Functionally Completed Transmission Facilities

Provides for collection of design data and issuance of specifications for mobile capacitor banks.

\$ 45,000

Future Electrical Facilities - Provides for engineering studies to identify need for future facility additions and modifications. These studies will be conducted in areas which have reliability problems, facilities that need to be rebuilt due to age and condition of equipment, and facilities that need to be replaced.

\$510,000

TOTAL

\$555,000

Authorization

Parker Act of August 30, 1935; Davis Sec. April 26, 1941; Parker-Davis Act of May 28, 1954; and Public Law 95-91, August 4, 1977

Appropriation Title: Western Area Power Administration - Construction, Rehabilitation, and
Operation and Maintenance

PACIFIC SOUTHWEST-PACIFIC NORTHWEST INTERTIE PROJECT, ARIZONA-CALIFORNIA-NEVADA

FISCAL YEAR 1980

PROGRAM

WORK PROPOSED

No new funds were requested in the fiscal year 1980 budget for this project because of rescoping of preconstruction activities underway in 1979 as a result of a recent load survey. Fiscal year 1979 carryover funds will be available to cover expenses in 1980 for continued study activities.

\$ -0-

Authorization

Public Law 88-552, August 31, 1964; and
Public Law 95-91, August 4, 1977

Appropriation Title: Western Area Power Administration - Construction, Rehabilitation, and
Operation and Maintenance

PICK-SLOAN MISSOURI BASIN PROGRAM, TRANSMISSION DIVISION, MONTANA-WYOMING-NORTH AND SOUTH DAKOTA-IOGA

FISCAL YEAR 1980

<u>Work Proposed</u>	<u>Program</u>
Miles City-New Underwood 230-kV Transmission Line and Terminal Facilities Provides for the construction of a 328-mile, 230-kV transmission line from Miles City, Montana, to New Underwood, South Dakota, with substation terminal facilities. This facility will provide improved transmission system performance, reliability, and voltage support for the Eastern Montana and Western Dakotas. The transmission line will also provide needed capacity to serve future load growths.	\$14,600,000
<u>Under Construction</u>	
Watertown Operations Office Provides for continuing contract payments for supervisory control equipment for the Watertown Operations Office.	1,351,000
Additions and Modifications to Functionally Completed Transmission Facilities Provides for completion of contract payments for foundation stabilization and installation of electrical equipment at Fort Thompson Substation.	100,000
Future Electrical Facilities Investigations for additional transmission facilities including Power System Engineering Studies will be continued.	300,000
Other Project Costs Provides for various minor work on completed transmission facilities.	49,000
<u>Authorization</u>	<u>Total</u>
Flood Control Acts of 1944 and 1946; and Public Law 95-91, August 4, 1977	<u>1/</u> \$16,400,000

1/ Includes \$8,300,000 of non-Federal advances.

LITIGATION, WAPA

Mr. BEVILL. Summarize briefly the significant items of litigation affecting your Administration and the possible impacts if adverse decisions were reached in these cases.

Mr. McPHAIL. A summary of major WAPA litigation will be provided for the record.

[Details follow:]

1. *City of Santa Clara, California v. James R. Schlesinger, Secretary of Energy, et al.*; *Pacific Gas & Electric v. City of Santa Clara, California, et al.* Dispute as to reduction in allocated power from Central Valley Project and the "handling" arrangement of the Government with PG&E. U.S. District Court upheld the Secretary as to both the allocation decision and the PG&E "banking" arrangement. The Ninth Circuit Court of Appeals affirmed the Secretary's allocation decision, but reversed as to the "banking" and remanded to District Court arrangement. U.S. Supreme Court denied certiorari. The District Court is charged with determining the legality of the banking arrangement between the U.S. and PG&E. The District Court has set a pretrial conference for May 25, 1979, and trial for June 11, 1979. In the worst possible situation, the United States could lose the energy Bank Account No. 1 which is worth about \$300 million and be liable to PG&E for an additional \$80 million and have to enter new arrangements with PG&E for transmission and firming.

2. *United States of America v. State of California, State Water Resources Control Board, et al.* (New Melones Case). United States sought a declaratory judgment to appropriate water for New Melones dam and powerplant from the Stanislaus River and to prevent the State from conditioning its water permit. U.S. was upheld by District Court and Ninth Circuit Court of Appeals; but U.S. Supreme Court reversed, holding that the State could condition its water permits in a way not inconsistent with congressional mandates. Case remanded to District Court. Oral arguments heard on November 27, 1978, Western contends that the authorizing legislation clearly indicates congressional intent to fill the reservoir to an optimal operating level. The court presently has before it the State's motion for summary judgment on grounds of res judicata and estoppel. Briefings on the State's motion are now in progress. If the State prevails, the United States will have to purchase energy to meet its contractual commitments. For the most part, energy available in the northern California area is oil-fired and would cost about \$14 million more a year than New Melones hydroelectric power.

3. *United States of America v. Sacramento Municipal Utility District.* United States seeks a declaratory judgment in dispute over SMUD's liability for any portion for future rate increases. Pretrial conference is set for February 26, 1979; the trial has been set for May 8, 1979. If the District prevails, the rates to other customers will have to be raised to offset the lower rate to SMUD.

4. *United States v. 30.27 Acres of Land, Fred A. McCabe, et al.*—*Fred McCabe, et al. v. Kleppe, et al.* In condemnation action, defendant sought injunctive relief to prevent construction of Hayden-Ault transmission line. Denied motion appealed to Tenth Circuit U.S. Court of Appeals which vacated dismissal of the motion for injunction and remanded case back to District Court for trial on February 1, 1978. Presently, defendant must answer the third amended complaint. The line is now in place and if it had to be moved, the cost would exceed \$2 million.

5. *Donald J. Heiden, father and guardian ad litem of Ronald Heiden v. United States of America.* Federal Tort Claim suit for injuries suffered when plaintiff, a minor, touched a fallen transmission line of the Shoshone River Power Company. Suit alleges that Bureau of Reclamation failed to properly operate and maintain the North Cody Substation where the electrical current could be shut off. Plaintiff filed in U.S. District Court October 13, 1977; U.S. answered December 13, 1977. U.S. filed interrogatories January 4, 1979. Depositions of plaintiff are set for March 26-27, 1979. Plaintiffs seek \$2.5 million in damages.

6. *Ruth Hahn, Special Administrator of the Estate of Barbara Ruth Hahn v. United States of America and James Kostboth.* Suit for wrongful death of private plane passenger when plane struck a WAPA 230-kV transmission line. Complaint filed October 16, 1978. U.S. has filed an answer. Plaintiffs are seeking \$0.5 million in damages.

7. *Frank Alloway, Garry Alloway, his father, and Charles L. Southern v. United States of America.* Suit pursuant to Federal Tort Claims Act for electrical burns

sustained when an electrical arc resulted from residential CB antenna being moved near Greeley-Rosedale 115-kV line. Department of the Interior denied 3 tort claims on August 15, 1977. Plaintiffs filed in U.S. District Court on September 7, 1977; U.S. answered November 3, 1977; Plaintiff sent Requests for Production and Interrogatories which U.S. answered January 4, 1978. Depositions of plaintiffs were taken in January 1979. Plaintiffs seek damages of \$160,000.

Mr. BEVILL. The Chair recognizes Mr. Myers.

BUDGET FORMATS

Mr. MYERS. Secretary McIsaac, once again, I am critical of the budget format that the various Power Administrations are using. They are inconsistent. I don't know why you can't have the same format so we in the committee can look through them quickly and see how your request for the various operations, what your revenues are, from all sources, and how those revenues are going to be spent. That would make it so simple.

As an example, I looked at the request for Southwestern Power Administration. On the first page you show the requests for operations and then offsetting receipts of \$52,032,000. On the next page your expected gross revenue is \$66,648,000.

I try to find out what the revenues are going to be and how you are going to spend the money. I have to go through each statement, each one of them, to dig out what you are asking for and what the revenues are going to be.

Wouldn't it be very simple, on the first or second page, to put these figures in?

Mr. McISAAC. Yes, sir. I agree with you. I had thought that they were uniform and consistent formats. I will see to it that the next time we come up here we have a format that is uniform.

Mr. MYERS. It would help the committee. We want to see the revenue from all sources, and how that revenue is going to be spent during the fiscal year.

RECOVERY OF CONSTRUCTION COSTS IN RATES

Now, Mr. Munro, in your prepared statement, you speak about changing the repayment plan. You say that charges will include the recovery of construction costs in utility rates prior to service being available. How many utilities in the country can do this?

It was my understanding that the FERC would not permit this to happen, that the service had to be on line before the utility could start recovering any costs in the utility rates.

Yet it seems that it is perhaps common practice in the power administrations.

Mr. MUNRO. It was the practice, Congressman Myers, and it has been a controversial issue, of course. The Federal Energy Regulatory Commission has taken the position, in review of investor-owned utility practices, that the consumer should be paying for what the consumer is receiving and should not pay prior to that time.

In reviewing our initial rate proposal which was consistent with previous approaches on this subject, we received a lot of comment from our utility customers and others with regard to that very point, that not only were we proposing to have consumers pay for those

costs associated with the net-billed thermal plants, but also with regard to Federal construction prior to the time these facilities were actually producing power and therefore generating revenue.

We are in the course of revising that proposal, as I mentioned. We have not completed the review of all the comments we have received in our public hearings and other public forum processes, but that is one of the issues that we are addressing. Our initial decision is to revise it to the extent possible so that consumers will be paying in their rates for what they are receiving and not in advance of those facilities being available for generations.

Mr. MYERS. I am not trying to suggest what is the proper practice, but I think there should be equal treatment. Right now the investor-owned utilities must go out on the open market and borrow money for construction, but they cannot start recovering their costs until it is on line and providing service.

I think everyone ought to be treated equally. There should not be different rules.

Mr. MUNRO. There is, of course, some inconsistency, as I am sure you are aware, on the part of State regulatory bodies on the construction work in progress issue. It is not totally clear in my mind at least what the policy of the FERC may be on that point. There is a case pending that may shed further light on the subject, but from the standpoint of assessing our own responsibilities and what is asked of us, that is what we are doing.

Mr. MYERS. I assume that if it is a State law, everyone is treated equally by the States?

Mr. McISAAC. In specific States, but if you are saying in the United States, that is not the case at the present time.

Mr. MYERS. Again, I think that there should be equal treatment.

RATE CHANGE PROVISIONS IN CONTRACTS

Along this same line, you say several contracts are coming up for renewal. Again, I hope that the contracts will be written in such a manner that you will be able to adjust rates, if necessary. We must not get ourselves caught in the position where you go 17 years without a change in the rates.

Mr. McISAAC. Yes, sir. By and large we are putting into our contracts the capability for the Federal Government to make increases annually if necessary.

Mr. MYERS. If it is necessary. I hope it will not be.

Mr. McISAAC. I hope so, too.

IMPACT OF ALASKA LANDS ACT ON HYDRO PROJECTS

Mr. MYERS. Mr. Cross, Congress has debated for the last two or three years, a so-called Alaska Lands Act or some title like that.

How will passage of this legislation affect your future plans for providing service for Alaska?

Mr. Cross. Mr. Myers, it appears that there will be no effect on projects under active consideration now. The larger effect is in terms of long-term resources that might be needed in the future. We have some estimates that about 90 percent of the underdeveloped hydroelectric resources would be affected by the bill.

Mr. MYERS. Ninety percent of the undeveloped potential future will be affected by this bill? It will not be available for us in the future?

Mr. CROSS. I assume the Congress can change it in individual cases if they choose to.

Mr. MYERS. If the bill should pass and become law, then it would affect 90 percent of the anticipated sites for future development?

Mr. CROSS. Ninety percent of the possible sites, yes.

Mr. MYERS. That is pretty significant for the growth of Alaska and its power in the future. It means we would have to go to nuclear, oil, coal or—

Mr. McISAAC. Mr. Myers, one of the things that struck me when I came into this job was the fact that we have substantially more generation capacity today in our Snettisham hydroelectric generation facility in Alaska than we have market to sell that capacity. And there are other sites which would enable us to develop even further hydroelectric generating power without having to concern ourselves about the sites that are locked up in the Lands Act.

Mr. MYERS. You alarm me. Twenty years ago we had more oil than we needed in this country, too. Look where we are today because we said, we have enough, we don't have to worry about the future.

Mr. McISAAC. The situation is quite simply one of Alaska having many undeveloped sites for hydroelectric generation which could serve its people.

INVESTMENT REPAYMENT

Mr. MYERS. Secretary McIsaac, Table 2 with your statement shows the cumulative repayable investment through 1978 to be \$11.314 billion for the five power marketing administrations. The amount repaid through 1978 is \$1.876 billion or about 17 percent of the amount due. How fast is repayment taking place and when do you expect to recover all capital costs? Why is WAPA repaying faster than others?

Mr. McISAAC. Capital investment is repaid on a separate schedule for each of the rate and repayment systems. Bonneville operates as one total system. The Western Area Power Administration has nine separate rate systems, each with its own repayment plan. All capital will be recovered within 50 years of the beginning of service, or the service life, whichever is shorter. Repayment is on schedule for most repayment systems, but will not be without the rate increases being instituted this year. Repayment is now behind for the Southwestern Power Administration generally, for the Central Valley Project and the Rio Grande project of the Western Area Power Administration. With rate increases now scheduled, all three should payout within the required period.

A simple comparison of cumulative investment and amounts repaid is deceiving. WAPA is not paying out "faster" than the others. It has the same obligation to repay capital within 50 years and its rates are set to accomplish that. Bonneville, for example, has experienced very large capital investments in the past few years with the construction of Libby Dam in Montana, the Third Power House at Grand Coulee Dam, and other additions to exploit the new Canadian storage. In 1976 Congress postponed the beginning of repayment obligation on the Snettisham project of the Alaska Power Administration until 1986.

ROLE OF FERC AND ERA IN RATE CASES

Mr. MYERS. Please explain to the Committee what part the FERC and the Economic Regulatory Administration play in rate cases. How long do these rate change applications take to complete? Do you provide intervenor funding for the public hearings?

Mr. McISAAC. Under Delegation Order 0204-33, by the Secretary of Energy, effective January 1, 1979, the rates which I establish on an interim basis are submitted to FERC for confirmation and approval on a final basis. From October 1, 1979 to December 31, 1978, the Economic Regulatory Administration was delegated the responsibility to confirm and approve rates. It now advises me on rate policy.

FERC is now reviewing its first rate case under the new delegation. Previously, when power marketing was in the Department of the Interior, the Federal Power Commission took from 3 months to a year to complete its review.

We do not provide intervenor funding.

ALLOCATION OF POWER TO CUSTOMERS

Mr. MYERS. How do the Power Marketing Administrations decide on which customer to sell power to?

Mr. McISAAC. When power becomes available for the first time from a new project, the typical practice has been to define a marketing area within which the power can be delivered economically and to invite applications from preference customers within that area. If the applications for power exceed the available supply, each applicant which is ready and able to take the power at the time it is available is usually allocated a proportionate share. As additional power becomes available, the existing customers are either given additional resources to meet their needs, or new customers which request service are served, or both.

UNIFORM PRICING POLICY

Mr. MYERS. You mention on page 4 of your statement that the Power Marketing Administrations market power at uniform rates and do not charge zone rates which would increase as the distance from Federal dams increases. How does this pricing policy compare with the pricing policy from hydroelectric dams not contained in a power marketing administration?

Mr. McISAAC. All Power from Federal hydroelectric dams outside the Tennessee Valley service area is marketed by one of the five power marketing administrations.

All non-Federal hydroelectric dams are operated by utilities holding licenses from the Federal Energy Regulatory Commission. Most such utilities, whether investor- or consumer-owned, use uniform rates through their service areas. However, if special facilities must be constructed to serve a particular customer, most utilities impose a special facilities charge.

Mr. MYERS. Do you have authority to increase the price of power in order to discourage consumption?

Mr. McISAAC. No, sir. We are required by law to charge no more than is necessary to recover the cost of producing the power. Moreover, we want to encourage the use of hydroelectric power, which is a

renewable resource. We want to price it low enough so that utilities which now burn oil will see hydro power as an attractive substitute.

Mr. MYERS. Do you charge the same rate to an aluminum processing plant and a wholesaling utility?

Mr. McISAAC. Yes. However, the average price of power to any wholesale customer varies, depending on the load factor and special facilities provided. In the Pacific Northwest, the aluminum companies receive interruptible service, thus contributing to regional reserves. They are given a credit in their power bills for this service. We have one contract, with the Arkansas Power and Light Company to serve the Reynolds Metals Company, which was signed in 1952, which contains contract provisions which tie the price of the power to a percentage of the 1952 rate. With the new rate increase by the Southwestern Power Administration, Reynolds would have received power at half the system price. We have notified Reynolds and Arkansas Power and Light that the new systemwide rate will apply, effective January 1, 1979.

OIL DISPLACEMENT PROGRAM

Mr. MEYERS. You mentioned in your statement on page 11 that an initiative of the Power Marketing Administrations is an oil displacement program using surplus on non-firm electric energy when it becomes available. What is the status of this program and what is your budget request?

Mr. McISAAC. Both the Western Area Power Administration and the Bonneville Power Administration have programs to sell surplus energy which result in significant oil savings. WAPA's program is in Missouri Basin. This year WAPA expects to save the equivalent of 7 million barrels of oil and anticipates revenues of \$41 million. WAPA has requested \$6 million for this program for FY 1980.

The Bonneville Power Administration markets its surplus energy in California, primarily during the summer months. In fiscal year 1978, Bonneville sold 6.2 billion kilowatt hours of surplus energy at its systemwide rates, received revenues of \$33.6 million and saved in excess of 10 million barrels of oil. The 1979 program will depend upon the availability of water. No surplus energy was available in 1977.

POWER DISTRIBUTION IN LOUISIANA

Mrs. BOGGS. Concerns have been expressed to me about the amount of hydropower presently available to the Southwestern Power Administration from the multi-purpose projects in the Southwest and the amount of power now being utilized by Louisiana.

I understand the only SPA power presently being utilized in Louisiana is approximately ten percent of the amount of capacity sold to the Texas-Louisiana area and it consists of approximately 117 megawatts from the main transmission grid and 25 megawatts from the Narrows project.

Can additional power be made available to the various Louisiana electric power cooperatives and municipal electric companies?

Mr. HAMMETT. We too are concerned with the small amount of Federal power we have been able to market in Louisiana. All of the power presently available to SWPA for marketing has been obligated. SWPA will have available 267,000 kilowatts of capacity for

allocation upon completion of the Harry S. Truman project in 1980, the Clarence Cannon project in 1981 and the termination of the contract with the Arkansas Power and Light Company and the Reynolds Metals Company on December 31, 1983.

As you may be aware, SWPA has no transmission facilities in Louisiana. One of the reasons more Federal power has not been made available in Louisiana is that transmission delivery arrangements could not be worked out. I have met with municipal leaders in Louisiana and they advise me that this problem is being worked out.

On the assumption that transmission service can be arranged, our preliminary plans for allocations include assigning to preference customers in Louisiana approximately 52 percent of the power to become available. This represents an increase of 140,000 kilowatts over the 44,000 kilowatts presently being marketed in Louisiana.

SWPA has requests for power allocations totaling over 2,250,000 kilowatts—this amount exceeds the total installed capacity of our system. Therefore, it is especially important that the allocation of the power becoming available be done on a fair and equitable basis.

We expect to publish proposed allocation within the next 90 days and will invite public participation in the allocation process.

Mrs. Boggs. I further understand that the Cajun Electric Power Cooperative has contacted the Southwestern Power Administration on two previous occasions, in March, 1976 and in February, 1978, to request additional power. I am told that the only response Cajun has received is an acknowledgement of their inquiries. Is this the case? If it is not, could you please bring us up-to-date on the Cajun request?

Mr. HAMMETT. There has been no change in our power availability since our 1978 letter, but we will be in contact with the Cajun Electric Cooperative to convey plans for public participation in the allocation process.

BUDGET REQUEST FORMAT

Mr. McISAAC. I might point out, Mr. Myers, that while you were asking Mr. Munro the questions, that with regard to our submission of information and reflecting the independence that we provide for our power marketing administrators, we do have a series of charts which are uniform.

Mr. BEVILL. Mr. Burgener?

Mr. BURGNER. Thank you, Mr. Chairman.

NEW MELONES PROJECT

Mr. McPhail, in your presentation you mentioned construction of transmission lines for the New Melones project in California. There are issues, as we all know, about whether or not the dam will be filled and to what level.

Now a week ago, there was a story about archaeological sites that might be inundated. I understand that you are about to test the turbines. If we can't fill the dam, why should we build transmission lines? Could you give me a status report?

Mr. McPHAIL. We signed a contract with the Pacific Gas and Electric Company about two years ago for them to build the transmission on a contract arrangement with us. The estimate that they gave us indicated that they could build the line cheaper than we could build the line.

Mr. BURGNER. So you contracted with them?

Mr. McPHAIL. So we contracted with them.

The contract requires three annual payments. We made one payment in 1978 of about \$2½ million; one payment in 1979 of about \$4½ million, and our 1980 budget calls for the final payment of about \$9 million for the construction.

Mr. BURGNER. So whether or not you use them, you are obliged to pay?

Mr. McPHAIL. Yes, sir.

Mr. BURGNER. What about the testing of the turbines?

Mr. McPHAIL. That is scheduled for this fall, but there are still a number of problems that are unresolved.

Mr. BURGNER. To test them I assume you would have to fill the dam to a higher level than somebody in the State wants you to?

Mr. McPHAIL. Yes, sir.

Mr. BURGNER. Who has the authority, then, finally? Are we going to end up in court or are we already there?

Mr. McPHAIL. We are in court right now on that point.

Mr. BURGNER. We are there now?

Mr. McPHAIL. Yes, sir.

Mr. BURGNER. Were you aware of this archaeological problem?

Mr. McPHAIL. I have heard that there are some concerns about the archaeological problem, that the Corps of Engineers, I believe, is intending to do an ecological survey of the site before they do the clearing of the reservoir in the upper levels. These are all problems which are the responsibility of the Corps of Engineers.

Mr. BURGNER. Assuming the worst case, from a power point of view, and we are unable to fill the reservoir, what would be the effect on your customers?

Mr. McPHAIL. The total impact on our customers amounts to about \$13½ million per year of increased costs related to power that would not be generated there. If it is not generated there, we would have to go purchase that amount of power to meet our contracts.

Mr. BURGNER. And these are all contracts?

Mr. McPHAIL. Yes, sir.

Mr. BURGNER. So the consumers would get it in the neck for \$13½ million per year?

Mr. McPHAIL. That cost will have to be included in their power rate.

Mr. BURGNER. The Corps built it. Didn't they study archaeological issues?

Mr. McPHAIL. I am not aware of any. No, sir.

Mr. BURGNER. But you are certainly aware, of the increased cost to the consumers in California?

Mr. McPHAIL. Yes.

Mr. BURGNER. Do you recall how much the dam cost? It was several hundred million dollars.

Mr. McPHAIL. Yes, sir.

Mr. BURGNER. Thank you very much.

INCREASED BPA RATES FOR CALIFORNIA

Mr. MUNRO. I read a disturbing account in some newspaper that there was going to be a 400 percent increase to California customers from Bonneville.

In your testimony today you mentioned a horrendous 90 percent. Which is accurate?

Mr. MUNRO. Probably both, Congressman.

Mr. BURGNER. Both?

Mr. MUNRO. What you are driving at, I think, is the impact of our proposed share-the-savings rate which does embody a value of service concept in it.

That concept was proposed in our initial rate proposal which was published in August 1978 and has been in the process of review by Bonneville and subject to public comment and review. It was applicable to sales from the Bonneville system to the Southwest which used the purchased power for oil displacement. We have sold at approximately $3\frac{1}{2}$ mills per kilowatt hour, and we have purchased in exchange at 25 to 30 mills per kilowatt hour.

Some people think that is not a sound business practice, to sell at $3\frac{1}{2}$ and buy at 25 or 30. We have proposed sharing the savings between the consumers of the region. That concept would permit a negotiated rate within limits. The lower limit of the negotiated rate for these sales in the Southwest would be our non-firm power rate, and the upper limit would be about half of what the alternative costs would be to utilities in the Southwest if they were not able to purchase this power.

So the average would be somewhere in the neighborhood of a ceiling of 15 mills down to a floor of 6 mills for those sales. It would be negotiated within those limits.

On the basis of sales which were made to California last year for example, BPA and Northwest utilities displaced about 27 million barrels of oil. California utilities did not have to burn this oil because they were able to purchase from the Bonneville Power Administration.

What is being proposed is that the value of the difference in costs will be shared between the Northwest and the Southwest. We have received a lot of negative comment on that from California. We have not completed our review of it and we must give serious considerations to the negative comments that we have received.

We are considering in the course of reviewing this a rate for thermal displacement which would apply the same in the Northwest as in the Southwest and see if in principle that would be a fair and equitable solution to the argument.

Mr. BURGNER. So at this point we are not sure exactly what the increase will be?

Mr. MUNRO. That is right.

Mr. BURGNER. But we are pretty sure there will be an increase?

Mr. MUNRO. Yes. I would only hasten to add, Congressman Bургner, that in either case, the consumers in California certainly do benefit greatly by the sales from the Northwest when water conditions permit us to make such sales.

In 1977, of course, with the drought we were unable to make any sales outside the region.

Mr. BURGNER. I can't blame you if we refuse to build more power plants in California, can I?

Mr. MUNRO. No, please don't blame me.

Mr. McISAAC. Mr. Bургner, even assuming a 400 percent rate increase, the upper limit that the administrator would talk about,

that power, if it were sent to California, and if the California consumer were to pay for it, would cost that consumer substantially less than any other alternative source of power.

Mr. BURGNER. Even lower than nuclear?

Mr. McISAAC. Yes, sir.

Mr. MUNRO. The savings to California three years ago amounted to, I think, \$360 million. At that level of savings, and if what has been proposed were in effect, that would make it a \$180 million impact for the consumers in the Northwest.

BPA RAINFALL

Mr. BURGNER. How has the rainfall been, pretty heavy?

Mr. MUNRO. We are watching it very carefully. Our February 1 measurements which related particularly to snowpack which is one of our major measures for the total Columbia River system. We were very, very concerned because it was very low and gave indications of our being something in the neighborhood of 72 percent of normal on runoff into the Columbia.

Our March 1 measurements, however, showed that February had a very high, almost unprecedented precipitation and we are now up to maybe 85 percent of normal, but we are also seeing March as dry again and the weather has been too good. So we are still nervous about exactly where we will come out, but it looks as if we will be able to make some substantial sales to California.

Mr. BURGNER. We will hope so. Thank you.

INCREASE CAPACITY ON EXISTING LINES

I understand you have done preliminary studies to find if it is feasible to increase capacity on the existing DC power line. You have \$190,000 in your fiscal year 1980 budget request to study this further. It would add what, 360 megawatts?

Mr. MUNRO. Yes, sir. I think the figure is 360 megawatts.

Mr. BURGNER. Are there other projects being studied to add power? Can they be speeded up in any way? Is there any way to do that?

Mr. MUNRO. Well, we have been conducting studies in the Northwest and also our colleagues in the Southwest have been undertaking studies as to the impact of seasonal diversity, for example, that would be of benefit to both regions.

Those studies are not complete yet. However, they look promising and two additional interties are under consideration in addition to increasing the capacity of the existing line that you mentioned. One would be a DC line to Phoenix and the other would be an additional AC line to California. We are pursuing that quite vigorously with our colleagues in California and in the rest of the Southwest.

BPA RAINFALL

Mr. BURGNER. The rainfall or snowpack, a wet year does not guarantee a big snowpack necessarily, does it?

Mr. MUNRO. No. The snowpack is really very important to us.

Mr. BURGNER. The bottom line is snowpack because the rain doesn't help?

Mr. MUNRO. The rain, which occurs mostly west of the Cascade Mountain range, is of no use because there is not a single generating station between Portland and the ocean. We have a lot of rain in Portland and I sometimes say I wish Portland were relocated so that it would be at the head waters of the Columbia River system and we could get the generating benefits of it.

Mr. BURGNER. The season ends when, April or May?

Mr. MUNRO. We ran from July 1 on our operating season, yes, July 1 to June 30.

Mr. BURGNER. But in terms of snowpack, that will be over pretty soon, I take it.

Mr. MUNRO. We often get very high precipitation in March. We are disappointed in what we see so far. Of course, we will not have a real final answer on this until the April 1 report.

Mr. BURGNER. Thank you.

ADMINISTRATION INDEPENDENCE

Mr. Secretary, it is my understanding that in the past each of these marketing administrations had its own Office of Procurement and assumed responsibility for its own buying, et cetera.

Now I understand that three of the five administrations, South-eastern, Southwestern, and Alaska, must process their procurement requests through the Department of Energy in Washington. If that is correct, is that consistent with the congressional directive?

Mr. McISAAC. I don't believe that they must process all their procurement requests. The Director of Procurement has not delegated Head of Procurement authority to these three administrators.

Mr. HAMMETT. We have some difficulty right now and a misunderstanding with the procurement area of the Department. We have set a meeting for tomorrow morning, all five administrators are meeting with the Director of Procurement. The Assistant Secretary has set this meeting up for us. Two of my staff met with the procurement people in the Department this week. They indicated that even our sales and energy purchase contracts, would have to be approved by somebody in their area.

We suggested that they really didn't have anybody in the area that knew a lot about power marketing contracts, and they agreed and said they would think about hiring some.

We think it is just a misunderstanding of our operations and we think we will be able to work it out with the Director of Procurement.

Mr. BURGNER. Mr. Munro, you touched on it a few moments ago, it sounded like life was a little simpler when you were under Interior. Is that a fair statement?

Mr. McISAAC. I suspect it might have been somewhat simpler with regard to some of the relationships with the various staff activities.

Let me say this: Whenever you establish a new series of organizational relationships as we have here, with responsibilities for both functional and line activities, you can expect a certain amount of administrative friction.

I don't think it is the intention of the Procurement Director that he would approve each and every power purchase contract, nor do I think it is the intention of the Procurement Director that he process the paperwork from our Power Marketing Administrations with all the various items of equipment and services that are bought by each of these administrators each year.

So, therefore, each of the administrators does have and should have a procurement function which reports to him.

Now I think it is the intention of the Procurement Director and the Secretary that the Procurement Director would establish policy guidelines for all procurement activities, and also he would exercise some degree of oversight with regard to extraordinarily large and perhaps nonrepetitive procurement requests.

For example, if we were to establish a contract for construction of a \$20 million powerline from here, the Procurement Director would probably look at the final results of that contract after it has been negotiated and say, yes, it meets departmental policy guidelines and legal requirements.

I think in ironing out these sorts of things that is what we have here, but I don't see this as any particular problem for either our administrators or our Procurement Director.

Mr. BURGNER. I can understand some confusion.

Mr. Munro, do you think this is part of the natural growing pains of being under a new agency or do you think it is the wrong agency?

Mr. MUNRO. I think it is growing pains, Congressman. There is no question about it, not everyone in the Department of Energy knows everything about the Power Marketing Administrations and the Power Marketing Administrations certainly don't know about everything else in the Department of Energy.

Therefore, there are bound to be differences in perceptions and view, different interpretations perhaps of what the statutes require, and what the Congress has directed and what the legislative history shows leading up to the enactment of the legislation.

All of these have to be ironed out. We are in the process of doing that and we have been largely successful in reaching understandings on this. But it is not done without some friction and even some dispute and discord.

TRANSFERS FROM DEPARTMENT OF INTERIOR

Mr. BURGNER. A final question. Last year there was a dispute between the Department of Energy and the Department of Interior relating to transfer of personnel and property from the Bureau of Reclamation to Western Area Power. I understand the Bureau still retains control over a number of substations and transmission lines.

In your view, is there property controlled by the Bureau that should be transferred to Mr. McPhail?

Mr. McISAAC. I will have Mr. McPhail speak.

Mr. McPHAIL. Yes, sir, we believe there are facilities, functions, and people that were working on power marketing and transmission functions that did not transfer to the Department of Energy.

I have sent a letter to the Commissioner of Reclamation pointing out where we believe these deficiencies exist and have asked to have a meeting and negotiate the differences and try to resolve this issue.

Mr. BURGNER. So in your opinion it is less efficient than it might be until this is accomplished?

Mr. McPHAIL. In my opinion, that is right.

Mr. McISAAC. I don't think the question is so much one of efficiency, Congressman Burgener, as it is a matter of what makes appropriate sense.

For example, there are not vast mileages in terms of the transmission lines that have been retained by the Department of Interior. These are short, specific lines, but in terms of the functions which we are required to perform under the law for transmission of Federally-generated hydroelectric power, it doesn't make sense for some of these activities to remain in the Department of Interior because we think that we can service those particular transmission lines from our common base better than the Department of Interior can service them.

Also, they retain certain items of equipment that we think we could utilize. It is a matter of referencing all of this and cleaning it up, in effect.

AUBURN DAM

Mr. BURGNER. Mr. McPhail, I did not mention Auburn Dam. If that is not built, what effect will it have on your customers, or is it too early to tell?

Mr. McPHAIL. Part of the reason for the large increase in power rates in the Central Valley Project is because Auburn has been delayed. Contract commitments were made several years ago for the output of Auburn. Because the production has slipped from Auburn, we have to purchase more power to meet these contract commitments.

Mr. BURGNER. Not to diminish or put aside environmental or safety considerations, it still is a fact that California consumers are paying many, many millions of dollars in added power costs because we don't have these facilities. That is a fact of life, is it not?

Mr. McPHAIL. Yes, sir.

Mr. BURGNER. Thank you very much.

Mr. McISAAC. I would like to add to that observation, Mr. Burgener, because it is not just necessarily the California consumer who is at interest here. It is the entire populous of the United States to the extent that we continue our dependency for sources of power generation on foreign crude oil.

Mr. BURGNER. That is a good point. I appreciate your making that.

Mr. BEVILL. California is going to be in a unique position on energy. Governor Brown doesn't believe in nuclear power. They can't burn coal, and they won't build dams.

Well, you gentlemen have made a fine presentation. Obviously, you are making progress. I am impressed with the dedication each of you have exhibited. I think you have accomplished a great deal since you were here a year ago.

If there are no further questions, the committee will stand adjourned until 10:00 tomorrow morning.

WEDNESDAY MARCH 21, 1979.

FEDERAL ENERGY REGULATORY COMMISSION

WITNESSES

CHARLES B. CURTIS, CHAIRMAN

DON S. SMITH, COMMISSIONER

WILLIAM G. McDONALD, EXECUTIVE DIRECTOR

Mr. BEVILL. The committee will come to order.

Mr. CURTIS. My apologies, Mr. Chairman, members of the Committee. I find the logistics of our regulatory process are somewhat akin to the logistics of getting up here to testify before the committee.

Mr. BEVILL. Sometimes that is a challenge in itself, just to get here.

Mr. CURTIS. Yes.

Mr. BEVILL. Go right ahead.

GENERAL STATEMENT

Mr. CURTIS. I have submitted a prepared statement for the Committee and would not burden the Committee with a reading of its full content. I do have a summary statement and if it pleases the Committee I will merely ask that my formal remarks be entered in the record of the proceeding.

Mr. BEVILL. Yes, and we will include your justification material as well.

[The information follows:]

(3069)

STATEMENT OF
CHARLES B. CURTIS
CHAIRMAN
FEDERAL ENERGY REGULATORY COMMISSION
BEFORE THE
SUBCOMMITTEE ON
ENERGY AND WATER DEVELOPMENT
OF THE
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES

March 21, 1979

Mr. Chairman, and Members of the Subcommittee:

My name is Charles B. Curtis, and I am here this morning in my capacity as Chairman of the Federal Energy Regulatory Commission to provide you with my views on the Commission's Fiscal Year 1980 request for appropriations totaling \$73.9 million to support 1,800 positions.

When I appeared before this Subcommittee a year ago to testify on the Fiscal Year 1979 budget request of the FERC, the Commission was in its first six months of existence. Four of the five Commissioners had been with the FERC or its predecessor agency, the Federal Power Commission, less than eight months. And the budget submitted to the Congress had been prepared partly under the old FPC, and partly under the new FERC. The result was a budget presentation that was not as complete and detailed as we would have preferred.

This year, I am confident that the additional twelve months' experience this Commission has, along with the improved data provided by our overall Management Information System, has resulted in a much more comprehensive budget submission which fully and accurately describes our programs and our needs for the fiscal year beginning on October 1, 1979.

I believe that the Commission must accomplish three equally important tasks during Fiscal Year 1980. We must take further steps to reduce the time now needed to complete the processing of cases. We must continue to develop, implement, and enforce regulations to accomplish the intent of Congress in passing the National Energy Act -- particularly the Natural Gas Policy Act and the other sections for which the FERC is primarily responsible. And we must make broad, constructive changes in the basic methods we use to fulfill our regulatory mandates, to make our regulations as clear and concise as possible, and to assure that only information actually necessary for our regulatory purposes is required from regulated individuals and companies.

I trust that the Members of the Subcommittee share my belief that these should be the top priorities of the FERC. I believe that the budget we have requested for Fiscal Year 1980 will enable us to realize major progress in each of these most important areas.

A year ago, I told you that if the Commission received the increases in funding and personnel we were then requesting for Fiscal Year 1979, we would be able to make major improvements both in reducing our historic backlog of cases in process, and in the fundamental regulatory methodology we follow in resolving cases.

Congress responded positively to our requests, appropriating more personnel to accomplish our job, and greater levels of resources to support the actions of the Commission's staff.

During Fiscal 1978 and the first half of Fiscal 1979, I am convinced that we have established a track record of substantial, and demonstrable progress in assuring that the energy regulation for which we are responsible will be as effective as possible in meeting the needs of the public.

In the first eighteen months of this Commission's existence, we have made many constructive changes.

Among the most far-reaching of these changes was the implementation of a comprehensive management information system designed to provide constantly updated status reports on each of the Commission's areas of regulatory responsibility.

These reports have given us basic information on actual and ideal times required to accomplish specific tasks, the capability to analyze trends in our case workload, and -- perhaps most importantly -- the ability to pinpoint problem areas and plan solutions accordingly.

During our first year, we were able to develop management tools which were and are far more effective than those utilized by our predecessor agency, the Federal Power Commission.

Tools of any kind are, of course, useless until they are put to work, and during this fiscal year, we are seeing the first positive indications that the innovative management strategies we have implemented are working well for us and for the public interest.

One of the features of our new management information system is the monthly publication of a current status report on approximately 100 of the Commission's most critical cases -- those which affect future energy supply or have significant energy regulatory policy implications. During the past year, the time required to process these critical cases from filing through final Commission decision was reduced by an average of about 40 percent.

This accomplishment was made possible in large part by the institution of a concept under which a specific project manager is completely responsible for a critical case during all phases of its processing. This individual must assure that each step in the regulatory process is completed expeditiously, and that any delays are resolved as quickly as possible.

Also during the past fiscal year, the Commission established a new Office of Enforcement, with direct responsibility for assuring compliance with all Commission rules and regulations. This new effort has enhanced the Commission's ability to actively protect the interests of the public.

The FERC and the FPC before it have traditionally labored under standard procedures that required decisions on even routine matters to be made by the Commission itself or by the Secretary of the Commission. During the past year, we delegated decision-making authority for nearly 5,000 individual routine actions from the Commission to the Secretary, or from the Secretary to program office director levels. This action has allowed the Commission to more properly focus its attention on matters of a significance which require deliberation before the full collegial body.

Gas producer rate issues constitute by far the greatest single category of filings with the Commission. During 1978, we proposed elimination of the requirement for quarterly filings for previously authorized rate adjustments, replacing this paperwork burden on Commission staff and on producers with a single requirement to include data on such price adjustments in regular annual reports.

We are continuing a comprehensive reassessment begun in 1978 of virtually all the data now required by the Commission from regulated industries. Our goal in undertaking this project was to eliminate the collection of any information which is not demonstrably essential for the Commission's regulatory purposes.

The initial result of this effort is a proposal to eliminate completely eight forms which now must be filed with the Commission by jurisdictional electric power, natural gas, and oil pipeline companies. Five additional forms would be discontinued by the FERC under this proposal, but these include data which may be required by the Energy Information Administration or the Economic Regulatory Administration.

Our initial estimates indicate that the elimination of these forms could result in a reduction of nearly 100 manyears of effort by respondent companies which must now file information with us that would not longer be required.

This major effort is continuing, and our ongoing data validation efforts are expected to reduce further the reporting burden on industry.

The overall effect of the actions we have taken since our last presentation to this Subcommittee has been to make our regulatory processes work better, and to improve our effectiveness both for the public and for those individuals and companies we must regulate.

However, many entirely new responsibilities were imposed upon the Commission last year as a result of the passage of the National Energy Act.

The FERC must accomplish most of the Congressional mandates included in the Natural Gas Policy Act, and many of the requirements included in the Public Utility Regulatory

Policies Act. As you know, from the testimony of Deputy Secretary O'Leary a week ago, the Commission has requested a supplemental appropriation for Fiscal Year 1979 to enable us to fully discharge our added and immediate responsibilities under the National Energy Act, while accomplishing our continuing objectives of improving our basic regulatory procedures and further cutting our existing inventory of cases in process.

President Carter is committed to a policy of restraining the growth of Federal employment. I agree with this principle, and I believe the Commission's proposed Fiscal 1980 budget is consistent with this objective.

The resources requested by the Federal Energy Regulatory Commission for Fiscal Year provide for no new personnel, remaining at the 1,800 level we will have if the Fiscal Year 1979 supplemental is approved as proposed.

I am confident that we can accomplish the fundamental goals we have established for the Commission with this level of staffing, and with the additional contractual resources we have requested.

The contracts we plan to utilize during Fiscal 1980 will, for the most part, be directly related to our new responsibilities under the National Energy Act. Those contracts that are not a direct result of that legislation are devoted to improvements in our basic mechanism for processing regulatory issues, and to generic policy-oriented

studies which can greatly improve the quality and effectiveness of the Commission's ultimate decisions.

In each instance where contractual funding is requested in the budget you are considering, the requirements of the Commission for services have been carefully analyzed and a conclusion has been reached that securing independent contractual assistance is necessary either to meet statutory time constraints, or to provide technical expertise not currently available within the Commission staff. In every case, appropriations requested for contractual efforts represent the optimum use of public funds to provide the services needed to accomplish our regulatory objectives.

The total funding of \$73.9 million which we have requested for Fiscal Year 1980 is a 16 percent increase over the totals for 1979, assuming approval of our supplemental request for this year.

In addition, the regulatory activities of the Commission will earn for the U.S. Treasury an estimated \$17.7 million in Fiscal Year 1980, as a result of filing fees, headwater benefit determinations, and assessments required by law to recover the costs of administering Part I of the Federal Power Act.

Even beyond this concrete public benefit from the Commission's regulatory processes, ultimate energy consumers will benefit from refunds ordered by the Commission whenever

rates which have initially gone into effect are ultimately determined to be partly or wholly unjustified. In 1978 alone, the Commission ordered more than \$1 billion in such refunds, and refunds have been increasing dramatically each year.

The greatest increase in our regulatory responsibilities during the past year, and consequently the greatest increase in funding requested for Fiscal Year 1980, is in the natural gas regulation area.

Of the total increased budget request of \$7.6 million for gas regulation, \$6.5 million is required for "built-in" increases, such as annualization of salaries and expense, and ongoing contractual efforts. An additional \$1.3 million would be devoted to conducting the management and fiscal audit of the planned Alaska Gas Pipeline project companies, and a further \$1.2 million would be earmarked for studies under the Natural Gas Policy Act, including assessments of curtailment policy effectiveness, incremental pricing policies, coordination between the NGPA and the Natural Gas Act of 1938, and future natural gas requirements and shortages. Reductions in Fiscal 1980 budget requirements for this area will total \$1.4 million, resulting from completion of projects funded during the current fiscal year.

In the hydroelectric power regulation area, requested budget increases of \$1.6 million are required for annualized costs of personnel salaries and expense, and for continuing

contractual support related to hydro regulation responsibilities. While \$1.8 million would be required for this, it would be offset by reductions of more than \$200,000 resulting from completion of projects budgeted in Fiscal 1979.

In the multi-resource regulation area, which includes electric rate regulation and the Commission's various rulemaking and jurisdictional responsibilities, budget increases requested for 1980 are \$2.1 million for annualization of salaries, expenses, and necessary contractual support, offset by reductions of \$1.1 million resulting from completion of current projects, for a net increase of \$1.1 million.

For the final major Commission budget category, oil regulation, \$165,000 less is requested for 1980 than for 1979, since project completions more than offset the increased amounts needed for increased program expenses.

Funding totaling \$750,000 has been included in the overall FERC budget request to compensate qualified intervenors for the costs of their participation in major Commission proceedings, pursuant to the terms of Section 212 of the Public Utility Regulatory Policies Act.

I believe that the Commission faces six important priorities during the time between now and the end of Fiscal Year 1980.

First, we must devote our greatest efforts to assuring the successful implementation of the many aspects of the National Energy Act for which we have responsibility. As

you know, the specific requirements imposed on the Commission by various sections of the Act have statutory deadlines ranging from now through the next several years. Our appropriations request for Fiscal 1980 and our supplemental request for this year will be equally instrumental in allowing us to attain this goal.

Second, we must continue procedural and organizational improvements to reduce to an absolute minimum the amount of time required to complete each regulatory action we undertake. Through refinement of our case tracking system, use of the data thus obtained to target resources where they are most needed, development of new rulemaking techniques to decide broad generic issues with finality, delegations of authority where appropriate and in the public interest, complete revision of our complex and outdated rules of practice and procedure, and other constructive efforts, I feel we can be well on our way toward this goal by the time this Subcommittee meets to consider the Commission's Fiscal Year 1981 budget.

Third, we must continue to assure that pending projects most critical to the Nation's future energy supply are expedited. The success we have had to date in this effort is encouraging, and we expect to apply the procedures which have speeded processing of critical projects to a broader range of pending cases during the next fiscal year.

Fourth, we must reduce paperwork burdens on regulated industries, and on the Commission's own staff. This is not

merely a mandate to all Federal agencies from the President; it simply makes good sense for all concerned. Again, I feel we have made marked improvements in this area since the FERC came into existence, and I believe that the coming year will see many more constructive actions to accomplish this end.

Fifth, we must create public confidence in the basic regulatory mechanisms and principles of the Commission, demonstrating that regulation can work effectively to promote the public interest, as it should. The enhanced resource levels for our Office of Enforcement, and the establishment of the new Office of Public Participation will, during the next eighteen months, demonstrate the Commission's commitment to fair and strict enforcement of our regulations, and to assuring the maximum possible public involvement in our decision-making process. Expediting action of pending rate cases will assure both regulated companies and energy consumers of timely final decisions, and can avoid the problems of companies having to hold amounts subject to refund in escrow, and consumers having to wait for refunds if and when rates are finally set at levels lower than originally requested.

Finally, but certainly not least importantly, we must improve the morale and the professionalism of the Commission's own staff, to make those who conduct our regulatory processes justifiably proud to be engaged in public service. We have

made progress in this area, but much more remains to be done in terms of accelerated recruitment, increased chances for internal advancement, and increased opportunities for employee educational and professional development.

The responsibilities of the Commission are broad, and they affect the lives of every American citizen, directly and indirectly.

The resources we are requesting to fulfill these responsibilities are relatively small -- much less than one percent of the total Department of Energy budget request, and an infinitesimally small one seven-thousandth of the total Federal budget for Fiscal Year 1980.

With the resources we are requesting, I am confident that the Commission can effectively accomplish the basic objective I am sure the members of this Subcommittee share with me and my fellow Commissioners -- to make our regulatory activities as responsive as possible to the needs of the American people, at minimal cost to the taxpayers.

Mr. Chairman, this concludes my prepared testimony. I will be happy to answer any questions you or the other members of the Subcommittee may have at this time.

INTRODUCTIONFEDERAL ENERGY REGULATORY COMMISSIONCOMMISSION OVERVIEW

The Federal Energy Regulatory Commission (FERC) is charged with regulating certain aspects of the electric power, natural gas, and oil industries. With the exception of those areas that are strictly intrastate in nature, virtually all facets of electric, gas, and oil production, transmission, and sale are affected by Commission regulation through direct or indirect jurisdiction. The Commission's major objective is to insure that the Nation's consumers have adequate energy supplies at just and reasonable rates while insuring that energy producers have adequate rates of return which will provide sufficient incentives for increased production.

Both the Federal Energy Regulatory Commission and the overall Department of Energy, came into existence on October 1, 1977, under the terms of the Department of Energy Organization Act (P.L. 95-91) passed by the Congress and signed by the President on August 4, 1977. The FERC exercises most of the functions of the former Federal Power Commission (which ceased to exist on September 30, 1977). In addition, the Interstate Commerce Commission's jurisdiction over oil pipeline valuation and ratemaking was transferred to the Commission by the terms of the Department of Energy Organization Act. Other new responsibilities include review of all proposals by the Secretary of Energy involving major energy actions, review of all Departmental rulemaking proposals to determine if they affect areas of Commission jurisdiction, review of appeals from remedial orders issued by the Department to enforce oil pricing and allocation regulations, and review of Departmental denials of adjustments in regulations administered by the Department. Thus, the basic regulatory responsibilities of the FERC are much broader than those formerly exercised by the FPC.

The National Energy Act (NEA) signed by President Carter on November 9, 1978, includes a number of requirements for specific Federal actions on a comprehensive range of energy issues. Many of these fundamental new requirements are specifically assigned by the Act to the FERC.

The Natural Gas Policy Act (NGPA), one of the five major sections of the overall NEA, and the one referred to repeatedly by President Carter as the most important part of the NEA, expands significantly the FERC's jurisdiction over natural gas sold and transported in the United States, including previously exempt intrastate gas. The NGPA changes radically many aspects of the existing regulation of natural gas under the Natural Gas Act of 1938, and creates many new regulatory responsibilities never before within the jurisdiction of the FERC or any other Federal agency.

The Public Utilities Regulatory Policy Act (PURPA), another part of the NEA, changes a number of existing FERC authorities under the Federal Power Act (FPA), and greatly expands the Commission's jurisdiction with regard to electric utilities, natural gas utilities, and small hydroelectric facilities. Under the terms of this part of the NEA, the FERC will be solely responsible for implementation of some PURPA provisions, the Secretary of Energy will be responsible for others, and still others will be joint responsibilities of the FERC and the Secretary.

The Powerplant and Industrial Fuel Use Act (PIFUA), the third section of the NEA which involves FERC responsibilities, requires studies of electric power plants, industrial installations, and the coal industry. These studies are largely the responsibility of the Secretary of Energy, but in a number of instances, the FERC is called upon to contribute its expertise in electric power production and consumption to assure fulfillment of the in-depth studies mandated by this section.

The most comprehensive new tasks assigned to the FERC involve the natural gas pricing provisions established by the NGPA. These provisions of the Act will be implemented over a period of several years, with initial determinations of price eligibility for various categories of "new" gas taking effect on December 1, 1978. Initial regulations will need to be reviewed and revised as necessary to meet developing needs over the next seven years.

Budget Highlights

This budget request is based on the Administration's desire for economies in Federal funding and employment levels, the urgent necessity to accomplish mandated functions as efficiently as possible, and responsiveness to the Leach Amendment to the Civil Service Reform Act of 1978.

As a result, the proposed FY 1980 budget for the Federal Energy Regulatory Commission includes no additional funding for new positions over the approved FY 1979 level for programs in existence before the passage of the NEA. The workload of the Commission will continue to increase, but development of management initiatives and revisions in basic regulatory processes are expected to result in improved efficiency and effectiveness, enabling FERC to discharge its responsibilities with the same number of employees. Funding for new positions requested in the FY 1979 supplemental budget, which is also reflected in the FY 1980 budget, will be devoted to implementation of the provisions of the National Energy Act.

FERC 1979 Supplemental Budget

The Fiscal 1979 budget request made previously by the FERC included no resource requests for implementation of the then-pending NEA. Since final Congressional action had not yet been completed at that time, it was premature to assume what new responsibilities would be levied upon the Commission, and what resources would be required to discharge those responsibilities.

To meet the new requirements imposed by the NEA, the FERC is requesting supplemental appropriations of \$10,600,000, and a total of 116 additional positions for FY 1979.

The supplemental request for Fiscal Year 1979 presented here would, if approved by the Congress, result in total FY 1979 appropriations of \$63,830,000, and 1800 positions for the FERC.

Of the \$10,600,000 requested for a supplemental appropriation, \$5,080,000 would be for contracts to support specific NEA implementation efforts. These contractual efforts, as described more fully in the separate program presentations which follow, are one-time or limited-term efforts designed to support specific requirements placed on the FERC by the NEA, and can be accomplished at least cost to the government through the use of independent contractors.

FERC FY 1980 Budget

The budget request for FY 1980 totals \$73,937,000. This represents an increase of \$10,107,000 over the total FY 1979 requested appropriation level.

In FY 1980, \$15,260,000 is requested for contracts, an increase from the \$8,550,000 included in FY 1979. Contracts totaling \$3,060,000 would be used for NEA implementation, and \$12,200,000 for other regulatory activities. This represents the optimum use of Federal funds to accomplish Commission programs. The thrust of the contracting would be primarily of a non-recurring nature where permanent additions to agency staff and equipment would not be cost-effective.

In FY 1979, FERC management has concentrated a great deal of effort in building a contractor program which has infused vital resources into the Commission, particularly in areas which were historically under funded. Consequently, contract funds were used in FY 1978 for legal reports and regulations and were dedicated to modernizing various recordkeeping and filing systems. Additional contract support has been provided to the FERC management information system. These efforts will be continued and expanded in FY 1980 as the Commission intends to radically improve its regulatory process, enhance its management systems, and modernize Commission operations. 2

The National Energy Act mandated the establishment of an Office of Public Participation within the FERC, and authorized funding for compensation of costs incurred by individuals and groups for formal intervention in Commission proceedings. The budget requests funds to establish and staff the Office of Public Participation, and to compensate intervenors.

In addition to the request for greater contract funding, higher costs for full-year funding of positions authorized for FY 1979 make up the bulk of the difference between the FY 1979 budget and the FY 1980 request.

The resources requested for FY 1980 will be utilized throughout the Commission to accomplish three major objectives: to effectively implement the provisions of the NEA for which the FERC is responsible, to reduce backlog of casework to an acceptable level, and to maintain the quality of staff and Commission review of cases and regulatory issues.

Public Benefits

In FY 1980, we estimate that \$17,700,000 will be returned to the U. S. Treasury as a result of FERC activities, including \$4,700,000 from headwater benefit determinations, collections of \$8,000,000 for administering Part I of the Federal Power Act, and \$5,000,000 from electric power, natural gas, and oil pipeline filing fees. The total estimated return to the Treasury is 24 percent of this budget request.

Utility ratepayers also receive benefits from regulatory activity far in excess of the actual cost of regulation. During the period FY 1975 through FY 1977, the FPC ordered refunds amounting to \$722,218,645 -- six times that agency's \$118,000,000 budget for those three years.

In 1978 alone, more than \$1,000,000,000 was ordered refunded by the FERC which is almost 50 percent more than the total refunds for the three preceding fiscal years. This is more than 25 times the budget for FY 1978 and more than 14 times our FY 1980 request.

Management Initiatives

To improve regulatory responsiveness, the Commission has developed a comprehensive Management Information System. Through this initiative, each of the Commission's 64 discrete categories of regulatory action has been carefully studied to define problems involved, current delays, potentials for delay, and -- most importantly -- areas for improvement and greater efficiency.

Timetables have been established and individual technical staff members have been assigned responsibility for assuring that specific cases in a given category move as quickly as possible from the time of filing through final Commission action. This has provided both the yardsticks to measure staff productivity and responsiveness to regulatory needs, and the accountability of specific persons for all aspects of specific cases. As a result, potential problem areas can be identified at a point early in the regulatory process when adjustments can be made to keep individual projects or groups of cases on schedule.

In addition to development of a management system for formally docketed cases, a similar system has been instituted to delineate all non-case related work. This system, combined with the establishment of an Agency Priorities Committee, is enabling senior management to set priorities, reduce overhead activities, and allocate greater resources to critical and backlogged areas. In addition, management is able to direct greater resources to generic studies that can lead to issued resolutions without relying on a time consuming case-by-case analysis.

During FY 1979, the Commission is also taking a number of major steps to improve efficiency and responsiveness in its regulatory processes. The time required for formal review and decisionmaking on gas producer rate increase filings -- by far the largest single category of filings required under Commission regulations -- will be dramatically reduced under the provisions of a rulemaking proposed in June, 1978. This rule eliminates the current quarterly requirement that producers file a formal application for those escalations in wellhead prices allowed under standing Commission orders and opinions. Instead, producers will list such escalations as part of their regular annual reports to the Commission. This single action will eliminate 12,000 of the currently anticipated 18,000 rate filings.

In July, 1978, the Commission proposed another rulemaking to encourage and expedite the negotiation of settlement agreements, including uncontested settlements. New procedures for this action are now being developed.

In addition, the Commission is pursuing other means of simplifying the regulatory burden on jurisdictional companies. For example, by order issued May 19, 1978, the Commission established a policy which will greatly expedite construction of jointly-owned, offshore gas pipeline facilities by allowing construction to go forward in advance of Commission approval of related gas pipeline certificate applications. Previously, construction applications were stalled pending resolution of transportation issues. It is anticipated that approximately 35 cases that were pending subject to approval of transportation applications will be expedited as a result of this single Commission decision.

The Commission has also acted to delegate authority to the Secretary of the Commission and to specific Office Directors to make decisions on issues which previously required formal deliberations and decision by the full Commission. This action has shifted decisionmaking authority for more than 11,000 annual items of consideration to the cognizant staff levels, preserving the time and effort of the Commission for major regulatory issues.

An essential element in meeting regulatory goals and assuring the proper functioning of Commission programs is the compliance and enforcement mechanism. The Office of Enforcement was established by the Commission in FY 1978. Without such an element in the regulatory framework, there would not be the necessary assurance to consumers that rates charges were just and reasonable; that service is not improperly abandoned or changed; and that energy does not flow illegally in unlicensed, uncertified facilities.

Increased Contractual Efforts in FY 1980

Major contractual funding would be devoted to the Alaska Gas Project, which will have a dramatic increase in support requirements in FY 1980. All of the \$1,600,000 requested for this project will be spent on activities specifically required by the President's Directive of September, 1977, and the Alaska Natural Gas Transportation Act.

The project is unique in that a Federal Inspector will oversee and coordinate the Federal monitoring and compliance system. Each Federal agency involved will designate an "Agency Authorized Officer" to oversee their particular involvement, as required by law, and to assist the Federal Inspector in the overall coordination of the project.

These responsibilities in the Department of Energy fall solely under the purview of the FERC. In order to accomplish the tasks required, it is necessary to utilize contractors to assist the staff in performing management audits, fiscal audits, environmental monitoring and surveillance, and engineering. These activities will contribute significantly toward completion of the Alaska Gas Project, which could potentially supply up to 5 percent of the Nation's natural gas requirements.

Approximately \$4,700,000 in contracting funds is required to replace the Commission's outdated and inefficient method of recordkeeping with integrated micrographic and computer systems for organization and storage that will provide immediate document search and retrieval. These innovations will free FERC legal and technical staffs from the "paper chase" burdens they now face, thus providing more time for, and more effective methods of dealing with Commission orders, cases, and backlogs. The new system will also enhance FERC responsiveness to public inquiries. Specifically, these funds will be used --

- by the Office of the Secretary (SEC) to complete automation of the Commission's central files, correspondence control, service list, and record management system;
- by the Office of the General Counsel (OGC) to initiate automated publications capability for FERC reports that development and computer integration will provide a full-text information storage and rapid retrieval system for FERC opinions, orders, and other significant work products.

In FY 1980, \$1,200,000 has been requested to fund generic research to establish regulatory methodology which will encourage energy production at just and reasonable cost to consumers.

Examples of specific areas of study are:

- Time of day pricing provisions;
- The Commission's role in regulating synthetic fuels, shale, geopressurized, unconventional or high cost energy sources;
- Regulatory policies to promote cogeneration of electricity;
- The impact of conservation programs on regulated companies and the impact of regulatory policies on conservation.

Of the \$1,200,000, program research would be allocated \$400,000. The following four specific areas of program research are indicative of this effort to benefit directly both Commission efficiency and the public:

- Development of regulatory policies to encourage the entry of companies into new energy fields;
- Analysis of the ICC oil pipeline policies and procedures and a comparison with alternative practices;
- Feasibility studies of utilizing the capital asset pricing model in rate of return issues in gas pipeline, oil pipeline, and electric utility cases;
- Development of rate of return guidelines for jurisdictional companies.

FY 1980 Budget Format

In preparing the FY 1980 budget, the 64 major regulatory processes of the Commission were reviewed and condensed into eleven program activities which best reflect the overall funding of the Commission. The eleven activities were further reduced to four consolidated regulatory programs reflecting the energy source categories used by the Department. The following budget presentation provides specific detailed information and justification by consolidated and individual program activities:

Hydro Regulation Program

Hydroelectric Power Regulation
Water Resources Analysis

Multi-Resource Program

Electric Power Regulation
Rulemaking and Jurisdictional
Responsibilities

Gas Regulation Program

Pipeline Certificate Regulation
Pipeline Rate Regulation
Producer Certificate Regulation
Producer Rate Regulation
Alaska Gas Project (AGP)

Oil Regulation Program

Oil Pipeline Regulation
Trans-Alaska Pipeline System (TAPS)

Another display of the interaction of the 64 major regulatory processes as they relate to the framework of the FY 1980 budget request is shown in the first chart that follows this narrative.

This budget is presented as a programmatic document that transcends organizational lines. Consequently, Commission-wide overhead/administrative activities and contracts are reflected in all programs. Costs are prorated to reflect the share of overhead which supports each specific benefiting program. For example, contracts for the legal precedent system and regulatory research are shown in those programs which are benefited.

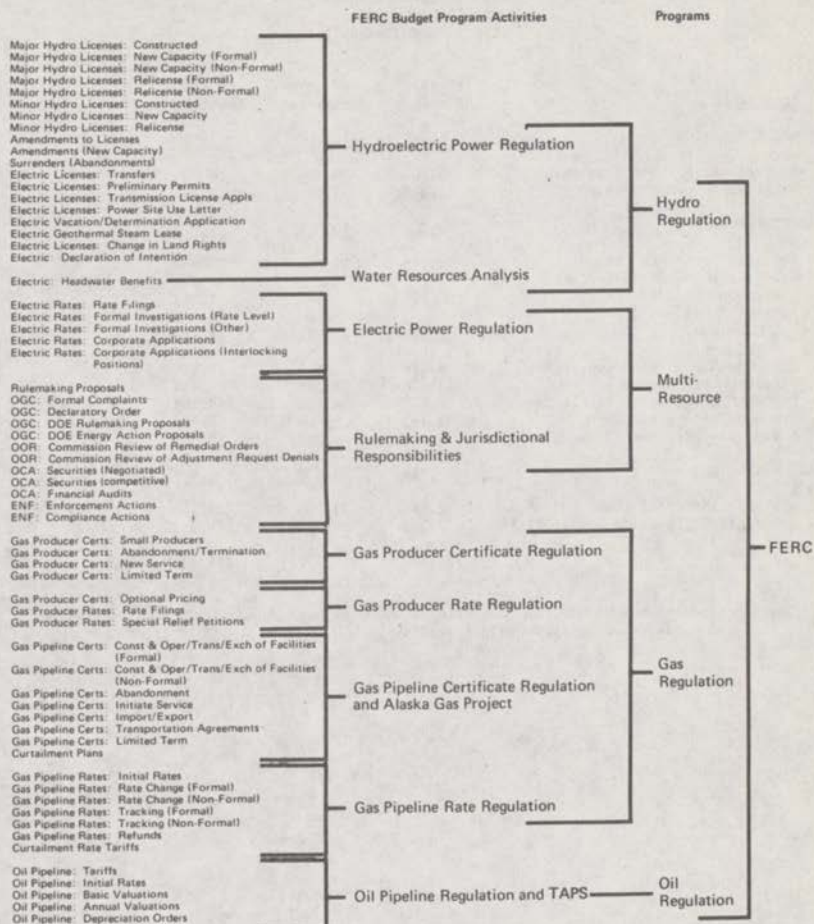
Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST
FEDERAL ENERGY REGULATORY COMMISSION

REGULATION

Proposed Appropriation Language

For necessary expenses of the Federal Energy Regulatory Commission to carry out the provisions of the Department of Energy Organization Act (Public Law 95-91), including services as authorized by 5 U.S.C. 3109, \$73,937,000, to remain available until expended.

Program Structure



DEPARTMENT OF ENERGY
FEDERAL ENERGY REGULATORY COMMISSION
FY 1980 BUDGET ESTIMATES
PROGRAM SUMMARY
(DOLLARS IN THOUSANDS)

<u>Programs</u>	FY 1978 Actual	FY 1979 Estimates	FY 1980 Estimates
HYDRO REGULATION	<u>\$ 8,326</u>	<u>\$10,900</u>	<u>\$12,520</u>
Hydroelectric Power Regulation	6,703	8,906	10,196
Water Resources Analysis	1,623	1,994	2,324
MULTI-RESOURCE	<u>9,200</u>	<u>14,011</u>	<u>15,079</u>
Electric Power Regulation	8,486	13,064	13,860
Rulemaking and Jurisdictional Responsibilities	714	947	1,219
GAS REGULATION	<u>20,756</u>	<u>33,781</u>	<u>41,365</u>
Pipeline Certificate Regulation	8,354	11,504	13,646
Pipeline Rate Regulation	5,878	9,595	11,651
Producer Certificate Regulation	2,432	4,608	5,407
Producer Rate Regulation	3,143	6,868	7,726
Alaska Gas Pipeline Project	949	1,206	2,935
OIL REGULATION	<u>3,318</u>	<u>5,138</u>	<u>4,973</u>
Oil Pipeline Regulation	2,141	2,793	3,341
Trans Alaska Pipeline System (TAPS)	1,177	2,345	1,632
TOTAL	\$41,600	\$63,830 <u>1/</u>	\$73,937

1/ Includes proposed supplemental request of \$10,600 to implement the National Energy Act (NEA) and a pay raise supplemental of \$1,930.

Department of Energy
 FY 1980 CONGRESSIONAL BUDGET REQUEST
 FEDERAL ENERGY REGULATORY COMMISSION

SUMMARY OF ESTIMATES BY APPROPRIATION
 (In thousands of dollars)

	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request	
	<u>BA</u>	<u>BO</u>	<u>BA</u>	<u>BO</u>	<u>BA</u>	<u>BO</u>
Appropriation one	\$41,600	\$38,211	\$63,830	\$59,031	\$73,937	\$69,606
Obligations	\$41,600	--	\$63,830	--	\$73,937	--
Total FERC	\$41,600	\$38,211	\$63,830	\$59,031	\$73,937	\$69,606
Obligations	\$41,600	--	\$63,830	--	\$73,937	--

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF ESTIMATES BY APPROPRIATION BY MAJOR CATEGORY
FEDERAL ENERGY REGULATORY COMMISSION
(In thousands of dollars)

	FY 1978 Actual		FY 1979 Estimated		FY 1980 Estimated	
	BA	BO	BA	BO	BA	BO
Hydro Regulation	\$ 8,326	\$ 7,544	\$10,900	\$10,207	\$12,520	\$11,779
Multi-Resource Regulation	9,200	8,310	14,011	13,127	15,079	14,304
Gas Regulation	20,756	19,293	33,781	31,559	41,365	38,931
Oil Regulation	3,318	3,064	5,138	4,138	4,973	4,592
Total, FERC	\$41,600	\$38,211	\$63,830	\$59,031	\$73,937	\$69,606

Department of Energy
 FY 1980 CONGRESSIONAL BUDGET REQUEST
 FEDERAL ENERGY REGULATORY COMMISSION
 SUMMARY OF POSITIONS AND STAFF YEARS BY APPROPRIATION

	FY 1978		FY 1979		FY 1980	
	<u>Actual</u>		<u>Estimate</u>		<u>Request</u>	
	<u>Pos.</u>	<u>SY</u>	<u>Pos.</u>	<u>SY</u>	<u>Pos.</u>	<u>SY</u>
Appropriation one:						
Headquarters	1,245	1,071	1,667	1,454	1,667	1,653
Field	<u>116</u>	<u>106</u>	<u>133</u>	<u>122</u>	<u>133</u>	<u>130</u>
Subtotal	1,361	1,177	1,800	1,576	1,800	1,783
* Total, FERC	1,361	1,177	1,800	1,576	1,800	1,783

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST
FEDERAL ENERGY REGULATORY COMMISSION
SUMMARY OF POSITIONS BY PROGRAM

<u>Program</u>	<u>FY 1978 Actual</u>	<u>FY 1979 Revised Estimate</u>	<u>FY 1980 Estimate</u>
HYDRO REGULATION	<u>293</u>	<u>320</u>	<u>320</u>
Hydroelectric Power Regulation	235	262	262
Water Resources Analysis	58	58	58
MULTI-RESOURCE REGULATION	<u>308</u>	<u>353</u>	<u>353</u>
Electric Power Regulation	283	324	324
Rulemaking and Jurisdictional Responsibilities	25	29	29
GAS REGULATION	<u>659</u>	<u>1,016</u>	<u>1,023</u>
Pipeline Certificate Regulation	265	348	348
Pipeline Rate Regulation	192	291	291
Producer Certificate Regulation	80	155	155
Producer Rate Regulation	96	173	173
Alaska Gas Pipeline Project	26	49	56
OIL REGULATION	<u>101</u>	<u>111</u>	<u>104</u>
Oil Pipeline Regulation	76	81	79
Trans Alaska Pipeline System (TAPS)	25	30	25
TOTAL	1,361	1,800 <u>1/</u>	1,800

1/ Includes supplemental to fund 116 positions for implementation of the National Energy Act.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF POSITIONS AND STAFF YEARS BY APPROPRIATION
REGULATION
FEDERAL ENERGY REGULATORY COMMISSION

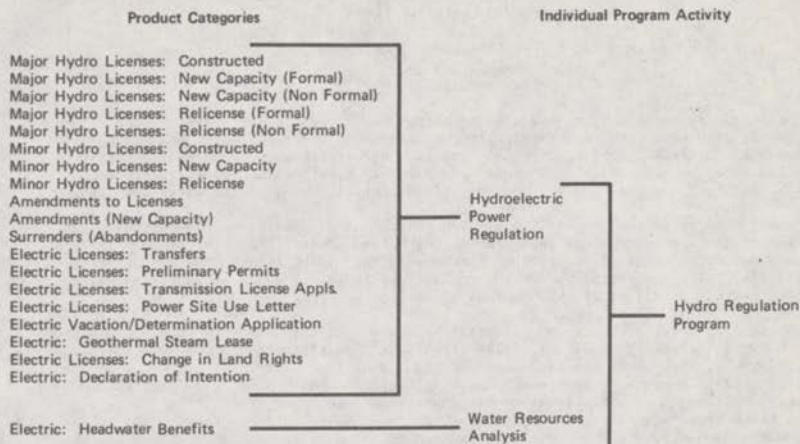
	FY 1978		FY 1979		FY 1980	
	Actual		Estimate		Request	
	Pos.	SY	Pos.	SY	Pos.	SY
Hydro Regulation						
Headquarters	209	180	218	190	218	216
Field	84	77	102	94	102	100
Subtotal	293	257	320	284	320	316
Multi-Resource Regulation						
Headquarters	276	237	322	281	322	319
Field	32	29	31	28	31	30
Subtotal	308	266	353	309	353	349
Gas Regulation						
Headquarters	659	567	1,016	886	1,023	1,015
Field	--	--	--	--	--	--
Subtotal	659	567	1,016	886	1,023	1,015
Oil Regulation						
Headquarters	101	87	111	97	104	103
Field	--	--	--	--	--	--
Subtotal	101	87	111	97	104	103
Total	1,361	1,177	1,800	1,576	1,800	1,783

DEPARTMENT OF ENERGY
FEDERAL ENERGY REGULATORY COMMISSION
FY 1980 BUDGET ESTIMATES
OBJECT CLASS SUMMARY
(DOLLARS IN THOUSANDS)

<u>Object Class</u>	<u>FY 1978</u> <u>Actual</u>	<u>FY 1979</u> <u>Estimates</u>	<u>FY 1980</u> <u>Estimates</u>
Personnel Compensation	\$26,846	\$38,130	\$41,460
Personnel Benefits	2,439	3,620	3,936
Subtotal	\$29,285	\$41,750	\$45,396
Travel	1,065	2,600	2,500
Transportation of Things	38	100	81
Rents and Communications	3,944	5,500	5,700
SLUC	2,665	3,500	3,900
Other Rents and Communications	1,279	2,000	1,800
Printing	795	1,500	1,800
Other Services	4,614	11,155	17,360
Supplies	613	450	500
Equipment	1,246	775	600
Subtotal	\$12,315	\$22,080	\$28,541
Total	\$41,600	\$63,830 <u>1/</u>	\$73,937

1/ Includes proposed supplemental request of \$10,600 to implement the National Energy Act (NEA) and a pay raise supplemental of \$1,930.

Hydro Regulation Program



Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST.

PROGRAM OVERVIEW

Federal Energy Regulatory Commission
Regulation
Hydro Regulation

Hydroelectric power is a vital and growing factor in the Nation's efforts to cope with our energy problems. The resource involved is renewable. Air and water pollution problems are minimal. Scarce and costly fossil fuels are conserved and hydroelectric projects often provide additional social and economic benefits such as recreational facilities, fish and wildlife enhancement, flood control, and improved water supplies.

Currently, hydroelectric projects, including Federal developments, supply only about 15 percent of the electric energy generated in the United States. In calendar year 1977, major non-Federal licensed projects generated more than 54 billion kilowatt-hours of electricity. This represents an equivalent savings in fossil fuels of approximately 89 million barrels of oil or 25 million tons of coal.

Yet about 65 percent of the total potential hydropower in the nation is still undeveloped. This potential capacity equals approximately 670 billion kilowatt-hours of electricity annually -- or the energy equivalent of burning 1.1 billion barrels of oil or 31 million tons of coal. In terms of both energy self-sufficiency and as protection against escalating fossil fuel costs, the development of hydroelectric power at existing dams and new sites has become very attractive. Moreover, in passing the National Energy Act, Congress included provisions for a loan program to encourage small hydro development.

The Commission's hydroelectric regulatory program has as its primary objective the assurance of the best possible use -- for both the nation and consumers -- of our hydro resources.

Established under the Federal Power Act, as amended in 1935, this program covers the licensing of projects whose location or power capabilities are dependent on lands, waterways or facilities under Federal jurisdiction; the safety of the dams at these facilities; the siting, comprehensive planning and environmental impacts involved; and related water resource research and appraisal programs designed to assess, protect and enhance the nation's natural resources, while assuring continued adequate power supplies and the availability of electric power at the lowest possible cost.

As of September 30, 1978, 632 licenses, representing some 850 hydroelectric developments, were in effect. The capacity of these projects -- both existing and under construction-- totals approximately 44.5 million kilowatts; and there are pending applications or projects under study which represent an additional 15.9 million kilowatts of power. With the new loan program included in the National Energy Act, hydro development applications are expected to increase greatly. During FY 1978, the number of filings to study potential projects doubled over the number received during FY 1977.

The number of filings received during the first three months of FY 1979 indicate that this upward trend will continue.

Clearly, the hydro regulation program is gaining increased importance in our national energy picture. This importance must be matched by adequate resources to effectively administer the program if our national hydro resources are to achieve their potential in contributing to our energy, economic and social welfare.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF CHANGES
FEDERAL ENERGY REGULATORY COMMISSION
Regulation
(In thousands of dollars)

FY 1979 budget authority	\$10,900
FY 1980 budget estimate	<u>\$12,520</u>
Net change	+ \$ 1,620

	<u>1979</u> <u>Base</u>	<u>Change</u> <u>From Base</u>
Increases:		
Built-in:		
Annualization of salaries and expenses for 27 positions and contractual support to improve the efficiency and effectiveness of the Commission's regulatory processes.....	\$10,370	+ \$1,840
Decreases:		
Program:		
Hydro regulation		
Completion of pumped storage reservoir model and Hudson River Fish Study	\$ 220	- \$ 220

Department of Energy
 FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF ESTIMATES BY APPROPRIATION BY MAJOR CATEGORY
 FEDERAL ENERGY REGULATORY COMMISSION
 (In thousands of dollars)

	FY 1978 <u>Actual</u>		FY 1979 <u>Estimated</u>		FY 1980 <u>Request</u>	
	<u>BA</u>	<u>BO</u>	<u>BA</u>	<u>BO</u>	<u>BA</u>	<u>BO</u>
Hydro regulation	\$8,326	\$7,544	\$10,900	\$10,207	\$12,520	\$11,779

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF POSITIONS AND STAFF YEARS BY APPROPRIATION
REGULATION
FEDERAL ENERGY REGULATORY COMMISSION

	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request	
	<u>Pos.</u>	<u>SY</u>	<u>Pos.</u>	<u>SY</u>	<u>Pos.</u>	<u>SY</u>
Hydro Regulation						
Headquarters	209	180	218	190	218	216
Field	<u>84</u>	<u>77</u>	<u>102</u>	<u>94</u>	<u>102</u>	<u>100</u>
Subtotal	293	257	320	284	320	316
Total	293	257	320	284	320	316

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

	FY 1979 Estimated Budget Authority	FY 1980 Requested Budget Authority
<u>Hydro regulation (FERC)</u>		
Hydroelectric power regulation		
Operating expenses	\$ 8,906	\$10,196
Water resources analysis		
Operating expenses	1,994	2,324
Total, Hydro regulation	\$10,900 ^{1/}	\$12,520

^{1/} Includes a pending supplemental request for FY 1979 pay raise of \$366,000.

Authorization: Sections 402, 403, Title IV, P.L. 95-91.
 Sections 203, 204, 205, 206, 208, 301, 302, 305, 307, 318, Federal
 Power Act.
 Sections 113, 133, 202, 203, 205, 206, 208, 209, 210, 211, 303, 601,
 Public Utilities Regulatory Policy Act, P.L. 95-617.

Hydroelectric power regulation	\$ 8,906	\$10,196
--------------------------------	----------	----------

The Federal Power Act is the basic statute governing the licensing of hydroelectric projects. However, the processing of an application for license requires compliance with many other acts, including the National Environmental Policy Act, Federal Water Pollution Control Act, Fish and Wildlife Coordination Act, National Historic Preservation Act, National Trails System Act, Water Resources Planning Act, Wilderness Act, Archeological and Historic Preservation Act of 1974, Bureau of Outdoor Recreation Organic Act, Anadromous Fish Act, National Forest Multiple Use Act, Coastal Zone Management Act, Endangered Species Act, Energy Policy and Conservation Act of 1975, Federal Land Management Policy Act, the Wild and Scenic Rivers Act, and the newly enacted National Energy Act.

The Commission is requesting an increase of \$1,290,000 for hydroelectric power programs for FY 1980. While no additional positions are being requested, we estimate an additional 35 staff years in FY 1980 as a result of the full year productivity of increased staff hiring in FY 1979.

Hydroelectric projects, including Federal developments, supply about 15 percent of the total electric energy generated in the United States. Because these projects use a renewable resource, they are an important factor in conserving the Nation's fuel resources and their development has become economically attractive, both from a capital cost standpoint and as a protection against escalating fossil fuel costs. Many public utilities,

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

states, and municipalities throughout the country have contacted the Commission regarding the development of the hydroelectric potential in their areas. Further, the U.S. Corps of Engineers, at the direction of the President, prepared a report that indicates there is a potential for further hydroelectric development, utilizing existing dams, amounting to 54.6 million kilowatts. Also, the National Energy Act specifically recognized the potential of hydro development utilizing existing dams by including a loan program to encourage development of small hydroelectric sites. As funding is appropriated to cover these incentive programs, staff estimates that as many as 20 applicants will seek licenses authorizing the development of small hydro sites, particularly at existing dams, during the first year (FY 1979) and as many as 50 will seek licenses the second year (FY 1980).

One indicator of this renewed interest is shown by the dramatic increase in applications filed for preliminary permits to authorize the study of potential projects - 13 filed in FY 1976, 18 filed in FY 1977, 36 filed in FY 1978, and 20 filed in the first three months of FY 1979.

Each time a license is issued for a new or unlicensed constructed project, there is an additional project to supervise and inspect, and an additional project to generate a variety of subsidiary applications such as license amendments for non-project uses of project lands and waters.

The requested resources and increased staff years will enable the Commission to process currently filed license applications, process anticipated applications for FY 1980 and make progress through eliminating the backlogs in this area. Pending applications, as of September 30, 1978, include:

Preliminary Permits	56
License - New Capacity	23
License - Constructed	
Projects	101
Relicenses	88
Other - Amendments, etc.	<u>328</u>
Total	596

In addition, there is the requirement to conduct 1,000 to 1,100 annual safety inspections of projects. The latter are made by staff in five regional offices, under the general supervision of the Washington Office.

It is important to note that the cost of administering the hydroelectric project licensing program is borne, for the most part, by the licensees through the assessment of annual charges pursuant to Section 10(e) of the Act which makes the licensing program essentially self-sustaining. Just over \$6,047,000 was collected for annual charges assessments to project licensees for calendar year 1977.

The seven major components of the hydroelectric project licensing program are described below.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

Power site lands

Section 24 of the Federal Power Act provides that any lands of the United States included in an application for a hydroelectric project shall, from the date of filing, be reserved from entry, location, or other disposal until otherwise directed by the Commission or Congress. This section also applies to Federal lands which have been reserved or classified as power sites before or after enactment of the Federal Power Act.

The Commission must evaluate applications for withdrawal or use of such power site lands for purposes other than power development. This evaluation requires a determination of the land status, existing and future power potential, and the effects of the proposed use on existing power project facilities, the environment, and other natural resources. Whenever the Commission determines that the value of Federal lands reserved or classified for power development purposes will not be injured or destroyed, the Secretary of the Interior, upon notice of such determination, may declare the land open to entry or use with such restrictions as the Commission may determine necessary for adequate protection of the power reservation.

Processing and analysis of applications

There are seven major licensing categories for which applications must be processed. These include applications for preliminary permits, new capacity project licenses, constructed project licenses, new licenses (relicenses) for constructed projects where current licenses are expiring; approval of license amendments, transfers, or surrenders; approval of changes in land rights; and non-project uses of project lands and waters.

There is increasing interest in developing the Nation's hydroelectric potential. This is due primarily to the very high cost of constructing thermal generating plants and obtaining fossil fuels of a quality that must be used in such plants in order to meet air quality standards. The high cost of producing power by thermal plants, including nuclear plants, makes attractive the development of potential hydroelectric sites that had previously been considered marginal. Applications are being received for relatively small conventional hydroelectric projects in areas such as Alaska and New England where oil is the primary fuel; 4 were filed in FY 1978, 6 are anticipated in FY 1979 and 12 are anticipated in FY 1980. These applications are in addition to those expected to be filed as a result of the NEA small hydro incentive program.

Under Sections 4(f) and 5 of the Federal Power Act, preliminary permits may be granted to prospective licensees for a period not exceeding three years. A permit does not authorize construction but does reserve to the permittee priority rights over other possible license applicants who may be interested in developing the same site. An application for a preliminary permit often is the first notice to the public that a hydroelectric project is being considered for a particular site. Frequently, it will generate a large volume of correspondence from the public.

Priority is given to processing applications for new capacity. It is essential that applications be acted upon expeditiously to ensure continued adequacy of power supply and the availability of electric power at the lowest possible cost. With the current rate of inflation, delays in licensing can cost the electric utility industry large increases in construction costs which ultimately must be paid by the consumers of electric energy. It is estimated that each month's delay in processing a license for a hydroelectric project adds \$6 million to the total project costs.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands, Narrative Material in Whole Dollars)

The processing of applications for new generating capacity is not the only phase of the hydroelectric licensing program to which the staff must give priority. Frequently, other entities seek permission to construct important public-use facilities on lands of licensed projects or to use project waters for which Commission approval is required. If Commission action on such applications is not timely, the construction of needed facilities may be delayed. This would include intake facilities for municipal water supplies, roads, bridges, transmission lines, telephone cables, water and gas pipelines, sewage treatment facilities, facilities to discharge treated sewage effluent into project reservoirs, or the use of project waters to cool heated discharges of water from nuclear or other thermal generating plants. These applications must be given careful environmental and engineering reviews to ensure that approval is consistent with the overall comprehensive use of the affected project lands and waters.

Engineering analyses are made of existing and planned hydroelectric projects proposed for license to ensure that any project licensed will be safe and best adapted to the comprehensive development of the river basin where the project is located. Analyses are made to evaluate the economic feasibility of projects, and studies are made to determine whether existing unlicensed projects are subject to the Commission's licensing jurisdiction. These activities may result in presentation of expert testimony in formal hearings.

Many of the applications now pending are for proposed pumped storage projects. It is anticipated that most of the future applications for license for projects of large capacity will be for such projects. New applications for these complex developments have had a significant impact on the Commission's workload, since they require extensive environmental and engineering studies by staff. A pumped storage hydroelectric project is an energy storage plant which stores off-peak or surplus energy and later uses the stored energy to supply power during on-peak hours. Pumped storage hydroelectric projects are dependable and can be put on-line quickly which makes them exceptionally valuable in assuring a reliable power supply. The most feasible alternative to a pumped storage project is the gas turbine which has the disadvantage of consuming a petroleum distillate. The energy stored by a pumped storage hydroelectric project is usually supplied by efficient use of base load generating plants using coal or nuclear fuels. Therefore, the pumped storage plant is consistent with the Nation's policy of switching to coal and nuclear fuels so as to decrease reliance on oil imports.

As of December 31, 1978, there were 9,475-megawatts of pumped storage capacity operating under FERC licenses. Another 7,721-megawatts were under construction as authorized by FERC licenses, and an additional 2,500-megawatts were under license but construction had not been commenced. Applications for licenses are pending which, if issued, would authorize 2,336-megawatts. Known potential pumped storage sites which would require a FERC license total 11,770-megawatts.

Under relicensing procedures, the FERC, in a single proceeding, determines whether a project should be relicensed or recommended for Federal takeover. This involves assessment of the project's economic and financial feasibility, the multiple-purpose use of streams, hydraulic and electric coordination of a project with other projects and systems, water quality control, pollution abatement, recreation development, fish and wildlife conservation, and preservation of historical and archeological properties. In determining whether to take over a project, the Commission must consider the views of Federal, State, and local agencies, and other interested parties, and perform a detailed accounting review and analysis of possible surplus or excess earnings of each licensed project.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

Each year, beginning in 1970, a number of 50-year Commission licenses have expired. The resulting applications for relicensing and recommendation for Federal takeover have added a relatively new and large increment of work. The 88 pending applications require detailed environmental reviews even though the projects have been in operation for many years. An extensive hearing proceeding is underway on the application for relicensing of the Chippewa Project No. 108, an upstream storage reservoir on the Chippewa River in Wisconsin, and a hearing proceeding is underway on the application to relicense the Escondido Project No. 176 in California, now under a minor license. In both of these cases, Indian lands and the rights of Indians are involved. In addition, the many environmental issues involved have required the preparation of environmental impact statements and there have been recommendations for Federal takeover of both projects. In the case of Escondido, there also is a competing application for a non-power license and a question of jurisdiction with respect to the project's transmission line. The Confederated Salish and Kootenai Tribes of Flathead Reservation, the City of Santa Clara, California, the City of Bountiful, Utah, the North Carolina Electric Membership Corporation, the Clark-Cowlitz Joint Operating Agency, and the City of Shawano, Wisconsin, have filed competing applications for FERC Licensed Projects Nos. 5, 137, 1744, 432, 935, and 710, respectively, and competing applications for other applications for relicensing are expected to be filed. These will, in all probability, require formal hearings.

Reducing the backlog of license applications relating to unlicensed projects is a major concern. It is in the public interest that such projects be brought under license as soon as practicable to assure that they are operated consistent with the best use of the water and land resources and the public safety. Engineering and environmental reviews must be made of each project so that appropriate conditions are included in each license to ensure safe and efficient operation of the project, consistent with environmental considerations and comprehensive development of the site for all beneficial public uses, including recreation. Furthermore, each project must be given an in-depth dam safety inspection in order that any required remedial measures can be included in the terms and conditions of the license issued for that project.

Hydroelectric power generation assists in meeting the Nation's energy demands by providing an efficient, clean power source. However, it is essential that the Commission consider and balance environmental impacts of hydroelectric facilities versus alternative energy sources. As concern for environmental and socio-economic impacts of energy production and transmission understandably grows, increased resources are required to assure adequate data which can be verified by independent examination and to substantiate staff analyses, conclusions, and recommendations for Commission decisionmaking on new hydroelectric power generating facility construction.

Environmental analysis

This activity involves environmental analyses of projects included in applications for permits, licenses, and amendments to license for non-Federal hydroelectric projects. These are made to comply with NEPA and other environmental laws. This activity requires extensive field work to develop environmental data, the preparation of environmental assessments and impact statements, and staff participation as expert witnesses in formal hearings. Recommendations are developed so as to include special environmental conditions in permits and licenses essential to protect and enhance the Nation's natural resources.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

Each application for a license, amendment of license, or for special use of project lands and waters must undergo an environmental evaluation in order to comply with the requirements of Section 10(a) of the Federal Power Act and the National Environmental Policy Act of 1969. Each application is evaluated to determine if approval would constitute a major Federal action significantly affecting the quality of the environment. For each affirmative determination, staff makes independent studies pursuant to the Greene County decision, and prepares a draft environmental impact statement (DEIS) which is published and sent to Federal, State, and local agencies having statutory responsibilities or expertise in environmental matters. Comments on the DEIS are reviewed and reflected in a final statement which is also made available to the public.

In preparing a DEIS, independent studies are made of the biological, ecological, socio-economic, engineering, safety, and feasibility aspects of the proposed action and its potential effects on the environment. The staff also considers all reasonable alternatives to the proposed action and their potential impacts on the same resources, as well as methods of protecting, mitigating losses to, or enhancing the environment resources. The staff responsible for environmental evaluations consists of experts in environmental disciplines of water quality, wildlife, fisheries, history, outdoor recreation, geology, landscaping, botany, forestry, and economics. Multidisciplinary teams gather data and conduct studies at each proposed project site. Subsequent analysis of the data gathered often reveals unanticipated problems and may necessitate additional field trips.

The necessity of considering a wide range of environmental concerns, and complying with NEPA and other environmental laws, has increased the complexity of administering the hydroelectric licensing program, and the workload of the program. For example, the Draft Environmental Impact Statement for the Prattsville Project, located on Schoharie Creek in New York State, required 3.6 man-years of staff time to complete. Since its publication date in June of 1978, more than four hundred copies of the Prattsville DEIS have been distributed to interested Federal, State, and local agencies and to concerned citizens and citizen's interest groups. The original site for this proposed 1,000-megawatt pumped-storage project was a few miles downstream at Breakabeen. Publication of the Breakabeen DEIS (which required 4.5 man-years of staff effort) in April of 1976 resulted in 25 petitions to intervene in the proceeding and more than two hundred letters of protest; consequently, the Breakabeen site was withdrawn from consideration.

Most final environmental impact statements are carried forward into a formal hearing proceeding which may be on the total licensing action or on a separate environmental issue. The environmental staff required to prepare an impact statement usually includes about ten professionals. Staff members who prepare the statement must also defend the technical accuracy of the document under cross-examination. Following a hearing, the environmental staff assists staff counsel in preparing briefs and other documents before the proceeding goes to the Commission for its consideration.

Those applications which do not require the preparation of an environmental impact statement do, nevertheless, require a detailed environmental evaluation. Environmental comments from other agencies are reviewed, and the staff makes its own independent analysis of the issues raised during processing of the application. Recommendations to protect and enhance the natural resources of the project area are included in an environmental evaluation report, which becomes one of the support documents used by the Commission in considering licensing actions.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

Project supervision

Project supervision pursuant to Section 10(c) of the Act, assures that licensed projects are constructed, operated, and maintained in accordance with approved plans, license conditions, and sound engineering practice. A major portion of this work involves periodic field inspections. This workload continually increases due to the licensing of additional projects, both constructed and unconstructed.

The Commission has the responsibility for the safety of approximately 850 dams under license. In considering the importance and magnitude of the dam safety program, it should be noted that the Commission has authority over more hydroelectric dams than the Corps of Engineers, U.S. Bureau of Reclamation, and the Tennessee Valley Authority collectively. The Commission has undertaken a thorough review of its dam safety inspection program to increase the confidence in the safety of licensed dams. As a result, additional emphasis is being placed on surveillance of dams along with more frequent in-depth inspections.

Recent dam failures, particularly the much publicized failures of Teton Dam in Idaho and Toccoa Falls Dam in Georgia which resulted in loss of life and appreciable property damage, have resulted in increased public concern for the safety of dams. Pursuant to Presidential Directive, staff is now participating in a review of agency guidelines regarding dam safety. This work is under the direction of the Federal Coordinating Council for Science, Engineering, and Technology.

Dam safety

Dam safety is the highest priority of the hydroelectric program license. In FY 1980, Staff expects to conduct 1,100 inspections of dams, review designs of existing and proposed projects, participate in consultants meetings and review their reports, and participate in other functions to assure dam safety; 985 such inspections were conducted in FY 1978. An increase of dams under license to more than 950 dams only increases the need to assure a sound program.

During FY 1978 improvements in the program were made to: (1) include more in-depth inspections of dams and appurtenant facilities to assure public safety, (2) provide for annual inspections of new projects including those for which applications for license are pending, (3) train new and existing inspection staff, and (4) revise dam safety regulations to strengthen them and make them consistent with the Presidential Committee's recommendations.

New capacity

The second highest priority in the hydroelectric program is the licensing of proposed new capacity hydroelectric generating plants. Due to the renewed interest in the development of hydroelectric resources for economic and environmental reasons, particularly at existing dams, we project a significant impact on the hydroelectric power regulation program.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

The NEA includes a loan program and interconnection and wheeling authority to FERC that will further stimulate small hydro power development and thereby increase the number of applications filed for license. Additionally, DOE has initiated a program to encourage the development of small hydroelectric sites. Under a Program Research and Development Announcement (PRDA), DOE has funded 56 feasibility studies of small hydro developments. One of the requirements of the PRDA is that applicants be committed to proceeding with construction if projects are feasible. Before construction can start, an FERC license is required. Under a Program Opportunity Notice, DOE proposes to fund an unknown number of small hydro demonstration projects that will result in about 60 to 75 applications for licenses. It becomes apparent that, even without the pending legislation to encourage small hydro developments, additional priority staff time will be required to handle this potential workload in a timely manner.

Several initiatives directed toward expediting the licensing of new capacity and reducing the present backlog of applications were taken during FY 1978. These efforts are: (1) issuance of simplified procedures for licensing (short-form minor license), (2) delegation of authority to program offices for action on certain noncritical types of applications, and (3) a reorganization of staff to increase productivity and efficiency.

During FY 1979 and FY 1980, the Commission expects to: (1) issue a rulemaking covering a short-form license for major projects using existing dams, (2) simplify licensing regulations for unconstructed major projects, (3) simplify procedures for processing preliminary permits, and (4) propose additional delegations of authority to program offices to reduce processing time and staff workload.

The large backlog of pending applications increased slightly during FY 1978. However, as these measures are fully implemented, there should be some improvement during FY 1979 and a marked improvement during FY 1980 when the backlog is expected to decrease by 20%. At the same time, the Commission will be able to expeditiously process the anticipated large influx of license applications for development of small hydro new capacity sites, and implement an intensive dam safety training program for inspectors and direct a major effort to provide more in-depth inspections of licensed projects.

Jurisdiction

Many hydroelectric projects built before enactment of the Federal Power Act of 1935 are operating without a license. Since the Supreme Court expanded the Commission's jurisdiction in its Taam Sauk Decision in 1965, no concentrated effort was made to enforce general compliance with the law until the Second Circuit Court of Appeals' Farmington Decision in 1972. There are approximately 140 projects that require jurisdictional studies that may require licenses. The GAO, in a report issued September 23, 1975, recommended to the Chairman of the Federal Power Commission (now FERC):

"Because constructed hydroelectric projects should be licensed to insure that the projects are operated consistently with a plan for optimizing the use of water resources, we recommend that the Chairman, FPC, establish a program for systematically determining which of the constructed projects are subject to its licensing requirements and initiate action to have these projects licensed."

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

One basis of jurisdiction over hydroelectric projects is the location of the project on a navigable waterway of the United States. A navigable waterway is defined as any stream capable of carrying commerce, including the flotation of logs or other commercial property. Past use of a stream for navigation can be the determining factor regarding navigability, hence the need for historical studies.

In FY 1980 contractual efforts by the history departments of colleges and universities located in or near the river basins where studies are needed can establish the jurisdictional studies. The reports will be on a "one-time" basis for each river basin, and such contractual efforts will be less expensive than hiring additional staff for jurisdictional studies. The colleges and universities will have professional personnel who could be called upon as expert witnesses in the event a formal hearing proceeding is required. The resultant reports will be useful indefinitely since the historical basis of navigability need only be established once. It is estimated that about 20 studies can be financed by the \$100,000 we have requested for this purpose.

Enforcement

Several preliminary investigations were conducted during FY 1978 concerning dam safety issues. These activities will continue to expand in FY 1979 and 1980 to insure that licensees are complying with the statutory mandate for proper construction, operation, and maintenance of jurisdictional dam projects.

The Commission's enforcement staff is working on revisions to Commission regulations concerning dam safety matters and recordkeeping and reporting requirements. Enforcement activities in FY 1980 will be expanded into the issue of compliance by hydroelectric licensees with Commission rules, orders, and opinions in this matter which greatly affects public health and safety.

The following table reflects the numbers of different types of applications completed in FY 1978 and anticipated completions for FY 1979 and 1980.

	Fiscal Year		
	1978	1979	1980
1. Major hydro licenses: constructed	10	25	25
2. Major hydro licenses: new capacity (formal)	1	1	2
3. Major hydro licenses: new capacity (non-formal)	3	7	10
4. Major hydro licenses: relicenses (formal)	0	2	1
5. Major hydro licenses: relicenses (non-formal)	6	25	3
6. Minor hydro licenses: constructed	5	12	15
7. Minor hydro licenses: new capacity	1	6	12
8. Minor hydro licenses: relicenses	0	3	2
9. Amendments to licenses	64	130	150
10. Amendments (new capacity)	3	3	4
11. Surrenders (abandonment)	2	3	5
12. Electric licenses: transfers	8	10	10
13. Electric licenses: preliminary permits	5	20	30
14. Electric licenses: transmission license applications	3	2	1
15. Electric licenses: power site use letter	24	34	25

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

16. Electric vacation/determination applications	60	21	35
17. Electric licenses: geothermal steam leases	12	36	35
18. Electric licenses: change in land rights	53	70	70
19. Electric licenses: declaration of intention	6	6	6
20. Dam inspections	<u>985</u>	<u>1,000</u>	<u>1,100</u>
Totals	1,251	1,416	1,541

Water resources analysis

\$1,994 \$2,324

This activity includes Headwater Benefits Investigations, Water Resources Appraisals for Hydroelectric Licensing, Cooperative Water Resources Studies, Hydropower Resources Assessment, and Federal Rate Reviews and Cost Allocations. A discussion of each of these parts of the water resources activity follows.

Headwater benefits investigations

Section 10(f) of the Federal Power Act makes the Commission responsible for determining the equitable amount an owner of a downstream, non-Federal hydropower development shall pay to the United States, or to a licensee, for benefits provided by a Federally owned or licensed headwater improvement. There are 63 river basins in the country in which headwater benefits situations exist, involving 328 headwater reservoirs and 475 downstream hydropower projects.

The Commission's objective is to make equitable assessments and collections for all past benefits. A total of 197 determinations of benefits provided by Federal projects in 26 of these basins have resulted in payments to the United States Treasury of about \$46 million and the establishment of ongoing annual payments of about \$2.8 million per year. Additionally, determinations have resulted in payments of nearly \$40 million to licensees. Thus, headwater benefits investigations, involving complex calculations, comprehensive technical reports, and in some cases formal proceedings, have resulted in payments totaling \$86 million since the inception of the program. Future payments to the U.S. Treasury are anticipated to be about \$4 million annually.

Section 10(f) also provides that the Commission's costs for making headwater benefits determinations are to be paid by the downstream beneficiaries. Costs not paid directly by beneficiaries are collected as annual charges to licensees under Part I of the Act.

Funds for the nine positions requested for the activity provided herein, together with special studies to be conducted by contractors, will allow for the completion of about 19 determinations and collections of about \$4.7 million to the Treasury during FY 1980. A contract for \$60,000 is proposed for performing two preliminary investigations, and a contract for \$30,000 is proposed to improve study procedures in order to resolve long-standing issues. Reduced manpower or further delays in the resolution of these issues will create long-term postponements of future collections in certain basins, and could prevent payments altogether in other basins.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

<u>Basin Investigations</u>	<u>Fiscal Year</u>		
	<u>1978</u>	<u>1979</u>	<u>1980</u>
On hand, start of year	42	44	36
Initiated	11	11	11
Total workload	53	55	47
Completed	9	19	19
On hand, end of year	44	36	28

Water resources appraisal program

The water resources appraisal program facilitates the FERC's licensing activity as well as other water resources planning responsibilities. This program consists of preparing River Basin Appraisal Reports and updating Planning Status Reports. These two types of reports are prepared to provide a basis for determining whether hydroelectric projects to be licensed or relicensed meet the statutory requirement stated in Section 10(a) of the Federal Power Act: "that licensed projects will be best adapted to a comprehensive plan for improving or developing a waterway, for the improvement and utilization of water power development and for other beneficial public uses, including recreation." Workload and positions are as follows.

	<u>Fiscal Year</u>		
	<u>1978</u>	<u>1979</u>	<u>1980</u>
In process, start of period	25	24	23
Initiated during period	1	22	22
Total workload	26	46	45
Completed	2	23	21
In process, end of period	24	23	24

In order to meet the requirements of Section 10(a) of the Act as described above, the Commission staff undertakes river basin appraisal studies, first determining whether the data required is not available or will not be available through other Federal or State agencies.

Priority is given to those appraisals which would be required for pending or upcoming cases involving relicensing or possible Federal takeovers of licensed projects. In each study, however, the Commission staff obtains all available information from other agencies. The Commission staff then reviews and analyzes this data, collects and summarizes data on existing water and related land resources developments in the basin, and analyzes the compatibility of existing or proposed licensed projects with comprehensive basin plans. The Commission staff plans to utilize a contractor to prepare an Appraisal Report for the Little Tennessee River Basin in FY 1980. The use of a contractor will allow the Commission to produce this additional report. \$60,000 is requested for this contractual effort.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

The preparation of River Basin Appraisal Reports requires considerable effort. Therefore, the Commission staff first determines if the information required for a 10(a) determination is available from other Federal, state, or regional organizations. The results of this determination for a particular river basin are published in a Planning Status Report. Planning Status Reports for 117 river basins covering all 50 states were prepared during the years 1964-1966. These reports are now being updated depending on the amount and magnitude of area development and the date of initial publication.

In addition to serving as the basis for determining the need for preparing an in-depth River Basin Appraisal Report for a particular licensing action, the Planning Status Reports comprise a convenient record of prior studies, a river basin map, and profile. These reports are utilized in the Commission's licensing activities, its cooperative studies with other agencies, and its responses to Federal, state, or public inquiries.

One or more contractors will be utilized in FY 1980 to prepare six Planning Status Reports at a cost of \$60,000.

Cooperative water resources studies

The Commission's expertise in power planning and water resources development is utilized in comprehensive water resources planning. Under authority of the Federal Power Act, the Water Resources Planning Act, various Flood Control and River and Harbor Acts, and other Acts, the Commission staff takes an active part in comprehensive river basin planning studies sponsored by various Federal agencies, and normally takes the lead in the power planning aspects. This includes estimating future power needs, tentatively selecting for study purposes the types of generating plants required to meet the needs, estimating condenser cooling water requirements for steam-electric plants, and making feasibility studies of pumped storage and conventional hydroelectric plants. These planning studies are vital to the Commission in licensing non-Federal hydroelectric projects.

The Cooperative Water Resources Studies Sub-Activity consists of Joint Water Resources Studies and Review of Federal Projects. Workload items consisting of reviews of Federal project proposals and participation in other interagency activities are shown below. Seventeen of the positions requested are in the Regional Offices and six are in the Washington Office. These positions are predominately professional.

<u>Reviews and Activities</u>	<u>Fiscal Year</u>		
	<u>1978</u>	<u>1979</u>	<u>1980</u>
In process, start of period	82	91	91
Initiated during period	394	400	400
Total Workload	476	491	491
Completed	385	400	400
In process, end of period	91	91	91

Staff members in the Commission's Regional Offices serve on and participate in the work of the six River Basin Commissions established by the President under Title II of the Water Resources Planning Act, and the three Federal-State interagency river

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

basin committees. These Commissions and Committees coordinate the water and related land resources planning activities of the State and Federal agencies in their respective areas. These Commissions had 16 comprehensive river basin planning studies under way or nearing completion at the end of FY 1978. Several new starts were planned for FY 1979 and FY 1980. A member of the Washington staff serves as alternate to the Secretary of DOE on the U.S. Water Resources Council of Members.

Both the Washington and Regional Office staffs serve on numerous task forces, work groups, and committees in their capacity of providing expertise in developing policy and planning activities related to development of water and related land resources. Participation in the Water Resources Council's Second Assessment of the Nation's Water Resources for 1975-1979 is a significant example of interagency cooperative activities. Other offices of the Department of Energy rely on the Commission staff to assess the probable impacts of various energy proposals on hydroelectric power potential and other energy associated effects.

The Commission has expertise in electric power matters which enables it to provide assistance to the Federal construction activities to assure that the power potential of proposed projects is developed and safeguarded within the constraints of proper consideration for recreation and other desirable uses. The "penstock clause" in the Flood Control Act of 1938 and subsequent Flood Control and River and Harbor Acts states that "penstocks or other similar facilities adapted to possible future use in the development of hydroelectric power shall be installed in any dam . . . upon the recommendation of the Chief of Engineers and the Federal Power Commission." Other Acts such as the Wild and Scenic Rivers Act specify that proposals be submitted to the Commission. The Commission staff participates with other agencies as they prepare detailed survey, feasibility, design memoranda, and environmental impact reports and other reports for projects proposed for Federal construction, and other proposals which may affect the development of hydroelectric power. Thus, participation by the Commission staff in several cooperative studies is expected to be required each year. Also, formal comments and recommendations are made to various Federal agencies on survey and feasibility reports, design memoranda, reports on proposed wilderness areas, proposed additions to the national wild and scenic rivers system, comprehensive river basin planning studies, and environmental impact statements on proposals affecting water and related land resources. As requested by the Department of Agriculture, the Commission staff spent considerable staff time in FY 1978 and FY 1979 assessing the impacts on hydroelectric power for various alternatives for the Department's Roadless Area Review and Evaluation (RARE II) proposals.

Hydropower resources assessment

A valuable tool for carrying out all of the Commission's hydropower responsibilities is the Inventory of Hydropower Resources, consisting of Energy Information Administration and FERC data on developed sites, FERC data on undeveloped sites, and other data pertinent to hydropower planning and development in the United States. The data is used as reference in the Commission's licensing activities, power site land evaluations, and for other program purposes. It is also used by Federal, state, local and international bodies, and industry concerned with water resources development. In addition, the inventory provides a basis for responding to requests from various sources for information on the contribution hydroelectric plants can make toward supplying the Nation's power and energy needs. The inventory is updated annually and the results are published at about four-year intervals. The inventory currently contains data for about 6,000 sites. It is being expanded, and the data base and mapping system is being improved to include several thousand retired plants and small sites which are expected to be identified by the Corps of Engineers National Hydropower Study and by DOE's Low-Head Hydropower Development Program.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

The funds requested are considered necessary in order to assimilate the above information and increase the reliability and usefulness of the inventory. If a lesser level were approved, it would only be possible to maintain the level of information currently contained in the inventory. Thus, its usefulness to the Commission and staff as a reference in considering licensing actions would be limited. Also, the planned publication of the inventory by the Government Printing Office in 1980 would be postponed or eliminated. In view of the renewed public and official interest in possible measures for developing our renewable energy resources, publication of this information should be of great general interest and usefulness.

Positions established for this activity in FY 1980 include four in Washington and three in the Regional Offices.

Federal rates and cost allocations

Effective January 1, 1979, the Secretary of the Department of Energy delegated the responsibility for the confirmation and approval of Federal power rates and certain cost allocation responsibilities to the FERC. This function was transferred from the Economic Regulatory Administration.

The authority to confirm and approve rates charged by the various Federal power marketing agencies, plus the responsibility for the allocation of costs of specific Federal multiple-purpose reservoir projects, is contained in Flood Control and River and Harbor Acts and other legislation.

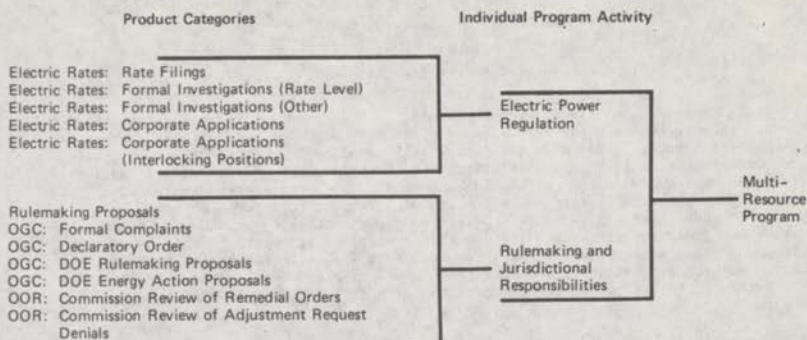
The authority established by these Acts provided for review and approval of various rates, and allocation of costs on certain projects, by the Federal Power Commission. Subsequent to the incorporation of the FPC into the Department of Energy, this authority was redelegated to the Federal Energy Regulatory Commission. The legislation pertains to power rates charged by the Southeastern Power Administration, the Southwestern Power Administration, the Bonneville Power Administration, rates charged by the Alaska Power Administration for power developed at the Eklutna Project, rates charged for power developed at the Falcon Dam, and wheeling rates charged by the Bonneville Power Administration. The DOE delegation to FERC expanded this authority to encompass all rates charged by all Federal marketing agencies.

The objective of the rate review activity is to determine that the proposed rates are set not only to encourage the most widespread use of the Federal power at the lowest possible rates to consumers consistent with sound business principles, but also to recover the production and transmission costs of the power over a reasonable period of years. Additionally, for proposed BPA wheeling rates, the Commission must determine that recovery of the cost of the Federal transmission system is equitably allocated between Federal and non-Federal power utilizing the system.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

FY 1980 CONTRACTS LISTING
FEDERAL ENERGY REGULATORY COMMISSION
(In thousands of dollars)

	<u>Estimated Amount</u>
<u>HYDRO REGULATION</u>	
Hydroelectric power regulation:	
Historical studies to determine which non-licensed constructed projects are located on navigable waters and subject to FERC licensing requirements.	\$ 100
Contractual efforts to improve the overall efficiency of the Commission's regulatory processes, including an automated legal retrieval system to store all FERC regulatory decisions, opinions, and orders to facilitate quick access by staff to speed case processing; an automated central file system to provide automated access to documents and rate and certificate files; regulatory research studies to develop new or revise current methodologies to simplify the Commission's regulatory processes; and a centralized ADP and management information system to improve Commission operations.	\$1,370
Water resources analysis:	
Reevaluation of the Commission's current methodology for determining headwater benefits and prepare preliminary headwater benefits evaluations to determine whether detailed investigations should be undertaken.	\$ 90
Water resources appraisal reports to inventory and analyze the water resources of specific river basins.	\$ 60
Planning status reports for river basins to insure that licensing actions are consistent with comprehensive water development planning as required by the Federal Power Act.	\$ 60
Contractual efforts to improve the overall efficiency of the Commission's regulatory processes, including regulatory research studies to develop new or revise current methodologies to simplify the Commission's regulatory processes; and a centralized ADP and management information system to improve Commission operations.	<u>\$ 105</u>
TOTAL HYDRO REGULATION	\$1,785

Multi-Resource Program

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

PROGRAM OVERVIEW

Federal Energy Regulatory Commission

Regulation

Multi-Resource Regulation

The programs covered in multi-resource regulation include rate determinations for the interstate sale or transmission of wholesale electric energy; electric utility corporate transactions and interlocking directorate oversight; and review of Department of Energy actions and proposed rulemakings that affect FERC functions. In addition, the Public Utilities Regulatory Policy Act of the NEA expanded these program areas to include: cost of service data gathering; increased authority with respect to interconnections; new authority to order transmission services; review opportunities to provide for energy conservation and increased efficiency through the development of pooling arrangements; collection of reports on anticipated energy shortages to wholesale customers; review of automatic adjustment clauses to assure efficient use of resources; and consultation with the Secretary of Energy on cogeneration and the effects of Federal laws on retail electric rates.

Long-range goals are to: effectively regulate the interstate commerce of electric power; establish just and reasonable rates for the transmission of electricity and its sale for resale; prohibit anti-competitive business practices; enforce compliance with filed tariffs; promote efficient performance of electric utilities; improve administration of the Uniform System of Accounts; provide timely, comprehensive evaluation of DOE proposed rules and energy actions that affect Commission functions; provide prompt adjudication of appeals from DOE remedial orders and denials of adjustments; and ensure compliance and enforcement of the Federal Power Act and Commission rules, regulations, and opinions regarding rates and charges for transmission or sale of electric energy. These functions are performed by the two major areas within the Multi-Resource Program: Electric Power Regulation and Rulemaking and Jurisdictional Responsibilities.

The Commission's exercise of authority over wholesale rates results in significant benefits to the public. In FY 1978 completed actions on electric rate cases resulted in refunds to wholesale customers of \$87,325,000. Anticipated refunds in FY 1979 are \$91,500,000 and \$96,000,000 in FY 1980. Emphasis on streamlining and simplifying regulations and procedures will allow greater understanding and participation by the regulated companies and the public and reduce the casework backlog.

In the Electric Power Regulation area, applications should remain stable with completions increasing about two percent annually from FY 1980 to FY 1983, thereby resulting in a gradual decline in the workload backlog. In the Rulemaking and Jurisdictional Responsibilities area, it is anticipated that the FY 1980 request provides sufficient resources to handle the anticipated workload through FY 1983 for rulemakings and other DOE Organization Act responsibilities, without developing a backlog.

By early FY 1981, the FERC will have completed its initial two-year review of automatic adjustment clauses as directed by the National Energy Act. During FY 1979, the FERC will have defined the methods, procedures, and format for cost of service data to be gathered from electric utilities pursuant to the NEA. By FY 1981, the FERC will have completed the 18-month reviews of power pooling and reliability. In FY 1980, the FERC's consultation with DOE on retail rates will be completed. FERC will proceed with the exercise of the additional and expanded authorities provided for in the NEA.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF CHANGES
FEDERAL ENERGY REGULATORY COMMISSION
Regulation
(In thousands of dollars)

FY 1979 budget authority	\$14,011
FY 1980 budget estimate	\$15,079
Net change	+ \$ 1,068

	<u>1979</u> <u>Base</u>	<u>Change</u> <u>From Base</u>
Increases:		
Built-in:		
Annualization of salaries and expenses for 45 positions and contractual support to improve the efficiency and effectiveness of the Commission's regulatory processes.....	\$12,600	+ \$2,129
Decreases:		
Program:		
<u>Multi-resource regulation</u>		
Completion of power pooling study, automatic adjustment clause studies, cogeneration, continuance of service, cost of service, and a legal requirements study	\$ 1,411	- \$1,061

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF ESTIMATES BY APPROPRIATION BY MAJOR CATEGORY
FEDERAL ENERGY REGULATORY COMMISSION
(In thousands of dollars)

	FY 1978		FY 1979		FY 1980	
	<u>Actual</u>		<u>Estimated</u>		<u>Request</u>	
	<u>BA</u>	<u>BO</u>	<u>BA</u>	<u>BO</u>	<u>BA</u>	<u>BO</u>
Multi-resource regulation	\$9,200	\$8,310	\$14,011	\$13,127	\$15,079	\$14,304

Department of Energy
 FY 1980 CONGRESSIONAL BUDGET REQUEST
 SUMMARY OF POSITIONS AND STAFF YEARS BY APPROPRIATION
 REGULATION
 FEDERAL ENERGY REGULATORY COMMISSION

	FY 1978		FY 1979		FY 1980	
	Actual		Estimate		Request	
	Pos.	SY	Pos.	SY	Pos.	SY
Multi-Resource Regulation						
Headquarters	276	237	322	281	322	319
Field	<u>32</u>	<u>29</u>	<u>31</u>	<u>28</u>	<u>31</u>	<u>30</u>
Subtotal	308	266	353	309	353	349
Total	308	266	353	309	353	349

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

	FY 1979 Estimated Budget Authority	FY 1980 Requested Budget Authority
<u>Multi-resource regulation (FERC)</u>		
Electric power regulation		
Operating expenses	\$13,064	\$13,860
Rulemaking and jurisdictional responsibilities		
Operating expenses	\$ 947	\$ 1,219
Total, Multi-resource regulation	\$14,011 ^{1/2/}	\$15,079

1/ Includes a pending supplemental request for NEA activities of \$2,738,000.

2/ Includes a pending supplemental request for FY 1979 pay raise of \$387,000.

Authorization: Sections 402, 403, Title IV, P.L. 95-91.
Sections 203, 204, 205, 206, 208, 301, 302, 305, 307, 318, Federal
Power Act.
Sections 113, 133, 202, 203, 205, 206, 208, 209, 210, 211, 303, 601,
Public Utilities Regulatory Policy Act.

<u>Electric power regulation</u>	\$13,064	\$13,860
----------------------------------	----------	----------

Under the Federal Power Act, the Commission receives and acts on applications for establishing or changing the rates, terms, and conditions for the sale or transmission of wholesale electric energy in interstate commerce, as well as those proposing corporate transactions, including mergers, property disposition, issuance and acquisition of regulated electric power securities, and interlocking directorates. Analyses of the various applications are made and results of investigations and studies are forwarded to the Commission for action. The Commission has delegated authority to the staff to act on certain routine applications. Applications which do not conform to statutory standards or are not in the public interest are set for investigation, generally in a hearing before an Administrative Law Judge (ALJ). The staff prepares testimony and appears for cross-examination before the ALJ. In addition, investigations are conducted to determine utility compliance with regulations, possible need for regulatory revision, and the regulatory significance of industry developments. Field audits are also performed to enforce the Commission's Uniform System of Accounts and investigations are conducted of possible violations of the Federal Power Act and other Commission rules. Where necessary, enforcement actions are taken to ensure compliance regarding the appropriate rates and charges for the transmission or sale of electric energy.

The goals for the Electric Power Regulation Program are to establish just and reasonable rates for the transmission of electricity and its sale for resale and to streamline and simplify existing regulations and procedures to allow for greater understanding and participation by the regulated companies and by the public. With the requested resources the staff will be able to process filings within statutory limits; establish just and reasonable rates for the transmission of electricity and its sale for resale; reduce casework backlog in electric rates and corporate regulation; regulate power pooling agreements to prohibit anti-competitive business practices; prescribe and administer the Uniform System of Accounts; promote efficient performance of electric utilities; initiate

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands, Narrative Material in Whole Dollars)

full-scale review of the existing regulatory process to ease the regulatory burden and streamline processing; and establish a comprehensive enforcement program.

In FY 1978, of the total number of applications received, 844, or 98 percent, were completed in the Electric Rate and Corporate Applications areas; 129 securities actions and financial audits were completed. There were 10 compliance and enforcement actions completed. Completions of electric rate cases resulted in \$87,325,000 in refunds to the wholesale customers.

During the current year, it is expected that 873 Electric Rate and Corporate Applications processes will be completed; 130 securities actions and financial audits will be completed; and 195 compliance and enforcement actions will be completed.

Output/Workload Measures

	Fiscal Year		
	1978	1979	1980
Electric Rates: Filings (Abbreviated and Normal)	701	700	700
Electric Rates: Formal Investigations (Rate Level and Other)	77	86	86
Electric Rates: Corporate Applications	10	22	25
Electric Rates: Interlocking Positions	56	65	65
Securities Approvals	89	93	100
Financial Audits	40	37	37

With the resources requested, measurable results will be achieved with primary focus upon docketed item completions. A total of 876 electric rate and corporate processes would be completed. During FY 1980 major applications for wholesale rate increases are expected to total approximately \$400,000,000. Completed cases would result in estimated refunds to consumers of \$96,000,000.

Applications are analyzed and investigations conducted relative to establishing or changing rates, terms, or conditions for wholesaling or transmitting electric energy in interstate commerce and on corporate transactions. Determinations are made of utility compliance with regulations, possible need for regulatory revision, and the regulatory significance of industry developments. The analyses cover rates, rate of return, cost of service, price squeeze and financial factors, load forecasts, expansion plans, fuel procurement practices and costs, power pooling effectiveness, need for interconnections, and cost of construction and operation. Included in the requested resources for this area is a continuing contract purchase of a utility data tape to assist the staff in developing rate of return recommendations on electric rate applications and related hearings. The staff analyses are submitted to the Commission together with any public comments. Field audits of jurisdictional companies are made to check compliance with the Commission's Uniform System of Accounts. Enforcement efforts include investigations of possible violations of the Federal Power Act and other Commission rules, and initiation of necessary compliance actions.

The Office of the Chief Accountant administers the Uniform System of Accounts and related accounting and reporting regulations, and has primary responsibility for issuance of securities. One of its principal means of accomplishing its mission is through field audits of the books and records of jurisdictional companies on a cyclical basis. During FY's 1979 and 1980, approximately 37 audits are planned which will result in a 5-year audit cycle for 135 major companies and a 7-year cycle for 70 smaller companies. The Office of the Chief Accountant plans to expand field audits of regulated companies to determine whether the provisions of the law and Commission regulations relating to automatic fuel adjustment clauses, advertising, and interlocking directorates are complied with.

Federal Energy Regulatory Commission

Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

The Public Utilities Regulatory Policy Act (PURPA) of 1978 was enacted to foster the conservation of energy supplied to ultimate end users of electricity, to provide for greater efficiency in the use of facilities and resources by electric utilities, and to promote equitable rates for consumers. The Act provides a wide range of expanded authorities to the Commission as follows:

Cost of service - Pursuant to Section 133, the Commission is now required to define the data gathered by utilities for the determination of cost of service to all classes of customers. The Act requires that this data be filed with the Commission within two years of enactment and at least every two years thereafter. In the second half of FY 1979, after the initial issuance of rules by the Commission, contract services will be required to assist the staff in developing a systematic method for analyzing requests for exemption, for assessing the industry cost of compliance, and for preparation of detailed instructions and formats for the first biennial filing which will occur in 1980. It appears additional contract funds are not required in FY 1980.

Interconnections - New authorities in Section 202 allow the Commission to order the physical connection of electric power transmission facilities to provide for the sale or exchange of energy across the interconnection. The Federal Power Act is amended to empower FERC to order such electric utility interconnections on its own motion or upon application.

Prior to issuing such an order, the FERC must find that it is in the public interest, and that it will improve one or more aspects of energy and economic conservation, efficiency, or overall utility systems reliability. Furthermore, the FERC must determine that the interconnection order will not adversely affect reliability, the ability to render adequate service, or result in a burdensome economic loss for an affected utility. Any order for interconnection applied for by a utility may not be issued unless the applicant utility adequately demonstrates that it is ready, willing, and able to reimburse the interconnecting utility subject to the order.

Wheeling - In Section 203, new authority is provided to the FERC to order an electric utility to provide transmission services that will allow non-contiguous utilities to transmit electric power over its system. The FERC must find that a wheeling order will:

- (1) conserve a significant amount of energy;
- (2) significantly further the efficient use of electric generation and transmission facilities; or
- (3) improve the reliability of utility systems without a reduction in the reliability of other systems.

The FERC must also determine that a wheeling order will preserve existing competitive relationships, and will not place an undue burden on a utility affected by the order, impair the reliability of the system of any other utility, or compel the enlargement of generation facilities. Enlargement of transmission facilities may be ordered to facilitate wheeling, if the utility seeking the order will pay the costs of such enlargement. No wheeling order may be issued if any other utility is likely to incur an uncompensated loss as a result of the order.

Pooling - Section 205 requires the FERC to conduct an 18-month review of the opportunities for energy conservation and increased efficiency in use of facilities or resources through pooling arrangements among utilities. In appropriate cases, the FERC may exempt utilities from any state law or rule which prohibits voluntary coordination between utilities to obtain more economic use of facilities and resources. A significant portion of the work required to meet the Congressional mandate is being carried out under contracts initiated in FY 1979. These contract services will be continued in FY 1980 at a

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

funding level of \$150,000. Contractor assistance is required to develop information on existing coordination arrangements, future plans, and special coordination problems of each region. A contractor is also needed to assist in the editing and preparation for printing of the report.

Continuance of service - Section 206 of the Act requires that the Commission issue a rule stating the form, content, and manner of submission for reports from electric utilities on anticipated energy or capacity shortages and on contingency plans for dealing with such shortages. The staff must develop the technical requirements for this rule, taking into account present reporting, to minimize new reporting burdens on utility respondents. Pursuant to this provision, each public utility under the jurisdiction of FERC must report promptly any anticipated shortage of electric energy or capacity which would restrict such utility's service to its wholesale customers. Contract services are not required for FY 1980.

Price squeeze analysis - Section 207 of the Act requires that the Commission provide for expeditious handling of rate cases, the elimination of pancaking of rate increase applications, and improvement of procedures designed to prohibit anti-competitive or unreasonable differences in wholesale and retail rates leading to price squeeze situations.

Automatic adjustment clauses - These clauses permit increases or decreases of rates, without prior hearing, to reflect increases or decreases of certain costs subject to periodic fluctuation incurred by the utility, e.g., fuel costs. Pursuant to Section 208, Section 205 of the Federal Power Act is amended to provide that within two years of enactment and every four years thereafter, a thorough Commission review is made of the automatic adjustment clauses in public utility rate schedules to determine whether they effectively provide incentives for the efficient use of resources, including the economical purchase and use of fuel, and do not cover inappropriate costs for such treatment. The required review of 1,000 or more fuel purchase contracts executed by the 194 jurisdictional utilities for procurement of necessary fuels to assure uninterrupted service requires contract support starting in FY 1979 and continuing into FY 1980 at a funding level of \$200,000. In each rate application, the FERC may order a utility to modify the formula design of an adjustment clause or cease any practice which does not fulfill the purposes of this section.

Reliability - Section 210 of the Act requires the Secretary, in consultation with the FERC, to conduct an 18-month study with respect to the level of reliability appropriate to adequately serve the needs of electric consumers, taking into account cost effectiveness and the need for energy conservation; with respect to the various methods which could be used to achieve such level of reliability and the cost effectiveness of such methods; and with respect to various procedures that might be used to minimize the public disruption and economic loss that might be caused by a power outage. The FERC will provide support to the DOE to complete this study and will participate in recommending industry standards for reliability against which reliability levels of the industry can be measured in a more sophisticated manner than is now possible. This work will be accomplished with the available resources. The results should reduce the number of annual power outages and thereby reduce the economic loss experienced by consumers during such outages.

Cogeneration - Section 210 of the Act provides for a variety of activities to improve the Nation's potential for recovering and using waste heat energy through cogeneration, i.e., the simultaneous production of process steam and electricity. The FERC will develop regulations requiring electric utilities to offer to sell or buy power at just and reasonable rates from qualified cogenerators and small power producers (up to 30 megawatts) who are eligible under the criteria established by FERC pursuant to this Act. In addition, rules must be established exempting small producers and qualifying cogenerators from state utility and Federal Power Act regulation and from the requirements of the Public Utility Holding Company Act.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

Consultation with DOE on retail rates - Section 601 requires the Secretary to study and report to the Congress, within one year of enactment, the effects of Federal rate laws on retail rates set by state utility agencies. The Secretary will consult with the Commission in conducting the study.

By early FY 1981, the FERC will have completed its initial two-year review of automatic adjustment clauses as directed by the National Energy Act. During FY 1979, the FERC will have defined the methods, procedures, and format for cost of service data to be gathered from electric utilities pursuant to the NEA. In FY 1980, the FERC's consultation with DOE on retail rates will be completed. By FY 1981, the FERC will have completed the 18-month reviews of power pooling and reliability.

These new PURPA requirements will create additional workload for the Commission's legal staff, in that a significant number of rule changes are necessary. New types and volumes of casework must be anticipated. Major requirements will be placed upon the Office of the General Counsel. Rules will have to be drafted to govern transactions between cogenerators and utilities and to exempt qualifying small producers and cogenerators from state and Federal regulation. Staff will review actual utility fuel procurements as well as all automatic adjustment clauses to assure that incentives are provided for efficient resource utilization. In addition, they must review electric utility reports on anticipated shortages and draft rules under which utilities will submit plans and reports as required by Section 206.

Staff will develop changes in FERC procedures and draft amendments to the Federal Power Act to assure effective and expeditious regulation of wholesale electric rates. They will also review applications by electric utilities for wheeling of power and develop filing requirements and procedures for hearing wheeling cases.

Other offices in the Commission contributing to the efforts in this program include the Commissioners, Regulatory Analysis, Opinions and Review, Secretary, Enforcement, the Executive Director, and Administrative Law Judges.

The Office of Regulatory Analysis (ORA) will be responsible for providing expanded evidentiary presentations in the increased litigation expected as a result of the regulatory changes governing interconnections, wheeling, pooling, and ratemaking. This Office must also provide economic analysis for the one-time efforts required by PURPA, including development of rules prescribing the methods, procedures, and format by which utilities are to collect customer-class load data and perform class cost-of-service studies; development of rules for cogeneration and small power producers, setting fuel use, fuel efficiency, and reliability standards; review of automatic adjustment clauses for efficiency incentives; development of rules and contingency plans for electric load sharing during emergencies or shortages that will minimize the potential social and economic costs; and analysis of institutional constraints on enhanced pooling, such as financial, regulatory, or competitive impediments. Major efforts in these areas will be on cost-of-service data development.

In the longer term, the Commission's increased jurisdiction over interconnection and wheeling will require additional effort to analyze recurring applications, to provide testimony, and to assist the Commission in analyzing technical issues. ORA will analyze the institutional, financial, regulatory, and economic issues of conservation of energy and capital, optimization of efficiency and reliability levels, and the impact of Commission orders on existing competitive relationships. It is expected that Commission initiatives in pooling, rules on continuance of service in emergencies, reliability, and ratemaking as it impacts the relationship of time-of-day pricing to price squeeze issues, will place additional demands on ORA for expert economic advice.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands, Narrative Material in Whole Dollars)

The Office of Enforcement will investigate interlocking directorates to identify potential Federal Power Act violations. Staff will also investigate fuel adjustment clauses to identify "daisy chain" schemes which will increase prices of fuel to ultimate consumers. This effort will entail substantial research into the decisions of state utility commissions, and investigations of those decisions to determine the effect of illegal transactions on retail customers.

<u>Rulemaking and jurisdictional responsibilities</u>	\$947	\$1,219
---	-------	---------

The functions of the Commission under the Rulemaking and Jurisdictional Responsibilities program are to respond to proposed DOE rulemakings, review DOE energy action items, review appeals from DOE remedial orders and denials of adjustment, decide complaints, and issue declaratory orders.

The goals for this program are to review effectively and expeditiously Department of Energy proposed rules and energy actions (with responses to proposed rules within 30 days), review appeals from DOE remedial orders and denials of adjustments to ensure due process and fair hearings for persons allegedly aggrieved by such actions, and to resolve complaints and declaratory order cases promptly and fairly. The objectives to be attained with the requested resources are to carry out all mandated activities pursuant to the DOE Organization Act in an efficient and timely manner.

It is important to note that this is substantially a new workload for the Commission. Current estimates are that we will complete 171 workload items in FY 1978, 314 in FY 1979, and 285 in FY 1980. It is anticipated that the FY 1980 request provides sufficient resources to handle the anticipated workload without developing a backlog. Workload supporting the requested resources is shown in the following table:

Output/Workload Measures

	1978	1979	1980
DOE Rulemakings	70	100	70
DOE Energy Actions	3	2	3
Review of Remedial Orders	60	100	100
Review of Adjustment Request Denials	30	100	100
Formal Complaints	5	6	7
Declaratory Orders	3	6	5

DOE rulemakings - Under Section 404 of the DOE Organization Act, whenever the Secretary of Energy proposes to prescribe rules, regulations, or statements of policy of general applicability with respect to any function transferred to him under § 301 or § 306 of the DOE Act, he must notify the Commission of the proposed action. After staff analysis and recommendations, the Commission determines whether the proposed action significantly affects any function within its jurisdiction. If the Commission decides affirmatively, the Secretary must immediately refer the matter to the Commission. The Commission must then provide an opportunity for public comment. The staff reviews the comments received and advises the Commission regarding recommendations to the Secretary. The Commission must publish its recommendations along with an explanation of the reasons for its actions and an analysis of the major comments, criticisms, and alternatives offered during the comment period.

It is anticipated that this will be a major workload activity within the Rulemaking and Jurisdictional Responsibilities program. The Office of the General Counsel is the principal staff participant in this program, with substantial assistance from the Office of Regulatory Analysis.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

DOE energy actions - Under DOE Act § 402(c)(1), the Commission has jurisdiction (absent a Presidential determination of emergency) to consider any proposal by the Secretary of Energy to amend oil pricing and allocation regulations issued under § 4(a) of the Emergency Petroleum Allocation Act of 1973 which are subject to review by the Congress under § 551 of the Energy Policy and Conservation Act. The procedure for considering energy actions is the same as that for DOE rulemakings.

Review of remedial orders - Under § 503(a) of the DOE Act, if the Secretary of Energy or his representative believes that a person has violated any regulation, rule, or order promulgated pursuant to the Emergency Petroleum Allocation Act of 1973, he may issue a remedial order to that person. If the recipient of a remedial order gives notice that he intends to contest such order, the Secretary must advise the Commission. The Commission must require immediate compliance with the order if the public interest so requires. If not, the Commission stays the order and, on request, affords an opportunity for a hearing, including at minimum the submission of briefs, oral or documentary evidence, and oral arguments. The opportunity for cross-examination may be afforded. The Commission must issue an order, based on findings of fact, affirming, modifying, or vacating the Secretary's order or directing other appropriate relief.

Reviews of remedial orders are expected to be a major workload item for several years to come. The workload is expected to jump from 60 in FY 1978 to approximately 100 in FY 1979 and to level off in FY 1980 at approximately the FY 1979 figure. No increase in personnel is requested for FY 1980. The Office of Opinions and Review and the Office of the General Counsel are the principal staff participants.

Review of adjustment request denials - Under DOE Act § 504, a person aggrieved or adversely affected by a denial of a request for adjustment to the petroleum product, crude oil pricing or allocation regulations or orders of the Department of Energy, promulgated under the Emergency Petroleum Allocation Act of 1973, the Emergency Supply and Environmental Coordination Act of 1974, or the Energy Policy and Conservation Act, may request the Commission to review such denial and may obtain judicial review of the denial when it becomes final. If parties to the proceeding request, an oral hearing is held.

Because this is a new area of responsibility, projections for 1980 are necessarily subject to change, but it is estimated the workload will level off in FY 1980 at approximately 100 reviews. The Office of Opinions and Review and Office of the General Counsel are the principal staff participants.

Formal complaints - DOE Act § 402(a)(2) gives the Commission jurisdiction to deal with complaints by states, municipalities, and state commissions that a natural gas or electric utility is in contravention of the Federal Power Act or the Natural Gas Act. When a petition alleging contravention is filed with the Commission, it must be noticed, and the natural gas company or public utility is responsible to satisfy the complaint or answer the complainant directly. Staff reviews the adequacy of the company's response and either issues a deficiency letter or accepts the response. When the response has been found to be adequate, two paths may be taken. If the company does not dispute the complaint, staff drafts a memorandum and order recommending the Commission action. If the company disputes the complaint and no settlement is possible, a hearing is held before an Administrative Law Judge, who renders an initial decision. That decision is reviewed by the Office of Administrative Law Review which recommends ultimate disposition to the Commission.

Projections for FY 1980, based on a trend since FY 1977, indicate receipt of approximately 10 new formal complaints with anticipated completions of 7 for FY 1980. Of these 7, it is anticipated that 2 will require a formal hearing. Principal staff participants in this activity are the Office of the General Counsel, Office of Opinions and Review, the Office Of Administrative Law Judges, and the Office of Enforcement.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

Declaratory orders - Section 402 of the DOE Act gives the Commission declaratory order jurisdiction under the Federal Power Act, the Natural Gas Act, and the Interstate Commerce Act. Declaratory orders are also provided for under the NEA legislation. A person or organization may petition the Commission for the issuance of a declaratory order or a ruling on a jurisdictional issue to terminate a controversy or remove an uncertainty. The petition is noticed, and after 30 days, the Commission may act by issuing a declaratory order granting the petition or denying the petition and setting the matter for hearing. It is not anticipated that many such petitions will require formal hearings. Staff makes an initial review of the petition's adequacy. When the petition is accepted, public comments are invited and a technical analysis conducted. If no intervenors appeal, staff prepares a memorandum and order for Commission consideration. If intervenors appear and no settlement is reached, a public hearing is held, for which staff prepares submissions. Following the hearing, briefs are filed, and the Administrative Law Judge renders an initial decision. After further briefs, the Commission renders a final decision.

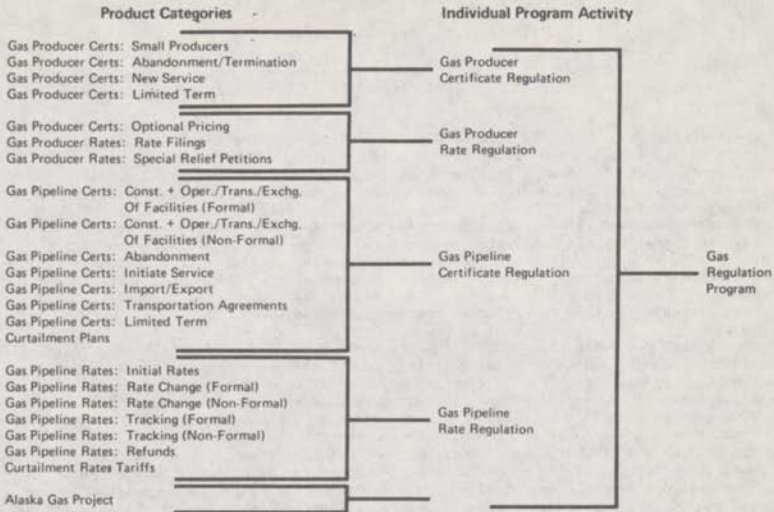
It is anticipated that there will be an increase in petitions for declaratory orders over the next several years in connection with the NEA legislation. This will be particularly true with regard to the Natural Gas Policy Act of 1978 and the regulations promulgated thereunder. The Commission expects to be able to deal with this projected increase without developing a backlog and is asking for no increase in personnel in FY 1980.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

FY 1980 CONTRACTS LISTING
FEDERAL ENERGY REGULATORY COMMISSION
(In thousands of dollars)

	<u>Estimated Amount</u>
<u>MULTI-RESOURCE REGULATION</u>	
Electric power regulation:	
Perform study to compare the effectiveness of existing pools and also compare the effectiveness of the pools with non-pool utility systems; and perform study to assess the risks of reduced reliability of power pools if gain in economic and technical performance outweighs reliability considerations.	\$ 150
Contractual support to classify and review all existing automatic adjustment clauses to determine if opportunities exist in structuring of such clauses for providing improved incentives to utility management; study of the impact of automatic adjustment clauses on certain types of management decisions; statistical study of fuel prices paid by utilities and proportion of fuel costs "passed through" by those utilities; and study to develop a standard cost (accounting) structure for affiliated coal operations of jurisdictional utilities.	\$ 200
Contractual efforts to improve the overall efficiency of the Commission's regulatory processes, including an automated legal retrieval system to store all FERC regulatory decisions, opinions, and orders to facilitate quick access by staff to speed case processing; an automated central file system to provide automated access to documents and rate and certificate files; regulatory research studies to develop new or revise current methodologies to simplify the Commission's regulatory processes; a centralized ADP and management information system to improve Commission operations; and contract support to carry out the enforcement activities, including investigations of violations of the Federal Power Act and fuel adjustment clause studies.	\$2,162
Rulemaking and jurisdictional responsibilities:	
Contractual efforts to improve the overall efficiency of the Commission's regulatory processes, including an automated legal retrieval system to store all FERC regulatory decisions, opinions, and orders to facilitate quick access by staff to speed case processing; regulatory research studies to develop new or revise current methodologies to simplify the Commission's regulatory processes; and a centralized ADP and management information system to improve Commission operations.	<u>\$ 365</u>
TOTAL MULTI-RESOURCE REGULATION	\$2,877

Gas Regulation Program



Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

PROGRAM OVERVIEW

Federal Energy Regulatory Commission

Regulation
Gas Regulation

The FERC is mandated by the Natural Gas Act of 1938 with regulating a variety of activities and facilities in the natural gas industry. These responsibilities are reflected in the program activities which comprise the gas regulation program, specifically, pipeline certificates and rates, producer certificates and rates, and the Alaska Gas Project. The FERC is required by the Natural Gas Act to regulate the transportation and sale for resale of natural gas in interstate commerce. Pursuant to this authority, the Commission sets rates for such services and issues certificates of public convenience and necessity to entities seeking authorization to undertake certain construction, sales, or transportation. The FERC, in its ratemaking authority, must permit only such rates as are just and reasonable to protect consumers from excessive charges for sales or transportation services.

The Natural Gas Policy Act (NGPA), one of the five major sections of the overall NEA, and the one referred to repeatedly by President Carter as the most important part of the NEA, expands significantly the FERC's jurisdiction over natural gas sold and transported in the United States, including previously exempt intrastate gas. The NGPA changes radically many aspects of the existing natural gas regulations, and creates many new regulatory responsibilities never before within the jurisdiction of the FERC or any other Federal agency. It establishes statutory ceiling prices for various categories of gas production that -- with provisions for automatic price increases and eventual decontrol -- could substantially raise the incentives for new gas production. It provides priority use guidelines and incremental pricing that encourages higher value gas use through price and conservation induced reductions by low priority consumers.

Under the Natural Gas Act, the Commission set curtailment priorities for allocation of natural gas shortages in a just and reasonable manner throughout the nation. The NGPA requires the Commission to set new priorities for certain uses of the natural gas and this will require rulemaking proceedings to implement Congressional intent. Additionally, under the NGPA, the Commission must issue detailed regulations in FY 1979 to implement both statutorily required incremental pricing rules which will affect every distribution company and industrial end-user in the nation. The overriding function of this gas regulation area of the Commission is the assurance to consumers and the nation that fair and reasonable rates for natural gas are provided and that sufficient supplies of natural gas will be available. In addition to fair rates and supply availability, a prime consideration is that the laws administered by the Commission are being complied with and that the Natural Gas Act and the NGPA are being fully and fairly enforced. Along with provisions in the Public Utilities Regulatory Policy Act, it provides the initial steps toward improving retail gas structures that can benefit all consumers. Its implementation will account for almost 50 percent of the estimated saving of 3 million imported barrels of oil a day by 1985. It creates a single national market for natural gas that will encourage gas to flow into the interstate market.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF CHANGES
FEDERAL ENERGY REGULATORY COMMISSION
Regulation
(In thousands of dollars)

FY 1979 budget authority	\$33,781	
FY 1980 budget estimate	\$41,365	
Net change	+ \$ 7,584	
	<u>1979</u>	<u>Change</u>
	<u>Base</u>	<u>From Base</u>
Increases:		
Built-in:		
Annualization of salaries and expenses for 364 positions and contractual support to improve the efficiency and effectiveness of the Commission's regulatory processes.....	\$31,679	+ \$6,511
Program:		
<u>Gas Regulation</u>		
Conduct management and fiscal audit of Alaska Gas Pipeline companies and conduct studies covering tariff and evaluation methodology, gas gathering cost, and gas allocation and pricing policies...	290	+ \$1,310
Studies of utility deregulation under NGPA; curtailment policy effectiveness under NGPA; incremental pricing effectiveness under NGPA; coordination effectiveness between NGA and NGPA; and future natural gas requirements and shortages.....	---	+ \$1,230
Decreases:		
Program:		
<u>Gas Regulation</u>		
Completed studies for natural gas curtailment policy; natural gas supply emergency procedures; technical assistance from consultants-curtailment and supply constraints; incremental pricing data base; rate schedule analysis; new gas determinations study; and technical assistance from consultants on natural gas supply requirements..	\$ 1,467	- \$1,467

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF ESTIMATES BY APPROPRIATION BY MAJOR CATEGORY
FEDERAL ENERGY REGULATORY COMMISSION
(In thousands of dollars)

	FY 1978 Actual		FY 1979 Estimated		FY 1980 Request	
	BA	BO	BA	BO	BA	BO
Gas regulation	\$20,756	\$19,293	\$33,781	\$31,559	\$41,365	\$38,931

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF POSITIONS AND STAFF YEARS BY APPROPRIATION
REGULATION
FEDERAL ENERGY REGULATORY COMMISSION

	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request	
	Pos.	SY	Pos.	SY	Pos.	SY
Gas Regulation						
Headquarters	659	567	1,016	886	1,023	1,015
Field	--	--	--	--	--	--
Subtotal	659	567	1,016	886	1,023	1,015
Total	659	567	1,016	886	1,023	1,015

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands, Narrative Material in Whole Dollars)

	FY 1979 Estimated Budget Authority	FY 1980 Requested Budget Authority
<u>Gas Regulation</u> (FERC)		
Pipeline Certificate Regulation		
Operating expenses	\$11,504	\$13,646
Pipeline Rate Regulation		
Operating expenses	\$ 9,595	\$11,651
Producer Certificate Regulation		
Operating expenses	\$ 4,608	\$ 5,407
Producer Rate Regulation		
Operating expenses	\$ 6,868	\$ 7,726
Alaska Gas Project Office		
Operating expenses	\$ 1,206	\$ 2,935
Total, Gas Regulation	\$33,781 <u>1/2/</u>	\$41,365

1/ "Includes a pending supplemental request for NEA activities of \$7,862,000."2/ "Includes a pending supplemental request for FY 1979 pay raise of \$1,049,000."

Authorization: Sections 1, 3, 4, 5, 7, 10, & 14 of the Natural Gas Act; Section 5 of the Alaska Natural Gas Transportation Act; the Natural Gas Policy Act; the Public Utilities Regulatory Policy Act; and the Powerplant and Industrial Fuel Use Act.

<u>Pipeline Certificate Regulation</u>	\$11,504	\$13,646
--	----------	----------

The pipeline certificate activity included within the gas regulation program is governed by the Natural Gas Act of 1938 (NGA) and the Natural Gas Policy Act of 1978 (NGPA). Under the NGA, interstate pipelines are required to seek prior certification from the Commission to construct and operate facilities. The NGA also governs all curtailment actions taken by interstate pipelines to ensure maintenance of sufficient gas supplies during peak periods, provide a viable curtailment program during periods of shortage, and increase and develop gas sources. The certificate activity specifically consists of analysis of all new pipeline construction, underground storage development and synthetic natural gas (SNG), liquified natural gas (LNG), and related projects. Also included is analysis of activities related to direct industrial purchases of gas from producers, all 60-day emergency transactions between producers, pipelines, distributors and end-users and any other matters concerning service construction, operation and related policies of interstate pipeline companies.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands, Narrative Material in Whole Dollars)

Each pipeline certificate application is analyzed from a financial, engineering, economic, gas supply, market and environmental standpoint. In processing certificate applications, particular attention is paid to the volume of new gas coming on-line, the proposed price and source thereof, and the contractual provisions of sale.

Studies of gas supplies available to specific companies, or under particular contracts, are becoming increasingly important in analyzing certificate applications as a decline in the available supply of gas would seriously jeopardize the economic viability of facilities. Facilities providing service cannot be abandoned without a specific Commission finding that the available supply of gas is depleted to such an extent that continued service is unwarranted, or that abandonment is justified in terms of present or future public convenience and necessity.

Construction/Operation

Applications filed for construction and operation of pipeline facilities constitute the major portion of the workload in this activity. Natural gas pipeline companies must file a certificate application with the Commission and obtain approval prior to the construction and operation of new facilities. Once a certificate of public convenience and necessity has been issued, pipeline companies must file an amendment thereto for any changes in service of facilities that had been authorized by that certificate. Applications completed in FY 1978 amounted to 581, an increase of almost 100 over the FY 1977 level. In FY 1979, 570 completions are projected and this number should increase to 620 by the end of FY 1980.

Abandonments

In FY 1978, 32 applications for abandonment of service were filed with the Commission, with 29 being decided through the formal hearing process. This authority is a powerful regulatory tool inasmuch as denial of or inaction on an application for abandonment is equivalent to requiring the continuation of service.

Facilities which provide service cannot be abandoned without a finding by the Commission that the available supply of gas is depleted to such an extent that continued service is unwarranted or that the abandonment is permitted by the present or future public convenience and necessity. Due to the gas shortage, abandonments involving claimed loss of production or depletion of reserves are being given closer scrutiny and in many instances have involved formal hearings. The FY 1980 workload estimate of 48 completions, an increase of 11 from FY 1979, is not expected to change through FY 1983 although applications may tend to be more complex.

Curtailment

In the early 1970's certain interstate pipeline companies were unable to fulfill their existing contracts for natural gas service to their customers. The curtailment program under Sections 4 and 5 of the NGA was established to assist in an equitable allocation during the shortage. The pipelines file with the Commission to revise their existing tariff by priority of service pursuant to Commission's Rules. All of these proceedings may at sometime be reopened for consideration of new or expanded issues. Currently 11 active curtailment cases are under review by the FERC staff.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands, Narrative Material in Whole Dollars)

Other Workload

Of the remaining 85 filings received in FY 1978, 78 were for transportation agreements to allow pipelines to transport intrastate gas contracted for by the end users in an attempt to ease firm service curtailments. This involves the authority for the transportation of gas only and not the sale or resale of the gas.

The other 5 filings concerned import/export activities. Exports or imports of natural gas to or from a foreign country cannot be accomplished without first having secured an order by the Secretary of DOE authorizing it to do so. These applications may be referred to the Commission for hearings. Facilities for the transportation and delivery of the imported or exported natural gas cannot be constructed until authorized by the Commission. Due to dwindling supplies, efforts are being made to increase imports of natural gas, thus contributing to an increase in pipeline certificate applications.

The remaining 2 filings were to initiate service whereby the Commission orders that requested services be made available to the requesting party.

In order to facilitate dispositions of pipeline certificate cases, the Commission has delegated to the staff the authority to take certain actions. These include issuing: certificates for the construction and operation of facilities having a cost under \$100,000; budget-type certificates; permission for abandonment of gas purchase facilities with a construction cost of less than \$100,000; temporary certificates under Order No. 2 (Opinion 533); and amendments to existing transportation certificates. Additionally, staff can pass upon requests for extensions of time, issue informal reports, pass upon applications to withdraw, and issue and sign deficiency letters.

The pipeline certificate activity under NGA provides the government with revenue through filing fees paid by companies. Total collections for the previous four years amounted to more than \$16,000,000, including an estimated \$3,500,000 for FY 1978. Annual collections for FY 1979 and FY 1980 are expected to be in the same range as FY 1978.

Overall, the impact of the NGPA will be significant in terms of workload of the pipeline certificate activity. Complete revision of curtailment plans will be required. Additionally, regulation of SNG proposals, participation in the development of new intrastate transportation policies, and analyses of new, high-cost gas supply projects involving natural gas, LNG, and SNG must be put into effect.

Pipeline curtailment activities will also be dramatically altered under the provisions of the NGPA. Specifically, interstate gas deliveries needed for certain essential agricultural and industrial uses generally will not be curtailed unless the gas is needed to serve high priority uses, i.e., residences or small commercial establishments and other exempted facilities. As a result, in FY 1979 the FERC has suspended temporarily ongoing curtailment proceedings of all interstate pipelines until the FERC issues its NGPA related curtailment regulations.

Within 120 days of the date of enactment, the Secretary of Energy must prescribe a rule prohibiting interstate pipeline companies from curtailing essential agricultural users, unless the Commission, in conjunction with the Secretary of Agriculture, determines that alternate fuels are reasonably available and economically practicable to these users. The NGPA also requires the Secretary to prescribe a rule prohibiting interstate pipelines from curtailing what he determines to be essential industrial process and feedstock uses of gas, unless the gas would be needed to serve high

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

priority users. Once the schedule of curtailment priorities is determined, the Commission will then be required to implement the revised curtailment priorities schedule consistent with the NGPA. The curtailment of these uses will be permitted under the NGPA only if the Commission determines that alternative fuels are reasonably available and economically practicable for these uses. Because the NGPA requirements differ from current FERC regulations based on the Natural Gas Act regarding interstate gas pipeline curtailment plans, revisions of the 108 existing curtailment plans must be made to establish conformity with the NGPA. Therefore, future curtailment case workloads will increase substantially, requiring considerable Commission resources. These curtailment activities, under NGPA, will require 45 positions.

The NGPA also requires the establishment of natural gas supply emergency procedures for uses during a shortage. The emergency authorities of the NGPA authorize the President to declare a natural gas supply emergency if a gas shortage exists or is imminent which endangers supplies of gas for "high-priority" use. If an emergency is declared by the President, the FERC requires any interstate pipeline or local distribution company contracting for natural gas under the emergency purchase authority to maintain and make available full reports of transactions under this authority. In addition, the FERC has to provide adequate monitoring and review procedures in order to assure full compliance with the statute. The FERC staff will be required to examine weekly reports of prices and volumes of natural gas purchased pursuant to emergency purchase authority. Finally, the Commission is required to submit a report to Congress before June 1, 1979, regarding the need for additional authority, if any, other than that provided under NGPA, required to meet high priority needs during an emergency. These activities under NGPA will require 6 positions by OPR.

NGPA's greatest effect will be an overall increase in applications covering new supplies of higher priced gas and the expansion of jurisdiction to some intrastate activities. However, at the same time, it will decrease the number of certificate filings with respect to the short-term interstate transportation of gas for distributors and intrastate pipelines under Section 311 of the Act.

In addition to the provisions of the NGPA, the Commission will also be required to carry out the provisions of Section 605 of the Public Utilities Regulatory Policy Act (PURPA) relating to conserved natural gas. PURPA provides that no natural gas may be taken from a local gas distributor if that utility can satisfactorily demonstrate that the added increment of gas involved resulted from energy conservation measures undertaken by its customers. The Commission will be required to determine what conservation measures qualify for consideration and the methods for measuring conserved gas. This requirement under NEA will require 2 positions.

The NGPA and the NGA require the Commission staff to work in both consultation and advisory capacities with other Federal agencies including the Economic Regulatory Administration, the Energy Information Agency and other parts of the DOE, the Department of Agriculture and Interior, Transportation and the U.S. Geological Survey. It is also essential to deal closely with State public utility commissions on a case-by-case basis.

The Commission's monitoring of certain sales and transportation of natural gas and the assignment of surplus gas will require determinations of conformance with the provisions of the NEA. As a consequence, the legal staff will provide advice to the Commission to prepare for hearings and will handle any appeals from Commission decisions.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

Enforcement staff will investigate the transportation of natural gas for low priority usage from operating proprietary and offshore interstate pipelines, and the construction of facilities from the standpoint of possible rate over-charges to consumers. Specific enforcement activities may require large scale investigative activities, administrative proceedings or judicial litigation.

Finally, in FY 1980, \$280,000 in contract support will be required to carry out a study of utility deregulation under the NGPA, and \$250,000 will be required to study the effectiveness of curtailment policies adopted by the FERC.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

<u>Pipeline rate regulation</u>	\$9,595	\$11,651
---------------------------------	---------	----------

Pipeline rate functions under the gas regulation program are governed by the Natural Gas Act of 1938 (NGA) and the Natural Gas Policy Act of 1978 (NGPA). The detailed subactivities under the pipeline rate activity consist of (1) initial rates, (2) rate changes, (3) refunds.

The long range goal of gas pipeline rate regulation under the NGA is to establish just and reasonable rates for the transportation of natural gas and its sale for resale; to establish service conditions including entitlements to service and rules consistent with the curtailment priorities promulgated by the DOE Secretary; to monitor and enforce compliance with filed tariffs; and to ensure compliance with and enforcement of Commission rules, regulations, opinions, and statutory responsibilities under the NGA. Variations in the corporate structure of the major pipeline companies require that staff utilize a case-by-case historical costing approach for major rate cases.

Major objectives for FY 1979 and FY 1980 include initiating full scale review of the natural gas pipeline rate process to ease the regulatory burden and streamline processing, including the institution of rulemaking proceedings; fully implementing a comprehensive enforcement program; processing all pipeline rate filings within statutory time limits; conducting formal casework in an expeditious manner to avoid or minimize the collection of rates which may ultimately be found to be unjust and unreasonable; and assuring that all issues are fully presented on the record to facilitate reasoned disposition by the Commission.

Rate changes

The Commission monitors pipeline rates by reviewing and analyzing various filings for initial rates and rate changes. Companies are allowed to file for adjustments in their rates based on known and measurable changes that will occur within nine months from the last month of most current cost experience. The Commission initially has 30 days to accept or suspend a rate filing. If the filing is suspended, it is considered a formal case and an investigation is instituted to determine the reasonableness of the rate filing. In addition to review and analysis of pipeline rate filings, other activities are carried out including compliance and enforcement activities, administration of the Uniform System of Accounts, formal hearings, and investigation into discriminatory rates, charges, or services.

Initial rates

Under the NGA, the Commission must ensure that the rates charged by natural gas companies for the transportation and sale for resale of natural gas in interstate commerce are just and reasonable. Consumers must be protected from excessive rates and pipeline companies must be compensated for prudent and necessary costs of jurisdictional service, including a fair rate of return on investment. Pipeline companies must maintain on file with the Commission tariffs showing all rates and charges for any transportation or sale of natural gas subject to the jurisdiction of the Commission and the classifications, practices, rules, and regulations affecting such rates, charges, and services. No change in the effective tariffs can be made without proper notice and support. All rates and charges must be just and reasonable, and undue preference or discrimination must be prevented.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

Filing Fees and Refunds

In FY 1978, 967 pipeline rate filings were completed. Approximately 1061 filings will be disposed of in FY 1979 and 1102 in FY 1980. Rate filings are subject to filing fees. For FY 1980, it is estimated that \$3,646,000 will be collected in filing fees. Additionally, some rates will be subject to refunds. For FY 1978, approximately one billion dollars was refunded to customers as a consequence of FERC reviews conducted by OPRR.

Investigations of refunds ordered by the FERC are performed by the Office of Enforcement (OE) to determine whether the refunds have been properly made. Additionally, staff investigates whether cost pass-throughs to consumers under purchase gas adjustment clauses are properly made. The Office of Chief Accountant (OCA) conducts field audits of the books and records of jurisdictional companies on a cyclical basis. From FY 1979 through FY 1983, 17 OCA audits a year are scheduled, resulting in a five year audit cycle for 83 companies. In addition, the Office of the General Counsel (OGC) performs NGA pipeline rate activities by processing and analyzing applications for increases in gas pipeline rates. OGC prepares Commission orders, conducts the staff's cases in litigated proceedings, drafts rulemakings, and performs legal research.

For FY 1978, the Commission ordered gas refunds amounting to almost \$1,000,000,000. This is approximately double the amount of refunds ordered by the Federal Power Commission for the previous three fiscal years combined. It is anticipated that a total of \$1,500,000,000 in refunds will be ordered for FY 1979 and FY 1980. The refunds represent collections by companies for rate increases that the Commission has ordered returned to consumers.

In FY 1978, 980 filings and financial audits were completed. This output as well as projections for FY 1979 and FY 1980 is shown below:

Output/Workload Measures

	Fiscal Year		
	1978	1979	1980
Pipeline Rate Filings - Initial Rates	386	415	425
Pipeline Rate Filings - Rate Change (Regular)	59	75	81
Pipeline Rate Filings - Rate Change (Tracking)	359	401	417
Pipeline Rate Filings - Refunds	146	150	155
Pipeline Rate Filings - Curtailment	17	20	24
Financial Audits	15	17	17

The Natural Gas Policy Act (NGPA) will substantially impact the pipeline rate activity. Under the NGPA, the Commission will be required in FY 1980 to promulgate incremental pricing regulations that protect residential consumers.

Under Title II of the NGPA "Incremental Pricing", interstate pipelines and distribution companies served by interstate pipelines must pass along the higher costs of certain new, high-cost, and imported natural gas to their large industrial customers who use gas for boiler fuel to generate steam or electricity. Under incremental pricing, industrial boiler fuel users will bear the portion, or "increment", of gas costs above \$1.48 per million Btu's (as of March 1978, adjusted each month for inflation), until the price to these users rises to the cost of alternate fuel (fuel oil) in the region. Only when the rates of all of an interstate pipeline's or distributor's industrial boiler fuel customers reach this level will its other customers, including residential and small commercial users, have to bear a portion of the higher gas costs.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

Within a year after enactment, the FERC must prescribe the specific mechanism for passing through incremental costs to industrial boiler fuel users. The NGPA generally requires that interstate pipelines keep a special incremental pricing account, with incremental costs to be passed through by means of a surcharge. Within 18 months of enactment, the Commission is to propose an amendment to the earlier rule which will apply incremental pricing to other industrial gas users, in addition to large boiler fuel users. This amendment will be subject to Congressional review.

The NGPA exempts from incremental pricing schools, hospitals, and other similar institutions; the generation of electricity by electric utilities; and certain industrial cogenerators of steam and electricity. Small industrial boiler fuel facilities (using less than 300,000 cubic feet of gas per day) and agricultural users of natural gas (including food processors and fertilizer manufacturers) are exempted on an interim basis. Within 18 months of enactment, the FERC is to provide for the permanent exemption of certain small boiler fuel users and, where alternate fuel is not reasonably available or economically practicable, agricultural gas users. The Commission may exempt other gas users from incremental pricing, subject to Congressional review. The permanent exemption process will require identification of volumetric data exempted from incremental pricing.

There is no present program under the Natural Gas Act (NGA) that is comparable to the NGPA incremental pricing requirements. The Uniform System of Accounts must be revised to allow costs subject to end-year passthroughs to be aggregated in a new account. Staff will perform field compliance audits to verify and analyze the proper passthrough of costs to incrementally priced gas cost to the revised uniform system of accounts. Under NGPA 1,600-1,800 new entities (Distributors) which are now exempt from NGA passthrough regulation, will be subject to FERC jurisdiction for incremental pricing passthrough requirements. Tariff filings will probably be required from these Distributors.

In addition, the Act also requires that a study of gas utility rate design be submitted to the Congress within 18 months of enactment. The study must address various items which impact on rates and their effect on pipeline and distribution load factors, class user rates, demand and consumption, changes in total costs, and alternative fuels. As a consequence of this mandated study, proposals can be developed to improve gas utility rate design and to encourage conservation of natural gas.

In order to carry out the new responsibilities mandated by NGPA, data will be collected in a facility-by-facility basis because facilities have different supplier and different end uses of gas. Data will be collected in coordination with EIA and will be reviewed by the interstate pipelines for accuracy and completeness.

In FY 1979 and FY 1980 major staff effort will be devoted to compliance audits in the field to verify the proper passthrough of costs. The FERC staff will conduct technical audits, enforcement audits, and accounting audits. Specifically, the Commission will perform field compliance audits to verify and analyze the proper passthrough of costs for incrementally priced gas in accordance with the revised Uniform System of Accounts. Cost passthroughs to consumers under purchased gas adjustment clauses will also be subject to investigation. Audit and examination of records and reports on site will be undertaken to ensure that the pricing provisions of NGPA are complied with properly. Since the Act also requires the establishment of a separate incremental pricing account, significant expansion of audit coverage will be required to insure that the pricing provision of the Act and forthcoming Commission regulations are complied with.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

It is estimated that an additional 1600-1800 pipelines and distribution companies will be under FERC jurisdiction because of the new incremental pricing responsibilities, requiring increased tariff filings and related refunds. In this regard, the FERC legal staff will be required to conduct more settlement conferences and hearings.

Within the Commission, the Office of General Counsel, will be working to develop, within 12 months of enactment, mandatory incremental pricing (for interstate pipelines and local distribution companies) for industrial boiler fuel customers of interstate pipelines and, within 18 months, a second incremental pricing rule for other low priority users. The OGC will be required to draft the proposed regulations; to review the public comments; to draft the final regulations; and to defend in the Courts the Commission's final rules if appealed. As part of this effort, additional regulatory scrutiny of the Purchase Gas Adjustment will be required.

Federal Energy Regulation Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

<u>Producer Certificate Regulation</u>	\$4,608 \$5,407
--	--------------------

The natural gas producer certificate activity is authorized by the Natural Gas Act of 1938 (NGA) and the Natural Gas Policy Act of 1978 (NGPA). Natural gas producers must file applications for certificates of public convenience and necessity for sales of gas for resale in interstate commerce, small producer certificates and abandonment of services as well as the non-docketed functions of reviewing annual reports of producer sales and analyzing refunds for compliance with Commission regulation. The NGPA increases responsibility in the producer certificate area by giving the Commission jurisdiction over intrastate sales and requiring that FERC review the price eligibility determinations which are made by the State or the U.S. Geological Survey (USGS). The NGPA revises the Commission's certificate authority under the NGA to the extent that only gas committed or dedicated before enactment and certain Outer Continental Shelf (OCS) leases require new service, abandonment and other authorizations under Section 7 of the NGA. This includes a residue of small producer applications and an anticipated termination of limited term certificates.

Small Producers

Small producer certificate applications are one-time filings by natural gas producers to cover sales of less than 10,000,000 Mcf a year. In 1971, when Order No. 428 extended small producer procedures to all geographic areas, the number of small producer applications received increased greatly. Enactment of the NGPA will drastically reduce the number of filings to be received annually and it is expected that sales still subject to the NGA will generate an estimated 250 new filings per year which should result in a significantly reduced backlog by the end of FY 1980.

In FY 1978, for example, 820 small producer applications were filed and staff completed action on 797. Although 651 were still in-house at the beginning of FY 1979, staff expects to complete all of them by the end of FY 1980 along with the 500 total filings anticipated in FY 1979 and FY 1980.

Abandonments

Producer abandonment projects will be affected by the NGPA in several major ways. First, the exclusion provision of Section 2(18)(B), referred to as the "Southland Exclusion" should permit easier disposition of many pending lease reversion cases, which constitute over 50 percent of current producer abandonment filings. Second, the high prices applicable to stripper wells should make many abandonments unnecessary at this time, because the economic life of the sale would be extended. When abandonments from exhausted stripper wells do occur, they will be on the basis of depletion which is easier to substantiate and process. Third, the elimination of the dual interstate and intrastate markets through the establishment of rates for all new sales will make switching of buyers for a pricing advantage unnecessary. Finally, new onshore wells and offshore lease sales will not be subject to abandonment authority. Completion of 450 abandonment filings is anticipated during FY 1980 compared to 117 in FY 1978 and an estimated 380 in FY 1979. However, the Office of Enforcement will review abandonments to determine whether producers may be using the abandonment mechanism to switch gas classifications to obtain higher NGPA costs.

New Service

The NGPA will have a significant impact on producer certificate activities. Under NGPA, new service applications relating to new onshore wells will disappear commencing after February 19, 1977, as well as new reservoir and offshore sales related to post April 20, 1977, leases. Currently, no post April 20, 1977, leases are being certificated, so applications for certification of offshore sales will be received at the present level in the near future. Offshore sales account for 70 percent of the total filings received. This will result in an anticipated 950 new filings and a projected 900

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

completions in FY 1980. There will be a continued workload relating to successions to the gas sales still subject to the Natural Gas Act. This represents a small portion of filings made in the new service category.

Natural Gas Policy Act

The single most significant increase in workload created by the NGPA involves price eligibility determinations which are made by the States or the USGS. The FERC will require a full case record for every eligibility determination and staff will conduct comprehensive reviews of these case records. It is anticipated that this will involve approximately 120,000 determinations for stripper wells, new wells, and new onshore and offshore reservoirs. Additionally, the staff will be required to conduct both office and field investigations and audits of determination procedures and the authenticity of petitions filed by the producers and acted upon by States. Furthermore, States will be required to file with FERC a report of their procedures to be used in evaluating producer requests for eligibility determinations. Staff will perform office reviews comparing full case records for specific determinations with these State plans. It is estimated that 35,000 determinations will be reviewed during FY 1980. Field investigations will follow for the ten greatest producing States to insure that adequate determination procedures are being utilized.

Besides the additional workload generated by the determination process, the NGPA gives the FERC jurisdiction over intrastate sales. The major workload generated by this action and the implementing regulations will include initial and annual reports for approximately 50,000 contracts. These initial reports will provide the basis for audit and review for compliance with NGPA maximum lawful prices.

Processing and verification of producer refund reports and related matters under the NGA will continue under the NGPA. The current large and small producer annual reports of gas sales will be revised substantially to include the additional details generated by the new price categories established in the NGPA. Rate schedule analysis established under the NGA will be continued. While this requirement for reports will be continued, the additional requirements for interim collection of prices under NGPA (subject to refund) will create substantial new filings and reports.

The interim collection procedure provides for the filing of satisfactory refund assurance. Upon such filing, a natural gas producing company can charge, subject to refund, the rate it believes to be applicable prior to receiving an eligibility determination by a state or federal agency. When the state or the appropriate federal agency makes its determination, it is subject to review by the FERC. If the FERC remands the state or federal agency determination, the producer may ultimately be required to sell its gas at a rate lower than the rate originally requested, and refunds would be made of the amounts collected in excess of the appropriate rate. After a Commission order is issued, a refund report, showing the amount to be refunded, is submitted to FERC and the purchaser. Because this is the initial phase of regulation under the NGPA, it is anticipated that many wells covered by the interim collection procedure may be improperly classified by the producers. When refunds are ordered for excess monies collected for sales from these wells, applications for relief from refund obligations are also expected to be filed. In addition, annual reports of sales and purchases under the NGPA will be made by either the producers or the first purchasers. Assuming that reports will be required on an individual well basis, respondents will be filing reports on gas sales from approximately 200,000 wells.

Stripper well sales which are based on a sliding production rate are to be closely monitored for any irregularities and all reported production is to be monitored in order that any diversion of gas from sales in a market area, for sales to a different purchaser, or for sales at a price higher than the price at which the sale was initially made can be detected.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

OPPR requests funding for 65 positions to perform refund and reporting responsibilities under the NGPA, bringing the total OPPR staffing level for producer certificate regulation to 126 positions. Staff working on refunds and reports will play a crucial role in seeing that the NGPA is being properly implemented. During FY 1980, it is anticipated that 75,000 eligibility determinations will be reviewed. Any problem areas or discrepancies will be further investigated.

The legal staff will be required to prepare for FERC hearings and to handle appeals from the FERC decisions regarding certain sales and transportation of natural gas and the assignment of curtailment rights to received surplus gas.

During the initial stages of implementation of the NGPA, staff will have added burdens in addition to those of casework, which includes pending actions required under the Natural Gas Act. The FERC will receive myriad requests for clarification of continued NGA procedures as well as those inquiries from industry, other government agencies, and the public resulting from the new legislation. With the requested level of funding, the Commission will be able to process casework and investigations to establish a firm basis for enforcing all provisions of the NGPA.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands, Narrative Material in Whole Dollars)

<u>Producer Rate Regulation</u>	\$6,868	\$7,726
---------------------------------	---------	---------

The natural gas producer rate activity is governed by the Natural Gas Act of 1938 (NGA) and the Natural Gas Policy Act of 1978 (NGPA). The functions in this activity focus upon three docketed functions: producer rate filings, special relief petitions, and optional pricing applications. Under the NGPA, producer rate regulation has been broadened to encompass monitoring of all prices collected, including those sales which were previously destined for the intrastate market.

Under Section 4 of the NGA, all producers were required to file rate schedules with the Commission detailing the terms, conditions, and rates for each of their jurisdictional gas sales. The NGPA limits the Commission's rate authority to only that gas committed or dedicated to interstate commerce before the date of enactment of the NGPA and to certain old Outer Continental Shelf (OCS) leases. Changes in such schedules cannot be made without prior notice to the Commission and the public. The staff must analyze the rate filings against nationwide rate orders and contract terms to assure that the rates and charges are just and reasonable and in the public interest. While NGPA limits the FERC's rate filing authority, a significant amount of filings, approximately 10,000, remains to be processed during FY 1979 and FY 1980.

Sections 102 through 109 of the NGPA establish a series of statutory maximum lawful prices for various categories of natural gas, including the intrastate market. The NGPA requires the Commission to compute and publish maximum lawful prices on a monthly basis. Additionally, the Commission is required to publish a monthly equivalent of the annual inflation adjustment factor for that month. Commission regulations have been revised to require a one time affidavit in lieu of filing future monthly increases in price attributable only to the inflation adjustment factor. It is anticipated that 300 affidavits will be filed with the FERC during FY 1979. These affidavits must be acknowledged and reviewed by staff. Processing of these initial filings will not be completed until FY 1980. In addition to this initial filing, producers must amend the affidavit to identify any new or old sales which become subject to blanket affidavit provisions. Staff estimates that 2,500 such amendments to existing affidavit exhibits will be received during FY 1980.

By current estimates the NGPA will eliminate approximately 11,000 routine rate change filings a year, however the more complicated and detailed filings will remain. Filings covering rollovers, tax and contract changes, and vintage changes should exceed 5,000 during FY 1980. Each of these filings must be analyzed and processed individually by the staff.

The Commission's regulations provide for special relief where factors exist that make further production of flowing gas uneconomical at existing rates and where abandonment would be the apparent result of denial of special relief and for recovery of gas which would otherwise be flared or vented. An additional form of pricing relief, the optional pricing procedure, provides for a sale of new gas at rates exceeding the nationwide rate where the gas would not otherwise be developed. Due to the complexity of these filings, the majority of special relief and optional pricing applications are processed through formal hearing procedures entailing significant staff effort over an extended period of time in order to complete one case. The NGPA permits the continuation of special relief regulations and optional pricing procedures under the NGA and also provides a mechanism for seeking relief from the pricing categories for natural gas established in the NGPA. It is therefore anticipated that the receipt of optional pricing applications and special relief filings will remain at about the same level in FY 1980 as

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

in FY 1979. Staff anticipates completing 72 special relief and optional pricing proceedings during FY 1980. There is a large backlog of approximately 100 cases in this area. This backlog should be reduced during fiscal years 1979 and 1980; however, staff does not expect to be able to handle receipts on a current basis for several years.

Forty-seven positions will be required to perform the special rate functions, which include special relief and exception adjustments, optional pricing, and high cost and incentive rate determinations. This represents an increase of 6 positions over the staffing level for this program during FY 1979. In addition 17 positions are required to carry out the rate filing functions described above. In addition to the above described function the requested staff will be required to complete and publish on a monthly basis, the NGA maximum lawful prices and the monthly equivalent of the annual inflation adjustment, and to perform follow-up studies on rates allowed through special relief and optional pricing to insure that the established prices provide effective incentives in balance with consumer interests, to determine the cost of producing this gas and to evaluate the amount of gas available. Should the Commission decide under Section 110 of the NGPA, to add production-related costs to the lawful prices, staff would also perform the analysis necessary to provide the Commission with specific information upon which to base any decisions.

The most significant area of impact of the NGPA upon producer rate activities is the creation of a new responsibility -- that of monitoring the prices collected. The FERC is mandated by NGPA to insure that no producer granted a determination charges a rate in excess of the established maximum lawful rate. This will entail monitoring and investigation through office and field audits of gas sales records of producers. Such monitoring requires a well-by-well review of applicable collected prices. In the U.S., there are approximately 200,000 wells producing natural gas (including those oil wells which also produce casinghead gas as a by-product). The FERC also has the responsibility to insure that those interstate rates carried over under the Natural Gas Act are properly increased by the rate of inflation under NGPA. Staff anticipates completing 5,000 NGPA audits of prices and contract terms for producer sales of natural gas during FY 1980.

Funds for 60 positions are requested by FERC to perform the required monitoring of prices under the NGPA, bringing the OPRP staffing total to 124 positions. These positions are needed to insure that our regulatory obligations are adequately fulfilled. It is of utmost importance that sufficient personnel be available during the early stages of regulation under the NGPA so as to clearly establish an FERC policy of effective implementation of the NGPA.

The Office of Enforcement (OE) will require 9 positions to perform producer rate regulation NGPA duties including investigations of fraud, abuse or improperly misleading filings as well as litigating in Federal District Court those cases of knowing violations of the NGPA, particularly those sections setting maximum lawful prices. It is essential that a selective and effective enforcement program functional in this area to prevent improper activities in the sale of natural gas.

The Office of General Counsel (OGC) additionally performs certain functions in the gas producer rate area. These include case examination on producer petitions for special relief, procedural and substantive presentations relating to the NGA and NGPA responsibilities for Commission determinations, and handling of rulemaking proceedings related to producer rate regulation and refund cases. Twenty positions will be required for OGC to perform these NGA activities. OGC under NGPA will be required to make filing reviews and hearing requirements for high cost/incentive gas price determinations, adjustments above the ceiling prices in several gas categories, and appeals from State and Federal new gas determinations. Eight positions will be required by OGC to perform these functions. Additionally, this function will be assisted by \$145,000 in NGPA contract support for a producer rate schedule analysis.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

Alaska Gas Project

\$1,206

\$2,935

The Alaska Gas Project is responsible for regulatory activities involving the largest single non-federally financed project for transporting natural gas by pipeline from the North Slope of Alaska to the continental United States. This project, when completed will make available to the lower 48 states, an estimated 26 trillion cubic feet of Alaskan gas.

The Alaskan Gas Project derives its statutory authority from the Alaska Natural Gas Transportation Act (ANGTA) 1976, Natural Gas Policy Act (NGPA) and the decision of the President selecting one of three competing proposals to move gas from the North Slope of Alaska to the lower 48 states. The decision established general terms and conditions under which the Federal Government is prepared to have the project go forward. Those terms and conditions are to be attached to, and provide a framework for all Federal Government issuances and authorization which are required to enable the project to proceed.

The Alaska Gas Project Office (AGPO) has the responsibility to coordinate FERC and DOE jurisdictional responsibility with respect to the Alaska Natural Gas Transportation System, to prepare related studies and correspondence, to coordinate schedules with the Canadians, and to direct FERC's activities in formal proceedings to insure an expedited certificate proceeding. In conjunction with the Federal Inspector, the assigned FERC/DOE agency Authorized Officer would administer three primary areas of responsibility; fiscal audits, management audits, and the monitoring and enforcement of terms and conditions on private lands. In addition, compliance and enforcement of Commission rules, regulations, opinions and statutory responsibilities, are carried out by authority of the Natural Gas Act.

As directed by the President's Decision and ANGTA, the Alaska Natural Gas Transportation System will be a unique project in that a Federal Inspector will coordinate the Federal monitoring and compliance system whereby every design element and construction activity is subject to intense scrutiny and surveillance. The AGPO is also responsible for the final certification process for the Alaskan Natural Gas Transportation Project, including determination of need to commence formal adjudicatory proceedings, and review of management aspects of the project. Other major activities include: (1) Issuance of terms and conditions pertaining to the development of site-specific, environmental, and technical conditions to be appended to the final certificate; (2) Development of a variable rate of return, coordinating tariff, and rate design; (3) Determination of just and reasonable producer rates to be set for the wellhead price of the Alaska gas; (4) Establishment of accounting procedures to be used to audit expenditure and revenue of the applicant; (5) Development of financing plan which will balance the interests of the consumer against compensation for the degrees of risk involved in undertaking the project by the construction companies.

In FY 1978, the Commission was able to initiate a program for carrying out above activities. The AGPO specifically accomplished the following: (1) issued conditional certificate for Alaska and lower 48 states' segments of the ANGTA; (2) approved the partnership agreement for the sponsoring companies consortium; (3) conducted a rule-making proceeding to establish a variable rate of return on equity mechanism; (4) issued conditional authorization for importation of Canadian gas on an equity mechanism; (5) issued conditional authorization for importation of Canadian gas through southern project facilities; and (6) developed a reorganization plan to establish Office of the Federal Inspector.

The current estimate of about \$12,000,000,000 to construct the pipeline sets forth an enormous task for the Commission and its staff to ensure that prudent management decisions are made to keep the project on schedule and within the estimated costs.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

Consequently, in FY 1979, a major effort will be directed toward (1) finalization of incentive rate of return mechanisms; (2) establishment of wellhead prices for Alaska gas; (3) preparing a report which analyzes the risks and rate of return for equity investors in the Alaska Gas Pipeline (AGPL); and (4) preparation of a cost tracking system for AGPL cost estimates as submitted by pipeline sponsors.

In FY 1980, the staff will concentrate on the determination of rates of return on equity and approval of a final financing plan. In addition, Phase I of the management and financial audits will be completed. Finally, it is anticipated that the AGPO will be reorganized into the Federal Inspector's Office during FY 1980.

The AGPO is a small office of 36 positions within the Office of Pipeline and Producer Regulation (OPPR). In addition, OPFR provides technical and administrative support from its operating divisions. The Office of Chief Accountant (OCA) will perform various financial and accounting audits for the AGPO on the Northwest Alaskan Pipeline Company and the Northern Border Pipeline Company. During FY 1980 it is contemplated that OCA will establish allowable costs for use in the variable rate of return formula and to inform holders of debt securities as to the construction expenditures eligible for recovery through NGPA rates. Ten positions will be required to perform these audits by OCA. Other FERC offices contributing to the activities of the Alaska Gas Project will provide ten positions.

Additionally, the Alaska Gas Project will require \$1,759,000 in FY 1980 for contract support for a management audit, fiscal audit, environmental monitoring, and studies.

The management audit contract will provide for monitoring the practices and techniques for cost control, construction schedule, and quality control adopted by the pipeline company, its project management contractor, and the construction contractors. The President's Decision imposes on the applicant a number of terms and conditions dealing with management and organization, construction costs and schedule techniques, general operating strategies, and quality assurance/control procedures which must be enforced by the Federal Inspector and the FERC.

Environmental monitoring and surveillance work which will involve enforcement of terms and conditions on private lands and a check of the design and construction procedures used by the applicant to insure compliance. The contractors will supplement the FERC staff with particular environmental and pipeline engineering expertise not available. In addition, engineering evaluation and studies will be conducted in the areas of heat transfer and pipeline stress for the Arctic region. A heat transfer study will address the question concerning design of a gas pipeline through discontinuous permafrost zones in Alaska and whether to flow the gas at temperatures just above or just below 32°F. The primary concern is to answer the question of whether we would rather resolve problems resulting from ice thawing or from water freezing. Since the applicant will likely present only a single design, the Commission needs a better understanding of heat transfer to or from a gas pipeline and its impact upon surrounding soils, in order to evaluate alternatives and determine if the applicant's design is optimal. Heat transfer model studies will be helpful in understanding and helping to resolve the problem. A successful model will also assist in correcting design problems related to river crossings where ice dams could result.

Finally, consultants will also design computer models to study pipeline stresses. A buried, chilled gas pipeline, such as the Alaska Pipeline may be completely frozen in places with no ability to make adjustments to relieve stresses. Normally, stresses resulting from temperature or temperature changes are relieved in pipelines by minor movements of the pipes. Without such studies or models, the FERC would be totally dependent upon the accuracy of the applicant's calculations, with no basis to critically review its accuracy or reliability.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

A fiscal audit will be undertaken to accomplish three objectives: first, to report, via the Federal Inspector, to the President and Congress on the progress of construction including costs incurred to date and current estimated cost of completion; second, to determine that costs have been prudently incurred and should be included in the rate base for calculating the transportation charge for the gas; and third, to implement the variable rate of return occurred and what actual costs are compared with estimated costs.

Contractual assistance for the above tasks is requested because the work requirements are short-terms, the specialized skills and disciplines which are needed are not included in those represented in the existing FERC Project Office, and contracts will enable the Commission to utilize a variety of talents on a short-term basis to complete individual technical contracts.

As a consequence of the AGPL's completion, an estimated 26 trillion cubic feet of natural gas is available on the North Slope of Alaska near Prudhoe Bay. This gas reserve is expected to support a throughput volume of 2 billion cubic feet per day for 25 years. When fully operational, the Alaska Gas Project will supply five percent of the Nation's total natural gas requirements.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

FY 1980 CONTRACTS LISTING
FEDERAL ENERGY REGULATORY COMMISSION
(In thousands of dollars)

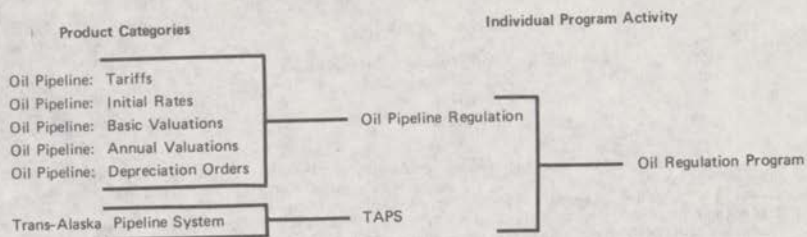
	Estimated Amount
<u>GAS REGULATION</u>	
Pipeline certificate regulation:	
Study of utility deregulation under the Natural Gas Policy Act (NGPA)	\$ 280
Study of curtailment policy effectiveness under the Natural Gas Policy Act (NGPA)	\$ 250
Contractual efforts to improve the overall efficiency of the Commission's regulatory processes, including an automated legal retrieval system to store all FERC regulatory decisions, opinions, and orders to facilitate quick access by staff to speed case processing, an automated central file system to provide automated access to documents and rate and certificate files; regulatory research studies to develop new or revise current methodologies to simplify the Commission's regulatory processes; a centralized ADP and management information system to improve Commission operations; and contract support to carry out the enforcement activities, including investigations of violations of the Natural Gas Act and Natural Gas Policy Act, and abandonment survey of dedicated gas.	\$1,986
Pipeline rate regulation:	
Study of incremental pricing effectiveness under the Natural Gas Policy Act (NGPA)	\$ 300
Gas utility rate design study due to Congress within 18 months after enactment of the Public Utility Regulatory Policies Act.	\$ 200
Contractual efforts to improve the overall efficiency of the Commission's regulatory processes, including an automated legal retrieval system to store all FERC regulatory decisions, opinions, and orders to facilitate quick access by staff to speed case processing; an automated central file system to provide automated access to documents and rate and certificate files; regulatory research studies to develop new or revise current methodologies to simplify the Commission's regulatory processes; a centralized ADP and management information system to improve Commission operations; and contract support to carry out the enforcement activities, including investigations of violations of the Natural Gas Act and the Natural Gas Policy Act, and abandonment survey of dedicated gas.	\$1,360
Producer certificate regulation:	
Contractual efforts to improve the overall efficiency of the Commission's regulatory processes, including an automated legal retrieval system to store all FERC regulatory decisions, opinions, and orders to facilitate quick access by staff to speed case processing; an automated central file system to provide automated access to documents and rate and certificate files; regulatory research studies to develop new or revise current methodologies to simplify the Commission's regulatory processes; and a centralized ADP and management information system to improve Commission operations.	\$ 510

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

FY 1980 CONTRACTS LISTING
FEDERAL ENERGY REGULATORY COMMISSION
(In thousands of dollars)

	<u>Estimated Amount</u>
Producer Rate Regulation:	
Update data base of gas producer rate schedules referencing Form 108.	\$ 145
Study of coordination effectiveness between Natural Gas Act and Natural Gas Policy Act and effectiveness and effects after one year.	\$ 200
Study of future natural gas requirements and shortage.	\$ 200
Contractual efforts to improve the overall efficiency of the Commission's regulatory processes, including an automated legal retrieval system to store all FERC regulatory decisions, opinions, and orders to facilitate quick access by staff to speed case processing; an automated central file system to provide automated access to documents and rate and certificate files; regulatory research studies to develop new or revise current methodologies to simplify the Commission's regulatory processes; a centralized ADP and management information system to improve Commission operations; and contract support to carry out the enforcement activities, including investigations of violations of the Natural Gas Act and the Natural Gas Policy Act, and abandonment survey of dedicated gas.	\$1,305
Alaska gas project:	
Contractual support to conduct a management audit to monitor the practices and techniques for cost control, construction schedule, and quality control adopted by the pipeline company, its project management contractor, and the construction contractors; a fiscal audit to report the progress of construction, including costs incurred to date and estimated cost of completion; and environmental monitoring and surveillance work.	\$1,600
Contractual efforts to improve the overall efficiency of the Commission's regulatory processes, including regulatory research studies to develop new or revise current methodologies to simplify the Commission's regulatory processes; and a centralized ADP and management information system to improve Commission operations.	<u>\$ 159</u>
TOTAL GAS REGULATION	\$8,495

Oil Regulation Program



Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

PROGRAM OVERVIEW

Federal Energy Regulatory Commission

Regulation
Oil Regulation

The FERC oil regulation program encompasses two major activities: establishing rates and charges for the transportation of oil and petroleum products by pipeline; and establishing a just and reasonable valuation of the Trans Alaska Pipeline System (TAPS) and a just and reasonable rate for transporting Alaska crude oil through that system. The primary objective of oil pipeline regulatory efforts is to assure that pipeline companies are able to recover their costs through non-discriminatory rates while protecting shippers and consumers against unjust and unreasonable charges. This entails the conduct of formal evidentiary proceedings where the rates, charges, or services may be unjust or unreasonable and the establishment of initial and updated annual valuation for each major oil pipeline.

Regulatory efforts on the TAPS involve conducting an intensive investigation to establish the reasonableness of the approximately \$9,200,000,000 expended for the 800 mile long oil pipeline in Alaska. The primary FERC investigation of the TAPS case includes the evidentiary determination of the rate base, rate of return, and the management-financial audits of the construction costs.

Responsibility for regulatory oversight on the TAPS case was transferred to FERC from the Interstate Commerce Commission (ICC) and is important both in terms of impact on FERC workload and the opportunity it affords the Commission to establish policy on the basis of evidentiary records. The case is significant because it involves a re-evaluation of the ICC valuation procedures as well as the impact it will have on the transportation costs of oil to consumers. Four additional formal cases were transferred and two cases have subsequently been remanded by the courts. Added to these are the seven cases initiated by the FERC as the result of rate change filings.

The nature of oil pipeline regulation is changing. The Commission staff will take an active role in assuring that the transportation rates are just and reasonable, including the suspension of filings and the conduct of formal proceedings when necessary. It is also contemplated that the Commission will formulate its policy toward oil pipeline regulation and that this policy may vary from that followed by the ICC. A concerted effort will be made in FY 1979 and FY 1980 to develop a policy and to establish new and/or revised practices and procedures which will facilitate prompt and adequate consideration of the rate filings and rates charged.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF CHANGES
FEDERAL ENERGY REGULATORY COMMISSION
Regulation
(In thousands of dollars)

FY 1979 budget authority	\$5,138
FY 1980 budget estimate	<u>\$4,973</u>
Net change	- \$ 165

	<u>1979</u> <u>Base</u>	<u>Change</u> <u>From Base</u>
Increases:		
Built-in:		
Annualization of salaries and expenses for 3 positions and contractual support to improve the efficiency and effectiveness of the Commission's regulatory processes.....	\$3,310	+ \$ 440
Decreases:		
Program:		
Oil regulation		
Completion of TAPS management audit	\$1,828	- \$ 605

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF ESTIMATES BY APPROPRIATION BY MAJOR CATEGORY
FEDERAL ENERGY REGULATORY COMMISSION
(In thousands of dollars)

	FY 1978 <u>Actual</u>		FY 1979 <u>Estimated</u>		FY 1980 <u>Request</u>	
	<u>BA</u>	<u>BO</u>	<u>BA</u>	<u>BO</u>	<u>BA</u>	<u>BO</u>
Oil regulation	\$3,318	\$3,064	\$5,138	\$4,138	\$4,973	\$4,592

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF POSITIONS AND STAFF YEARS BY APPROPRIATION
REGULATION
FEDERAL ENERGY REGULATORY COMMISSION

	<u>FY 1978</u> <u>Actual</u>		<u>FY 1979</u> <u>Estimate</u>		<u>FY 1980</u> <u>Request</u>	
	Pos.	SY	Pos.	SY	Pos.	SY
Oil Regulation						
Headquarters	101	87	111	97	104	103
Field	--	--	--	--	--	--
Subtotal	<u>101</u>	<u>87</u>	<u>111</u>	<u>97</u>	<u>104</u>	<u>103</u>
Total	101	87	111	97	104	103

Federal Energy Regulatory Commission
Regulation
(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

	FY 1979 Estimate Budget Authority	FY 1980 Requested Budget Authority
<u>Oil Regulation (FERC)</u>		
Oil pipeline regulation:		
Operating expenses	\$2,793	\$3,341
Trans Alaska pipeline system project: (TAPS)		
Operating expenses	\$2,345	\$1,632
Total, oil regulation	\$5,138 <u>1/</u>	\$4,973

1/ "Includes a pending supplemental request for FY 1979 pay raise of \$128,000."

Authorization: Sec. 1(5), 15 (1), 15 (7) and 19a, Interstate Commerce Act

<u>Oil pipeline regulation</u>	\$2,793	\$3,341
--------------------------------	---------	---------

The Federal Energy Regulatory Commission's (FERC) authority for oil pipeline regulation was established under Sections 306 and 402 of the Department of Energy Organization Act (P.L. 95-91), where all functions and authority of the Interstate Commerce Commission (ICC) were transferred which involve establishing rates for the transportation of oil and petroleum products by pipeline and establishing the valuation of such pipelines.

The oil pipeline function includes the reviewing of rate tariffs to insure that consumers are not adversely affected by unjustifiable high tariffs. A 1% error in tariffs could mean an economic charge to consumers of approximately \$20,000,000 per year. In FY 1978, 2,184 tariff reviews were completed, 2,390 tariff reviews are expected to be completed during FY 1979, and 2,580 tariff reviews are planned in FY 1980.

FY 1979 expectations and FY 1980 program goals are aimed at streamlining the oil regulatory process, performing reviews and investigations of transportation charges for oil products, reducing case backlog, and permitting the oil industry to plan and act in a rational manner in dealing with energy supply problems.

Valuations

The ICC was amended in 1913 by the addition of Section 19a. This section, commonly called the Valuation Act, together with subsequent amendments requires that the Commission: 1) investigate, ascertain, and report the value of all property owned and used by every common carrier oil pipeline subject to the Act; 2) make an inventory listing the property in detail and showing its value of all oil pipeline facilities used in common carrier service, and 3) keep itself informed of all property changes and from time to time revise its valuations.

Valuations are of two types: 1) basic, and 2) annual. The basic valuation is performed on the initial data submitted by an oil pipeline. This is used for rate-making purposes. Basic valuation reports prepared by the Commission must show among other things:

- For each piece of property other than land:
 - the original cost to date
 - the cost of reproduction new
 - the cost of reproduction new less depreciation
 - an analysis of the methods employed
 - the reason for the differences between the values

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

For other values and elements of value:

- an analysis of the valuation employed
- the reason for the difference between any such values and each of the foregoing cost values

For lands and rights of way:

- the original cost as of the time of dedication to public use
- the present value

For non-carrier property:

- the original cost
- the present value
- an analysis of the methods employed

As part of a basic valuation prepared by the Office of Pipeline and Producer Regulation (OPPR) and the Office of Chief Accountant (OCA), audits are conducted of the pipeline carrier's books and records regarding history, organization of the corporation, securities, stocks, bonds, etc., financial arrangements, earnings, gifts, rights-of-way, etc. The oil pipeline must report in conformance with the Uniform System of Accounts for pipeline companies maintained by the OCA.

The annual valuation is a yearly update of the basic valuation showing the changes in prices and costs of pipeline properties. For valuations of oil pipelines to be of any real service in proceedings involving setting of rates, the basic valuations must be corrected and brought as closely as possible to current values to be reliable. While the same considerations are involved in arriving at annual valuations, they are briefer than basic valuations. The annual report includes references to corporate and ownership data, elements of value, amounts of working capital and final value for rate-making purposes.

To assist in the annual collection and analysis of cost data used in annual valuations, the FERC has established an Oil Pipeline Advisory Committee on Valuation (pursuant to the Federal Advisory Committee Act - P.L. 96-462). This Committee assists in the collection and analysis of data used to develop oil pipeline construction indices and assists in streamlining the regulatory process.

The oil pipeline valuations, as determined by the FERC, are formally served on the Attorney General of the United States, the Governors of each State where the property being valued is located and any other parties as prescribed by the Act. The oil pipeline valuations are used by the United States Justice Department, other Federal government agencies, and numerous State agencies in carrying out their functions and responsibilities.

The FERC's oil pipeline valuation program has been modified and substantial savings have been made in the processing of the reports without destroying the integrity of the final product. However, constant expansion of the oil pipeline industry has increased the volume of work. The efficiencies realized by streamlining have enabled FERC to process the higher workload without a substantial increase in staff.

Growth of the oil pipeline industry can best be illustrated by comparing its 1967 investment in common carrier facilities which was \$4,700,000,000 to 1977 investment which was \$17,400,000,000. During the same time span there was an increase from 90 to 116 in the number of oil pipelines under FERC jurisdiction.

In 1977 the Trans Alaska Pipeline was completed and became operational. This 800 mile 48 inch pipeline and its associated marine facilities cost over \$9,000,000,000. The FERC is responsible for developing a valuation for this major oil pipeline project. Now that the Trans Alaska Pipeline System has become operational, additional crude oil pipelines are needed to get the surplus oil from the West Coast to the Midwest.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

Currently, there is a backlog of 10 initial valuation filings on hand with an additional 13 to be submitted during the fiscal year 1979. For FY 1980, the backlog of basic valuations is projected at 16.

Depreciation

Oil pipeline companies are required by the Interstate Commerce Act to depreciate their properties based on book depreciation rates established by the ICC and now regulated by the FERC. The FERC develops and provides depreciation rates applicable to the original cost of property. This requires establishing service lives and salvage values to determine the depreciation portion of oil pipeline operating expenses. The purpose of issuing depreciation rates is to distribute the service value in equal annual charges to the operating expenses during the service life of the property. In other words, it is a method for the companies to recover their capital investment. Depreciation represents a significant portion of the total operating expense of a company; therefore, it has a direct impact on the company's net income, and its ability to provide service.

In formulating depreciation rates, the following considerations apply:

- a. the straight line method is used to distribute service value which assumes that the loss of service units is evenly distributed throughout the life of the article;
- b. the group method is applied so that items of equal life can be treated together to simplify calculations and reduce workload, however, since some units exist beyond the average life of the group and still can provide service, a condition percent is calculated to measure this usefulness between the basic valuation and the retirement of the last unit in the group;
- c. the net salvage value is calculated; and
- d. the depreciation accounts provide for separate rates being prescribed for each function of gathering (collection lines), trunkline (the main transportation line) and general (all other facilities excluding gathering and trunkline).

Therefore, the actual number of depreciation rates issued per company may vary from 15 to 50, depending on the type of products they carry.

One of the difficulties encountered in determining service lives is that the oil throughout cannot always be related to the gathering fields. Another problem is that many pipelines may be associated in a pipeline system so that each of several companies own a portion of an entire system such as the Trans Alaska Pipeline System. Under this type of ownership the pipeline owners pay for the percent of line usage and the total system investment is prorated to the proportion of the facilities owned by each participant. Therefore, a system rate may not be issued but rather company rates are used.

The two techniques currently used in developing service lives are the annual rate method (actuarial) and simulated plant record method (balances). Knowing the additions and retirements associated with each dollar is a necessity if the actuarial method is to be used.

The simulated plant record method is a quasi-actuarial method which requires only the additions for each year and each year's end balance. From this data, a service life can be chosen that is statistically appropriate. Knowledge of the property and all the elements of the account plus the anticipated future use of the property is a necessity in assessing service life selections which are generated by a computer program.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

Oil pipeline depreciation is the responsibility of the Office of Pipeline and Producer Regulation, and the Office of the Chief Accountant. In addition to performing depreciation studies of pipelines, the staff must maintain an extensive data base for each company. Depreciation engineers develop techniques that will produce service lives with survivor curves and dispersions that are characteristic of each carrier property account. Field inspections of the plant and records of companies are made by the Office of the Chief Accountant. These inspections are necessary to assure that depreciation rates are proper.

Currently, it takes seven years to review all 116 companies. This means that rates over seven years old may be used which are no longer appropriate. If the rate is too high, the companies will have a higher net income than is justified by their depreciation expense. The staff requested will enable the FERC to stop the lengthy review cycle.

Tariffs

Pipelines engaged in interstate transportation, whether for hire or to transport their own products, are common carriers and are subject to the Interstate Commerce Act (ICA). Also, as a result of the Hepburn Act of 1906, oil pipelines became subject to Part I of the Interstate Commerce Act. The Interstate Commerce Commission (ICC) established rules and regulations for the filing of tariffs. These regulations adopted by the FERC require that oil pipeline tariffs and changes thereto must be filed by oil pipelines with the Commission and the public notified for 30 days before going into effect. The regulations grant the carrier authority to publish initial rates on 10 days notice. The Act also permits the carrier to request special authority from the Commission to file a rate, rule, or regulation on less than statutory notice in an emergency or a renewal situation.

Present regulations permit the carrier to establish the tariffs effective date unless the Commission takes appropriate action prior to the published effective date. The examination, review, and analysis of the tariff filing must be completed by the FERC prior to the effective date designated by the carrier. Upon receipt of a tariff publication or filing, a review is made to insure compliance with publication requirements, including sufficient statutory notice being given.

There are two basic types of oil tariff rate filings:

1. Rate change filings - which cancel an existing tariff and/or propose an increase or decrease in a current rate, change a regulation, add or delete a participating carrier, or change a routing; and
2. Initial and new rate filings - an initial rate is established as a result of a new line being put into use. A new rate is for new service on a previously built pipeline.

In addition, a carrier's filing may be for a local rate or a joint rate. A local rate is one where the carrier transports the product over its own line. A joint rate is one where the product is transported from origin to destination over the lines of two or more pipeline carriers. A primary function in expediting the oil pipeline regulation is performed by the Oil Pipeline Board which was established on February 10, 1978, to administer many of the oil pipeline regulatory functions of the FERC. The Oil Pipeline Board is responsible for reviewing and deciding whether to suspend and investigate oil transportation rate tariffs. It also reviews initial and yearly valuation reports.

Upon receipt of rate filing, the OPBR makes an analysis of the tariff. If the carrier proposes to increase the tariff rate, a comparison is made of the present rate, its effective date, and the percentage of increase proposed. Since the establishment of the Oil Pipeline Board, it has been FERC policy to require the

Federal Energy Regulatory Commission
- Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

carrier to justify increases above seven percent. The seven percent guideline is based on the "4R Act" of 1976. This Act granted railroads authority to increase their rates up to seven percent in a calendar year and deprived the ICC of the authority to either suspend or investigate rates below this level.

All tariffs with increases below seven percent are summarized and a recommendation is made to the Oil Pipeline Board for acceptance for filing.

All tariffs with increases above seven percent are summarized together with a study of the carrier's justification and forwarded to the Oil Pipeline Board with recommended action. Under Section 15 (7) of the ICC Act, the Oil Pipeline Board may take several actions: accept the tariff as filed, accept the tariff filing but order an investigation as to the reasonableness of the rate, accept the tariff filing and investigate and suspend the proposed rate or rates for a maximum period of seven (7) months and further order a refund provision.

The Oil Pipeline Board, in the last fiscal year, issued 64 annual valuations and one initial (basic) valuation. The staff of OPFR submits the valuation docket to the Board for approval. Upon approval of the Board, a tentative valuation is issued by the Board which becomes final after 30 days, assuming no protest is made.

The Board is continuing to use the standards that were employed by the Interstate Commerce Commission, i.e., a pipeline company is allowed an eight percent return on valuation for crude oil and a ten percent return on products, until a final decision is made in the pending rulemaking proceeding Valuation of Oil Pipelines.

In addition to tariff filings, oil pipelines may, under the provisions of the ICC Act, petition the Commission for relief from specific sections of the Act.

- a. The Act specifies that rates to be charged must be definite and easily stated. Carriers may propose to change rates based on certain minimum volumes, the greater the volume the lower the rate. The carrier must request and obtain permission to publish such rates.
- b. The Act specifies that a carrier may not charge a higher rate to a less distant point than to a more distant point over the same route of movement in the same direction. The carrier may apply for relief from this section of the Act (Section 4) submitting documentary evidence to support its petition.
- c. As stated above, the carrier may request authority to publish rates on less than statutory notice. When the applications are received, they are reviewed by the FERC staff and forwarded to the Oil Pipeline Board with recommended action.

A recent trend has developed in the cancellation of joint rates by carrier. Carriers which have canceled joint rates and republished local rates state that joint rates slow the collection of accounts receivable. It is a custom in the industry that tariff charges are not collected until delivery of oil has been effected at the final destination. By filing a local proportional rate, the carrier is able to collect his tariff charges when he transfers the product to another carrier instead of waiting for the oil to be transported through other carrier lines which may take up to two months. This trend will most likely result in an increase in the volume of tariff filings. The extent of the increase is not currently predictable. There are approximately 2800-3000 active tariffs currently on file with FERC, 60 percent of which are joint tariffs.

Until 1977, all initial oil pipeline rate filings had been accepted by the ICC. However, with the Trans Alaska Pipeline case (TAPS), the ICC suspended the initial rates for investigation. The TAPS carriers questioned the authority of the ICC in suspending the rates. The case was brought to the Supreme Court which upheld the ICC's authority.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

In the future, FERC may subject initial rates to investigation and suspension in a matter of national interest such as the Alaska Pipeline. Potentially, the movement of Alaskan Crude from Long Beach, California, or any point of the West Coast, to points inland such as Texas may be of such national importance as to require suspension and a formal hearing on the rates proposed for such movement.

In FY 1978, the Board issued seven accounting authorizations. These are basically requests from pipeline companies to seek relief from rules regarding Uniform System of Accounts and forms for accounts, records, and memoranda kept by the companies. These requests are generally uncontested. The changes the companies seek in accounting authorizations often have an effect on the companies' rulemaking structure.

The Oil Pipeline Board is involved in issuing new or revised depreciation rates to companies when analysis of data shows that present rates are inappropriate. In order to issue these rates, OPFR requests data from the company through the Secretary and then performs an audit and service life analysis on this data. After OPFR completes its study, it sends the calculated rates to the Board. Upon approval, the Board issues rates in the form of a sub-order to the company.

The Board in December 1978, issued their first semi-annual report compiled from Quarterly Reports filed by pipeline companies. This report details transportation revenue and the number of barrels of crude oil and products originated on-line and those received from connections. The report covered 108 large oil pipeline companies for the first six months of 1978. A large pipeline carrier is one having annual revenue of more than \$500,000.

In FY 1978, 2,184 tariff reviews were completed, 2,390 tariff reviews are expected to be completed during FY 1978, and 2,580 tariff reviews are planned in FY 1980. Also, rate changes will be suspended and set aside for Commission hearings in FY 1980 and carried over from FY 1979. The OPFR will perform these rate tariff reviews as well as pipeline valuations and depreciation orders. This will require utilization of 32 positions.

Another oil pipeline function in FY 1980 is to conduct audits of each of the 120 jurisdictional oil pipeline carriers. Twenty-four audits will be accomplished in FY 1980 and 24 audits thereafter each year until 1985 by the Office of Chief Accountant. This will require the utilization of 19 positions by the Office of Chief Accountant.

These audits performed by the Office of the Chief Accountant (OCA) will be coordinated with the Office of Enforcement which will investigate any unlawful denial of access to proprietary or jointly owned oil pipelines. This combination of financial audits and compliance reviews is intended to accomplish jurisdictional responsibilities and provide high cost benefits in the form of consumer protection and greater industry competition. The Office of Enforcement will also investigate oil pipeline facilities, pooling provisions, accounting books and records, and off-shore oil pipeline activities.

Output/workload measures

	Fiscal Year		
	1978	1979	1980
Oil Pipeline-Tariffs	2184	2390	2580
Oil Pipeline-Initial Rates	182	190	202
Oil Pipeline-Basic Valuation	1	6	6
Oil Pipeline-Annual Valuations	118	118	126
Oil Pipeline-Depreciation Orders	15	15	15
Financial Audits	10	16	24
Total	2510	2735	2953

Federal Energy Regulatory Commission
Regulation
(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

Trans Alaska Pipeline System Project	\$2,345	\$1,632
--------------------------------------	---------	---------

The responsibility to investigate the Trans Alaska Pipeline System (TAPS) case to completion was transferred to FERC from the Interstate Commerce Commission as a result of the Department of Energy Organization Act (P.L. 91-95), effective October 1, 1977. The TAPS project is responsible for discharging the statutory functions under Section 19a of the Interstate Commerce Act and Section 402 of the Department of Energy Organization Act, to make determinations regarding the valuation of TAPS and the lawfulness of the proposed rate for the transportation of Alaskan crude oil through the TAPS.

Under the authority of the above statutes, the Commission is investigating the prudence of management decisionmaking in the construction of TAPS, and the reasonableness of the \$9,200,000,000 in construction costs, an overrun of \$8,200,000,000 over the original construction cost estimated in 1969. Based on these findings, the Commission will set just and reasonable tariffs to be charged by the TAPS carriers to encourage additional independent exploration on the Alaska North Slope. In making such determinations it is necessary to conduct a comprehensive investigation into the construction of TAPS, including management and fiscal audits, and an engineering study to determine the basis of the large cost overrun. The sheer volume of documents to be reviewed—more than a million—dictates and supports the need for an in-depth analysis and examination of the pipeline.

The TAPS case is currently nearing the completion of the Phase I hearing stage relating to legal and policy issues. In Phase II, the primary area of concern is to establish proper rates and tariffs by the determination of the reasonableness of the construction cost and an analysis of the true cost of service of TAPS.

This precedent-setting case involves several unique features. The TAPS is the largest privately financed civil engineering project in history and the degree and size of the cost overrun has been subject to much critical attention from Congress and the public. The importance of determining proper rates and tariffs for oil on this project cannot be understated. The rates and tariffs established could have serious and direct impact on future exploration for oil in Alaska. To the extent that the ultimate tariff established for the TAPS is too high, the likelihood is less that there will be additional independent exploration for reserves on the North Slope by companies other than those presently owning the TAPS. Current estimates of available on-line energy from the TAPS include 9.6 billion barrels of recoverable oil in Prudhoe Bay and an additional 26 billion barrels of recoverable oil from the North Slope of Alaska.

The FERC hearing will determine the tariffs to be charged for transporting oil through TAPS and will thus be a major determining factor of the amount of further independent oil exploration.

FY 1978 program accomplishments of the TAPS case have included review and analysis of 225,000 documents obtained through the discovery process, establishment of a computer data system for cross-referencing and accessing documents, and the review of 22 briefs and petitions in support of Staff Counsel's position on appropriate methods of construction of TAPS. Portions of the management audit also were accomplished, including review of the Alaska Pipeline Commission documents and informal interviews of pipeline personnel.

FY 1979 expectations include anticipated accomplishments in significant progress toward completion of the management audit, completion of a substantial portion of the financial audit by the accounting staff to review the books and records of the Alyeska Pipeline Service Company and the TAPS owner companies, completion of the engineering feasibility study to determine the reasonableness of the TAPS construction costs, cross-examination of 45 rebuttal witnesses sponsored by the respondent oil companies, and deposition of numerous witnesses.

Federal Energy Regulatory Commission
Regulation

(Tabular Dollars in Thousands. Narrative Material in Whole Dollars)

FY 1980 program goals include the start-up of Phase II of the TAPS proceedings, in which the conclusions and findings of the management and financial audits and the determinations of the Engineering study will be presented; the completion of the formal hearing process for Phase I; and an initial decision by the Administrative Law Judge on Phase I.

Post FY 1980 program goals will be directed at determining just and reasonable tariffs for transportation of oil through the TAPS, so that future Alaskan crude oil reserves can be developed and transported to domestic markets at fair and competitive prices. The ultimate tariffs set for TAPS will greatly impact the potential for increased oil supplies to the Nation and private sector incentives for its recovery. The tariffs will directly affect the oil supplies and reserves of the Nation and ultimately affect the price of oil to the consumer. It is expected that the TAPS case will establish Commission policy on numerous generic issues involved in oil regulation.

Nine positions in the Office of General Counsel will be needed in FY 1980 to perform various activities in the TAPS proceedings, including trial preparation, formulation of the FERC's position through its evidentiary presentation, cross-examination of the expert witnesses, drafting of motions and briefs, and all legal research. Five staff members in the Office of Pipeline and Producer Regulation will be needed to provide technical and administrative support and four staff members in the Office of Chief Accountant will be needed to complete and present the financial audit of the TAPS case. An additional seven positions will be required in other FERC offices contributing to the activities of the TAPS case during FY 1980.

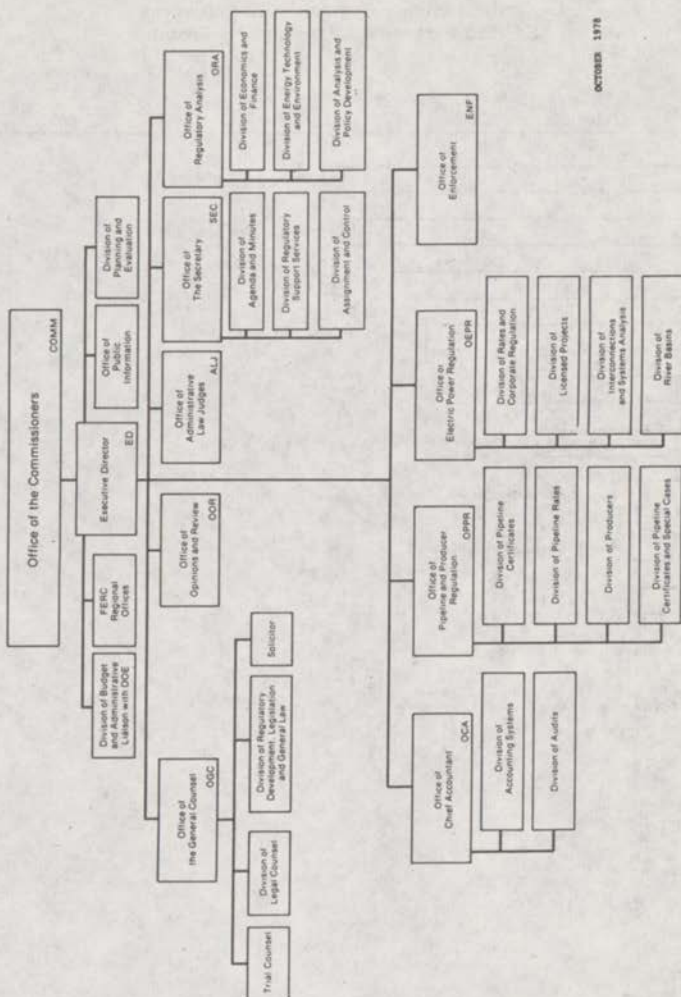
In FY 1980, the TAPS case will have contract support amounting to \$1,368,000 which is a decrease of almost \$500,000 below anticipated FY 1979 levels. These funds will support the management audit and engineering study efforts, provide legal consultants to assist in hearing preparation and staff testimony, and pay for ADP support and litigation/discovery costs related to the review of the large volume of documents, more than one million, filed on the TAPS case.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

FY 1980 CONTRACTS LISTING
FEDERAL ENERGY REGULATORY COMMISSION
(In thousands of dollars)

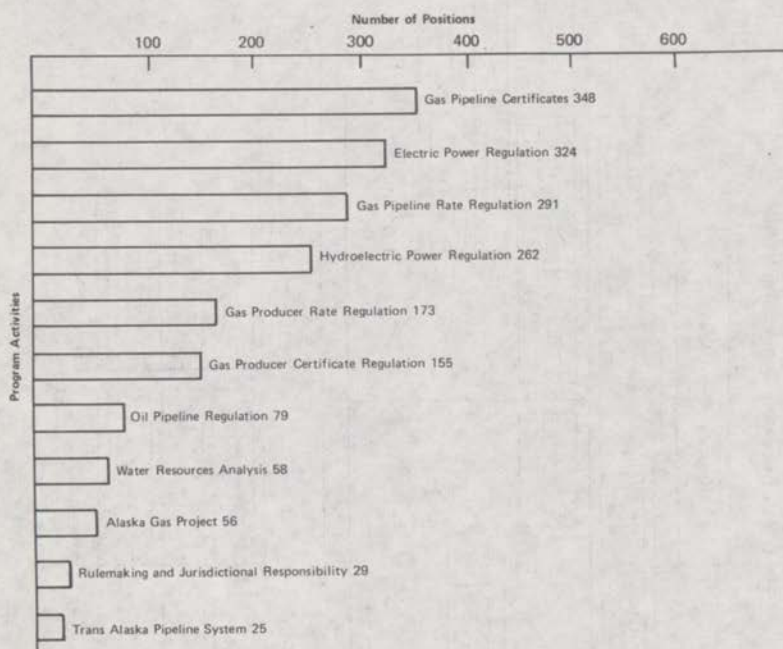
<u>OIL REGULATION</u>	<u>Estimated Amount</u>
Trans Alaska pipeline system (TAPS) project:	
Management audit to provide detailed examination of managerial decision-making process in construction of the Trans Alaska Pipeline.	\$ 475
Engineering study to review specific, technical, complex engineering design issues to determine to what extent unique engineering problems contributed to overruns.	\$ 110
Update TAPS Computer Data System with Phase II documents and hearing transcripts.	\$ 38
Legal consultants with expertise in rate and tariff methodologies and construction law for use during TAPS hearings.	\$ 250
Litigation expenses as a result of subpoenas issued to obtain documents from various corporate sources for use in TAPS rate determination.	\$ 350
Contractual efforts to improve the overall efficiency of the Commission's regulatory processes, including an automated legal retrieval system to store all FERC regulatory decisions, opinions, and orders to facilitate quick access by staff to speed case processing; regulatory research studies to develop new or revise current methodologies to simplify the Commission's regulatory processes; and a centralized ADP and management information system to improve Commission operations.	\$ 145
Oil pipeline regulation:	
Contractual efforts to improve the overall efficiency of the Commission's regulatory processes, including an automated legal retrieval system to store all FERC regulatory decisions, opinions, and orders to facilitate quick access by staff to speed case processing; an automated central file system to provide automated access to documents and rate and certificate files; regulatory research studies to develop new or revise current methodologies to simplify the Commission's regulatory processes; and a centralized ADP and management information system to improve Commission operations.	\$ 735
TOTAL OIL REGULATION	\$2,103

Federal Energy Regulatory Commission (FERC)



OCTOBER 1978

**Federal Energy Regulatory Commission
FY 1980 Personnel Allocations by Program**



DEPARTMENT OF ENERGY
FY 1980 CONGRESSIONAL BUDGET REQUEST
FEDERAL ENERGY REGULATORY COMMISSION
ACCOMPLISHMENTS IN FY 1978

SUMMARY BY BUDGET DECISION UNIT

Major Commission objectives during Fiscal Year 1978 were to reduce backlogs, expedite action on projects involving new energy supply, streamline the regulatory process, improve caseload management, and institute in-depth issue analysis on cases that contribute to energy regulatory policy formulation. Efforts to achieve these objectives were also carried out in light of the critical goals of providing adequate supplies of energy at fair prices to all consumers, improving Commission communication with jurisdictional companies and the general public, and improving the overall quality of energy regulation.

One of the most important Commission accomplishments in Fiscal Year 1978 was the development and institution of a comprehensive Management Information System. Through a series of reports that track workload areas, the FERC has been able to define problems and delays as well as areas for improvement and greater efficiency for all formal regulatory cases and non-docketed casework before the Commission. Probably the most important aspect of this system has been identification of critical projects in terms of their impact on the Nation's energy supply. With the separate case monitoring inherent in the Management Information System, processing time for these critical cases was reduced by approximately 40 percent during Fiscal Year 1978.

That period also saw a number of major reorganizational accomplishments within the Commission. The Office of Enforcement was established to fill a need in FERC's regulatory structure. Representing a major step toward improving the integrity of the regulatory process and making FERC regulation more responsive to the public interest, the Office of Enforcement is intended to cut through existing regulatory processes on enforcement cases by setting rigorous time schedules for investigations and seeking to minimize delay in obtaining data vital to Commission investigations.

An Agency Priorities Committee to identify both short- and long-range objectives and priorities and to improve the total FERC approach to carrying out its activities also was established, as was a Budget Review Committee, composed of senior staff from all Commission offices, to help identify resource priorities.

The reorganization efforts of the 1978 Fiscal Year also allowed the Commission to improve its public service efforts through the establishment of a Consumer Affairs position, increased public information and involvement efforts on FERC decisionmaking, and the institution of new and simplified procedures for responding to Freedom of Information requests.

In efforts to preserve the Commission's time for major regulatory issues, decisionmaking authority for more than 11,000 annual items of consideration was shifted to cognizant staff levels, and major changes were made in the organization of the Commission's agenda. The practice of placing all uncontested settlements on the consent agenda was begun, and a cover sheet (bullet memo) that summarizes a case, lists the major issues and possible resolutions, and makes recommendations was required for each agenda item presented for Commission consideration. This latter accomplishment also frees those senior staff project managers who prepare the cover sheets from continuous attendance at Commission meetings.

In addition to these general accomplishments, some specific accomplishments made in Fiscal Year 1978 toward achieving FERC goals and objectives are displayed as follows by budgetary decision unit:

Hydroelectric Regulation

- + Issued licenses for about 1.9 million kW of new capacity
- + Developed rulemaking establishment a short-form licensing procedure for all small hydro projects (2,000 hp/1500 kW or less)

DEPARTMENT OF ENERGY
 FY 1980 CONGRESSIONAL BUDGET REQUEST
 FEDERAL ENERGY REGULATORY COMMISSION
 ACCOMPLISHMENTS IN FY 1978

SUMMARY BY BUDGET DECISION UNIT

- + Developed proposed rulemaking to clarify reporting requirements, improve in-house activities, and reduce staff burdens by requiring applicants to provide more detailed information and obtain other agency comments prior to application submissions to FERC
- + Developed proposed rulemaking to reduce processing time for issuing preliminary permits
- + Established all projects, including those for which license applications are pending, will have an annual dam inspection
- + Included all projects, including those for which license applications are pending, in annual dam inspections
- + Developed streamlined approach for preparing River Basin Environmental Impact Statements required for new hydroelectric projects
- + Developed preliminary list of some 1800 retired hydro plants that may warrant study for possible redevelopment; made list available for use by federal, state, and private study groups
- + Streamlined format of water resources appraisal reports to provide improved and timely information to support Commission licensing decisions
- + Solicited and analyzed 120 responses from utility companies on additional potential hydro power sites, thus encouraging future hydro power development and expanding inventory of potential sites
- + Delegated authority, and thereby reduced delays and constraints, for publication of water resources appraisal and planning status reports used as a basis for licensing non-federal hydro power developments, and for coordination of water planning and policy activities with the Assistant Secretaries of other offices of DOE
- + Using consultants, initiated improvements in the mapping and coding system and general data base used in hydro power resources assessments and in the Commission's hydro licensing decisions
- + Began conversion of computer programs for operation in the Commission's new computer, an effort that should greatly improve data processing capabilities

Multi Resource

- + Developed proposed rulemakings to allow for disposal of electric rate applications on a generic basis
- + Initiated standards and guidelines development for rate of return analysis to expedite future cases and improve the record of evidence
- + Analyzed and proposed changes in the Incentive Rate of Return Rulemaking that will better meet the President's goal to reduce cost overruns
- + Developed policy for approaching the issues in price squeeze proceedings

DEPARTMENT OF ENERGY
FY 1980 CONGRESSIONAL BUDGET REQUEST
FEDERAL ENERGY REGULATORY COMMISSION
ACCOMPLISHMENTS IN FY 1978
SUMMARY BY BUDGET DECISION UNIT

- + Initiated standards and guidelines development for resolving issues in price squeeze proceedings
- + Delegated authority to the Chief Accountant to make certain determinations on public utility securities and stock issues, thereby relieving the full Commission from reviewing applications
- + Conducted overall review of reporting requirements to reduce time and effort required by respondents and FERC
- + Developed computerized electric cost of service program
- + Conducted field and office investigations and prepared report on electric utility energy transactions related to the Coal Strike (CY 1977-78)
- + Completed investigation and issued comprehensive report on the Consolidated Edison blackout
- + Developed and initiated a major program to evaluate the actual performance of existing formal inter-utility coordination agreements (power pools) in terms of the economies potentially available
- + Significantly improved the power plant cost estimating program by establishing new computer capability to determine the minimum production costs obtainable with given generating resources for various load conditions
- + Investigated and prepared a utility fuel acquisition and cost report on the extent and trend of electric utility captive coal mining operations
- + Established a new branch of Interconnection and Special Investigations to provide more effective electrical engineering and power systems analysis support for electric rate cases and rulemakings
- + Established a Division of Trial Counsel to supervise all trial work
- + Increased use of rulemakings to solve generic issues
- + Simplified the hearing process by having the discovery period prior to formal hearings
- + Initiated intensive training for attorneys that has improved productivity and morale, and reduced the turnover rate
- + Designed a legal resource management system to reduce the amount of time the legal staff must spend on research
- + Refunded to utility ratepayers more than \$635 million - over 16 times the FERC's FY 1978 budget

Gas Regulation

- + Instituted major reorganization, including creation of deputy system and project manager/team leader concept to achieve more efficient management of work projects, functionalize division responsibilities, streamline procedures, and reduce processing time

DEPARTMENT OF ENERGY
FY 1980 CONGRESSIONAL BUDGET REQUEST
FEDERAL ENERGY REGULATORY COMMISSION
ACCOMPLISHMENTS IN FY 1978

SUMMARY BY BUDGET DECISION UNIT

- + Developed proposed rulemaking to help resolve small producer program administrative problems by reducing filing requirements, promoting efficiency in internal processing of applications and thus, reducing industry uncertainties
- + Initiated clarification of guidelines for producer abandonment applications and simplification of filing requirements
- + Developed proposed rulemaking to expedite the issuance of temporary certificates for new service and eliminate the necessity for processing the same application twice (temporary and permanent), thus permitting natural gas to flow to ultimate consumers without undue administrative delay
- + Initiated employee career training and development programs to encourage more comprehensive and broader staff expertise
- + Improved interagency consultation and support for such special projects as coastal zone management review, Outer Continental Shelf Act, LNG Policy Act, and others
- + Developed procedures to reappraise and update all pipeline curtailment plans
- + Initiated, broadened and expanded environmental statements in curtailment cases
- + Established a policy to expedite construction of jointly-owned, offshore gas pipeline facilities by allowing construction to proceed in advance of Commission approval for related gas pipeline certificate applications
- + Instituted procedures to be used in support and oversight functions related to the Gas Research Institute (GRI)
- + Developed proposed rulemaking to limit the number of PGA filings that may be submitted
- + Resolved the appropriated method of classification and cost allocation in formal rate cases, thus allowing the staff to concentrate on other issues in pipeline rate proceedings
- + Reduced the backlog of refund filings before the Commission
- + Developed and began use of settlement/top sheet procedures as a vehicle to resolve issues normally addressed in formal hearings, thereby limiting both the number of cases and the number of cases requiring formal hearings
- + Developed proposed rulemaking to eliminate quarterly requirement that producers file formal applications for price escalations allowed under standing Commission orders and opinions, and instead, have such escalations listed as part of producer annual reports (action could eliminate about 11,000 of the 17,000 rate filings anticipated annually)
- + Issued conditional certificates for Alaska and lower 48 States segments of the Alaska Gas Project (AGP) system

DEPARTMENT OF ENERGY
 FY 1980 CONGRESSIONAL BUDGET REQUEST
 FEDERAL ENERGY REGULATORY COMMISSION
 ACCOMPLISHMENTS IN FY 1978

SUMMARY BY BUDGET DECISION UNIT

- + Completed technical report determining maximum allowable operating pressure for Alaskan segment of AGP
- + Analyzed and approved partnership agreement for sponsoring companies' AGP consortium
- + Conducted rulemaking proceeding to establish variable rate of return on equity mechanism for AGP

Oil Regulation

- + Established a five-member Oil Pipeline Board similar to that used in ICC oil regulation
- + Delegated authority to the Board for routine processing of oil pipeline applications
- + Established a comprehensive compliance audit program for oil pipeline carriers that far exceeds the previous commitment made by the ICC to the regulation of those companies
- + Obtained 225,000 documents through discovery process for review and analysis in Phases I and II of the Trans-Alaska Pipeline System (TAPS) Case
- + Constructed computer data systems for indexing, cross-referencing, and accessing documents
- + Filed approximately 20 to 25 briefs and petitions in support of Staff positions on appropriate methods of construction of rate bases, rates of return, and tax reserves
- + Continued management and fiscal audits of TAPS and initiated engineering study to determine the reasonableness of construction costs

Summary of Court Litigation As of November 1978

Cases Pending

Court Distribution

Supreme Court.....	8
Court of Claims.....	1
Courts of Appeals.....	111
District of Columbia.....	59
First Circuit.....	1
Second Circuit.....	0
Third Circuit.....	1
Fourth Circuit.....	1
Fifth Circuit.....	1
Sixth Circuit.....	32
Seventh Circuit.....	1
Eighth Circuit.....	1
Ninth Circuit.....	7
Tenth Circuit.....	7
District Courts.....	13
TOTAL.....	135

Petitions for Review filed in 1978
(multiple petitions filed for review of the same Commission orders are treated as one petition in the following figures)

A. Court of Claims.....	1
B. Courts of Appeals.....	58
1. Filed by outside parties.....	55
2. Filed by Commission.....	3
C. District Courts.....	11
D. Temporary Emergency Court of Appeals.....	2
	<u>72</u>

Status

1. Certificates of Record Due.....	9
2. Commission Briefs Due.....	23
3. Cases Set for Oral Argument.....	10
4. Cases Argued and Awaiting Decision.....	28

Disposition of District Court Cases in 1978

Filed.....	18
Summary Judgment to outside parties.....	4
Dismissed.....	4

Mr. CURTIS. I am accompanied by the Executive Director, Mr. William McDonald who is on my left and the Vice-Chairman of the Commission, Commissioner Don Smith is still on his way.

Mr. BEVILL. Where is Mr. Smith?

Mr. CURTIS. He is still struggling with the logistics I am afraid. He will be here in a few minutes.

As you know, the Commission is requesting appropriations of \$73.9 million to support a staff level of 1,800 positions for the fiscal year beginning next October first. The staffing level we are planning for 1980 is the same as the level for 1979, assuming that our fiscal 1979 supplemental request is approved by the Congress. The fiscal year 1979 supplemental, as you know, would support the addition of 116 new positions. The \$73.9 million we are requesting to operate the Commission next year represents, in my opinion, a modest increase of about 16 percent over the total of fiscal year 1979.

In this context, I think it is important to note that since the beginning of the current fiscal year, the Congress has increased dramatically the responsibilities of the Federal Energy Regulatory Commission. These responsibilities are contained in the National Energy Act. The principal addition to our responsibility lies in our implementation of the Natural Gas Policy Act. Also, we have specific mandated responsibilities under the Public Utility Regulatory Policies Act.

I would point out that these two components of the National Energy Act involve very complex, detailed, legislative assignments to the Commission and that they are assignments that are required to be exercised by the Commission within time frames prescribed by the Congress.

COMMISSION OBJECTIVES

One of the three most important tasks for the Commission during the coming year will be to accomplish the implementation of the portions of the National Energy Act for which we have responsibility and to do it in an efficient and effective manner. The resources we have requested in the budget this Subcommittee is now considering will allow us to achieve that objective.

The second major responsibility we have is to reduce to an absolute minimum the amount of time required for the Commission to complete action on regulatory issues. We have already made what I consider to be major improvements in this area, but a great deal remains to be done. Again, the budget submitted to the Congress supports this effort and I believe it is effective support.

Finally, the Commission must make broad constructive changes in its basic regulatory methodology. The rules and regulations must be completely revised and updated both to reflect the realities of today's energy situation and to make them clearly understandable to those we regulate and the general public.

The budget you are considering includes resources to assist us in reaching that goal. I would like to point out to the Committee that my statement attempts to outline the progress that we have made in regulatory reform. The Commission recognizes that much more needs to be done and we are committed to doing it, but it takes time. You don't change, overnight, the regulatory decision making processes which by design require three years to complete. We have made significant progress and we are committed to make more.

REGULATORY BURDEN REDUCED

We are also committed to reduce the regulatory burden on the industries for which we have responsibility to regulate. Again, here we have made progress. This largely involves a data validation effort which is a complete reappraisal of all of the data requirements that the Commission inherited from the Federal Power Commission to determine whether they remain viable and needed. Where they are not needed, we will eliminate them.

We have before the Commission proposals to eliminate the first eleven forms which we have identified. The elimination of these eleven forms will save the reporting industry approximately 100 man years for reports preparation. That doesn't account for the government's time in reviewing the forms received, but I would point out if one uses an \$18,000 value for each man-year in industry for forms preparation and response, that saving, and it is a first step only, may be valued at about \$1.8 million dollars. As I pointed out to the Committee before, we believe that the investment and the use of the people's monies to finance the work of this Commission is a sound investment.

We project that we will receive some \$17 million dollars for the Federal Treasury in the form of fees for various functions of the Commission. That represents approximately a quarter of our requested funds in our FY 1980 budget. In fiscal year 1978, in the exercise of its regulatory functions, the Commission ordered or accepted settlements which resulted in approximately one billion dollars in refunds. Those are amounts that were returned to the consumers because of overcharges by the regulated entities. Looked at in that context I believe that the investment of the taxpayers money in the FERC is a sound one.

I would also ask the Committee's sympathetic understanding that the National Energy Act, which has imposed additional responsibilities on this Commission, cannot be successfully implemented without additional resources being made available to the Commission. We simply do not have the present capacity to carry out those legislative responsibilities with what are already overtaxed existing resources. The Natural Gas Policy Act alone imposes upon the Commission additional regulatory responsibility for some 45 percent of the marketplace for natural gas by adding intrastate market which was heretofore unregulated by the Federal Government. We cannot do something with nothing.

We have endeavored, and I think successfully so far, to carry out our implementation responsibilities in an intelligent manner, one that is well-reasoned and consistent with the legislative mandates in those Acts and, of course, that we remain committed to do.

That concludes my summary remarks, Mr. Chairman, and of course I am available to the Committee to respond to any questions which you might have.

PERSONNEL

Mr. BEVILL. Chairman Curtis, now, last year as I recall you pointed out the great need for additional personnel to catch up with your backlog.

Mr. CURTIS. Yes, I did.

Mr. BEVILL. And this Subcommittee, of all the agencies under our jurisdiction, your agency, by far, got more personnel than any other

agency specifically so you could catch up on these backlogs. As I recall, you said you had applications pending, some of them five years old, because you didn't have sufficient personnel.

Mr. CURTIS. That is correct.

Mr. BEVILL. And as I recall, we gave you 323 additional personnel.

Mr. CURTIS. Yes, sir.

Mr. BEVILL. Actually, we gave you more than the request. Now, 12 months later, you are back again asking for more personnel, 116 as I understand your testimony. The reason is because of the bill that Congress passed concerning the regulation of gas prices.

Mr. CURTIS. Yes, that's right. We have a supplemental request for 116 more people.

Mr. BEVILL. The National Energy Act, as I recall, provided more discretion to delegate some functions to the state agencies and eliminate part of the work that your agency would be doing. Now, did I misread that?

Mr. CURTIS. Well, Mr. Chairman, let me respond to a couple of the preface remarks. The Committee did, of course, give us additional personnel to cope with our staffing inadequacies in handling the backlog. I would point out, though, that we will not get 323 man years effective use of those additional personnel. This is because of the pacing, hiring and training. Secondly, as I tried to indicate in my initial remarks, we have a decision making process which is significantly out of order. It takes time to turn that around. I hope I did not mislead the Committee to the belief that with the additional manpower in the fiscal 1979 budget that we would be able to turn that process around within the fiscal year. We believe that we have made substantial progress, and it is starting to turn around, but the decision making processes themselves take two to three years to complete in many cases and those are cases already underway. It is very difficult to deal with those.

As a measure of our progress, I might call the Committee's attention to the fact that we have reduced our pending matters before the Commission by some 21 percent from October 1, 1978 through the first four months of the current fiscal year. Secondly, I would direct the Committee's attention to the fact that in fiscal 1978, while the Commission completed action on 3000 more filings than during any similar time period in the Commission's history, completing action on 26,000 items, we received additional filings of 28,000 items. That is something that we cannot control. The pace and the complexity of our regulatory processes is largely controlled by the companies we regulate and by the circumstances in the marketplace.

NEW RESPONSIBILITIES FROM ENERGY ACT

Now, with respect to the additional requirements imposed on the Commission by the Natural Gas Policy Act and the Public Utility Regulatory Policies Act, first the Public Utility Regulatory Policies Act expands the Commission's authority and responsibility in a number of areas and calls upon the Commission to perform a number of actions mandated by the Congress. Many of those are reports back to the Congress, but it requires resources to complete those reports.

In the Natural Gas Policy Act, you are correct that the determination process of eligibility has been relied on by the Congress to be a function which the state jurisdictional agencies which have experience in this area, will perform in the first instance, but that Act also imposed upon the Commission a review responsibility with respect to each of those determinations. Now, we are talking about something like 11,000 natural gas well completions in a year. We don't know how much of that will translate into applications before the state agencies, but we will have to review those determinations once they are made.

Granted, that review responsibility is considerably circumscribed in the statute. We are not to second guess or duplicate the effort of the state agency. We act more in the nature of an appellate court to determine whether substantial evidence supports the state agency's determination, but that is only one aspect of the Natural Gas Policy Act.

With respect to gas which was previously not Federally regulated, the Natural Gas Policy Act imposes maximum ceiling prices related to contracts as they existed on November 9, the day of enactment, the day that the President signed the bill. Now, there are anywhere from 100,000 to 200,000 contracts involving sales of intrastate gas that we have an administrative and enforcement responsibility to monitor. We must, under the statutory requirement, carry out this review responsibility. That is a function which is not delegated to state agencies.

Moreover, with respect to gas which is sold to interstate commerce through pipelines, we remain responsible to administer our regulations which govern those sales, again a function that is not delegated under the Act to state agencies.

Beyond that, I would point out that producer regulations is only one aspect of the Natural Gas Policy Act. There are considerable additional assignments in that Act relating to a realignment of curtailment priorities to give priority to essential agricultural users and to schools and hospitals. There are assignments to impose an incremental pricing mechanism which would pass a portion of the incremental purchased gas costs on to industrial boiler fuel facilities. Again, these are assignments that are directly imposed on the Commission and cannot be passed to state agencies.

So, I believe there is general recognition that the additional burdens that the Natural Gas Policy Act places on the Commission are substantial. Also, that the Act is very complex and that it will require careful and sensible administration if its benefits are to be achieved for the American public.

ENERGY BILL HEARINGS

Mr. BEVILL. Did you testify when the Energy Bill was being considered by the Congress? Did you appear before the authorizing committee on that legislation?

Mr. CURTIS. I did not appear before the authorizing committee. I did testify before a Subcommittee of Government Operations in the Senate chaired by then Senator James Abourezk.

Mr. BEVILL. Did you support the legislation?

Mr. CURTIS. No. I did not indicate support for the legislation.

Mr. BEVILL. Did you oppose it?

Mr. CURTIS. No, I did not oppose the legislation. My policy views were neither solicited nor offered. I did make the statement that if adequate resources were given to the Commission, we could administer it. I pointed out in my letter to Senator Jackson, which was distributed, that in order to successfully implement the Act, it would require additional resources being made available to the Commission and a high degree of cooperation among state agencies and various federal agencies that have responsibility to administer it.

My testimony before Senator Abourezk was an estimate that we would need approximately 410 additional staff positions to administer the various responsibilities in the National Energy Act, of which about 300 would be for Natural Gas Policy Act implementation. So that record was before the Congress at the time it was considered and I believed it was considered in debate in both Houses.

PERSONNEL REQUESTS

Mr. BEVILL. Well, you have requested 116 positions. Now, does that mean we are going to have a request for another 300 later?

Mr. CURTIS. No, sir, it does not. The difference between the estimate last year at the time the National Energy Act was being considered, the total requested from OMB, and what is presented in our budget results from several things. First is a realization that these are times when the people of this country are demanding, quite understandably, limitation on the growth of the government, and fiscal responsibility from the Congress. We must, therefore, make some adjustments in the staff and funds which we hope to have available and that which practically we can make available. We did request of OMB the 410 positions. In discussions with OMB the request was modified and it is a modification I accept.

The second reason is again on the pacing of new hires. Since our hiring rate was slowed in early FY 1979 while OMB reviewed our staff ceiling, it would be impossible to hire 410 additional people in the remaining part of fiscal year 1979 and so there is no sense imposing upon the Congress the responsibility for authorizing support for that number of people.

The third is a belief that we can more effectively apply existing resources to our task and supplement those resources through contractual funds. That is why there is a significant addition in the Commission's reliance on contractual efforts in this budget.

Mr. BEVILL. So you are saying, actually, that you need about 300 more people over some period of time. Isn't that the bottom line?

Mr. CURTIS. I hope not, Mr. Chairman, because I optimistically think we can keep to the 1800 ceiling and, perhaps, reduce it in 1982 and 1983 if there is continuing turnaround in our ability to process cases. If some of our regulatory reform measures can effectively reduce that burden then this Committee can expect that the Commission will reduce its staff requirement. I have no intention of suggesting to the Committee that the Commission is a constant growth industry. I would much rather keep the staff at the 1800 level and then reduce it, but we need those resources now to carry out what are many one-time functions in this legislation and until we get that turn-around in our processing time.

Mr. BEVILL. How many of the 323 personnel have you actually hired so far in fiscal year 1979?

Mr. CURTIS. I'll have to ask Mr. McDonald to give you the most recent data.

Mr. McDONALD. We have hired and have working the 200 added positions for FY 1978. In FY 1979, we have begun hiring the 323 provided and we have hired somewhere around 60. The total this morning is 1,413 that's on board.

Mr. BEVILL. So you've added 260 out of the 323 additional positions.

Mr. McDONALD. No, only about 60, the other 200 which we've hired are against the FY 1978 ceiling. 1,413 people are on board this morning against an 1800 ceiling for FY 1979.

Mr. BEVILL. Well I understand that, but we authorized funds for 323 personnel so you could catch up with the backlog, which is your principal problem.

Mr. McDONALD. I'd say about 60 of those sir.

Mr. BEVILL. So you've hired 60?

Mr. McDONALD. Yes sir, that's the count on the FY 1979 ceiling.

Mr. BEVILL. Out of the 323?

Mr. McDONALD. Yes sir, starting in October.

STAFFING DIFFICULTIES

Mr. CURTIS. I would point out Mr. Chairman that we didn't get the money released for fiscal year 1979 until October 24, nor did I get the final ceiling released to hire those people until mid-December.

Mr. BEVILL. What held it up?

Mr. CURTIS. I believe that the appropriation was not signed into law until sometime in mid-October, then there was a hiring freeze, and finally OMB made a review to determine what staff level they would allow.

Mr. BEVILL. The appropriation bill was signed by the President on October 18th.

I can recall how important you believed these additional personnel to be to the F.E.R.C. We were impressed with your testimony and we provided for the 323 personnel increase. And now you are telling me, six months into the fiscal year, that you have hired 60 people.

Mr. McDONALD. Yes, sir. After the ceiling issue was finally resolved, we were faced with the standard three to four month hiring process. Most of these people won't come on until after the next 90 days because of the personnel process of writing the job description, getting it classified, getting it processed, getting it posted, the people competing for the job, selecting the individual and then having them come on board.

The personnel process is an intricate array. A total of 274 actions to recruit new staff members are now in various stages of processing.

Mr. BEVILL. In six months, you've hired 60 people. Now, you're asking for another 116 and, according to your testimony, it would be physically impossible for you to hire another 116 and hire the rest of the 323. What would you do with them if you got them? Where would you put them?

Mr. CURTIS. We do have space for them now, Mr. Chairman, but I would point out that the OMB did not release the ceiling authority to hire until December. Now, the reason for that lies in OMB and I don't think the Commission can accept responsibility. We tried to get our ceiling released.

Secondly, I believe the appropriation, subject to your correction, made available only half the money. I took it to be the Committee's recognition that because of the pacing of the 323 positions, we would only be able to have half-year use or approximately 163 man-years. Is that incorrect?

Mr. BEVILL. That suggests my next question. Money isn't the problem. Looking at your March 9th letter, I notice you took \$2,248,000 out of personnel compensation and you added it, apparently, for supplies and services.

In other words, you had asked us for additional personnel, we gave you the additional personnel, and now six months is gone. You knew that you were going to get the money and the additional positions last August because the conference report had been filed. There wasn't any opposition to it. The formality of the Presidential signature did not occur until October 18th.

Now you say somebody held up your personnel increase and for the record I wish you would state who is responsible.

Mr. CURTIS. Well it was held up by Office of Management and Budget.

Mr. BEVILL. Do you know who over there did that?

Mr. CURTIS. The review of our ceiling lasted from September until mid-December when I met with Jim McIntyre.

REPROGRAMMING OF FUNDS

Mr. BEVILL. Now in addition, who gave you the authority to take \$2,248,000 out of the funds that the Congress appropriated for personnel compensation and use it for supplies and services primarily and for other purposes? Surely you didn't take it upon yourself to just go ahead and transfer these funds.

Mr. CURTIS. I may be corrected on this, Mr. Chairman, but I understand that to indicate an intention to use the money for that purpose is all that we have done. It doesn't represent outlay.

Mr. BEVILL. Several of the agencies under our jurisdiction have called on us to reprogram funds.

Mr. CURTIS. I believe this is our first formal request.

Mr. BEVILL. However, in this case, you haven't asked for a reprogramming.

Mr. CURTIS. We do have a letter into the subcommittee on this Mr. Chairman.

Mr. BEVILL. Yes, I have that letter. It deals with the restructuring of your accounts. It is dated March 9, we received it March 12. It doesn't say anything about reprogramming—why you want to spend the money differently than we appropriated. It just shows in a table that you are moving the money around. We will put the letter in the record at this point.

[The letter follows:]

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D. C. 20426

OFFICE OF THE CHAIRMAN

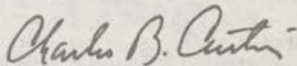
Honorable Tom Bevill
Chairman
Subcommittee on Energy and
Water Development
Committee on Appropriations
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Per our previous correspondence and your letter of February 7, 1979, the Federal Energy Regulatory Commission is providing the elements of the object class breakdown in accordance with the proposed program budget (Enclosed).

We now plan to accomplish our proposed restructuring in approximately 30 days, if this meets the requirements of the Subcommittee.

Sincerely,



Charles B. Curtis
Chairman

Enclosure

FEDERAL ENERGY REGULATORY COMMISSION

1a. Reconciliation to FY 1979 Appropriation -- Object Class Breakdown by Items in Report Language

	FY 1979 Report	Adjustments Dollars	Explanation	FY 1979 Adjusted	Pay Raise	FY 1979 Supplemental	FY 79 Column FY 80 Budget	FY 1980 Estimate
Personnel Compensation	\$37,245,000	- 2,248,000	Hiring Projection	\$34,997,000	\$1,763,000	\$1,370,000	\$38,130,000	\$41,460,000
Personnel Benefits	3,485,000	- 162,000	Delayed OMB Review of FY 1979 Staff	3,323,000	167,000	130,000	3,620,000	3,936,000
Travel & Transportation	1,482,000		added Postage	1,482,000		1,218,000	2,700,000	2,581,000
Rents & Communication	3,755,000	+ 500,000	costs actuals more	4,255,000		1,245,000	5,500,000	5,700,000
Supplies & Services	4,736,000	+ 1,910,000	than estimates	6,646,000		6,459,000	13,105,000	19,660,000
Equipment	597,000			597,000		178,000	775,000	600,000
	\$51,300,000	- 0 -		\$51,300,000	\$1,930,000	\$10,600,000	\$63,830,000	\$73,937,000

1b. Reconciliation to FY 1979 Appropriation Object Class Breakdown by Items in FY 1980 Request

	FY 1979 Report	Adjustments Dollars	Explanation	FY 1979 Adjusted	Pay Raise	FY 1979 Supplemental	FY 79 Column FY 80 Budget	FY 1980 Estimate
Personnel Compensation	\$37,245,000	- 2,248	Hiring Projection	\$34,997,000	\$1,763	\$ 1,370	\$38,130,000	\$41,460,000
Personnel Benefits	3,485,000	- 162	Delayed OMB Review of 79 Staff	3,323,000	167	130	3,620,000	3,936,000
Travel	1,400,000	+ 42		1,442,000		1,158	2,600,000	2,500,000
Transportation of things	82,000	- 42		40,000		60	100,000	81,000
Rents and Communications	3,755,000	+ 500	added communications (Postage)	4,255,000		1,245	5,500,000	5,700,000
SLDC	(2,952,000)			(2,962,000)		(538)	(3,500,000)	(3,900)
Other rents & Communication	(793,000)	+ (500)	added postage costs	(1,293,000)		(707)	(2,000,000)	(1,800)
Printing	342,000	+ 758	Actual more than estimated	1,100,000		400	1,500,000	1,800,000

	<u>FY 1979 Report</u>	<u>Adjustments Dollars</u>	<u>Adjustments Explanation</u>	<u>FY 1979 Adjusted</u>	<u>Pay Rate</u>	<u>FY 1979 Supplemental</u>	<u>FY 79 Column FY 90 Budget</u>	<u>FY 1980 Estimate</u>
Other Services	4,255,000	+ 1,152	Actual more than estimated	5,407,000		5,748	11,155,000	17,360,000
Supplies	139,000			139,000		311	450,000	500,000
Equipment	597,000			597,000		178	775,000	600,000
	<u>\$51,300,000</u>	<u>- 0 -</u>		<u>\$51,300,000</u>	<u>\$ 1,930</u>	<u>\$10,600,000</u>	<u>\$63,830,000</u>	<u>\$73,937,000</u>

2. FERC Activities By Organization

	FY 1979				FY 1980				
	Compen- sation and Benefits	Travel	Other Services	Rent, Equip. & All Other	Staff	Compen- sation and Benefits	Travel	Other Services	Rent, Equip. & All Other
Office of Pipeline and Producer Rates									
Natural Gas Activities	713	\$ 689	\$5,558	\$2,496	713	\$17,982	\$ 658	\$5,844	\$2,496
Oil Pipeline Activities	(671)				(671)				
	(42)				(42)				
Office of Electric Power Regulation	405	194	3,021	1,412	405	10,214	186	1,482	1,418
Natural Gas Activities	(244)				(244)				
Hydro Activities	(161)				(161)				
Multi Activities									
Office of the General Counsel	238	159	1,396	830	238	6,002	152	1,568	833
Natural Gas Activities	(119)				(119)				
Oil Pipeline Activities	(17)				(17)				
Hydro Activities	(40)				(40)				
Multi Activities	(62)				(62)				
Office of Chief Accountant	115	1,277	279	401	115	2,900	1,221	233	403
Natural Gas Activities	(32)				(32)				
Oil Pipeline Activities	(30)				(30)				
Multi Activities	(53)				(53)				
Office of Enforcement	55	316	1,133	192	55	1,387	302	962	193
Natural Gas Activities	(38)				(38)				
Oil Pipeline Activities	(5)				(5)				
Hydro Activities	(3)				(3)				
Multi Activities	(9)				(9)				
Office of Opinions and Reviews	39	905	3	136	39	964	3	79	137
Natural Gas Activities	(22)				(22)				
Oil Pipeline Activities	(1)				(1)				
Hydro Activities	(3)				(3)				
Multi Activities	(13)				(13)				
Office of Regulatory Analysis	36	835	3	187	36	908	3	273	126
Natural Gas Activities	(18)				(18)				
Oil Pipeline Activities	(2)				(2)				
Hydro Activities	(5)				(5)				
Multi Activities	(11)				(11)				

3. Resources by Programmatic Activities

Programs	FY 1979				FY 1980						
	Compen- sation and Benefits	Travel	Other Services	Rent, Equip. & All Other	Staff	Compen- sation and Benefits	Travel	Other Services	Rent, Equip. & All Other		
Hydro Regulation	320	\$ 7,422	\$ 2,198	\$1,116	\$10,900	320	\$ 8,070	\$ 181	\$ 3,149	\$1,120	\$12,520
Hydroelectric Power Regulation	(262)					(262)					
Water Resources Analysis	(58)					(58)					
Multi-Resource Regulation	353	8,188	778	3,814	1,231	353	8,903	723	4,217	1,236	15,079
Electric Power Regulation	(324)					(324)					
Rulemaking and Jurisdictional Responsibilities	(29)					(29)					
Gas Regulation	1,016	23,565	1,336	5,338	3,542	1,023	25,800	1,265	10,720	3,580	41,365
Pipeline Certificate Regulation	(348)					(348)					
Pipeline Rate Regulation	(291)					(291)					
Producer Certificate Regulation	(155)					(155)					
Producer Rate Regulation	(173)					(173)					
Alaska Gas Pipeline Project	(49)					(56)					
Oil Regulation	111	2,575	422	1,755	386	104	2,623	412	1,574	364	4,973
Oil Pipeline Regulation	(81)					(79)					
Trans Alaska pipeline System (TAPS)	(30)					(25)					
Total	1,800	\$41,750	2,700	13,105	6,275	\$63,830	\$45,396	2,581	19,660	6,300	\$73,937

Mr. CURTIS. Mr. Chairman that certainly is not our intent and I don't believe we have spent any of that money as yet.

Mr. BEVILL. Well if you have not spent the money, it is my suggestion that you submit a request for reprogramming showing what and why you want to spend it that way. Because this subcommittee may decide that you are not going to spend it for those purposes.

Mr. CURTIS. Well, I thought we had done that Mr. Chairman.

Mr. BEVILL. Well you have not.

I notice my friend and our long-time colleague John Young in the audience and we're mighty glad to have you with us John.

Mr. YOUNG. Thank you very much, Mr. Chairman, it's a pleasure to be here.

Mr. BEVILL. The Chair and Mr. Myers have agreed to recognize Mrs. Boggs at this time. As a matter of fact, she needs to chair another subcommittee in a few minutes so I'm going to yield to Mrs. Boggs.

STATE REGULATORY AGENCIES

Mrs. Boggs. Thank you, so much, Mr. Chairman, Mr. Myers, Mr. Curtis, Mr. Smith, Mr. McDonald, welcome.

Mr. Curtis, I know you talked about the new responsibilities of your agency regarding the production and marketing of intrastate natural gas under the Natural Gas Policy Act of 1978. You pointed out the appellate court aspects of your jurisdiction in regard to the state regulatory agencies. But would you please tell us how the Commission will interrelate with existing state regulatory commissions such as the Texas Railroad Commission and the Louisiana Department of Natural Resources in the administration of the Act?

Mr. CURTIS. The legislative scheme permits a series of incentive prices for various categories of natural gas which are determined to meet various essentially geological criteria. Thus, new natural gas receives a separate price level. New on-shore production wells receive a separate price level. Certain high-cost production and certain stripper well production receives these incentive prices.

Under the legislative scheme, an application is made to the state jurisdictional agency. In the case of Texas, it would be the Texas Railroad Commission. In the case of Louisiana, it would be the Louisiana Department of Natural Resources.

We have worked through, and very closely with, the Interstate Oil Compact Commission and with the individual state agencies to try and develop a workable program for their carrying out their responsibilities and our fulfilling ours.

We are, necessarily, in a transition. The first step that the Commission took was, after consultation with the state agencies, to devise minimum filing requirements, which, if met by an applicant, will provide substantial evidence. This, minimizes both the state agencies' review burden as well as the Commission's supervisory review burden.

Each of the state agencies has the authority to file alternative plans with us that will remove some of these minimum filing requirements and conform their state plan more realistically to their individual state capacities.

In the case of Texas and Louisiana, those capacities are significant, well developed, regulatory entities with a full breadth of knowledge

and information about production in their states. That is not true, generally, of all state agencies which have production within the state.

I would expect that Texas and Louisiana would be the first candidates for developing a specialized procedure for meeting this responsibility.

But after the filing of the minimum requirements, the procedure that the state employs is entirely up to state law. They follow whatever that procedure dictates and then advise us of their determination, in which case we have 45 days to review it to determine whether there is information in our public files as would contradict it; in which case, we may remand it, or to determine whether this is substantial evidence.

If we find substantial evidence, we must affirm. If we do not, we must disaffirm and reverse. But I would emphasize that our responsibility is not to second-guess the state agency. It is merely to determine whether there is evidentiary support for their determination.

We may well disagree with their conclusion. But we would not have the legal authority, nor would we, on that basis alone, reverse.

Mrs. BOGGS. Does this apply to marketing as well as to production?

Mr. CURTIS. No, this is mostly in the general area. There are some authorities, or potential authorities, in the Act for delegating some additional responsibilities to the state agency should they wish to undertake them. We are doing that in some modest respect regarding the receipt of certain filings for compliance where, in the case of sales to intrastate pipelines, those filings may be made in the alternative to a state agency, if it wishes to perform that function.

In that case, it is probably going to be a function performed by the Public Utility Commissions in the states. But, that varies from state to state.

NATURAL GAS ACT IMPACT

Mrs. BOGGS. Last week, Secretary O'Leary told the Subcommittee that he doubted that price considerations would take precedence over the efforts of producing states to conserve the gas resources available for the intrastate market. What is your assessment of the impact of the 1978 Act and the Commission's administration of it on the conservation of natural gas resources?

Mr. CURTIS. Well, I would suggest that it is really too early to tell. We think that we have, in place, a regulatory mechanism which, at the very least, knocks down the traditional jurisdiction barriers that have prevented the flow previously of gas from intrastate commerce into interstate commerce.

Now that in the State of Louisiana is going to be particularly important, in fact, because a good portion of the State is served by an interstate pipeline. We think we see more gas movement in interstate commerce. What we haven't seen yet, and would not expect to see at this time, is additional production resulting from the pricing structure under the Act.

It is simply too early to tell on that. We remain hopeful, but it will depend upon a number of what are, today, imponderables.

INTRASTATE REGULATION

Mrs. BOGGS. Could you tell me what portion of both the FY 1980 budget request and the 1979 supplemental request are intended to deal with your responsibilities in the intrastate market?

Mr. CURTIS. We have not broken the budget down on that basis and I do not believe that it is capable of being broken down on that basis, inasmuch as our producer regulatory responsibility does not distinguish between interstate sales and intrastate sales.

Mrs. BOGGS. So then, I would assume that you could not identify the funds and positions that will be used to administer the Natural Gas Policy Act as it relates to the intrastate market?

Mr. CURTIS. I could not. I think it might be fair to make a rough estimate that 45 percent of our resources for producer work are devoted to that, at the most, inasmuch as 45 percent of the gas market has been intrastate. The reality is that we probably have a continued focus on interstate markets because there we also have regulatory responsibility for the pipelines themselves. An additional segment of the staff is involved in that. But, the sharp lines of staff responsibility just do not exist.

STATE REGULATORY BURDENS

Mrs. BOGGS. You pointed out that there are additional burdens placed on the existing state regulatory bodies as a result of the 1978 Act and the Commission's regulations. Who is supposed to pay for these additional burdens?

Mr. CURTIS. That is a difficult question, Mrs. Boggs. It is something that we have discussed with the states and the Interstate Oil Compact Commission. I, personally, would favor Federal monies to assist the states in meeting the administrative requirements that attend to their functions under the Natural Gas Policy Act.

But at the same time, I really wonder if that is a good idea from the state standpoint. I think experience tells us that when the Federal Government delivers money to state agencies to perform functions, it tends to attach conditions and requirements with respect to the use of those monies that are offensive to the sovereign identity of the state and, very often, complicate and become a regulatory process of their own.

So, that is the difficult trade-off that the states have to consider. But should they wish to seek Federal monies to help with these functions, I think their claim is equitable and I would support it.

INTERVENOR PROGRAM

Mrs. BOGGS. How much money are you requesting for the intervenor program in FY 1980 and how much in the 1979 supplemental?

Mr. CURTIS. The Public Utility Regulatory Policies Act directs the Commission to establish an Office of Public Participation, one of the functions of which would be the granting of intervenor funding. The Act contained an authorization of \$2 million for Fiscal Year 1979 and \$2.2 million in Fiscal Year 1980.

We have requested \$200,000 in Fiscal Year 1979 and \$750,000 in 1980. The reason for the difference between the authorized levels and the requested appropriations is a question of timing and, again, of experience.

Mrs. BOGGS. But, just from the face of it, you are providing funds for the intervenors, but you are not providing funds to help those burdened with the cost of the regulations.

Mr. CURTIS. Well, I suggest that may be a problem with the statute.

STATE REGULATORY AUTHORITY

Mrs. BOGGS. Can you assure me that the Federal Energy Regulatory Commission is not going to interfere with the authority of the Louisiana Department of Natural Resources and the Texas Railroad Commission to discharge their traditional responsibilities, particularly as it applies to conservation?

Mr. CURTIS. I can certainly assure you of our best efforts in that regard. I cannot assure you that we will not reverse, because the statute imposes that obligation on us if we determine there is an absence of substantial evidence.

We may, also, remand in certain cases. And we must, for our administrative and enforcement responsibilities, satisfy ourselves, the Congress, and the public that this determinative process is working and that it deserves the presumed integrity that we all wish to apply to it.

In the case of Louisiana, I have said publicly in a number of instances that we are all aware that Mr. Ray Sutton has never been reversed in court. We hope that precedent will hold in the Federal regulatory arena, as well.

We regard the Louisiana Resources Department as extremely competent and we have every expectation that it will work.

Mrs. BOGGS. Thank you for that very nice compliment to Mr. Sutton.

POLICY STATEMENT ON INTERSTATE GAS SALES

I understand that the Commission issued a policy statement on January 24 that effects the pricing provisions in existing interstate natural gas sales contracts. I further understand that this policy statement is said to restrict the maximum lawful prices the producer could receive under the Natural Gas Policy Act. Could you explain this policy statement to us? What about the argument that it is a contravention of the 1978 Act? What is the current status of the statement?

Mr. CURTIS. The question concerns the operation of certain indefinite pricing clauses and/or area rate clauses in existing contracts now that the Natural Gas Policy Act has been enacted. Do those contracts trigger an obligation to pay the ceiling prices or, in light of the new circumstances of the Act, should the contracting parties reevaluate their bargain and negotiate within the price ceilings?

The initial decision of the Commission proposed a preliminary review, in which we also solicited comment on three alternative outcomes. We twice held oral arguments before the Commission. We twice had a written comment period. And on the 12th of this month, the Commission issued a final opinion in that matter which reverses, in a number of significant respects, the preliminary opinion.

That matter is still pending since there is under the statute, a provision for review. I cannot discuss the merits of the case until the conclusion of the rehearing procedure.

SABINE RIVER AUTHORITY

Mrs. Boggs. Last November, the State of Louisiana and the Louisiana Congressional Delegation requested expeditious consideration of an application for approval of revised plans for the Sabine River Authority's recreational development, the so-called "Exhibit R". Could you please give us the current status of this application for approval?

Mr. CURTIS. Staff reports on this application are now in preparation, and it is expected that recommendations will be forwarded to the Commission for its consideration shortly.

Mrs. Boggs. It's now been three and a half months since the request was submitted. Is this expeditious consideration? The Commission was to receive comments by January 8th. When can we expect conclusion of this review?

Mr. CURTIS. The application was sent out for Agency comments when it was filed. Comments were received by January 8, 1979. The U.S. Department of the Interior raised several issues regarding disposition of land and recreational facilities funded by the Land and Water Conservation Fund Program. In order to clarify these matters, the Sabine River Authority was requested to comment on Interior's concerns. A response from the Authority was received on January 26, 1979. In the meantime, a protest and petition to intervene was filed with the Commission on January 8, 1979, requesting that the petitioner be admitted as a full party to the proceedings, and that the application for approval of the Exhibit R be set for a hearing.

The Authority was then afforded an opportunity to respond to the petition for intervention, and a response was filed on March 5, 1979.

Staff has proceeded as expeditiously as possible in light of the agency comments, and the petition, which was filed pursuant to the Commission's regulations.

UNITED GAS PIPELINE CURTAILMENT

Mrs. Boggs. What is the current status of the United Gas Pipeline Curtailment case (Docket No. RP71-29)?

Mr. CURTIS. United Gas Pipeline Company filed a motion for postponement of the April 1, 1979, and May 1, 1979, procedural dates set forth in the Commission Opinion 32 and 32-A. Settlement negotiations are currently in progress, and United has stated that the proximity of the April 1 briefing date would require parties to devote time for brief preparation which otherwise would be devoted to additional settlement conferences. United further suggested that the responsibility for establishing a new briefing date be delegated to the administrative law judge. In considering this request for postponement at its March 22 hearings, the Commission found good cause had been shown for postponement, and granted United's motion.

In the phase III hearings, dealing with issues related to United's exculpatory tariff provisions, cross-examination of United's 1975 prepared testimony, begun in December of 1978 has been completed.

Current cross-examination of United's subpoenaed additional witness is expected to be completed in May, at which time intervenors in the proceeding will begin their direct testimony.

EEOC ACTIONS

Mrs. Boggs. I would really like to commend the Commission on eliminating its backlog of EEOC actions. We would be interested in hearing about your success, itemized, so that we can have that for our information and to afford a comparison with other groups who are not doing as well as you are.

Mr. CURTIS. Thank you. I appreciate the very kind remarks about our EEO program. This, like other things, is something that we can do a lot better on.

At the time that the Federal Energy Regulatory Commission was established on October, 1977, a backlog of some 23 Equal Employment Opportunity cases was inherited from the former Federal Power Commission. As of March, 1979, only five cases currently remain unresolved. Of those remaining five cases, three were part of the inherited backlog from the former Federal Power Commission. Two of those are new cases, and of those two cases, one was transferred to the FERC from the Interstate Commerce Commission with the transfer of certain responsibilities and employees. Thus, we actually have only three unresolved EEO cases remaining from the backlog inherited from the former FPC. More significant is the fact that since the creation of the FERC, only two discrimination cases have been filed against the agency, both of which are age complaints, one involving an applicant for employment and the other inherited from an ICC transferee. This means that the FERC itself has had only one complaint of discrimination filed against it in the year and a half of its existence. This is a record of which we are very proud.

AFFIRMATIVE ACTION PROGRAM

Mrs. Boggs. Could you tell us about your affirmative action program?

Mr. CURTIS. The FERC manages and implements its own EEO and affirmative action programs. The FERC supports and ensures equal employment opportunity for all employees and applicants.

The FERC managers and supervisors are involved in the EEO program, and their performances in this area are specifically measured in their efficiency reports.

The DOE personnel office provides the Commission with monthly status reports on the progress achieved by organization. Every quarter, data is analyzed by the Executive Director and is discussed in detail with me.

The results achieved in the last quarter of 1978 were encouraging. Of the total number of new employees hired in this period, 39 percent were minorities and professional women. Minorities alone constituted nearly 28 percent of the total hired. Professional women and minority hiring increased from the third quarter, and the numbers achieved exceeded the DOE goal of 25 percent for professional women and 25 percent for minorities.

WOMEN'S PROGRAMS

Mrs. Boggs. Could you tell us about your programs for women in Federal employment?

Mr. CURTIS. It has been and continues to be the Commission's policy to support equal employment opportunity for all employees and applications. Discrimination in hiring, promotions, and other work-related aspects will not be tolerated and performances of supervisors in this area are specifically measured. I feel that there is a continuing need to encourage supervisors to hire additional women, especially in professional positions. Since the third quarter of last year, professional women and minority hiring increased and the numbers markedly exceed the Department of Energy goals for professional women and for minorities. In fact, figures from a recent six month period ending January, 1979, indicate that the total number of professional women increased by 27 percent, from 103 to 131.

The Upward Mobility Program is currently in the process of being formulated by the Department of Energy. The program should serve as a useful vehicle for allowing women in the clerical positions an opportunity for advancing into areas of professional responsibility where such opportunity may not have been available before. It is hoped that such a program will increase the awareness of both supervisors and employees for identifying and taking advantage of such opportunities. Also, in conjunction with upward mobility, the Commission has requested increased funds for the training budget in order to provide resources that will enable women to improve the skills required for advancement.

WOMEN'S PROMOTIONS

Mrs. Boggs. How successful has the Commission been in promoting women from clerical positions to positions of managerial and technical responsibilities?

Mr. CURTIS. While the Commission has not been able to promote any women from clerical positions to managerial or technical positions during FY 1979, significant progress has been made in increasing the total number of women holding professional positions. Regulations of the Office of Personnel Management impose restrictive employment qualifications consisting of a combination of education and experience for all managerial and technical positions. Therefore, merit promotion principles are employed which make it very difficult for someone to make the jump immediately from a clerical to managerial or technical position without training which enhances skills. DOE and FERC are currently in the process of formulating an upward mobility program that will aid in identifying and making available for women more opportunities for upward mobility to positions of increased responsibility. The increased training funds we are requesting in this budget are essential to implementing this program.

WOMEN'S IMPROVEMENT PROGRAMS

Mrs. Boggs. What are your plans in FY 1980 to improve the Commission's record concerning the hiring and promotion of women?

Mr. CURTIS. The Commission fully supports the DOE policy of filling at least 25 percent of its professional level positions, GS-9 and above, with women. In the last quarter of FY 1978, 22 of the 88 hires in the category of GS-9 and above were filled by women, thereby achieving a percentage of 25. Also, a review of statistics for a recent six month period shows that the total number of women in the category of GS-9 and above rose from 103 to 131, for an increase of 27 percent from July, 1978, to January, 1979.

The Commission has requested a substantial increase in training funds for FY 1980 partly as a means of providing additional training opportunities for women. Such training opportunities should enable FERC women to qualify for more responsible positions, enhancing promotion opportunities.

WOMEN'S PROGRAM GOALS

Mrs. BOGGS. What are your goals for FY 1979 and what will your goals be in FY 1980 for hiring and promotion of women?

Mr. CURTIS. The Commission supports the current DOE Policy of hiring women for at least 25 percent of the vacancies in grades GS-9 and above. Results to date have been encouraging and efforts will continue toward increasing the number of qualified minorities and professional women in the work force. In addition, women will be encouraged to avail themselves of every opportunity to obtain additional training for the purpose of increasing promotion potential.

Mrs. BOGGS. Thank you, so much. And thank you, Mr. Chairman.

Mr. BEVILL. Mr. Burgener.

ESCONDIDO PROJECT

Mr. BURGNER. Thank you, Mr. Chairman. This will be the fifth year that I have had the privilege of asking you about Project Number 176. However, this time a decision has been reached and we are grateful for that. That was filed in 1971 and it was a very complicated case. In this regard, have all the parties been formally notified and secondly, what is the probable sequence of events in the future concerning this case?

Mr. CURTIS. Congressman, if I might, I would like to let Commissioner Smith answer that.

Mr. BURGNER. Indeed.

Mr. CURTIS. When I came in, I intended to introduce to the Committee the Vice Chairman of the Commission, Don Smith. As you will remember he was with me last year when I mentioned the status of this case. It is a project that he has considerable knowledge of and I would like to ask him to respond.

Mr. BURGNER. Thank you, Mr. Curtis.

Mr. SMITH. Congressman, I am confident that all parties to the case included on the service list were provided with the legal notification of the Commission's decision. Since you are asking the question, however, we will recheck.

Mr. BURGNER. I have no indication that they have not been notified.

Mr. SMITH. I will check anyhow.

Mr. BURGNER. Thank you.

Mr. SMITH. The probable sequence of events would be the conclusion of the rehearing period which, in the absence of a request for an extension for time for making comments, will expire on March 28th. Inasmuch as it was a case with a number of parties and a large number of highly contested issues, I am reasonably confident that rehearing would be sought, in which event the Commission must come to a decision whether to grant rehearing and then whether to change some provisions in the order.

Mr. BURGNER. Now, rehearing means what?

Mr. SMITH. A reexamination in light of the parties raising objections to particular points in the decision.

Mr. BURGNER. It doesn't mean redoing everything?

Mr. SMITH. No, only reexamination of certain points in the decision.

Mr. BURGNER. You have been on this case for seven—let's see, eight years. If any of the parties were dissatisfied, they would appeal to a Federal court?

Mr. SMITH. Yes. It would then go to a Circuit Court of Appeals.

Mr. BURGNER. So you wouldn't predict what would happen until you hear from the parties. Who could request the rehearing?

Mr. SMITH. Requests for rehearing are typically filed on the last day and I believe that will be in late March, the 28th, that being 30 days. I think that the degree of dissatisfaction will become clear to us at that point.

WHOLESALE ELECTRIC RATE REGULATION

Mr. BURGNER. Thank you. My next question has to do with wholesale electric rate regulations. During the current year, your agency will have \$13.1 million for electric power regulation. According to my information, you initially requested \$21 million for fiscal 1980. Your request to the Congress is for \$13.9 million. Will the money that you initially requested be sufficient to make some headway in reducing the backlog of the pending wholesale electric rate cases? Did OMB reduce this request from \$21 million to \$13.9 million?

Mr. CURTIS. Yes, those figures are correct and OMB did cut that. The difficulty here is that no amount of resources is going to solve the administrative delay and other complexities in handling our rate case responsibilities. We simply have to change significantly the way those responsibilities are administered. We did, in August of last year, initiate a very broad based inquiry into our rules of practice and procedure. Admittedly, that effort has been deferred by the Commission's preoccupation with its implementation responsibilities under the new legislative requirements of the National Energy Act.

But the Congress, in recognition of this problem, has called upon the Chairman of the Commission to file another report with the Congress, due in August of this year, which will outline the various administrative and legislative opportunities for dealing with electric rate case processing, and particularly the pancaking problem of which so many are painfully aware.

I think it is fair to say that both the wholesale purchasers and the wholesale suppliers are impacted and hurt by a lengthy processing of cases. Of course, the purchaser pays money which he may get back because it is subject to refund, and he will get interest on it, but he will have to finance those accounts in the interim. And the supplier has a shadow on his earnings which makes financing more difficult which, of course, makes capital more expensive, and the rate payer pays for that as well.

And the Commission as well can more effectively use its resources than it is now doing. So, I think there is a strong common commitment to improve the system. I will not suggest that it will be easy because every time you eliminate the procedural aspects of a process you will be claimed as having denied due process to some participant who may find that particular procedural process of advantage in an adversarial proceeding.

Mr. BURGNER. Of the \$13.9 million that you are requesting for electric power regulation, what amount would be allocated specifically for wholesale rate cases?

Mr. CURTIS. We do not specifically allocate the budget by types of cases but I would say that between \$3 and \$4 million would be for wholesale electric rate cases.

ELECTRIC RATE CASE BACKLOGS

Mr. BURGNER. As of the first of March, 1979, there were some 272 cases pending before the Office of Electric Power Regulation. As of January 1, 1978, a little more than a year ago, there were 246 which means there are 26 more than before. Do these figures suggest the conclusion that you just can't clean up the backlog? but are increasing?

Mr. CURTIS. Your conclusion is right. We do have that breakdown in detail and have been looking at it from a management study standpoint. The reason is, of course, that rate increases may be filed for at any time by regulated utilities. Electric utilities are as much a victim of inflation as is the general public and the economy. So, in response to an increase in their cost, they file for rate increases. The reason those numbers are larger is because we have received increased filings for electric rate increases. With respect to your question of whether we can do anything more than just hold the line or not get much worse than we were before, in my opinion, no, not until we change the processes by which we administer this responsibility.

We are engaged in doing that now.

Mr. BURGNER. Changing the process is more relevant or important than increasing the size of the staff to handle the load.

Mr. CURTIS. Yes. I don't think there is any way we could match staff to these filings and effectively discharge them.

Mr. BURGNER. You can't just continue to put more people on the problem as effectively as you could by changing the basis of administration?

Mr. CURTIS. No, sir. People are not the answer.

OFFICE OF PUBLIC PARTICIPATION

Mr. BURGNER. Thank you. From page 12 of your statement, you have established a new office of public participation. What does that do?

Mr. CURTIS. The Office of Public Participation was established pursuant to Congressional direction in the Public Utility Regulatory Policies Act. Its intent is to assist members of the public in participation in the proceedings before the Commission and to administer intervenor funds should the Congress appropriate moneys for those purposes.

QUALIFIED INTERVENOR

Mr. BURGNER. Well, Mrs. Boggs touched on the \$750,000 to compensate qualified intervenors and she pointed out that we are stuck with an authorization on that.

Who is a qualified intervenor?

Mr. CURTIS. There is a statutory standard but largely it is left to Commission regulation. I would not want to mislead the Committee that I am reluctantly dragged to this fountain. I believe that public participation, if sensibly managed, could be of considerable benefit to the Commission in arriving at well-reasoned and considered decisions, as well as by increasing the knowledge and the ability to effectively participate on behalf of the public. I think there will be acquired understanding of the complexities, the trade-offs, and the difficulties that would benefit the public as well as the Commission.

So, I think there is real value. Now, on the other side one has to worry about adding additional complexities to a process that is already overburdened. The Commission must carefully assure that this will not occur. But, within a generally cautious framework, public participation may be incorporated in our proceedings without adding to the delay of those proceedings and it can be effective and beneficial to the Commission and the public at large.

Mr. BURGNER. Would these be individuals or organizations?

Mr. CURTIS. They could be either.

Mr. BURGNER. Do you pay the entire cost?

Mr. CURTIS. Well, that is a possibility in some cases, but the rules and procedures are being developed.

Mr. BURGNER. Is it on a reimbursement basis?

Mr. CURTIS. There is a statutory standard that we must determine that the intervention or the participation first substantially contributed to the approval of the position advocated by such a person.

Secondly, we must determine that intervention without compensation would constitute a significant financial hardship to the intervenor.

But all of that is to be fleshed out further by Commission regulation so I can't really identify who could get the money.

Mr. BURGNER. Is this already happening?

Mr. CURTIS. No, it's not. It is prospective. It is not yet happening. We are attempting to lend assistance in the nature of information to persons who have interest in our proceedings.

Mr. BURGNER. What is the basis of the \$750,000 estimate?

Mr. CURTIS. It is a very rough estimate. The Commission receives annual reports from electric utilities and pipelines, and among the items reported in those annual reports are their legal fees for cases before the Commission. Those were examined in an attempt to arrive at these figures.

In my opinion, the most effective use of intervention funding will be in the Commission's rulemaking process and not in its adjudicative proceedings because in the Commission's rulemakings we need a

balanced presentation of views that will test the correctness of reasoning and our proposed decision and I think that balanced presentation is more possible and certainly required but it is more possible with intervention funding and I would suggest in that circumstance there is no peril to adding to the length of the processes involved because all participants are required to submit their views within a scheduled time period.

Mr. BURGNER. Perhaps in next year's hearings, we will have some experience in this area. I appreciated your point about rulemaking versus a specific case.

Mr. CURTIS. Yes, rulemaking probably more than specific cases.

STAFF MORALE PROBLEMS

Mr. BURGNER. You make an interesting statement on page 12, "We must improve the morale and professionalism of the Commission's own staff." I take it that you have a problem in this regard?

Mr. CURTIS. Yes, we do. When I got to the Commission in August 1977, we had a 20.8 percent turnover rate. We now have that down to 10 percent which is about the Government-wide average. We have a physical deficiency. We are in a leased building on a long term lease at a square footage rate that is inadequate to provide the minimum services of maintenance, apparently because GSA is not enforcing the contractual requirements.

Mr. BURGNER. Is your entire staff in the same building?

Mr. CURTIS. No, we are in one building and have one floor of another building in something known euphemistically as Union Center Plaza on North Capitol Street. It is a very difficult area. We have a liquor store in the building and we have had a number of muggings that occurred in the daytime and at night. Recently a cab driver was found murdered near our building on a street where many of our employees park. All of that has had an impact on the morale.

The other problem is that the Federal Power Commission did not, for whatever reason, have an effective training program to provide opportunities for advancement and professional development. We are trying to put an employee development program into effect. We have established an advocacy institute. We brought in outside speakers and we are attempting to enhance the professionalism of the staff as well as develop programs for opportunities for skills acquisition and advancement. That is essential for morale and is essential for developing an expert cadre which is the basic organizational principal for having independent regulatory Commissions in the first place.

These people have very unique slivers of knowledge in intricate segments of the law. People do not come to us trained in utility regulation. They have to be trained and we have to spend money for that.

Mr. BURGNER. You mentioned a long term lease. Are you going to be stuck there?

Mr. CURTIS. It appears so. The lease says 15 years and the Department of Energy has determined that the Commission is best left on North Capitol Street. We have acquired some more space in a building at 400 First Street which is better and will take care of some of the staff's spillover.

Mr. BURGNER. You will recall we had considerable argument on the floor and in this Committee about locating the whole Department of Energy in a central building. It might be useful to review where everybody is and why. I understand we will be doing that tomorrow.

Mr. CURTIS. I would like to sit in as an interested citizen.

Mr. BURGNER. Maybe you could be a qualified intervenor. Thank you very much. Thank you, Mr. Chairman.

ESCONDIDO PROJECT

Mr. SMITH. May I supplement a response to you, Mr. Burgener? The Escondido proceeding involved a recommendation by the Department of the Interior that Federal takeover occur. This was not followed by the Commission in its initial decision.

I had indicated that the case would go from the Commission's reconsideration and its finalization of the order to court.

I think it is possible under the Federal Power Act that Interior may seek from the Commission a two year stay of the issuance of the license while Congress looked at the takeover possibility. The Commission must grant the request for stay. So that development is among the things which might occur from here on.

Mr. BURGNER. Is takeover and recapture the same thing?

Mr. SMITH. Yes, one and the same.

Mr. BURGNER. Would that require Congressional action?

Mr. SMITH. Yes, it would.

Mr. BURGNER. And so if Interior wanted that discussed or pursued, which your order does not do I take it, then they might, as you say, ask for a stay of a couple of years.

Mr. SMITH. Yes, they have that option.

Mr. BURGNER. Thank you. I think.

Mr. CURTIS. Under Section 14 of Part 1 of the Federal Power Act, the two-year stay is provided for.

Mr. BURGNER. So that is automatic if they ask for it?

Mr. CURTIS. It is my understanding that Congress would have to respond to that, but I would appreciate the opportunity to give you a letter on that.

Mr. BURGNER. All right, fine. I appreciate that. Thank you.

ALABAMA POWER'S ROAD CASE

Mr. BEVILL. Mr. Burgener mentioned that it took five years to get a particular case decided. It reminded me of a request by the Alabama Power Company to permit a road to be built on a dike owned by the Alabama Power Company. As I recall, it was a small road. No one was opposed to it. It would seem that this would be something that could be handled very, very quickly without a lot of to do about it. But, you know, it took several months to get that simple little permit. The road was needed in connection with a housing development because the lake had covered the existing road. This was simply a matter of permitting the Alabama Power Company to sell an easement. This is not a Federal project.

I am sure this is this kind of thing you must be working on to try to cut down.

Mr. CURTIS. Yes, sir, we are. That bothers me too.

REGULATORY REFORM

Mr. BEVILL. We realize that you are just the tip of the iceberg, but you can appreciate our position, too. We are responsible for oversight of these appropriations. We go out on a limb and add over 300 personnel for you and then we find what we found here today. In six months you have hired just 60 people, and you want another 116. You can see how this looks to us.

I can't imagine how anybody could spend a week on that Alabama Power request. It took several months to get it cleared when there was nothing involved, really, if you just want to get down to the bottom line. If this is an example of some of your cases, you'll never have enough personnel.

I can see you have made progress in the past year and I commend you for it. You said you handled 26,000 cases, I believe,—

Mr. CURTIS. Yes, sir, we completed more than 26,000 last year, but received more than 28,000. So, we lost ground.

Mr. BEVILL. There isn't anyway for you to come out ahead. You won't live long enough to ever catch up. You have got to do something. Can't you expedite these little cases?

Mr. CURTIS. Yes, And we have. Let me explain if I may.

Mr. BEVILL. Let me go a little further.

Mr. CURTIS. Certainly.

Mr. BEVILL. How about getting a form letter and typing the name and address and the approval and mailing them out on these insignificant cases.

Mr. CURTIS. We are indeed. The reason they come here is because the Federal Power Act in Part One requires this type of approval of the Commission for any of these types of activities on Federal license project lands, and the Commission has historically evaluated those to determine whether it's consistent with the use of the land.

DELEGATIONS OF AUTHORITY

The Commission has, for the first time, implemented a delegation of authority which delegates to staff offices the authority to grant these approvals without bringing the matter formally to the Commission. Previously every matter went to the Commission and it required public meetings, seven days advance notice, and collegial consideration. We are delegating these down to the staff. In my opinion we should go further than that. There are a number of things that relate to project lands that I think much more sensibly and effectively could be done by the states. These relate essentially to land use management, traditionally questions involved in zoning that state agencies could more properly consider, perhaps only subject to a consultation to tell us if we have any concern.

Mr. BEVILL. They were shocked when they found out they had to go to Washington over a little easement. It has no business being up here in Washington. I am glad to hear that you are working on that because that is the only way you are going to survive.

Mr. CURTIS. Absolutely. We have removed some 267 types of decisions from the Commission that have been delegated down to

the staff, and that is in a Phase One delegation. We will consider soon a Phase Two, which has almost an equal number of decisions that can be delegated down to the staff, and these are more of a substantive nature.

I might point out that if it is a contested matter, all we do is add a layer in the decision process because we must provide appeal to the Commission. This Commission, unlike other independent regulatory agencies, was passed by in 1960 when the Congress gave to other regulatory agencies authority to delegate final decision-making power to a staff officer or board of employees or members of the Commission. We do have that authority with respect to oil pipeline regulation, because we inherited it from the ICC, and so it is only in that area.

Mr. BEVILL. You might look into this question about roads on dikes and dams.

Mr. CURTIS. I don't mean to speak prejudicially to that particular case. I was just noting, generally speaking, that we are concerned about roads on dams, primarily for security reasons.

Mr. BEVILL. This subcommittee has jurisdiction over all Federal dams in the United States.

Mr. CURTIS. Yes, I realize that.

Mr. BEVILL. Roads across dams are not that uncommon.

Mr. CURTIS. Yes, I know.

Mr. BEVILL. The Corps of Engineers has been building dams for over 200 years, and you know how many failures they have had? None. Pretty good record.

I do commend you for apparently being on the right track in trying to deal effectively with this paperwork burden.

PAPERWORK BURDEN

Mr. CURTIS. We are indeed.

Mr. BEVILL. Frankly I question whether Congress has required all of this in legislation. I think you are promulgating rules and regulations, as we country lawyers say, beyond the requirements of the statutes and the legislative history. You are not going to find a great deal in the act that Congress writes, generally, that calls for this paperwork. This is where your trouble is, in my judgement.

Mr. CURTIS. Mr. Chairman, I think there certainly are some instances where the Commission is laboring under its own requirement.

Mr. BEVILL. And you are not by yourself. The licensing of the Nuclear Regulatory Commission, they have got so many regulations that they have created that they can't comply with them themselves. This is a fact; this is in the record, it is a testimony Chairman Hendrie very frankly admitted. One regulation they had there required sending out applications filed for a nuclear power plant, which you know takes us 12 years and Japan five years, you recall the President mentioned this in his first energy speech to Congress.

Mr. CURTIS. Yes, I recall that.

Mr. BEVILL. Their own rule requires that when they get an application, notice must be given in a general circulation newspaper, which is a good rule, so that any member of the public can come in and

complain about it. In one case, proper notice wasn't given for over 30 days. In this single example, the cost to consumers of the delay amounted to something like \$1 million per day.

This is an example of what happens to our agencies. They say Congress did this, and of course when you get to looking in it, they did it themselves. They set up their own rules and regulations. I think the President is certainly on the right track in trying to eliminate some of these rules. Some of this was done in OSHA last year.

Mr. CURTIS. I agree with the President's goal and we are working on it.

Mr. BEVILL. I urge you to continue in your efforts. Currently, you are lost in your own paperwork.

Mr. CURTIS. I agree entirely with your comments, Mr. Chairman. I would point out to you when I testified last year we spoke of the cost and delay in hydro licensing. Since that time we have promulgated rules which provide a short form licensing for small facilities of 1.5 megawatts or less, and we have a second round rulemaking that is out for public comment that expedites the consideration of preliminary permits which is the first stage for new hydro facilities. This tightens down some of the filing requirements so that we have complete applications and don't spin our wheels. But most importantly, in the second stage, we will present to the Commission within the next two to four weeks, proposals to provide short form licensing for any facility, without regard to its size, in cases where the proposal is to add additional electric generating facilities to already constructed dams, or where the pond is already formed.

We think that will cut some of this blizzard of paper out of our process, and it is essential to do. Then there will be a third stage to see if we can get a short form procedure for new construction as well, even involving reservoir formation and dam construction. That is much more complicated, but we are committed to that, Mr. Chairman.

RULES AND REGULATIONS

Mr. BEVILL. I endorse your program. It sounds like a good program and I wish you would give me the number of rules and regulations that have been promulgated by your agency and then be prepared next year to tell me now many of these same rules and regulations exist. We will see how much progress you make in the coming year.

Mr. CURTIS. Can we quantify it by line rather than number?

Mr. BEVILL. I want to be able to see if you are making progress. I am endorsing your program. I think it is good. You have obviously given it a lot of thought and you are on the right track. We need to have a test that will show the extent or lack of progress. I would like to see how many thousands of rules and regulations you have promulgated. I am not talking about the ones that Congress has—

Mr. CURTIS. I understand.

Mr. BEVILL. You may want to put those things required by Congress in there too, because we may need to clean our own house in this regard. We may have you doing paperwork that you shouldn't be doing and this would be ideal if you could get a measure for both aspects of this. Next year we will see how much you have accomplished.

Mr. CURTIS. I hope to be able to present a record of accomplishment.

Mr. BEVILL. That would be good.

CLERK'S NOTE.—The information requested will be submitted separately to the Committee.

PERSONNEL INCREASES

Mr. CURTIS. If I might make just one brief final comments, Mr. Chairman.

Mr. BEVILL. Yes, sir.

Mr. CURTIS. Because I am concerned that I not leave you with the understanding or feeling that we have mislead you. We are committed to bring on board and usefully apply the additional staff provided by the committee.

I would certainly admit that about 60 new hires against a 323 additional authorization in a six-month period is not an acceptable record. There are circumstances that explain it, but they do not excuse it. We are committed to proceed.

As far as recognizing this Committee's responsibility on behalf of the House to supervise the reprogramming of funds, I can assure you of our commitment to observe this Committee's requirement in that respect.

Mr. BEVILL. Good, because, you know, we went beyond what the President approved.

Mr. CURTIS. Yes, sir.

Mr. BEVILL. We went out on a limb for you. In politics, when we are out talking to the voters and a man says, "I'm fer ya," we count that as a vote we are going to get. And if he says, "I wouldn't vote for you if you were the last man on earth," we put him down as doubtful. [Laughter.]

So really what I am saying, Mr. Chairman is, we are "fer ya," but don't get us out there on that limb and saw it out from under us.

Mr. CURTIS. Yes, sir.

NATURAL GAS SUPPLY

Mr. BEVILL. I am concerned about the supply situation on natural gas. We are learning a little more as we go along. Up until recently we had to ask the gas companies and oil companies about available supplies, which is a terrible situation for our country because these companies are organized for the purpose of making profits.

As soon as we get the energy bill passed with the deregulation of natural gas over a period of years, suddenly we find that we have plenty of gas, it is everywhere. We never realized that the bill was going to be so magic, you know.

I would like your comments on that. What caused this?

Mr. CURTIS. First, I have information that is not available to the Committee on this. I don't think that there is any indication that we have obtained a significant addition to natural gas reserves, nor is there any indication that the Natural Gas Policy Act at this time can be viewed as having resulted in significant additions to reserves. That awaits the outcome of investment decisions and the success of the finding and development of new reserves.

What we have today is apparently an excess capacity in the intrastate producing areas to deliver quantities of gas which the intrastate markets cannot take and the interstate markets can take.

Previous to the passage of the Natural Gas Policy Act, there were jurisdictional barriers that precluded that gas from flowing into the interstate market. There were several barriers. The interstate pipelines could not pay the price. Intrastate pipeline facilities could not be used

to deliver the gas, because if it became commingled with interstate gas, the intrastate pipelines suddenly became jurisdictional. And producers would become jurisdictional if their gas was sold in interstate commerce, or so they believed. Many of them wrote in restrictive language in their contracts that precluded interstate flow.

The Natural Gas Policy Act eliminated all of that jurisdictional difference, and thus we do have the means of moving gas into the interstate market—where the demand is—that we did not have before. That is one thing.

The supply in the intrastate market simply outpaced the growth of intrastate demand, and there is a surplus in productive capacity. How much is it? As I understand it, Secretary Schlesinger has testified that the Department thinks it is as much as two trillion cubic feet. They have only been able to identify one-half of a trillion cubic feet, yet, they think it may be as much as two or three trillion. Nobody knows for sure. It remains to be seen.

There is another problem here and that is that following the 1976-1977 winter, the coldest in our history, there was a lot of industrial load that switched from gas to oil. That, too, is related to the current excess of production capacity because the industrial load, the marginal customer on both intrastate and interstate systems, is just not there to take it up. Industrial users have gotten off the system, without using a bad pun, because they got burnt being on gas when they lost their supply and had to close down, so they switched to oil. What we have got to do is get that industrial load switching back from oil to gas where it is available.

In the long term, we want the natural gas to flow into general pipeline systems, but if the pipelines can't take the gas in the interim because they have yet to develop their market, then we would try to direct that excess gas deliverability to industrial uses to encourage switching from oil use, thus reducing our oil imports.

That is basically where we are today. It is a transitional problem in my opinion and I really wouldn't consider that the current excess in production capacity in the intrastate market indicates by any measure that natural gas is now in abundant supply. It is not.

Our reserves as related to production continue to be at a very thin margin, and indeed we are still in a decline situation. So it should be treated with considerable caution to look fondly on this current, very short term, excess capacity situation. There have been no additions to reserves, there is only a production capacity excess.

Mr. BEVILL. That is the very best answer I have heard, Chairman and I appreciate it.

ADMINISTRATIVE IMPROVEMENTS

In several places, your budget mentions management initiatives to improve regulatory responsiveness. What are the major steps you are taking and how will they help?

Mr. CURTIS. Major Commission objectives during Fiscal Year 1978 were to reduce backlogs, expedite action on projects involving new energy supply, streamline the regulatory process, improve caseload management, and institute in-depth issue analysis on cases that contribute to energy regulatory policy formulation. To accomplish these objectives, several new initiatives were undertaken.

One of the most important initiatives in Fiscal Year 1978 was the development and institution of a comprehensive Management Information System. Through a series of reports that track workload areas, we have been able to define problems and delays as well as identify areas for improvement and greater efficiency. This system is providing us with a means of evaluating the various procedures and controlling the available manpower and resources. Probably the most important aspect of this system has been identification of critical projects in terms of their impact on the Nation's energy supply. During the past year, the time required to process these critical cases from filing through final Commission decision was reduced by an average of about 40 percent.

Another initiative was the project manager system. Problems involved in staff coordination and accountability have been addressed through development of a project manager concept whereby a technical or legal staff member is given sole responsibility for coordinating staff review of priority items, including presentation of the case to the Commission. This method replaces the system under which casework was passed from office to office with little control over scheduling and final determination.

To facilitate reorganization efforts, the Office of Enforcement was established. Representing a major step toward improving the integrity of the regulatory process and making FERC regulation more responsive to the public interest, the Office of Enforcement is intended to cut through existing regulatory processes on enforcement cases. The reorganization efforts of Fiscal Year 1978 also allowed the Commission to improve its public service efforts through increased public information and involvement efforts on FERC decisionmaking, and the institution of new and simplified procedures for responding to Freedom of Information requests.

An Agency Priorities Committee composed of senior staff from all Commission offices was established last year to improve the total approach to carrying out our activities. The Committee meets with me on a regular basis to identify both short- and long-range objectives and priorities for the Commission.

To help streamline the regulatory process, we are now allowing all uncontested settlements to be placed on the consent agenda rather than receive consideration at a full Commission meeting. In addition, new procedures are being devised for consideration of settlements in which limited opposition is present or where only a few issues remain undecided by the parties. The initiative is designed to free the Commission to handle the more critical, sensitive and important issues at formal Commission meetings. Also, strict timeframes for the preparation of technical memoranda and other steps involved in placing settlements on the Commission consent agenda are being established. This increased efficiency should expedite the issuance of Commission orders, encourage more uncontested settlements, and save considerable staff resources.

Our last major initiative deals with delegations of authority. A total of more than 8,000 yearly decisionmaking transfers have been made, some 1,000 from the Commissioners and more than 7,000 from the Office of the Secretary. The transfer of these functions will benefit the Commission by reducing the size of its formal agenda, thus allowing it

to devote its time properly to the discussion of more significant and complex cases and to focus more of its attention to policy matters. We are currently examining ways to delegate additional functions now performed by the Commission and the Office of the Secretary.

ADMINISTRATIVE AND LEGISLATIVE PROPOSALS

Mr. BEVILL. What administrative or legislative proposals are you considering to simplify or improve FERC operation?

Mr. CURTIS. In responding to this question, I wish to present my answer in two categories: administrative proposals and legislative proposals. In our extensive efforts to improve the regulatory process, we have generated a number of significant administrative actions and proposals, while at the same time, we are studying areas which may, at some point in the future, result in useful legislative proposals.

One of our most important administrative actions has been and will continue to be the development of a comprehensive Management Information System. Through a series of reports that track workload areas, the FERC is defining problems and delays as well as areas for improvement and greater efficiency for all formal regulatory cases and non-docketed casework before the Commission. Probably the most important aspect of this system has been and will continue to be the identification of critical projects in terms of their impact on the Nation's energy supply. With the separate case monitoring inherent in the Management Information System, processing time for these critical cases will continue to receive close scrutiny.

The Management Information System plan for FY 1980 is based upon computer systems designed, developed, or initially implemented in FY 1979, as well as system refinements planned for FY 1980. Several ADP system enhancements will be implemented in FY 1980. The FERC Management Information System is composed of a series of related systems, each of which collects data on a particular area, such as the tracking of docketed workload, the tracking of non-docketed workload, and the man-hours expended on docketed and non-docketed workload. These individual systems will eventually be integrated into an upgraded Resource Management System, which will more accurately relate resources, such as man-hours and contract dollars, to specific regulatory processes. The system will then enable management to better determine the effectiveness of resources expended and to reallocate resources to high priority areas.

The enhanced Resource Management System is scheduled for implementation in late FY 1980, after all the supporting systems have been implemented. By phasing the implementation of the Management Information System with individual systems, FERC will be able to build upon experience gained in the earlier stages, as well as adapt to the changing regulatory climate. All of the supporting systems are expected to remain operational in FY 1981 and beyond.

Due to budgetary constraints, the initial READI System was implemented as a batch system and will be converted to an on-line system in mid-FY 1980. The on-line system will provide more current data, speedier access and reports, and will encourage fuller use of the system's capabilities.

Another of the FERC's ongoing administrative activities centers around the important goal of backlog reduction. The READI System will not only track all our pending workload, but will calculate our backlog in two ways. First, individual milestones will be flagged if actual or target dates exceed the standards established and secondly, all dockets will again be compared and flagged if the total time required to complete the docket or filing exceeds the total standard allowed for the process. This system should be operational by the summer.

In another administrative area, during the last year the Commission delegated several thousand decisionmaking items from the Commission itself to the program office director level. This has the dual purpose of allowing the Commissioners to concentrate upon other cases of significance and of simplifying the decisionmaking process itself. A second major delegation of authority, similar in content to the initial document, has been proposed and is currently under review. Overall, we hope to continue these efforts to ensure efficient resolution of cases pending before the Commission.

During the past several months, the FERC has been concentrating a significant part of its efforts on a data validation program. This program will continue through the fiscal year. Concisely stated, the FERC has undertaken to validate every element of data collected from industry with the objective that only data which directly serves the regulatory process or is mandated by legislation will be collected in the future.

We have prepared a draft of a proposed rulemaking to eliminate more than a dozen of these forms and have circulated the draft to the FERC senior staff for comments. When final comments are received we will review their comments and make a decision as to whether or not to finalize a proposed rulemaking.

If the draft rulemaking were to become a final Commission Order and the forms eliminated, the action would result in the reduction of well over 100,000 hours of yearly respondent burden upon industry.

NON-DOCKETED WORK

Overall, our administrative proposals in the area of regulatory information have attempted to take a systems approach in that it is important to consider all aspects of the regulatory process, involving respondents as well as the Commission itself.

In another type of administrative study, the Commission intends to continue its efforts to reduce non-docketed work. The ultimate objective is for the FERC to be able to devote more of its own staff to casework by eliminating less productive work. Having successfully identified, both by type and office, the amount of non-docketed work with the Commission, our forth coming efforts will center upon prioritizing that work and then attempting to eliminate that which contributes least to our goals.

Examples of some of the more significant actions which the Commission has taken, as well as those it continues to work upon, in the gas area are: The creation of a deputy system and project manager/team leader concept to achieve more efficient management of work projects, functionalize division responsibilities, streamline procedures,

and reduce processing time; the development of a proposed rulemaking to help resolve small producer program administrative problems by reducing filing requirements, promoting efficiency in internal processing of applications and thus, reducing industry uncertainties; the development of a proposed rulemaking to expedite the issuance of temporary certificates for new service and eliminate the necessity for processing the same application twice, thus permitting natural gas to flow to ultimate consumers without undue administrative delay; the development of procedures to reappraise and update all pipeline curtailment plans; the establishment of a policy to expedite construction of jointly-owned, offshore gas pipeline facilities by allowing construction to proceed in advance of Commission approval for related gas pipeline certificate applications; the development of a proposed rulemaking to limit the number of purchase gas adjustment filings that may be submitted; the resolution of the appropriated method of classification and cost allocation in formal rate cases, thus allowing the staff to concentrate on other issues in pipeline rate proceedings; and the development and use of settlement and top sheet procedures as a vehicle to resolve issues normally addressed in formal hearings, thereby limiting the number of cases requiring formal hearings.

In addition to progress in the gas area, a number of administrative proposals and actions in the field of Hydroelectric Regulation are also indicative of the type of improvements which we plan to continue to implement. Among these initiatives were: the issuance of simplified procedures for licensing, short-form minor license, and the initiation of several changes in regulations and procedures to simplify the licensing process for staff and applicants.

During the remainder of FY 1979 and in FY 1980, the Commission expects to accomplish the following items to expedite hydroelectric power regulation: issue a rulemaking covering a short-form license for major projects using existing dams; simplify licensing regulations for unconstructed major projects; simplify procedures for processing preliminary permits; and propose additional delegations of authority to program offices to reduce processing time and staff workload. Specifically, regarding small hydro power, the FY 1978 simplification of licensing procedures and delegations of authority greatly expedited the processing of minor hydro new capacity applications. The licensing of proposed new capacity hydro plants, major and minor, is the second highest priority in the hydroelectric program. Because of DOE's proposed funding of small hydro demonstration projects to encourage small hydro developments, additional priority staff time will need to be devoted to handle this potential workload in a timely manner. Plans are already being made to handle this potential workload.

In addition to performing our ongoing enforcement duties, several actions have been taken to improve efficiency and increase responsiveness.

One action we have taken is the drafting of Commission Order No. 8, Rules Relating to Investigation, for reviewing comments filed by industry, and refining the rules in light of such suggestions. The rules establish procedures governing investigations and clarify the rights and responsibilities of parties involved in such investigations. Investigations undertaken under Order No. 8 bypass the lengthy and costly administrative proceedings which previously had been the investigatory methods.

In addition, we have taken an active role, where appropriate, in lending our expertise to other Commission offices; for example, assisting in the drafting of orders in cases involving alleged or apparent violations of the Natural Gas Act. On several occasions, we have identified cases ripe for summary disposition on the merits and urged expeditious action to avoid unnecessary administrative hearings and consequent delay.

We have also won, in proceedings begun in the Federal District Court, the cooperation of regulated industries to eliminate dilatory tactics which made rapid progression in administrative proceedings difficult. We have successfully sought the filing of documents essential to the public safety in dam safety issues and important to the Commission in fulfilling its obligations under the statutes it administers. Efforts will continue along these lines in the coming year as further administration proposals are developed.

LEGISLATIVE INITIATIVES

In the area of legislative initiatives to the Congress in 1979, it is too early to say what may come to light during this current year that may lead to legislation in FY 1980. There are two possible areas where proposals may be indicated. In implementing the various programs of the National Energy Act, such as the Natural Gas Policy Act and Public Utility Regulatory Policies Act, we may find that minor changes are needed in the law for clarification or to provide the most effective regulatory procedures. The need for any such change will become more obvious as the programs continue after the initial start-up period.

The Commission recently issued a Request for Comments Regarding Revision of its Rules of Practice and Procedures. An Advisory Committee, comprised of a broad range of public participants, will review the comments received in response to the Request and will provide the Commission and its staff with suggestions to streamline the Commission's present Rules of Practice. The Commission will consider the public comments and the suggestions of the Advisory Committee in revising its Rules of Practice and improving its regulatory process.

In summary, the FERC has initiated a great many administrative proposals to simplify and improve FERC operations and will continue to do so, but the Commission is carefully considering alternative solutions before it makes any firm plans to submit substantive legislative proposals.

REFUNDS

Mr. BEVILL. You mention the public benefits from FERC activities on page 3 of the justifications. Can you elaborate on the expected \$17,700,000 from receipts to the Treasury and the more than \$1,000,000 in refunds? For example, do the receipts recover your costs? Do the refunds represent absolute savings or shifting of revenues from one section to another?

Mr. CURTIS. The \$1 billion of refunds represents the approximate annual level of refunds the Commission has ordered gas pipelines and electric utilities to refund to their customers. The majority of refunds, or \$991 million, are in the area of gas pipelines, resulting from the disposition of rate increase dockets and flow-through of producer

refunds. The refunds represent the difference between the proposed rates initially implemented and rates finally approved, plus interest. The refunds resulting from electric rate proceedings amount to about \$86 million. These refunds represent utilities whose proposed increased rates went into effect subject to the suspension provisions of the Federal Power Act, and where refunds were ordered with interest when the rates were ultimately determined by the Commission to be in excess of just and reasonable rates, following full evidentiary hearings. The refunds represent absolute savings for pipeline customers, natural gas consumers, and electric power consumers.

FEES AND COLLECTIONS

The figure of \$17.7 million represents fees payable directly to the U.S. Treasury. This amounts to approximately 24 percent of our total FY 1980 budget request. An estimated \$4.7 million of the \$17.7 million is collected from non-Federal hydropower plant owners for benefits derived from the operation of upstream Federally owned dam and reservoir projects. These assessments are known as headwater benefits and are made under Section 10(f) of the Federal Power Act. In addition to the amounts collected for benefits, the costs to the Commission for conducting the investigations are paid by the direct beneficiaries and through annual charges to hydroelectric licensees.

It is estimated that \$8.0 million will be collected for administering Part I of the Federal Power Act. Section 10(e) of the Federal Power Act provides that FERC licensees shall pay to the United States annual charges for the purpose of reimbursing the United States for the cost of administration of Part I of the Act. This section also provides for the assessment of annual charges to recompense the United States for the use, occupancy, and enjoyment of its lands or other property.

The remaining \$5.0 million comes from the assessment of filing fees for gas pipeline certificates and gas producer certificates.

BUDGET CHANGES

Mr. BEVILL. What changes in your budget were made by the Secretary of Energy or the OMB? Provide for the record a copy of your original request.

Mr. CURTIS. For FY 1980, FERC originally requested of OMB \$101.4 million and 2,105 positions, of which National Energy Act requests amounted to \$19.3 million and 421 positions. The pay raise request of \$2.1 million brought the grand total to \$103.5 million for FY 1980. Secretary Schlesinger forwarded the full FERC requests to OMB, as they were submitted to the Department. In late November, 1978, OMB originally allowed a total of only \$67.9 million and 1670 positions, including the National Energy Act and pay raise. This would have resulted in fewer positions than Congress had approved funding for in FY 1979, notwithstanding the additional resources required to implement the National Energy Act legislation. Subsequent discussions with OMB emphasized the need for additional resources and OMB increased our total funds to \$73.9 million and 1800 positions.

[CLERK'S NOTE.—A copy of the FY 1980 OMB submission and revision for the National Energy Act was provided to the Committee.]

OUTSIDE CONTRACTS

Mr. BEVILL. Explain briefly the substantial additional use of outside contracts for FERC activities.

Mr. CURTIS. The contracts mainly represent limited or one-time efforts designed to support specific requirements placed on the FERC. In most cases, the contracts are necessitated due to the urgency of time constraints as mandated by legislation and insufficient on-board expertise to accomplish the tasks.

Mr. BEVILL. What are you buying and why is it better to contract for such services than to use in-house personnel?

Mr. CURTIS. The FERC's contractual dollars for FY 1980 total \$15.3 million.

Funds will be used to perform specific studies mandated by the National Energy Act legislation.

A major effort will be made to replace the Commission's outdated and inefficient method of recordkeeping with integrated micrographic and computer systems for organization and storage that will provide immediate document search and retrieval. These innovations will free FERC legal and technical staffs from the paper chase burdens they now face, thus providing more time for, and more effective methods of dealing with Commission orders, cases, and backlogs. The new system will also enhance FERC responsiveness to public inquiries.

Generic research will be performed to establish regulatory methodology which will encourage energy production at just and reasonable cost to consumers.

Major contractual funding will be devoted to the Alaska Gas Project, which will have a dramatic increase in support requirements in FY 1980. Funds for this project will be used on activities specifically required by the President's Directive of September, 1977, and the Alaska Natural Gas Transportation Act.

Funds for the Trans Alaska Pipeline System program will be used to conclude the management audit of the managerial decisionmaking process in TAPS construction costs to provide continued reporting and transcription services in TAPS rate proceeding, to reimburse reasonable discovery costs, and for legal services necessary to supplement the comprehensive staff investigation.

Modernization efforts will be undertaken to improve the regulatory process and address difficult generic issues associated with the processing of the 64 licenses and applications we process.

The additional personnel which would be required to perform in-house the tasks for which contract funding is requested would be long-term additions to Federal employment, while the tasks are short-term. The savings to the Federal government through using contract support to perform this type of limited-term function will continue in future fiscal years, as the tasks performed under contract are completed, with no requirement to place permanent employees

elsewhere in the government, with attendant retraining and reassignment costs.

CONTRACT BUDGET

Mr. BEVILL. Your justifications include funding in several phases for contractual efforts to improve the overall efficiency of the Commission's regulatory processes, including automated legal retrieval systems, etc. What is the total amount budgeted for these activities in 1980? How much has been spent to date and what is the total estimated cost?

Mr. CURTIS. The total FY 1980 budgeted amount for contractual services earmarked for improvement of the Commission's regulatory process is approximately \$6 million. The bulk of these contractual efforts represent new initiatives for the purpose of improving the Commission's efficiency. Therefore, the amount spent to date has been insignificant. It is difficult at this time to anticipate the full extent of the funding that will eventually be required to achieve desired results. Modification, improvement, and enhancement of various endeavors will doubtless be required as progress is monitored and evaluated with an eye toward best fulfilling the objective of having a streamlined regulatory operation.

I wish to stress my concern for pressing on in the direction of implementing the contractual efforts that will provide the necessary efficiency, for the Commission is an antiquated engine that has too long been deprived of its overhaul.

Mr. BEVILL. What are the specific benefits?

Mr. CURTIS. Specific benefits will include a refined comprehensive Management Information System that will define critical projects in terms of impact on the Nation's energy supply, an automated legal document search and retrieval system to free legal staff from researching opinions, orders, cases, and backlogs, and research to develop regulatory methodology which will encourage energy production at just and reasonable cost to consumers. The benefits that I have just described should go a long way in making the FERC a responsive force in the world of energy regulation.

OBJECT CLASS STATEMENT

Mr. BEVILL. Provide for the record a table reconciling the 1980 request with 1979 appropriations as reflected in the Committee's report. Show the comparable figures in object class format.

Mr. CURTIS. I'll provide that for the record, sir.

[The information follows:]

[In thousands of dollars]

	Fiscal year—				
	1979	1979 NEA supple- mental	1979 pay raise	1979 total	1980
Operating expenses:					
Personnel compensation	37,245	1,370	1,763	40,378	41,460
Personnel benefits	3,485	130	167	3,782	3,936
Travel and transportation	1,482	1,218		2,700	2,581
Rents and communications	3,755	1,245		5,000	5,700
Supplies and services	4,736	6,459		11,195	19,660
Equipment	597	178		775	600
Total	51,300	10,600	1,930	63,830	73,937

Mr. BEVILL. Provide for the record a table showing the object class breakdown for your major program activities, not including any allocations of Commission-wide overhead administrative distributions or allocations.

Mr. CURTIS. Yes, sir.

[The information follows:]

[In thousands of dollars]

Programs	Fiscal year 1980				
	Compensation and benefits	Travel	Other services	Rent, equipment and all other	Total
Hydro regulation: Hydroelectric power regulation; water resource analysis	8,070	181	3,149	1,120	12,520
Multiresource regulation: Electric power regulation; rulemaking and jurisdictional responsibilities	8,903	723	4,217	1,236	15,079
Gas regulation: Pipeline certificate regulation; pipeline rate regulation; producer certificate regulation; producer rate regulation; Alaska gas pipeline project	25,800	1,265	10,720	3,580	41,365
Oil regulation: Oil pipeline regulation; Trans Alaska Pipeline System (TAPS)	2,623	412	1,574	364	4,973
Total	45,396	2,581	19,660	6,300	73,937

COMMON SUPPORT AGREEMENT

Mr. BEVILL. Provide for the record a table showing the funding for Commission-wide overhead and administrative activities and contracts, and showing how you allocated these costs to your various program accounts.

Mr. CURTIS. Let me just say that the FERC receives almost all of its support from the Department of Energy. One of the benefits of any reorganization is to consolidate administration and hopefully produce some savings in people and dollars. With this in mind, when the Department was formed, FERC transferred almost 300 positions to the Department. These included all personnel functions, payroll, accounting, travel, most computer and ADP operating functions, and procurement. A Common Support Agreement was also formulated between the FERC and the Director of Administration of DOE. This Agreement assigned the above functions for the FERC to the Director of Administration. Current DOE estimates are that it takes between \$9 and \$10 million to provide these services to the FERC annually.

STAFFING AND SUPPORT COST ALLOCATIONS

Mr. BEVILL. Provide for the record a summary table showing your personnel staffing allocations and support costs to the various Commission-wide and program organization.

Mr. CURTIS. We will do that, Mr. Chairman.

[The information follows:]

[Dollar amounts in thousands; fiscal year 1980]

Office	Staff	Compensation and benefits	Travel	Other services	Rent, equipment and all other	Total
Pipeline and Producer Rates.....	713	\$17,982	\$658	\$5,844	\$2,496	\$26,980
Natural gas activities.....	(671)					
Oil pipeline activities.....	(42)					
Electric Power Regulation.....	405	10,214	186	1,482	1,418	13,300
Hydro activities.....	(244)					
Multi activities.....	(161)					
General Counsel.....	238	6,002	152	1,568	833	8,555
Natural gas activities.....	(119)					
Oil pipeline activities.....	(17)					
Hydro activities.....	(40)					
Multi activities.....	(62)					
Chief Accountant.....	115	2,900	1,221	233	403	4,757
Natural gas activities.....	(39)					
Oil pipeline activities.....	(23)					
Multi activities.....	(53)					
Enforcement.....	55	1,387	302	962	193	2,844
Natural gas activities.....	(38)					
Oil pipeline activities.....	(5)					
Hydro activities.....	(3)					
Multi activities.....	(9)					
Opinions and Reviews.....	39	984	3	79	137	1,203
Natural gas activities.....	(22)					
Oil pipeline activities.....	(1)					
Hydro activities.....	(3)					
Multi activities.....	(13)					
Regulatory Analysis.....	36	908	3	273	126	1,310
Natural gas activities.....	(18)					
Oil pipeline activities.....	(2)					
Hydro activities.....	(5)					
Multi activities.....	(11)					
Administrative Law Judges.....	49	1,236	2	99	172	1,509
Natural gas activities.....	(31)					
Oil pipeline activities.....	(4)					
Hydro activities.....	(3)					
Multi activities.....	(11)					
Secretary.....	75	1,892	2	3,852	262	6,008
Natural gas activities.....	(50)					
Oil pipeline activities.....	(4)					
Hydro activities.....	(7)					
Multi activities.....	(14)					
Commissioners.....	30	757	49	61	104	971
Natural gas activities.....	(14)					
Oil pipeline activities.....	(3)					
Hydro activities.....	(6)					
Multi activities.....	(7)					
Executive Director.....	26	655	2	4,418	90	5,165
Natural gas activities.....	(13)					
Oil pipeline activities.....	(2)					
Hydro activities.....	(5)					
Multi activities.....	(6)					
Public Information.....	19	479	1	789	66	1,335
Natural gas activities.....	(8)					
Oil pipelines activities.....	(1)					
Hydro activities.....	(4)					
Multi activities.....	(6)					
Total.....	1,800	45,396	2,581	19,660	6,300	73,937
Natural gas activities.....	(1,023)					
Oil pipeline activities.....	(104)					
Hydro activities.....	(320)					
Multi activities.....	(353)					

POTENTIAL HYDROPOWER DEVELOPMENT

Mr. BEVILL. On page 17 of the justifications you point out that hydroelectric projects currently supply only about 15 percent of electrical energy requirements in the U.S., but that 65 percent of the total potential hydropower is undeveloped. What could be done to accelerate this development and reduce oil imports?

Mr. CURTIS. My comments are directed principally toward non-Federal hydroelectric development because Federal development is already under the purview of Congress. The nation's hydroelectric potential may be divided into two distinct areas, new projects, and the redevelopment of existing projects, including the development of power at existing non-power dams, of which there are an estimate 47,000. The development of new projects, which involves the construction of new dams and reservoirs, has met with considerable opposition, primarily on environmental grounds. The opposition has reached a very high degree of sophistication, and can effectively delay or prevent the development of such projects. This has resulted, in part, due to the increasing number of environmental statutes enacted by Congress. Your attention is directed to a listing of the statutes on page 21 of our budget submittal for hydro licensing. While few would quarrel with the objectives of the new legislation, it has resulted in vesting in other agencies authorities which overlap and conflict with the Commission's licensing authority under the Federal Power Act. Therefore, agencies have perceived their authority under these statutes in certain instances as being parallel or superior to that of the Commission.

Where differences regarding hydro development occur, there can be long and protracted hearings, untimely responses to Commission requests for agency input, and, in some cases, decisions that arguably are a veto of the Commission's licensing or permitting actions. Resolution of the statutory problems noted above would require legislative action.

To accelerate the development of new projects, it is clear that certain changes can be made that are within the control of the FERC, and we are pursuing these measures. Principally, these changes are in the form of simplifying and reducing the filing requirements for potential applicants. We believe these changes, when fully implemented later this summer, will reduce the cost of preparing applications and the license processing time.

With respect to redevelopment of existing projects or projects utilizing existing dams, there has been a marked increase in applications for such developments. The development of hydroelectric power at existing dams causes mineral environmental impacts and has not met with serious opposition or delays. To further accelerate hydro development at existing dams, the Commission promulgated in September 1978 new regulations to simplify and shorten the licensing process for projects with an installed capacity of 1.5 megawatts or less. We expect to issue, in April of this year proposed simplified regulations for projects with an installed capacity of more than 1.5 megawatts to be constructed at an existing dam. We expect the regulations to significantly reduce filing requirements and expedite the licensing process. We have also implemented major changes in our internal procedures, such as establishing special priority for new projects, and streamlining staff reviews and analyses. Recent experience shows that a project at an existing dam can be licensed in one year or less.

WATER RESOURCE ANALYSIS PROGRAMS

Mr. BEVILL. Pages 30 and 32 of the justifications discuss FERC's water resource analysis programs. How are the FERC activities reflected in national water policies and planning?

Mr. CURTIS. FERC's Water Resource Analysis activities involve five programs which are Headwater Benefits Investigations, Water Resources Appraisals, Cooperative Water Resources Studies, Hydro-power Resources Assessment, and Federal Rate Reviews and Cost Allocations. The additional major activity which relates to water resources is the FERC's hydroelectric licensing activity. Most of the Water Resources Analysis programs are either directly in support of the licensing program or, as with the case of participation in the planning and review of Federal project proposals, are dependent upon the same data base and expertise and must be handled in complete coordination and with dependence on one another.

Because the Federal Power Act specifies that a licensed project will be best adapted to a plan for the comprehensive development of the river basin and because of FERC's responsibilities for safeguarding developed and potential hydropower resources, with respect to all water resource plans and developments, active consideration must be given to all other purposes such as navigation, flood control, fish and wildlife, conservation, and recreation. Thus, FERC is involved in nearly all aspects of water resources planning and policies.

The FERC staff participates actively on numerous interagency groups at Washington and regional levels. Several of these organizations, under the auspices of the Water Resources Council, include the Council itself, technical committees and task forces, the six River Basin Commissions, the three Interagency Committees, and two Federal-Interstate Compact Commissions. Recent cooperative activities have included the Second National Water Assessment, the Water for Energy Task Force, the President's Water Policy Committees and implementation task forces, the recent draft of Principles and Standards for the Evaluation of Water Resources Projects, and FERC's pending publication entitled Hydroelectric Power Evaluation.

DAM SAFETY PROGRAM

Mr. BEVILL. Describe briefly your dam safety program.

Mr. CURTIS. In an application for license to construct a new hydroelectric project or to modify an existing project, the applicant is required to submit general design drawings and supporting information, analyses and data regarding site explorations, material usage, and stress analyses of the major structures. These data are reviewed by the Commission's technical staff, primarily for the purpose of assuring the safety and adequacy of the proposed structures. Construction cannot start until a license is issued and the general design drawings are approved. After the project is under construction, staff engineers and geologists visit the project, usually at least once a month, to review construction and testing procedures, to note progress and quality of construction, and to determine whether the project is being constructed in accordance with the design drawings approved by the Commission. Additional inspections are made during critical construction stages such as foundation and cutoff trench excavations, abutment treatment, diversion and closure, and initial filling of the reservoir.

In all licenses authorizing major construction, a special article is included which requires the licensee to employ a board of qualified independent consultants to review the design, specifications, and construction of the project. The board is expected to assess the construc-

tion inspection program, construction procedures and progress, planned instrumentation, the filling schedule for the reservoir, and plans for surveillance during initial filling of the reservoir.

After construction is completed and the project is placed in operation, normally, it is inspected by staff once a year. During these annual inspections, staff engineers review the overall development from a safety standpoint and also assess whether the licensee is operating and maintaining the facilities in accordance with the license provisions. Licensees are required to inform the Commission promptly of any conditions which could jeopardize the safety of the project, and special inspections are made to assess such problems. Additional staff inspections are also made following natural disasters such as floods, landslides, or earthquakes.

DAM INSPECTIONS

The concern for safety of licensed dams prompted the Federal Power Commission to establish Part 12 of its Regulations in 1965. These regulations provide for a program of periodic safety inspections of licensed dams by qualified independent consultants at regular 5-year intervals to supplement the inspections of the Commission's staff. This requirement applies to those hydroelectric projects having a dam exceeding 35 feet in height above streambed or a gross reservoir storage capacity in excess of 2,000 acre-feet. The inspections are performed by, or under the responsibility and direction of, qualified independent consultants employed by the licensees. The basic purpose of the consultant's inspection is to determine whether there are deficiencies or potential deficiencies in the design, quality and adequacy of maintenance, or methods of operation of the project structures which might endanger public safety.

The Commission's dam safety program recognizes that accidents may occur even when careful preventive measures have been taken. Therefore, since 1975, licensees have been required to file with the Commission an emergency action plan designed to provide an early warning to downstream inhabitants and property owners if there should be an impending or actual sudden release of water caused by an accident to, or failure of, project structures. The plan must include instructions to be provided on a continuing basis to operators and attendants for actions they are to take in the event of an emergency, measures to be taken to minimize the effects of any accident on downstream life and property, and detailed and documented plans for notifying law enforcement agents, downstream residents, and others that could be endangered.

OTHER AGENCIES

Mr. BEVILL. How does your program correlate to that of the Corps of Engineers, Bureau of Reclamation and that of the several states?

Mr. CURTIS. The FERC dam safety program cannot be directly correlated with the Corps of Engineers, Bureau of Reclamation, and state programs due to the fact that the Corps and Bureau are design and construction agencies and the state's involvement in dam safety is dependent upon the state's legislation and regulations which define the scope of the state's supervision over dams.

The Corps and Bureau plan, design, construct, and operate their projects, thus have complete control and responsibility for their safety. The FERC is authorized to issue licenses to private individuals, corporations, states, and municipalities for the design, construction, and operation of hydroelectric projects in the United States. The FERC does not design, construct, or operate dams associated with hydroelectric projects. The licensee is bound by the Commission's rules and regulations and by the terms and conditions of the license, which together establish the project requirements throughout planning, design, construction, and operation of the project.

The United States Committee on Large Dams as a public service prepared a report called Model Law for State Supervision of Safety of Dams and Reservoirs. The provisions of the Model Law and reported experience of state and Federal agencies and private engineering organizations all indicated that there are five basic elements or type of activities in an adequate program of supervision of dams in the interest of safety. These activities are to review and approve the plans and specifications for construction or modification; to perform periodic inspection during construction to assure compliance with the approved plans and specifications; to issue a certificate of approval and permission to store water on completion of construction; to inspect the dam and reservoir at least every 5 years to determine continued safety; and to issue notices, when necessary, to require the dam and reservoir owner to perform necessary maintenance or remedial work, change operating procedures, or take any other measures necessary.

A comparison of the FERC dam safety program with the Corps and Bureau programs and the provisions of the Model Law indicates that the FERC dam safety program contains all the required elements of an effective dam safety program.

Also, the FERC dam safety program is basically consistent with the dam safety guidelines established in the Federal Coordinating Council for Science, Engineering, and Technology Report on Improving Federal Dam Safety. FERC has been a leader in many aspects of dam safety, such as establishing Part 12 of its Regulations in 1965 to provide for a program of periodic safety inspections by qualified independent consultants and the 1975 requirement that licensees file an emergency action plan for projects. We believe that the Commission's overall dam safety program includes a sound approach to dam safety by involving the FERC staff, licensees, and independent reviews by consultants who are experts in the field of dam safety.

Mr. BEVILL. What is your role vis-a-vis theirs?

Mr. CURTIS. The role of FERC in dam safety is similar to the states in that both perform regulatory functions in regard to dams under their jurisdiction and generally are not directly responsible for the planning, design, construction, and operation of projects as are the Corps of Engineers and Bureau of Reclamation. The role of FERC and the states is to insure that the owners of the dams under their jurisdiction meet their responsibilities for public safety.

A recent survey of the states' dam safety programs by the Corps of Engineers indicates that of the 53 states, commonwealths, and territories, only 40 have effective dam safety legislation and, of those, 20 have the funding and personnel resources to perform and administer their dam safety programs.

NATIONAL ENERGY ACT IMPLEMENTATION

Mr. BEVILL. Describe briefly the actions being taken to implement the National Energy Act legislation. What are the major elements impacting the FERC and where do you stand in implementing the new requirements?

Mr. CURTIS. Clearly, the most significant element of the National Energy Act is the Natural Gas Policy Act and considerable effort has been expended in the promulgation of interim regulations concerning this area. The promulgation of regulations has required a multitude of public hearings, informal public meetings, and the analysis of literally hundreds of formal comments from industry, the public and other government agencies. This process continues as the Commission proceeds to the completion phase of its regulations, a phase that has already begun. The Commission has worked closely with the state jurisdictional agencies in formulating these regulations and in reviewing state plans for making the required price category determinations. The Commission has conducted a series of public seminars throughout the country to educate the industry on the Act's regulations and has prepared a Producer Compliance Manual. In addition, the Commission established a Natural Gas Policy Act Hot Line telephone service which has continued to answer inquiries. The Commission has also established a Natural Gas Policy Act Section within the Commission that will issue formal written interpretations as to the application of the regulations to particular situations.

The Commission has met all statutory deadlines for implementation of the Act and the new regulatory scheme is now operational. Interim or final regulations are in place implementing those titles of the Act covering wellhead pricing; pipeline sales, transportation and assignment; and administration and procedures. The latter includes the processing and review of filings and determinations, interim collections and adjustments. Concerning Title IV, dealing with curtailment policies, the Commission has implemented an interim agricultural curtailment rule requiring coordination with the Economic Regulatory Administration and the Department of Agriculture. Hearings are now being conducted, comments are being reviewed and an end-use data collection effort is underway for implementation of the final curtailment rule mandated by the Act. Unlike the situation pertaining to the Titles of the Act dealing with wellhead pricing, pipelines, and administration, the final rule of Title IV, pursuant to Congressional mandate, will differ substantially from the interim rule in both its scope and in the mechanics of its implementation. In addition to the curtailment rule, implementation of the incremental pricing provisions will require a major effort by the Commission. To date, the Commission's staff has held informal public conferences with members of the industry, state regulatory commissions, and the general consuming public. Members of the Commission staff have been working with the Energy Information Administration in the massive end-use data gathering effort required to implement both the incremental pricing rule and the final curtailment rule. The Commission staff has developed proposals, which are now out for public comment on rules covering the accounting mechanism required for implementation and the rule pertaining to the alternate price ceiling of No. 6 fuel oil as opposed to No. 2 fuel oil. Further hearings on both of these aspects of the rule are scheduled for the month of April.

A Division of National Gas Policy Act Compliance has been established to work closely with the State jurisdictional agencies in making the price category determination process work and in monitoring the various filings, determinations, and reports for compliance with the statute and regulations. This Division has already visited several regulated companies, including both pipelines and producers, on general fact finding missions and will commence its formal field audit program in April with visits to several state jurisdictional agencies and producers. The Division is also currently reviewing filings made pursuant to the interim collection procedures and State determinations that have been made by the various State jurisdictional agencies. To date, more than 800 State determinations have been forwarded to the Commission for review.

In the future, the Commission's action in implementing the Act will include development of interim regulations into final regulations, issuance of major interpretive rules, issuance of formal interpretations as to individual fact situations, publication of the monthly inflation adjustment factor, acting upon requests for exceptions and adjustments, auditing for compliance with the statute and its regulations, and the issuance of rules to implement the Incremental Pricing and Curtailment provision sections of the Act.

PUBLIC UTILITY REGULATORY POLICIES ACT IMPLEMENTATION

In addition to the Natural Gas Policy Act, the Commission has significant new authority under the Public Utility Regulatory Policies Act, which is the other major element of National Energy Act for which the Commission has major responsibility.

Sections 201 and 210 require specific actions by the Commission concerning transactions between electric utilities and cogenerators and small power producers. We plan to implement these Sections with three distinct rulemaking procedures. The first, in which a public notice will appear in April 1979, will state the required qualifications of a cogenerator or small power producer. The second will establish principles to be used by State regulatory authorities in reviewing transactions, and the third will establish the basis and procedures for exempting cogenerators and small power producers from regulation as electric utilities. The statute requires that the final rules for these transactions be issued by November 9, 1979.

Sections 202, 203 and 204 assign to the Commission new authority and responsibility in regulating interconnections among utilities and the wheeling of electric energy across utility service areas. The statute requires that the Commission apply the criteria of energy conservation, efficient use of resources, and improved reliability in considering orders related to interconnections and wheeling. Two rulemaking procedures will be used to set filing requirements that will include information pertinent to these criteria. The first of the notices of proposed rulemaking will be issued in April 1979.

Section 205 requires that the Commission conduct a study of possible improvements in electric power supply through expanded power pooling arrangements. Work has begun on this study, which is being approached on a regional basis.

Section 206 requires the Commission to establish rules under which each public utility will report anticipated shortages of energy or capacity and will submit contingency plans for dealing with such shortages. Proposed rules specifying the time of filing and the content of these reports and plans will be published for public comment in April 1979.

Section 207 requires that a study be performed of legal requirements and administrative procedures related to the Commission regulations of wholesale electric rates under the Federal Power Act. This study is underway. The Act requires a report to the Congress by early August 1979.

A significant new staff workload is expected to result from the requirements of Section 208 related to automatic adjustment clauses in rate schedules. The Section requires the Commission to review such clauses in rate schedules under its jurisdiction, to examine whether or not each clause provides proper incentives for the efficient use of resources and whether each clause reflects the proper types of cost. A second requirement is that the Commission review the practices of jurisdictional utilities under automatic adjustment clauses. This second requirement will involve the Commission staff in reviewing utility fuel purchasing practices in more detail than ever before. A staff plan for implementation of Section 208 is now under review by the Commission.

Section 133 requires the Commission to promulgate rules under which electric utilities will gather and file data necessary for the determination of costs associated with providing electric services. Our work on Section 133 has been given high priority, because the statute requires that final rules be issued no later than May 6, 1979. Proposed rules were issued on March 1, 1979, and public hearings on the rules have been held in four major cities.

Section 405 requires that the Commission establish a program to expedite licensing for small hydroelectric projects at existing dams. Rules have already been issued related to a short-form license application for projects having capacity less than 1.5 megawatts. Similar rules covering all other projects at existing dams are now being reviewed and are expected to be issued in April 1979.

STATE DELEGATIONS

Mr. BEVILL. Do you envision an arrangement whereby part of FERC's activities might be delegated to state agencies so as to use their capabilities and FERC's most efficiently?

Mr. CURTIS. Section 501 of the Act, covering general rulemaking authority, permits FERC to delegate some of its functions to state agencies with the consent of such agencies. The functions which FERC may delegate to state agencies are covered under Sections 105, Ceiling Price for Sales Under Existing Intrastate Contracts, Section 106, Ceiling Price for Sales Under Intrastate Rollover Contracts, and parts of Section 109, Ceiling Price for Other Categories of Natural Gas. The FERC has issued interim regulations providing for the delegation of some of the above authority to the state agencies as a contribution toward a more efficient regulatory process.

In the Electric Rate area, I have suggested that consideration might be given to delegating some wholesale rate approval authority to the states, but this is a matter that would require very careful study. A move in this direction could help to solve some of the current problems of price squeeze and other problems related to regulatory lag at the Federal level. At this time I believe that action in this direction would require new authority from the Congress.

In Hydroelectric Licensing, I do not envision a change in the present Federal responsibility.

PIPELINE PRODUCTION UNDER THE ACT

Mr. BEVILL. Section 2(21) of the Act states that the term "first sale" shall not apply to the sale of any volume of gas by an interstate pipeline unless such sale is attributable to volumes of gas produced by such pipeline. Stated affirmatively this section states that the sale by an interstate pipeline of any volume of gas produced by it is a first sale.

In view of this clear provision in the Act which brings pipeline production of new and flowing gas under the Act, why has the FERC in its Interim Regulations provided that sales of pipeline production would continue to be regulated under the Natural Gas Act? The Interim Regulations so provide in Section 270.203(b)(1) if there is any commingling of produced and purchased gas.

Mr. CURTIS. That section of the Natural Gas Policy Act states that the term first sale shall not apply to the sale of any volume of natural gas by an interstate pipeline unless such sale is attributable to volumes of natural gas produced by that pipeline. Many interstate pipelines produce natural gas themselves and also purchase natural gas from producers. The interstate pipeline then sells this total supply of natural gas to direct customers which are usually industrial companies and to local distribution companies.

Under the Natural Gas Act, the Commission issues certificates to interstate pipelines which authorize the transportation in interstate commerce of natural gas for the industrial customers and which authorize the sale in interstate commerce for resale of natural gas to the local distribution company customers.

While the Commission's certificate authority is broad, the Commission only has authority to set sales rates, under the Natural Gas Act, for the gas which the interstate pipeline sells for resale to local distribution company customers. The Commission has no authority to set rates for sales by interstate pipelines to direct sale, industrial customers. A significant body of existing precedents and practices governs the Commission's consideration of sale for resale rates under the just and reasonable standard in Section 4 of the Natural Gas Act.

In the case where the interstate pipeline produces its own natural gas and also purchases natural gas from producers, no sale, as defined in Section 2(20) of the Act, takes place until the total supply of the interstate pipeline is sold to industrial and local distribution company customers. In the Interim Regulations the Commission determined that these sales were not attributable to natural gas produced by the interstate pipeline since these sales also included volumes of natural gas which were not produced by the interstate pipeline. Under

Section 501(b) of the Act, the Commission has the authority to define terms; and the Commission acted to define the term attributable in the Interim Regulations. Under the Interim Regulations a sale by an interstate pipeline is a first sale if and only if the sale is a sale exclusively of its own production. This determination gives maximum effect to the general exclusion from the first sale definition of sales by interstate pipelines in Section 2(21)(B) of the Act and generally preserves the Commission's limited jurisdiction over sales by interstate pipelines under the Natural Gas Act. This determination extends Commission authority under the Natural Gas Policy Act to cover discrete sales exclusively of pipeline production. These cases are ones where the Act's provisions can reasonably be applied.

INTERPRETATION OF FIRST SALE REJECTED

As the question notes, another interpretation is possible. The Commission could indeed determine that the sale by an interstate pipeline of any volume of natural gas produced by the interstate pipeline is a first sale. In the Interim Regulations the Commission rejected this interpretation for the following reasons.

First, this interpretation would require that the Commission regulate, as first sales, all sales of interstate pipelines where any volume of natural gas was produced by that pipeline. Under this interpretation, the just and reasonable standard, and other provisions, in Section 4 of the Natural Gas Act may no longer apply to these interstate pipeline sales nor would existing practices for classifying costs, allocating costs, and designing rates.

Second, while interstate pipeline sales of natural gas would be first sales if any volume of natural gas was produced by that interstate pipeline, sales by interstate pipelines who did not produce any natural gas would not be first sales under the express provisions of Section 2(21)(B) of the Act. These sales would continue to be regulated under the Natural Gas Act. Moreover, in the future, an interstate pipeline whose sales had been subject to the Natural Gas Act would be able to convert these sales into first sales by producing its own natural gas. There is no indication in the Natural Gas Policy Act that these anomalous consequences were intended by Congress or that sales by interstate pipelines would be subject to different statutory provisions based solely on whether the interstate pipeline was or was not producing natural gas.

Third, if sales by interstate pipelines were first sales where any volume of natural gas was produced by that interstate pipeline, then all direct sales by interstate pipelines to industrial consumers would also be first sales under the Act. As noted above, the rates for these sales are not subject to Commission jurisdiction under the Natural Gas Act. Again there is no indication in the Act that Congress intended the Commission to regulate these sales by interstate pipelines as first sales and, for the first time, to subject certain industrial sales by interstate pipelines to Federal regulation. Such a result would appear to require a clearer statement of Congressional intent than can be gleaned from the language in Section 2(21)(B) of the Natural Gas Policy Act.

Fourth, if sales by interstate pipelines were first sales where any volume of natural gas was produced by that interstate pipeline, then Section 2(21) of the Act would logically require that similar sales by intrastate pipelines and local distribution companies be classified as first sales. In addition to the different statutory treatment of intrastate pipeline and local distribution company sales, depending on whether that pipeline or company produced natural gas, as noted above, the Commission would have first sale jurisdiction over sales of intrastate pipelines and local distribution companies. The resultant displacement of traditional State regulation over these sales does not appear to be justified based on Section 2(21)(B) of the Act, nor, for that matter, contemplated by Congress.

This discussion should not be read as implying that a reexamination of this area is inappropriate or that significant issues do not remain for Commission consideration. These issues include the proper treatment for affiliated production and for the sale of reserves in place, reexamination of the circumvention rule in the Interim Regulations, and an inquiry into the extent to which the Commission should exercise its authority to additionally define the term "transfer for value" in Section 2(20) of the Act.

The Commission will be reconsidering the treatment of pipeline production based on the comments to the Interim Regulations. As this discussion illustrates, the issues raised by pipeline or distributor production are complex and require extensive analysis concerning the impact upon the Commission's responsibilities in properly administering both the Natural Gas Policy Act and the Natural Gas Act. Thus, any discussion here should not be construed as indicating the Commission's views on final actions which may be appropriate concerning the Interim Regulations.

COMMINGLING

Mr. BEVILL. Commingling under your regulations would not frustrate the NGPA if the gas were from specific wells identified by contract, would it?

Mr. CURTIS. If only natural gas produced by an interstate pipeline is sold by that interstate pipeline, then the sale of that natural gas is attributable to that interstate pipeline's production and is a first sale under the Interim Regulations. This would be the case irrespective of whether the natural gas is commingled with the rest of the interstate pipeline's system supply for purposes of transportation and delivery to the buyer. Thus, commingling for purposes of transportation and delivery would not change the status of the sale as a first sale. As noted above, however, a different result obtains where the sale by the interstate pipeline is a sale of its system supply which includes both its own production and natural gas it purchases from others. This is not a first sale under the Interim Regulations.

Of course, even in cases where the interstate pipeline would attempt to separately sell only its own production, the interstate pipeline would be required to file an abandonment application under Section 7(b) of the Natural Gas Act in those cases where the natural gas was previously sold as part of system supply to all customers of the interstate pipeline. These existing sales would not be first sales.

Opinion No. 626, Panhandle Eastern Pipe Line Co., et. al. If, on the other hand, existing sales of natural gas which included some volumes of natural gas produced by that interstate pipeline were declared to be first sales, then, to the extent these sales were subsequently excluded from Commission jurisdiction under the Natural Gas Act by the provisions of Section 601(a) of the Natural Gas Policy Act, an interstate pipeline may be able to divert its own production from its existing customers without obtaining an abandonment authorization. Since the existing customers of the interstate pipeline would have paid rates for service which reflect the costs associated with the interstate pipeline's own production, it would appear to be desirable to interpret the first sale definition narrowly in the case of pipeline production in order to allow the Commission to examine the potential consequences of diversion of this natural gas from total system supply.

Mr. BEVILL. What is the difference under the NGPA between commingling of gas from identifiable wells and commingling of general system supply?

Mr. CURTIS. In the Interim Regulations the Commission determined that there was a significant difference between the sale of an undifferentiated part of an interstate pipeline's total system supply, which includes both natural gas which it produces itself and natural gas which it purchases from others, and the separate sale of natural gas which is produced by the interstate pipelines from identifiable wells. The latter is attributable to production by the interstate pipeline and can logically and reasonably be considered as a first sale under the provisions of the act. However, sales of an undifferentiated part of an interstate pipeline's total system supply are not attributable to production by the interstate pipeline, nor should these sales be considered first sales.

VOLUME OF COMMINGLED GAS

Mr. BEVILL. In both cases the volume of the pipeline produced gas could be determined and would be determined in the same manner, would it not?

Mr. CURTIS. The volumes of interstate pipeline produced natural gas can, and indeed are, physically measured in the same manner, irrespective of whether the production is separately sold or commingled with natural gas purchased from others and sold as an undifferentiated part of system supply. For purposes of determining rates, however, there are significant differences and consequences which result from a pipeline decision to sell its production separately to an identifiable customer, as opposed to commingling this production with natural gas from all other sources of supply and selling this total supply to a large number of customers in several states.

Where the natural gas is sold separately to an identifiable customer, an appropriate rate for transportation and storage can be determined. In the system supply situation, however, the various sources and locations of the interstate pipeline's total natural gas supply, and the relative importance of each of these sources, coupled with the location of these natural gas supplies in relationship to the various markets for the natural gas, have important consequences for the proper classification and allocation of an interstate pipeline's transportation and

storage costs, and the design of rates, to properly recover the costs associated with interstate pipeline services from each of its customers. These consequences have, in the past, been examined in accordance with the standards of Section 4 of the Natural Gas Act.

Mr. BEVILL. Isn't it true that under your Interim Regulations you would apply NGPA prices to some pipeline production which has been commingled?

Mr. CURTIS. Under the Interim Regulations, Natural Gas Policy Act prices would apply to separate sales of interstate pipeline production where the natural gas is subsequently commingled with an interstate pipeline's system supply for purposes of transportation and storage to the customer. Generally, however, the Act's prices, as such, would not apply to the sale of interstate pipeline production where that production has been commingled with natural gas purchased from others and the commingled stream sold as system supply. In exercising its authority under the Natural Gas Act to prescribe rates for sales for resale in interstate commerce, the Commission may allow the interstate pipeline to price its production by reference to the Act's maximum lawful prices for purposes of determining the interstate pipeline's production costs component of its rates. This decision would be made in accordance with the provisions of the Natural Gas Act.

PRICE OF COMMINGLED GAS

Mr. BEVILL. What NGPA price would apply to pipeline production from new gas wells fitting the definition of Section 102 or 103 of the NGPA if such gas were commingled with purchased gas?

Mr. CURTIS. The Commission may allow the interstate pipeline to determine the cost component associated with its production by reference to Natural Gas Policy Act maximum lawful prices. This cost component along with the costs associated with the purchase of natural gas from others and the costs of transmission and storage would constitute the total costs of the interstate pipeline which would then be allocated among the interstate pipeline's customers for the purpose of determining jurisdictional sale for resale rates under the Natural Gas Act. While no decisions have been made by the Commission in this area, a policy which would allow pricing by reference to the Act's maximum lawful prices for production by an interstate pipeline, which has, in the past, priced its production by reference to Natural Gas Act area and nationwide rates for independent producers and which receives a final determination that its production qualifies under Section 102 or 103 of the Act, would appear to be fully appropriate. A decision to price an interstate pipeline's production by reference to the Act's maximum lawful prices would also appear to be fully appropriate for prospective application to all new production by interstate pipelines. While no decision has been made by the Commission, the important factor to recognize is that the Commission's decision in the Interim Regulations to additionally define the term attributable in Section 2(21)(B) of the Act, a decision which is supportable for a variety of reasons, by no means forecloses a Commission decision under the Natural Gas Act to allow interstate pipelines to price their production by reference to the Act's maximum lawful prices. Indeed, the Congressional policy expressed in the Natural Gas Policy Act will no doubt be a significant factor in the Commission's deliberations.

COST OF REGULATION

Mr. BEVILL. Do you have an estimate of the total cost involved with FERC activities, including that of the organizations you regulate?

Mr. CURTIS. I assume you are asking for the amount of overall expense incurred by the regulated companies to comply with FERC regulations. With respect to those costs, we do not have the data needed to provide a definitive answer. We estimate that the FERC will collect and deposit with the U.S. Treasury a total of \$17.7 million in FY 1980 as a direct result of FERC filing fees, headwater benefit determinations, and other assessments against licensees. These are, of course, direct costs to regulated companies resulting from FERC activities.

LONG TERM REQUIREMENTS

Mr. BEVILL. Looking at longer term requirements, do you see a phasing down of FERC activities as a result of natural gas deregulation, administrative improvements and legislative improvements?

Mr. CURTIS. While the initial requirements placed on the FERC for implementation of the Natural Gas Policy Act will increase our administrative and regulatory workload over the next several fiscal years, it gradually phases out many existing regulatory requirements between now and 1985. This will serve to free the FERC from the current requirements to regulate some facets of the natural gas industry. When certain categories of natural gas are deregulated under the terms of the Act, the Commission's workload related to these specific categories of gas will decline sharply, but there will remain many areas of continuing Commission jurisdiction over other categories of natural gas production.

In addition, the increased efficiency in processing regulatory issues which we expect to result from our continuing management improvements, while they will not of themselves phase down FERC activities, will be instrumental in allowing us to accomplish the same regulatory responsibilities better and faster. This improvement of productivity and effectiveness of regulation can only be accomplished over a period of years.

GAS AVAILABILITY AND PRICE

Mr. BEVILL. What are your present estimates as to the availability of natural gas and prices for the next few years?

Mr. CURTIS. We do not believe that reliable estimates of available gas supply over the next few years can be predicted at this time because of several reasons. It will take several months or possibly years to measure the gas producing industry's reaction to the NGPA price levels in the area of drilling activity and the result in terms of gas discoveries. It is our belief that the NGPA starting price levels and escalations are sufficiently attractive to encourage increases in drilling activity and, hopefully, significant gas discoveries. The Energy Information Administration of DOE has the responsibility of collecting and verifying gas and oil reserve information on a continuing annual basis by means of Form 23 reports. This information will provide the means to assess the nation's supply inventory and the availability of new gas supply.

ALASKA GAS PROJECT

Mr. BEVILL. Discuss briefly the status of the Alaska Gas Project and the issues that FERC must address. What is the overall schedule for this project? Why do you need \$1,759,000 for contract support?

Mr. CURTIS. Filings for applications for import of Canadian bubble gas and for the construction of facilities to transport that gas, which is considered as a prebuilt portion of the Alaska Natural Gas Transportation System, have been received by the Commission and are currently being processed. Rulemakings to establish an Incentive Rate of Return mechanism as required by the Decision are nearing completion, having begun in May, 1978, and will comprehensively address all aspects of implementation, such as change in scope and inflation adjustment procedures, various levels of rates of return, overall Commission concern with cost overruns, and effects on the cost of service tariffs. Applications and filings for the remaining issues and segments of the ANGTS are expected between now and the end of 1979 and will cover facilities in Alaska and additional construction required for delivery of Prudhoe Bay gas, verification of gas supply, marketability analysis given final cost estimates, and the private financing plan submitted by project sponsors. FERC consideration and final approval of these issues is expected to take nine to twelve months after filings are received.

Final certificates of public convenience and necessity for the pre-build portions of the systems are expected by the end of calendar year 1979, with gas deliveries beginning through the Western Leg in the Fall of 1980, and through the Northern Border Pipeline, or Eastern Leg, in the Fall of 1981. Based on Fall 1979 filings for Alaska and certificates granted in the Fall of 1980, Prudhoe Bay deliveries are expected in the Fall of 1984.

Contract funds for the Alaska Gas Project Office for FY 1980 in the amount of \$1.759 million were requested in order for the FERC to carry out its responsibilities under the terms and conditions of the Decision, ANGTS and the Natural Gas Act. Of this total requirement, \$159 thousand is requested by the Executive Director's Office as indirect contractor support. The remainder, \$1.6 million is requested to fulfill the following requirements which have been created by the uniqueness of this project. These contract amounts have been based in a general way on the current FERC analysis of the Alaska oil pipeline, and the technical support utilized by the Department of the Interior in its monitoring of the TAPS construction. The first area of support required is a management audit function. During the certification phase, \$400 thousand will be required to develop capabilities for evaluation of the cost impact of design changes in Alaska, and for the development of specific systems to support the implementation of the scope change and inflation adjustment mechanisms in Alaska according to the IROR rulemakings. Also, during this same time, construction will be underway for the prebuild portions and will require evaluation of the internal control systems of those pipelines, the capability of complete cost impact evaluation for design changes for the lower 48 segments, actual administration of the IROR mechanisms for Northern Border, and rate base analysis for Northern Border and the Western Leg. Contract support for this enforcement phase will require \$400 thousand.

In the area of environmental monitoring and surveillance, \$600 thousand will be required for independent engineering evaluations of proposed design for heat transfer and pipe stress aspects of frost heave problems for Alaska, and for enforcement of terms and conditions along the lower 48 segments during construction. In order to complete timely analysis of cost reports for inclusion in the project company's ratebase, the FERC must obtain computer software support and technical expertise for the fiscal audit process on construction of the lower 48 segments which will reduce regulatory risk.

Advanced design and evaluation of the project sponsor's management systems and internal control capabilities will be much more cost effective than the current TAPS investigation and monitoring, and will also insure the most economical construction program for the Alaska Natural Gas Transportation System. Further evaluation of the TAPS project, and further details concerning the gas project will likely lead to some redistribution of emphasis among the different contracts within the total contractor effort.

Capabilities, in addition to current FERC audit staff, are required in specialized evaluations of the project's logistic systems, equipment and inventory control systems, and other special requirements of extremely large construction projects, particularly in the Arctic environment. The special demands of implementation of the incentive rate of return mechanism also requires additional expertise and analytical support which can be most economically provided through highly experienced and qualified contractor assistance.

TRANS-ALASKA PIPELINE SYSTEM

Mr. BEVILL. The justification at pages 85-86 indicate that the Trans-Alaska Pipeline System Audit is nearing completion and you hope to have an initial decision by the Administrative Law Judge on Phase I during fiscal year 1980. What are the major issues that will have to be addressed and the results of your efforts to date in addressing these issues?

Mr. CURTIS. First let me clarify the status of the audit. There are three basic audits to be performed, and none are close to completion. The management audit being conducted by Touche Ross to determine the extent which mismanagement played in the \$8 billion cost overrun, has been effectively delayed through legal processes from 1977 until about March 1, 1979. Touche Ross personnel have only recently received access to some of the documents needed to conduct that audit. The second audit, which will be performed by FERC, is a financial audit to quantify the cost of the pipeline which the Commission will allow on the books as record costs. These two audits deal with pipeline construction costs. A third audit will concern itself with operating expenses, cost of service and rates for the transportation of oil through the pipeline. Neither the financial nor the operating audit has been initiated.

Now, to your question on the issues in the TAPS rate proceeding. The rate case has been divided into two phases. Phase I is concerned primarily with policies, methodology and techniques. In Phase II, the costs and rates will be quantified. Hearings in Phase I were concluded March 16, 1979, and a briefing schedule set which calls for final briefs on or about July 30, 1979. Preliminary discovery efforts

have begun on Phase II, but progress has been slow because of legal delays in gaining access to company records.

The major issue in Phase I is the method of determining rate base—whether it is proper to apply the valuation method used by ICC or the original costs approach generally used in utility ratemaking by the FERC. Other basic controversial issues in Phase I include rate base deductions for deferred income tax accruals and investment tax credits, and additions to the rate base for negative salvage value of the physical assets of the pipeline at the time the plant is retired. The appropriate rate of return, volume throughput and method of calculating income taxes and cost of service are also addressed in Phase I. These issues are well on their way to decision, with the Administrative Law Judge's initial decision expected sometime after July 30, 1979.

Phase II issues have yet to be addressed. We anticipate a lengthy discovery schedule in Phase II because of the great volume of documents which must be considered in order to quantify the applicable costs and rates. Access to company records has so far been denied and those are now being sought pursuant to the subpoena process. We do not anticipate reporting a Commission Opinion in Phase II in fiscal year 1980.

Issues in Phase II include quantification of the rate base, which would exclude construction cost overruns resulting from imprudent management, and which would include pipeline plant, depreciation reserves, working capital and negative salvage value. Other cost items include operating expense, depreciation consolidated tax rates, tax allowances, and rate base. In addition, oil supply reserves will be determined. None of these studies are underway except for rate base studies, which are in preliminary stages of investigation.

Mr. BEVILL. Mr. Myers?

OVER CHARGES BY ELECTRIC UTILITIES

Mr. MYERS. I understand that the FERC staff has been conducting an investigation since May 10, 1978, of possible overcharges by electric utilities during last winter's coal strike. I also understand that the FERC staff filed a report on their investigation 2 days ago (March 19) with the Commission and that the Commission is currently reviewing the report.

Since I represent a district in Indiana that was severely impacted by the coal strike and my constituents have been paying extremely high utility bills, I am very interested in knowing more about this report and the Commission's review. Would you comment on this investigation?

I would appreciate being kept advised of the progress of this case because many Hoosiers are paying exorbitant electric bills.

Mr. CURTIS. The Commission on March 19, 1979, received a designated officer's report concerning wholesale rates during last winter's coal strike. Because of the interest in the investigation, the Commission immediately released the report to the public.

At the present time, the Commission is considering the report's recommendations for purposes of acting on those recommendations which the Commission finds appropriate and consistent with the requirements of due process and applicable statutory procedures.

The Commission has already begun action by approving in principle a proposed rulemaking which would establish a guideline for an upward limit on pricing of transactions in emergency circumstances under Section 202(c) of the Federal Power Act.

The Commission will also issue a proposed rulemaking which would place a limit on percentage adders in currently applicable rate schedules for transmission and generation services and has directed staff to review the use of split-savings adders to determine if similar limitations should be placed on their use.

The Commission will keep you advised as significant progress is made in this case.

HYDROELECTRIC PROJECTS

Mr. MYERS. On page 21 of the justifications, I note that the Federal Power Act is the basic statute governing the licensing of hydroelectric projects. In addition, compliance with 17 other acts is required in obtaining a hydroelectric license. If this is the case, how do any licenses ever get issued? How long does this process take?

Mr. CURTIS. The process of licensing hydroelectric projects has become more complex and lengthy because of the many Federal laws which have been enacted over the last 10 years. In order to obtain comments and recommendations from the various Federal and state agencies responsible for implementing these various acts, the Commission places notices of applications in the Federal Register and in local newspapers, and copies of the applications are mailed to various agencies. Licenses involving little or no construction generally can be issued in 10 to 12 months. When substantial construction is proposed, an Environmental Impact Statement is normally prepared and the processing period increases by approximately 7 months. If factual matters are in dispute and a formal hearing proceeding should be required, an additional 12 to 36 months may be required.

The Commission is in the process of implementing new regulations in the interest of acting more promptly on all license applications; however, all of the laws must be considered in any reform of the Commission's requirements. For example, Section 405 of the Public Utility Regulatory Policies Act of 1978 requires the Commission to use simple and expeditious licensing procedures, but specifically does not exempt projects from complying with any provision of Federal laws.

The first phase of reform began in September 1978, with the issuance of new rules on the short-form license procedures for all minor projects, which are projects with 1.5 megawatts or less of installed capacity. The second phase will cover all major projects; those with a capacity greater than 1.5 megawatts, that would utilize existing dams and reservoirs. The third and final phase will cover all major projects which must be constructed in their entirety.

The three-stage reform will apply primarily to the content of license applications. However, maximum efficiency cannot be attained unless uncertainty regarding technical and procedural matters is eliminated. A proposed rulemaking issued by the Commission on March 5, 1979, is intended to accomplish that purpose, and streamline the regulations governing the substance of preliminary permit applications.

A substantial reduction in regulatory delay cannot be accomplished unilaterally by the Commission. Existing Federal laws often result in concurrent or overlapping jurisdiction with respect to hydroelectric projects.

The extent to which the Commission will be able to cut down on the time required to process applications for licenses will depend in large measure on the willingness of other Federal and State agencies to take a cooperative and realistic attitude toward the assessment of environmental impacts of hydroelectric projects. We will do whatever we can to expedite the process of coordination.

SAFETY INSPECTIONS

Mr. MYERS. FERC carries out 1000 to 1100 annual safety inspections of hydroelectric projects. How do these inspections differ from those the Corps and Bureau of Reclamation carry out?

Mr. CURTIS. The Federal Energy Regulatory Commission's annual inspections include a review of the history of the project's performance to identify safety problems; a review of instrumentation data to identify any trends that may affect dam safety; an observation of the operation of important electrical and mechanical facilities affecting dam safety; a review of the dam and spillway design, as necessary, for compliance with current and accepted design criteria; a physical inspection of the dam and all appurtenant structures to identify any conditions that may affect the safety of the dam; and a review for compliance with license conditions.

The Corps of Engineers provides almost continuous surveillance of their projects by operating personnel. Annual inspections are generally limited to troublesome projects. These inspections include a thorough field inspection of the dam and appurtenant structures and a review of available performance records and instrumentation.

The Bureau of Reclamation also provides practically continuous surveillance of their major structures by operating personnel. The Bureau also conducts safety inspections and evaluations of their projects. The Bureau considers 2 years to be the maximum period between onsite inspections.

We believe that the FERC annual inspection program compares favorably in scope with similar programs carried out by the Corps of Engineers and Bureau of Reclamation.

HYDROPOWER PROGRAM

Mr. MYERS. What is the difference between the FERC Hydropower Resources Assessment and the Corps' National Hydropower Study and DOE's Low-Head Hydropower Development program?

Mr. CURTIS. The FERC's Hydropower Resources Assessment activity consists of a computer inventory of about 6 thousand developed and undeveloped hydropower sites in the U.S. and certain analysis and communication capabilities to make the use and dissemination of the information effective. It serves as a necessary

reference tool for carrying out all of the Commission's hydropower responsibilities which are principally the licensing function and the the planning and review of Federal project proposals. Our discussion on pages 33 and 34 of our budget describes the Hydropower Resources Assessment activity in more detail. It has been ongoing in one form or another for more than 40 years.

You asked about the difference between this activity of the FERC and the Corps' National Hydropower Study and DOE's Low-Head Hydropower Development program. DOE's program, now called Small Scale Hydropower Program, was initiated in 1977 to focus primarily on stimulating and encouraging the retrofit of existing non-power dams which have a potential for hydropower facilities in the range of 50 to 15 thousand kilowatts each. The capability of FERC's inventory, which accounts for developed plants of 100 kilowatts and larger and undeveloped potential sites which would be 5 thousand kilowatts or greater, is now being expanded to include additional undeveloped sites identified through the DOE program and additional sites identified by the Corps.

The Corps' three year study, authorized by Section 167 of the Water Resources Development Act of 1976, is to determine the most efficient methods of developing hydropower at existing dams. There are approximately 49 thousand. Principal focus is on sites with at least 15 thousand kilowatts potential. However, under contract with the DOE, the Corps is including the identification of small scale sites as well.

Thus, the FERC's inventory is an ongoing resource for planning and regulation purposes which includes both developed and undeveloped hydropower sites, while DOE's program is to stimulate development of small scale plants and the Corps' study is to identify and recommend the best methods for adding power at larger non-power dams. FERC is cooperating in connection with both programs and at their conclusion will be expected to assimilate the data significant for its purposes for perennial use.

OIL REGULATION OUTLAY

Mr. MYERS. In FY 1979 your budget authority for oil regulation was \$5.138 million and budget outlay was \$4.138 million. Why were outlays only 80% of budget authority for this program? (Page 11 in justifications)

Mr. CURTIS. The FERC budget outlay for oil regulation is approximately 20 percent below the budget authorization due to significant contractual authority amounting to \$1.9 million. The full \$1.9 million will be obligated during FY 1979, however total expenditure or outlay will not be accomplished until FY 1980.

Mr. BEVILL. Thank you, gentlemen.

The committee stands adjourned until 1:00 o'clock.

THURSDAY, MARCH 22, 1979.

DEPARTMENTAL ADMINISTRATION AND MISCELLANEOUS ITEMS

WITNESSES

C. N. MITCHELL, ACTING CONTROLLER

P. SAMUEL HUGHES, ASSISTANT SECRETARY FOR INTERGOVERNMENTAL AND INSTITUTIONAL RELATIONS

ALVIN L. ALM, ASSISTANT SECRETARY FOR POLICY AND EVALUATION

WILLIAM S. HEFFELFINGER, DIRECTOR, OFFICE OF ADMINISTRATION

LYNN R. COLEMAN, GENERAL COUNSEL

Mr. BEVILL. The Committee will come to order. Mr. Mitchell, Mr. Hughes, Mr. Alm, Mr. Heffelfinger, and Mr. Coleman, we are pleased to have you with us. You may proceed with your testimony as you wish. You may want to submit your statement for the record and then just brief it.

Mr. MITCHELL. Yes, sir. I appreciate the opportunity, Mr. Chairman, to appear before you today in support of the Department of Energy's 1980 budget request. With your permission, Mr. Chairman, I would like to submit my prepared statement for the record and budget justification for the record, introduce my associates, and present a short verbal overview.

[The information follows:]

STATEMENT OF C. N. MITCHELL
 ACTING CONTROLLER
 DEPARTMENT OF ENERGY
 FY 1980 APPROPRIATIONS HEARINGS

Mr. Chairman, Members of the Subcommittee:

I appreciate the opportunity to appear before you today in support of the Department of Energy's 1980 budget request.

The total request for Policy and Management activities in 1980 is \$308 million. This includes management and support; the Department's outreach and international affairs activities; policy analysis and systems studies; in-house energy management; and other supporting activities.

The following table summarizes the Departmental Administration request for FY 1980:

	<u>Budget Authority</u> (\$ in Millions)		
	<u>FY 1979</u>	<u>FY 1980</u>	<u>Change</u>
Policy Analysis and Systems Studies	\$ 15	\$ 19	\$ +4
International Affairs	4	4	-
Management and Support	227	249	+22
Intergovernmental and Institutional Relations	33	36	+3
In-House Energy Management	25	41	+16
Security Investigations	15	16	+1
Other Supporting Activities	13	9	-4
Cost of Work for Others	23	25	+2
Miscellaneous Revenues	-113	-110	+3
Changes in Inventories	10	19	+9
Total Departmental Administration	<u>\$ 252</u>	<u>\$ 308</u>	<u>\$ +56</u>

It should be noted that the Management and Support funding in 1979 excludes \$7.9 million for the personal services and benefits reprogramming.

The total increase of \$56 million over the 1979 level includes a growth in inventories for coal stockpiles, expansion of construction activities related to in-house energy management, and initiation of the Office of Minority Economic Impact.

Management and Support

The 1980 management and support budget is presented in a structure more suitable to the requirements of the Department's various Congressional committees. It includes only the personnel and associated funding resources of the Office of the Secretary, Headquarters staff organizations, multi-program operations offices and regional representative organizations supporting the Department's diverse, complex energy programs. In addition, support services and capital equipment expenses are included for the entire Headquarters with the exception of the Federal Energy Regulatory Commission, Office of Hearings and Appeals, and the Economic Regulatory and Energy Information Administrations.

Of the total request for 1980 of \$248.5 million, \$154.3 million provides for the salaries, benefits, and travel expenses of the 4,449 full-time permanent employees funded in management and support. Approximately \$91.2 million is related to overall operational support requirements and \$3.0 million is budgeted for the newly established minority economic impact program.

The following table displays the 1980 request:

(Funding in Millions)						
FY 1979						
	<u>Appropriation</u>	<u>Reprogramming</u>	<u>Supplemental Request</u>	<u>Revised Request</u>	<u>FY 1980 Request</u>	<u>Change</u>
Salaries & Benefits ...	\$124.4	\$ 7.9	\$ 7.6	\$139.9	\$149.0	\$ +9.1
Travel	4.9	-	-	4.9	5.3	+0.4
Support Services ...	64.9	-	21.5	86.4	86.9	+0.5
Minority Economic Impact	-	-	-	-	3.0	+3.0
Capital Equipment ..	<u>3.3</u>	<u>-</u>	<u>-</u>	<u>3.3</u>	<u>4.3</u>	<u>+1.0</u>
Total	<u>\$197.5</u>	<u>\$ 7.9</u>	<u>\$ 29.1</u>	<u>\$234.5</u>	<u>\$248.5</u>	<u>+\$14.0</u>

Considering the reprogramming and FY 1979 supplemental requests, the real increase in management and support in 1980 is \$14.0 million, less than six percent, attributable substantially to built-in normal within grade increases, two extra days pay in 1980, and the newly initiated minority economic impact program.

Office of Minority Economic Impact

The Directorate of Administration is coordinating the efforts to establish the new Office of Minority Economic Impact. Under Section 641 of the National Energy Conservation Policy Act, this Office was created to insure that minorities are afforded an opportunity to participate fully in the energy programs of the Department. For 1980, we are requesting \$3.0 million to carry out the responsibilities of the Office and to provide loans to minority business enterprises to assist them to bid for and obtain contracts or other agreements with the Department. Steps are being taken to establish this component as an independent organization reporting to the Office of the Secretary.

Capital Equipment

Capital equipment funding of \$4.3 million will provide for replacement of outdated administrative equipment and computer terminals for the DOE field locations and Headquarters computer center. The request also includes requirements to improve data communications equipment to provide transmission capabilities to new users. Due to greater delegated responsibilities from the Headquarters, many field locations have experienced significant increases in message traffic volume both with the Headquarters and other field locations.

Policy Analysis and Systems Studies

The 1980 request for the policy analysis and systems studies program, which is undertaken by the Assistant Secretary for Policy and Evaluation, is \$18.5 million. This request represents an increase of about \$4.0 million over the 1979 level. A major portion of the request will be obligated through competitive procurement awards. Included in the request is \$2.0 million for completion of coal competition and policy studies initiated in 1979 and mandated by the Powerplant and Industrial Fuel Use Act of 1978, a key element of the National Energy Act. Also included is \$2.0 million for data services to be provided by the Energy Information Administration which are required to perform policy analyses.

The amount requested will fund contractual support for analysis and evaluation of Department-wide issues that must be resolved to bring greater coherence and rationality to national energy policy. These

efforts provide the Department with an analytical base for the independent and objective review of emerging issues and proposals through evaluation of the economic, technical, and energy aspects of the full range of DOE policies and programs. Categories of program activities which require additional funding in 1980 include:

- \$1.1 million for NEP III and other energy development activities
- \$1.8 million for general systems analysis
- \$0.2 million for competition analysis
- \$2.0 million for EIA data services support.

These increases are offset partially by decreases of:

- \$0.9 million in energy technology assessments
- \$0.2 million in program evaluation.

Slight decreases in the funding levels associated with evaluation activities are possible because:

- Considerable work was done in 1978 and continues in 1979 in the area of energy supply systems assessments. This permits phasing down individual technology assessments in 1980 and shifting greater emphasis towards broader policy studies
- Start-up costs for program evaluations are largely being absorbed in 1979, thus allowing essentially the same level of effort at lower cost in 1980.

Specific areas of concentration for 1980 include:

- analyses needed to develop the foundations for the National Energy Plan, as required by the DOE Organization Act, with particular stress on development of energy supplies needed in the 1990's and beyond.
- completion of NEA mandated studies of national coal policy and coal industry performance and competition
- analyses oriented toward improvement of the Department's ongoing programs, with a focus upon such issues as regulatory reform, technical program pace and composition, and energy industry competition.

Security Investigations

The security investigations program covers the costs of background investigations for individuals who, in the performance of their work, are required to have access to restricted data, national security information, special nuclear materials, or are employed in critical sensitive positions. In 1980, we are requesting \$16.4 million to provide for about 17,500 full-field investigations, an increase of about 700 over 1979, principally for contractor personnel associated with construction of uranium enrichment facilities at Portsmouth, Ohio, and operation of new Centrifuge R&D facilities at Oak Ridge, Tennessee.

Outreach Activities

Outreach activities are undertaken by the Assistant Secretary for Intergovernmental and Institutional Relations. Activities include Technical Information Services; Education, Business, and Labor Affairs; Intergovernmental Affairs; Consumer Affairs; Public Affairs; and Indian Affairs. The total request for these activities in 1980 is \$36.4 million which is approximately a \$3.2 million increase over the 1979 level.

The Technical Information Services' mission is to develop and operate a central DOE scientific and technical information program. Funding in the amount of \$11.0 million is requested for 1980; this is a \$0.7 million increase over the previous year. The Technical Information Services' primary goals in 1980 are:

- to enlarge the core of technical information in the DOE data base, and
- to develop additional ways to serve the Department's and the Nation's energy information needs, by providing more convenient means of access to the information contained in the Energy Information Data Base.

The Technical Information Center is responsible for the inventory and secondary distribution of publications for the Department.

The 1980 request for the Education, Business, and Labor Affairs programs, \$11.9 million, represents a \$1.2 million increase over 1979. This increase is primarily attributable to expanded relations, through analytic contractor support and various outreach activities, with the labor, business, and industry constituencies.

Activities supported by the Intergovernmental Affairs Office include providing financial support to public interest groups representing various governmental constituencies. The 1980 request represents a net increase of \$0.1 million over 1979, from \$9.1 to \$9.2 million. Included in the 1980 budget is \$0.5 million for public interest group support. Additionally, the Atomic Energy Community Act of 1955, as amended, requires DOE to administer a program of financial assistance to the former Atomic Energy Commission communities of Los Alamos, New Mexico; Oak Ridge, Tennessee; and Richland, Washington.

The Consumer Affairs program is responsible for public participation activities. The 1980 request of \$1.0 million, a \$0.4 million increase over 1979, includes funding in the areas of public participation, NEA outreach activities, consumer impact, and advisory committee services.

The Office of Public Affairs' 1980 request of \$2.4 million represents a slight decrease from the previous year. Efforts will be essentially the same as in 1979 and include the continued operation of science museum and traveling exhibits, and the free film loan library; preparation and distribution of publications for general readers; and production of radio and television public service announcements.

Lastly, we are requesting \$1.0 million for the Indian Affairs to expand the Department's relations with Indian tribes. The goal of this program is to encourage and assist Indian tribes in producing their energy resources in a manner most beneficial to the tribe and its members. Rather than using the traditional mineral lease approach, a major anticipated milestone this year is the completion of business plans for the Council of Energy Resource Tribes which will be submitted to potential investors. Due to the comprehensive nature of these plans, and the fact that the equity production approach is a first in the Indian community, the business plans will become a long-range goal. Furthermore, the necessity of carefully evaluating the effects that energy production will have on tribal culture contributes to this project.

In-House Energy Management

The 1980 request for in-house energy management is \$41.0 million, an increase of \$15.9 million over the 1979 appropriation and supplemental request. The in-house energy management program is an ongoing part of a Government-wide effort initiated in the summer of 1977 designed to achieve a 20% reduction in energy consumption in Federal facilities by making them more energy efficient. Since DOE is the Government's second largest user of energy, the potential for savings is great.

The request of \$41.0 million includes four elements:

- \$3.6 million for building surveys and central plant studies to identify ways to reduce consumption

- \$19.7 million for small retrofit projects of \$1.5 million or less, selected on basis of energy saved, investment, and pay back
- \$12.7 million for three major retrofit projects--automated energy management systems at both Argonne National Laboratory and the Pantex Plant, Amarillo, Texas, and a project to use waste heat at the Portsmouth Gaseous Diffusion Plant
- \$5.0 million for the conversion of boiler No. 5 at the Argonne National Laboratory from natural gas and fuel oil to high sulfur coal firing.

Anticipated benefits to be realized from completion of projects initiated under the 1980 in-house energy management budget include annual energy savings of 3.2 trillion BTU's which equates to 560,000 barrels of oil and an annual dollar savings of \$8.1 million.

International Affairs

The 1980 request for international affairs is \$3.5 million, a decrease of approximately \$0.5 million from the 1979 level. Mr. Chairman, the Assistant Secretary for International Affairs, Harold Bergold, has appeared before your Subcommittee prior to this hearing to discuss his organization's functions and program responsibilities. If I can furnish any additional information on the international affairs program, I will be happy to do so.

Plant Engineering and Design

The estimate for plant engineering and design for 1980 is \$9.0 million. This activity provides for architect-engineering services for many of the Department's major non-defense construction projects which are to be submitted for authorization requests in future years. These services permit certain designated projects to proceed from conceptual design into preliminary and definitive design prior to requesting Congressional authorization for these projects. Design efforts accomplished under this activity will accelerate project execution, assure project feasibility, define project scope, provide detailed estimates of construction costs based on advanced design, and improve the reliability of procurement and construction schedules. Designs will generally be extensive enough that authorized construction can physically start or contracts be let for long-lead procurement items in the initial fiscal year of Congressional authorization for the project.

Cost of Work for Others

The cost of work for others program is for funding materials and services provided to non-Federal organizations, when such products or services are not readily available from the private sector. The 1980 estimate for this activity is \$25.0 million and the Department will receive \$26.7 million in miscellaneous revenues as reimbursements to offset the cost of this work.

Miscellaneous Revenues

Miscellaneous revenues consists of revenues from the sale and lease of products, materials and services to eligible purchasers. The 1980 level for this activity is \$109.8 million, down from the 1979 level of \$112.9 million. This net decrease is reflective of the many changes, both increases and decreases, in the anticipated FY 1980 sales levels of the various products and services provided by the Department. Significant increases are included for the sale of isotopes, \$3.6 million, and in the sale of reactor steam, \$2.9 million. Major decreases are reflected in sale of source and special nuclear materials, \$1.2 million; charges for recovery of source and special nuclear materials, \$0.8 million; services provided to the Washington Public Power Supply System, \$3.7 million; and revenues from withdrawal and analysis services provided at the gaseous diffusion plants, \$1.2 million.

Inventories

The changes in inventories program provides for changes in the value of the physical quantity balances of common use stores and certain recyclable precious metals. These are assets that will be applied to program funding of operations in future years. The 1980 budget request of \$19.3 million is an increase of \$9.3 million over the amount appropriated in 1979. Of this \$9.3 million, \$6.4 million is specifically earmarked to replenish the coal stockpiles depleted during the coal strike of the winter of 1977-1978 and the remaining \$2.9 million covers the inflationary impact on the

replacement costs of the beginning balance. Common use stores inventories consist of all supplies necessary to support large facilities and labor forces, but which are not directly program related.

Mr. Chairman, that concludes my portion of this presentation. I would be happy to respond to any questions you or the Subcommittee members may have.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF ESTIMATES BY APPROPRIATION BY MAJOR CATEGORY
Departmental Administration
(In thousands of dollars)

	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request	
	BA	BO	BA	BO	BA	BO
Policy and management	236,575	237,839	251,584	296,286	307,829	303,929

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF POSITIONS AND STAFF YEARS BY APPROPRIATION BY MAJOR CATEGORY
Departmental Administration

	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request	
	<u>Pos.</u>	<u>SY</u>	<u>Pos.</u>	<u>SY</u>	<u>Pos.</u>	<u>SY</u>
Policy and management:						
Headquarters	2,403	2,271	2,397	2,386	2,352	2,390
Field	<u>2,394</u>	<u>2,357</u>	<u>2,442</u>	<u>2,414</u>	<u>2,317</u>	<u>2,419</u>
Total	4,797	4,628	4,839	4,800	4,669	4,809

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

PROGRAM OVERVIEW

Policy and Management

Policy analysis and systems studies

The objective of the policy analysis and systems studies activity is provision of sufficient and timely information for energy policy development, analysis and evaluation on a cross-cutting, DOE-wide basis. Production of a suitable analytical base for the development of national energy policy is dependent upon an independent, thorough review of current and emerging issues or proposals. Reviews are accomplished through evaluations of the economic, technical and energy aspects of a wide range of policies and programs. This activity is the responsibility of the Office of Policy and Evaluation.

Major goals supported by Policy Analysis and Systems Studies include development of the functions for the National Energy Plan, as required by P.L. 95-91, particularly with a component directed at providing alternatives for ensuring the Nation of the energy supplies it will need in the 1990's and beyond; analysis and implementation of the National Energy Act of 1978; development of basic energy policies and program strategies; and improving the Department's ongoing direction of its programs, focusing on such issues as regulatory reform, technical program pace and composition, and competition among energy industries.

International affairs

The International Cooperation in Non-Nuclear Technologies program supports United States objectives related to nuclear non-proliferation and global energy supplies by strengthening the capabilities of developing countries to identify and pursue feasible energy options. The level at which the program will be continued will be determined by the President upon review of a report outlining the FY 1978 pilot efforts with Egypt and Peru.

International policy studies provide for the development, implementation and evaluation of international policies and programs. These studies also enable the Office of International Affairs to provide basic data and assessments to address international energy issues which have an impact on research, development, utilization, supply and conservation of energy in the United States.

Management and support

The Management and Support program provides for Secretarial executive direction, Headquarters staff functions, regional representation and multi-program field office support for the Department's programs. Staffing levels will continue to decline in FY 1980 despite increases in programmatic levels of effort, diversity and complexity.

Intergovernmental and institutional relations

The Assistant Secretary for Intergovernmental and Institutional Relations is responsible for developing, managing, and assuring coordination of departmental relations with external organizations and entities including: the Congress; news media; national, state, regional, and local governmental bodies and their national associations; other Federal agencies; consumer and citizen organizations; business and industry; labor organizations; educational institutions; and others. This includes responsibility for: assuring effective coordination of DOE activities which significantly impact such external organization programs; direction of Departmental public participation programs; and management of related support functions.

This responsibility is carried out through the following activities:

The Technical Information Services activity develops and operates a central DOE scientific, technical and practical information program dedicated to the support of the National Energy Plan. Public availability of energy-related information is an essential prerequisite for conservation of existing energy sources and for research and development of new energy technologies.

This activity has the prime mission of gathering, processing into electronic and published form, and making available to international, domestic and internal users bibliographic reference data of energy related information. Primary goals in FY 1980 through FY 1983 include enlargement of the core of information in the DOE data base whereby 120,000 items are input each year and development of additional ways to serve the Department's and the Nation's energy information needs.

The primary goal of Education, Business and Labor Affairs is to assure that the educational, business, and labor communities are effectively involved in planning and implementing the National Energy Plans. Because of the pervasiveness with which energy is involved in educational, business, and labor practices, it is recognized by DOE that these groups must be engaged in partnership in the development and implementation of Federal energy policies and programs.

The Intergovernmental Affairs activity facilitates communications between DOE and State and local governments to ensure that the National Energy Act policies are successfully executed. It also provides assistance payments to former atomic energy communities. Intergovernmental Affairs assists in the necessary consultation with State and local governments on energy supply initiatives and regulatory programs and helps to ensure resolution of issues prior to development of final policy positions.

The Atomic Energy Community Act of 1955, as amended, requires DOE to administer a program of financial assistance to the former Atomic Energy Commission Communities specified in the statute which are Los Alamos, New Mexico; Oak Ridge, Tennessee; and Richland, Washington.

The Consumer Affairs program is responsible for public participation activities. Through dialogue between energy consumers and the Department, public involvement is assured in the policy process. Additionally, problem areas are identified early enough to prevent delays generated by misunderstandings and lack of information of specific issues. The program provides for the distillation of public comments into specific issue recommendations and includes feedback to the public as well as Departmental follow through on identified issues.

To assure timeliness, economy, and effectiveness, the public awareness program uses media and other activities already widely used by the public to obtain information. Through FY 1983 the mix and level of program activities and funding support requirements are expected to remain fairly constant. The primary milestone of the program is intangible and not specifically quantifiable; namely, public understanding and acceptance of the responsibility of all citizens for conscientious management of the Nation's energy resources and the universal benefits thereof.

The goal of the Indian Affairs program is to realize the production of energy resources by those tribes who own the resources. A grant has been awarded using interagency funding to the Council of Energy Resource Tribes (CERT) to conduct studies that will assist tribal councils in deciding whether or not and in what manner and extent to enter into energy production. It is anticipated that during FY 1979 approximately 87 information gathering and evaluation projects will be completed for tribal review.

A major anticipated milestone this year is CERT completion for the tribes of business plans which can then be submitted to potential investors. The benefits to be realized from Indian energy production will be in the form of additional domestic production of energy resources and, thus, a corresponding reduction of imported energy resources. Although unknown at the present time, the extent of Indian energy production will be dependent on the market demand for each resource as well as the extent to which tribes will be willing to convert their nonrenewable resources into cash.

In-House energy management

The major goals of the In-House Energy Management program are to both reduce by 1985 the Department's in-house energy consumption by 20% and reduce natural gas or petroleum consumption in major DOE heating plants to zero by FY 1995. Associated activities include design of new buildings to be twice as energy efficient as existing buildings and the retrofitting of all DOE buildings to minimize their life cycle cost by 1990 as required by the National Energy Conservation Policy Act.

Investments in energy savings projects for the last three years will result in a total reduction in DOE energy consumption of about 3.8% or 3.3 trillion btus annually. The program is expected to reduce annual energy costs by: \$4,100,000 for FY 1978 funded projects, \$6,700,000 for FY 1979 funded projects, and \$11,200,000 for FY 1980 funded projects. The funds requested in FY 1980 will allow for the energy surveys necessary to continue a program of investments, provide for the conduct of the two studies required annually to plan for the fuel conversion of major DOE central heating plants, and provide for the conversion of one central heating plant from natural gas and petroleum to high sulfur coal.

Security investigations

The objective of the Security Investigations program is to insure that the granting of security clearances to those Department of Energy, other Government, and contractor personnel who must, in the performance of their work, have access to Restricted Data, National Security Information, Special Nuclear Material, or who occupy a designated Critical Sensitive position, will not endanger the common defense and security of the United States.

The FY 1980 programs reflect an increased need in the DOE defense and uranium enrichment programs. Within the next three years, the security caseload should continue at about the same level as projected for FY 1980.

Other supporting activities

Plant Engineering and Design provides for Architect-Engineering services on Departmental construction projects (excluding those authorized under Atomic Energy Defense) which the DOE has under consideration for authorization request in future years. This allows certain designated projects to proceed from conceptual design into Preliminary Design and Definitive Design prior to requesting Congressional authorization. Design efforts accomplished under this project will accelerate project execution, assure project feasibility, define the scope, provide improved estimates of the cost of construction based on advanced design, and improve the reliability of procurement and construction schedules. A major objective is to accomplish sufficient design so that construction can physically start or contracts be let for long-lead procurement items in the budget fiscal year in which Congressional authorization is sought.

Cost of work for others

Cost of Work for Others provides for the costs associated with producing materials for sale to eligible purchasers and rendering laboratory, research, and other services to industrial and research organizations, when such products or services are not readily available from the private sector. Reimbursements received by DOE for the costs incurred in producing materials and rendering services are applied to reduce DOE's fund requirements.

Miscellaneous revenues

Miscellaneous Revenues consists of revenues received from the sale and lease of products, materials, and services to eligible purchasers. The products sold and the services rendered are related to DOE's objective of maximizing the application of energy resources to assist in the accomplishment of important national and international programs. DOE policy provides for full cost recovery for products, materials and services, with the exception of use charge waivers under the Cooperative Power Reactor Demonstration program, as authorized by law, and other exceptions approved by DOE.

Changes in inventories

The Changes in Inventories program provides for changes in the balances of Common Use Stores inventories at the national labs and integrated contractor facilities. Common Use Stores are those items required to support a large installation and workforce but are not related to any specific program. Such items consist of, but are not limited to: office supplies, lab supplies; automotive maintenance and repair supplies; building and grounds maintenance and repair items; heating fuels; and many other items common to all facilities and workforces. The FY 1980 goals of the program are twofold: (1) to replenish the coal stockpiles which were depleted during the strike of the winter of 1977-1978; and (2) to maintain the status quo of the physical quantity balances of the remainder of the inventory during a period of rising unit replacement costs.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

SUMMARY OF CHANGES
Departmental Administration
Policy and Management
(In thousands of dollars)

FY 1979 budget authority	251,584
FY 1980 budget estimate	<u>307,829</u>
Net change	+ 56,245

	<u>1979 Base</u>	<u>Change From Base</u>
Increases:		
Built-in:		
Cost of full field investigation		
FBI	1,845	+71
CSC	12,587	+1,139
Management and Support:		
Salaries and expenses		
Attributable to two (2) extra days pay and normal within grade experience	131,981 ^{a/}	+17,009
Travel		
Continuance of FY 1979 level of effort with allowance for increased carrier costs	4,910	+402
Support services		
Continuance of FY 1979 level of effort with allowance for inflation	86,380 ^{b/}	+526
Program:		
Policy analysis and system studies:		
NEP-II and other analytical reports	2,620	+1,055
General system analysis	4,566	+1,819
Competition analysis	800	+165
Data services from EIA	...	+2,000
International affairs - international policy studies:		
Additional studies on foreign energy sources and supplies	1,150	+350
Management and support:		
Capital equipment		
Normal expansion and enhancement of SACNET for current and new users	3,305	+1,000
Loans:		
The Office of Minority Impact provides loans to minority business enterprises to assist them in participating in DOE programs. New initiatives in FY 1980.	...	+3,000

^{a/} FY 1979 BA excludes \$8,457,000 for pending reprogramming and includes \$7,606,000 for pending pay raise supplemental.

^{b/} Includes \$21,500,000 for pending supplemental.

Intergovernmental & institutional relations:		
Technical information services		
Technical Information Center increase for		
contractor services	8,008	+803
Information marketing support	50	+50
Printing increase for information products	130	+170
National energy software center operation	800	+50
Education, business and labor affairs:		
Industry and business contract support	...	+550
Labor affairs policy awareness projects	...	+600
Energy-related inventions increased evaluations		
support	1,750	+220
Manpower assessments for NEA employment impact ..	...	+120
Intergovernmental affairs:		
State and local relations increase for public		
interest group contracts	...	+500
Consumer affairs:		
NEA outreach	285	+15
Public participation	190	+250
Consumer impact	124	+41
Advisory committees and technical assistance ...	51	+44
Public affairs:		
Printing, popular-level publications	230	+70
Indian affairs:		
Council of Energy Resource Tribes contract	...	+750
Other research contracts	...	+250
In-House energy management:		
FY 1980 modification for energy management,		
various locations	...	+19,700
Automated energy management system, Argonne		
National Laboratory.....	...	+4,500
Process waste heat utilization, Portsmouth		
Gaseous Diffusion Plant	...	+4,200
Automated energy management system, Pantex Plant		
Conversion of Boiler #5 to High Sulfur Coal,		
Argonne National Laboratory	...	+5,000
Security investigations:		
Increase in CSC investigations	11,827	+684
Other supporting activities:		
Plant engineering and design - Non-defense	3,000	+6,000
Cost of work for others:		
Increased production cost of special reactor		
material	340	+10
Increased production of radioisotopes and		
stable isotopes	4,926	+2,754
Increased sales of miscellaneous products	1,613	+586
Increase in services performed for others	10,923	+1,098
Miscellaneous revenues:		
Increased sales of special reactor materials,		
radioisotopes, and other products	-7,521	-3,879
Revenue from services performed	-12,059	-681
Changes in inventories, working capital:		
Maintenance of existing quantity balances	10,000	+2,860
Replenishment of coal stockpiles	...	<u>+6,400</u>
Total increases		86,251

Decreases:

Policy analysis and system studies:		
Energy supply systems assessments	2,485	-935
Program evaluation	2,105	-180
International affairs - international cooperation in non-nuclear technologies		
Pending Presidential decision on FY 1978 pilot program	3,000	-1,000
Intergovernmental and institutional relations:		
Technical Information Services		
Technical information support services	600	-87
Capital equipment	700	-300
Education, business and labor affairs:		
Education and training, decreased manpower development	7,960	-310
Intergovernmental affairs:		
Community assistance to atomic communities	9,079	-407
Public affairs:		
Science museum presentations	500	-30
Other public presentations	1,100	-120
Audiovisual services	480	-80
In-House energy management:		
FY 1979 modification for energy management, various locations	12,655	-12,655
Heating, ventilating, and air conditioning heat recovery, Richland Washington	4,000	-4,000
Process waste heat utilization, gaseous diffusion plant, Paducah, Kentucky	4,800	-4,800
Security investigations:		
Decrease in FBI investigations	1,976	-147
Decrease in NAC	84	-7
Other supporting activities - general purpose facilities:		
Transfer of subprogram sponsorship	10,600	-10,600
Cost of work for others:		
Decreased cost of providing DOE facilities and equipment to others	347	-272
Decrease in level of special services and fabrication performed for others	280	-71
Reduction in the level of withdrawal and analysis service performed for uranium enrichment customers	3,971	-1,711
Miscellaneous:		
Reduction in the level of withdrawal and analysis services for uranium enrichment customers	-3,770	+1,140
Reduction in other miscellaneous revenues	-89,550	+46,566
Total decreases		-30,006

Departmental Administration
Policy and Management
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1979 Estimated Budget Authority	FY 1980 Requested Budget Authority
Policy analysis and systems studies (PE)		
Operating expenses	\$ 14,576 ^{a/}	\$ 18,500
Total, policy analysis and systems studies	\$ 14,576	\$ 18,500

^{a/} Includes a pending supplemental of \$ 2,000,000.

Authorization: Sec. 102 (2), (3), (4), (5), (8), (11), (12); 203 (7); 657; 801 (a), (b), (c), P.L. 95-91	\$ 14,576	\$ 18,500
---	-----------	-----------

This activity is carried out by the Office of Policy and Evaluation. It combines the general systems studies and policy and program analysis line items formerly budgeted for separately. The requested level of funding is \$18,500,000, which represents approximately a \$4,000,000 increase over the amount appropriated in FY 1979.

Policy analysis and systems studies	\$ 14,576	\$ 18,500
---	-----------	-----------

One of the principal objectives in creating the Department of Energy was to bring greater coherence and rationality to national energy policy. In order to achieve this purpose, DOE established a strong central policy office and assigned to it the task of providing leadership in national energy policy development and analysis, and in evaluating and coordinating a wide range of functions that cut across organizational lines.

Budget levels for this type of independent, cross-cutting policy analysis had already been set in the single-purpose agencies that preceded DOE and were learned to be inadequate then. Now, the Office of Policy and Evaluation has both new and substantially enhanced responsibilities in such areas as competition; program budget evaluation; financial, tax, legislative, and fuel cycle analysis; and preparation of the National Energy Plan and DOE Annual Report. This substantial expansion of functions clearly requires contractual support service funding levels well above those approved for FY 1978 and subsequently extended into FY 1979. The funds requested will provide sufficient and timely information for policy development, analysis, and evaluation on a cross-cutting, DOE-wide, basis for the highest-priority national energy policy issues.

The following summary of representative study projects for each of the Policy and Evaluation offices indicates the magnitude and complexity of the needs of the Department in the Policy Analysis and Systems Studies category:

1. In the Office of Planning and Regulatory Program Evaluation, a portion of the required funds will allow for evaluation of the impacts and effectiveness of major DOE programs. Evaluations will be conducted to determine the economic impacts of energy regulatory programs on major energy supply and demand problems. For example, an assessment of major new National Energy Act (NEA) programs, begun in FY 1978 and FY 1979, will be continued in FY 1980. These efforts will focus on utility rate reform, conservation tax credits, natural gas pricing policies and various grant programs. Funds are also required to provide

- analytical support for the DOE Policy and Program Planning System, particularly for the review of the DOE FY 1981 budget and FY 1980 program plans. Contractor support is also needed for technical and analytical backup to program evaluations of DOE environmental research as well as state and local programs.
2. In the Office of Technical Programs Evaluation, support funds are required for studies of industrial research and energy innovation, as well as monitoring and analyzing privately sponsored industrial research and development on energy-related technologies and identifying measures to stimulate and improve them. Extensive contractor support will also be required for detailed assessments of R&D policies and priorities and technical components of strategies for energy supply and conservation as well as critical analyses for the FY 1981 National Energy Plan. Increased funds are also needed to provide support to in-house technical program evaluations, ranging from quick-response analyses of small portions of technical programs to relatively long-term, thorough, examinations of demonstration efforts and other major DOE defense and energy activities. PE's effort to develop and improve DOE's policy-oriented technology cost and performance data base is also dependent on additional funding. This effort, begun in FY 1979, critically collates, analyzes and develops data, estimates and projections from numerous sources; converts them to an internally self-consistent basis; and maintains the results in readily retrievable, useful form.
 3. The efforts of the Office of Policy Coordination will require contractual support services for Congressionally-mandated reports covering energy policy formulation and implementation, strategic planning to reduce mid- and long-range energy vulnerability of the United States; planning to assess the adequacy of United States contingency plans and develop options to counter supply interruptions; carrying out the emergency coordination functions for the Department; analyzing the financial status of energy sector industries to determine required incentives/disincentives; assisting IRS in promulgating tax standards; and analyzing regulatory incentives to assess the financial impact of regulatory influence on energy use and/or production.
 4. Intensified effort will be required in the Office of Analytical Services. This office has lead responsibility in P&E for conducting integrated mid- and long-range policy analyses of U.S. and world energy supply and demand, macro- and microeconomic impacts, and other economic impacts (regional, equity, etc.). Support funds will be necessary for the use of models for the National Energy Plan, energy strategy studies, and policy-specific energy model development and improvement. Provision must also be made for quick-response assessment of economic impacts of energy policies. Examples are regional (state level) economic impact scenarios, microeconomic impact studies of consumer incomes and expenditures, industrial structure and productivity impacts. Among Congressionally-mandated studies to be carried out are the preparation of the annual Economic Impact Report to Congress and preparation of the supply/demand scenarios (with EIA) for the National Energy Plan.
 5. The Office of Oil and Gas Policy will require contractual support services in FY 1980 to augment its in-house analytic capability. Studies conducted by this office will focus generally on oil and gas supply, demand, substitution, pricing distribution/delivery. Specific studies will include a review of domestic and international exploration and development; analysis of incentives for maximizing domestic oil and gas production, both onshore and offshore; an assessment of domestic refinery capabilities and needs, present and future; a review of transportation alternatives for distributing crude oil and petroleum products, resolution of regional supply/demand problems; the role of supplemental gas supplies in meeting energy demands; an assessment of replacement fuels for conventional oil and gas supplies; state-federal roles regarding the rate and allocation regulations for oil and natural gas; economic impact assessments of oil and gas price issues; deregulation of oil and industrial integration and capital/labor requirements.

6. Projects planned for the Office of Coal, Utility & Integrated Energy Analysis will include economic and technical analyses of the electric utility sector, the coal supply industry, oil refinery and petrochemical industries, the iron and steel industry, and the chemicals, non-ferrous metal and other industries. Heavy emphasis will be placed on completing a national industrial energy and technology analysis; an electrical systems technology assessment; and a coal supply assessment. Other studies include air quality impact and constraints analysis, environmental (non-air) impact and constraints analysis, technology end-use applications, venture capital analysis, and economic and structural analysis of the synthetic gas industry. Other analyses planned are economic, institutional and technological analyses of nonregulatory factors affecting coal supply. Monitoring of regulations affecting coal supply will also be undertaken.
7. In the Office of Conservation and Advanced Energy Systems Policy, efforts will focus on studies of residential and commercial conservation, industry conservation policy analysis, and transportation conservation policy analysis. Other studies will include technical support to provide topical analyses and issue papers on a short response time basis; analysis of employment and other socioeconomic impacts of alternative renewable energy futures; examination of the need for new institutional arrangements to foster and accompany the widespread use of solar and other renewable energies; analysis of alternative financial incentives and their potential in bringing about the adoption of solar technologies; assessment of the regional demand patterns that could be met with renewable energy; analysis of the factors affecting the formation of consumer preferences which underlie the demand for energy and energy-intensive goods; analysis of the technological and economic factors affecting various new technologies for storing solar energy; examination of the technological and economic elements in determining the appropriate scale of production for renewable energy; and development of a policy-relevant data base to assist in analysis of advanced energy systems policies.
8. The Office of Competition was created to fulfill a specific Congressional mandate to foster competition among suppliers of energy fuels. Contractual support is required to perform analyses of competitive impacts in research and development, commercialization, procurement and patents, as well as to develop procedures to promote competition at the initial DOE decisionmaking stage. Studies and analyses of competition are also needed for several industries such as coal, nuclear, oil and gas, oil and gas pipelines, international oil and gas, oil product marketing, horizontal diversification and regulated industries. Particular attention will be devoted to completing the study of subsidization in motor fuel marketing mandated by Title III of the Petroleum Marketing Practices Act and performing the study of competition and performance in the coal industry mandated by Section 742 of the Power Plant and Industrial Fuel Use Act.
9. Studies in support of the Office of Nuclear Policy will include environmental, economic and technical analyses dealing with the reliability of nuclear energy systems; impacts of technical changes in fuel cycles on the cost of nuclear-generated electricity; the long-term nuclear forecast for both fusion and fission energy; extension of the supply of uranium resources; development and implementation of uranium enrichment strategy; increased reactor public health; safety and environmental impacts of employing nuclear technologies and identification of the public's role in the formulation of risk acceptance criteria and the development of comprehensive health and safety standards.

Included in this budget request is \$2,000,000 for NEA-mandated studies of "Coal Industry Performance and Competition" and "National Coal Policy". A similar amount is included in the FY 1979 supplemental budget request to the Congress for the initiation of these studies.

Funds in the amount of \$2,000,000 are requested to meet PE's data services support requirements. This would provide for minimum EIA computer time for analytical tasks to be performed by EIA for PE, such as the utilization of macroeconomic models in the preparation of the National Energy Plan. EIA and PE must, by law, be organizationally independent.

These studies represent a sample of analytical work that will be undertaken in FY 1980. It will take a number of years to develop the total analytical framework that is desirable.

Funds will be expended in the continental United States. The major portion will be obligated through competitive procurement awards made by headquarters to local and national commercial contractors. The balance will be spent at field offices and National Laboratories.

Departmental Administration
Policy and Management
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1979 Estimated Budget <u>Authority</u>	FY 1980 Requested Budget <u>Authority</u>
<u>International affairs (IA)</u>		
International cooperation in non-nuclear technologies:		
Operating expenses	\$3,000	\$2,000
Subtotal	3,000	2,000
International policy studies:		
Operating expenses	1,150	1,500
Subtotal	1,150	1,500
Total, international affairs	\$4,150	\$3,500
Authorization: Sec. 101(27) P.L. 95-238	\$4,150	\$3,500

<u>International cooperation in non-nuclear technologies</u>	\$3,000	\$2,000
--	---------	---------

International Cooperation in Non-Nuclear Technologies, the Less Developed Countries Program, was initiated as a result of Presidential Directive No. 8. The requested level of funding for FY 1980 is \$2,000,000, a \$1,000,000 decrease in the amount appropriated in FY 1979.

This program supports United States objectives related to nuclear non-proliferation and global energy supplies by strengthening developing countries' capabilities to identify and pursue feasible energy options. The Department of Energy, under the policy guidance of an interagency group chaired by the Department of State, works with selected developing countries to define suitable energy strategies. Development of such strategies, in cooperation with host country counterparts, would permit these selected countries to reduce dependence on imported oil and avert premature or excessive commitments to nuclear energy programs involving sensitive technologies. A report has been provided to the President on the results of the pilot efforts with Egypt and Peru that were conducted during FY 1978. The level at which the program will be continued will be predicated on the Presidential reaction to the PD No. 8 results. The requested level of funding for FY 1980 will provide for the continuation of the program at a reduced level until such time as a decision is made by the President. A supplemental budget request will be initiated if the decision is made to expand the program. FY 1980 activities planned are the continuation and completion of a country energy/resource assessment and strategy definition for a third selected country. This assessment includes a review of the country's available economic and energy development plans, an analysis of energy and economic resource bases, and formulation of a set of applicable energy supply and demand options and strategies for future target years. Preliminary work in the United States and in-country field work will be initiated for a fourth selected country. These funds will be spent in the continental United States at various field offices, universities, private research firms, and laboratories, such as Brookhaven and Argonne National Laboratories.

Departmental Administration
Policy and Management

(Tabular dollars in thousands. Narrative material in whole dollars.)

International policy studies	\$1,150	\$1,500
------------------------------------	---------	---------

The FY 1980 budget request for International Policy Studies is \$1,500,000, a \$350,000 increase over the amount appropriated in FY 1979. These policy studies enable the Office of International Affairs to provide basic data and assessments to address international energy issues having direct impact on research, development, utilization, supply, and conservation of energy in the United States. Such studies assist in the development, implementation and evaluation of international policies and programs in the areas of energy requirements and technical applications; special relations and agreements to improve the security of United States energy supplies; contingency planning; and energy resource assessment and development. Continued support will be furnished to the Department of State in renegotiating the Agreements for Cooperation and in establishing nuclear non-proliferation policies. The funding level for FY 1980 will permit a moderate increased level of effort for analysis of direct foreign investments in United States energy sources and supplies. Assessments of foreign energy supplies, OASPEC productive capacity and oil pricing policies, and the world nuclear fuel market in light of the International Fuel Cycle Evaluation and the Nuclear Non-Proliferation Act of 1978 will be initiated. The emphasis of individual studies can be expected to change as world conditions change and new priorities emerge. These funds will be expended within the United States at various laboratories, field offices, universities and private research firms.

Departmental Administration
Policy and Management
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1979 Estimated Budget <u>Authority</u>	FY 1980 Requested Budget <u>Authority</u>
<u>Management and support (AD/CR)</u>		
Salaries and expenses:		
Operating expenses	\$131,981 ^{a/}	\$148,990
Travel:		
Operating expenses	4,910	5,312
Support services:		
Operating expenses	86,380 ^{b/}	86,906
Loans:		
Operating expenses	...	3,000
Capital equipment:	<u>3,305</u>	<u>4,305</u>
Total, management and support	\$226,576	\$248,513
^{a/} The FY 1979 BA includes \$7,606,000 for the effect of the October 1978 pay raise.		
^{b/} The FY 1979 BA includes \$21,500,000 for the support services supplemental.		
Authorization: Section 201, P.L. 95-91	\$226,576	\$248,513

The management and support program includes the personnel and associated funding resources of the Office of the Secretary, Headquarters staff organizations, multi-program operations offices and regional representative organizations supporting the Department's diverse, complex energy programs. Support services and capital equipment expenses are included for the entire Headquarters with the exception of the Federal Energy Regulatory Commission, Office of Hearings and Appeals, and the Economic Regulatory and Energy Information Administrations. The table at the end of this justification shows the allocation of positions and funding by organization.

<u>Salaries and expenses</u>	\$131,981	\$148,990
------------------------------------	-----------	-----------

The FY 1980 budget request of \$148,990,000 for salaries and expenses is an increase of \$17,009,000 over the amount appropriated in FY 1979. The FY 1979 BA figure does not include \$8,457,000 associated with a reprogramming from FY 1978 unobligated carryover to alleviate a shortage in salaries and expenses. Considering the reprogramming, the real increase in FY 1980 is \$8,552,000. The increase in FY 1980 salaries and expenses is attributable to such built-in normal increases as within grade increases and two extra days pay in FY 1980. Funding is provided for 4,449 full-time permanent positions and 4,581 staff years.

Departmental Administration
Policy and Management

(Tabular dollars in thousands. Narrative material in whole dollars.)

Staffing levels will continue to decline in FY 1980 despite increases in programmatic levels of effort, diversity, and complexity. All organizations included in management and support either decline or remain at the FY 1979 level of staffing with the exception of the Office of Procurement and Contracts Management which increases by four positions. Consistent with long-standing practice and Government-wide policies, the management and support program will continue to seek the utilization of contractors to the maximum extent feasible in limiting Federal employment.

Salaries and expenses include estimates for full-time permanent base salaries, other personal services and personnel benefits. Other personal services is a diverse category of expenses covering the base salaries of the other than full-time permanent positions, reimbursements to other Government agencies for personnel loaned to DOE, and a variety of expenses including terminal leave, equalization payments, overseas post differentials, overtime and other expenses for all management and support employees. Personnel benefits cover all management and support employee expenses for payments to the Civil Service Retirement and Disability, Employees Health Benefits and Life Insurance funds. Also included are payments to the Employees Compensation Fund and the Department's share of FICA taxes. Allowances for domestic quarters, overseas duty, employees incentive awards, moving expenses, and benefits for former personnel are also funded in personnel benefits.

The following organizations are budgeted under this program:

Office of the Secretary

The Office of the Secretary, including the Deputy Secretary and the Under Secretary, directs and supervises the administration of DOE and provides policy guidance to line and staff organizations in the accomplishment of DOE objectives.

Board of Contract Appeals

The Board of Contract Appeals hears and resolves appeals pertaining to contractual matters.

Office of the Controller

The Office of the Controller performs all functions related to financial management in support of Department goals, maintains a Department system of reporting to ensure financial integrity, effective utilization of resources and safeguarding of funds and property. Toward that end, some of the major areas of emphasis in FY 1980 will be: increasing the effectiveness in performing independent cost estimates and developing cost estimating data bases and methodologies for the Department; and developing, implementing and conducting on-site project reviews of the Program/Project Management Systems for DOE Outlay Programs.

Departmental Administration
Policy and Management

(Tabular dollars in thousands. Narrative material in whole dollars.)

Office of the Inspector General

The responsibilities of the Office of the Inspector General are to supervise, coordinate, and provide policy direction for auditing and investigative activities relating to the promotion of economy and efficiency in the administration of, or the prevention or detection of fraud or abuse in programs and operations of the Department. A major effort is underway to identify those problem areas where audits, investigations and inspections seem likely to yield the highest payoff in cost-benefit terms.

Procurement and Contracts Management

The Directorate of Procurement and Contracts Management is charged with the development and implementation of the DOE procurement and financial assistance policy and regulatory framework through which the Department's commercialization objectives are accomplished, in addition to the oversight of the socioeconomic goals and obligations through the procurement process. Based on past experience and the present national environment, the Director anticipates a larger and more complex workload as well as implementation of recently signed statutes which will impact the nature of the workload and require additional reporting of accomplishments in order to meet the requirements of law. Accordingly, four additional positions are targeted as a consequence of the following legislation: the National Energy Act which will result in an increase in the number of grants, direct loans, interagency agreements and contracts; the Federal Grant and Cooperative Agreement Act (P.L. 95-224) which requires that all existing R&D contracts (well in excess of 1,000) be reviewed to determine if they are truly contracts or if they meet the definition of grants, cooperative agreements, loans or loan guarantees; and, P.L. 95-507 - Amendments to the Small Business Act and Small Business Investment Act of 1958 which requires that every procurement in excess of \$500,000 (\$1,000,000 for construction) contain subcontracting plans to be submitted with bids and proposals which detail the specific ways the prime contractor will use to award a specific percentage of his subcontracting to small business concerns.

Administration

The Directorate of Administration provides a broad range of management, administrative, and support functions for the Department, including personnel, organization and management systems, real property and administrative services, ADP management, construction management, Headquarters computer and telecommunications services, energy management for DOE facilities and contractor industrial relations.

General Counsel

The General Counsel is responsible for providing legal opinion, advice and services with respect to all Departmental activities with the exception of the Federal Energy Regulatory Commission. This responsibility entails the provision of counsel and assistance in the development of DOE programs and policies. The General Counsel is expected to perform and conduct litigation of interest to the Department and he is responsible for assuring the preparation of proposed legislation and DOE legislative comments.

Departmental Administration

Policy and Management

(Tabular dollars in thousands. Narrative material in whole dollars.)

Assistant Secretary for Intergovernmental and Institutional Relations

The Assistant Secretary is responsible for developing, managing and/or assuring coordination of departmental relations with external organizations and entities including: the Congress, news media, national, state, regional and local governmental bodies and their national associations, other Federal agencies, consumer and citizen organizations and others. This includes responsibility for: assuring effective coordination of DOE activities which significantly impact such external organizations, monitoring events, views, and interests outside the Department which could affect policies and programs.

In addition to administering the functions under Intergovernmental and Institutional Relations, the Assistant Secretary also provides day-to-day supervision of the Regional Representatives of the Secretary of Energy.

Assistant Secretary for Policy and Evaluation

The Assistant Secretary for Policy and Evaluation formulates and recommends the Department's overall policy direction and coordinates the analysis and evaluation of policies and programs. The Assistant Secretary is responsible for ensuring that Department policies and programs promote competition in the energy industries and that consumer impact is considered in Department decisionmaking. The major thrust for FY 1980 is to conduct, with in-house resources augmented by contractor support, the analyses for: development of the National Energy Plan, implementation of the National Energy Acts of 1978, development of basic energy policies and program strategies; responding to topics of Congressional and Presidential interest or concern.

Assistant Secretary for International Affairs

The Office of International Affairs formulates the Department's international energy policy, represents the Department in intergovernmental and international energy discussions and negotiations, and assures that United States international energy policy is consistent with its domestic energy objectives.

During FY 1980 and beyond, International Affairs will continue to establish and maintain bilateral and multilateral cooperative agreements in technology and resource areas, to develop and maintain energy supply policies and contingency planning programs, to monitor Government-company relationships and other foreign policy objectives as established by the Administration.

Office of Equal Opportunity

The Office of Equal Opportunity is responsible for advising and assisting the Secretary of Energy on equal employment opportunity and all other civil rights matters. The Director serves as the principal staff advisor to the Secretary for the coordination and development of policies, standards and guidelines for the Federal Employee Equal Employment Opportunity Program in DOE.

Departmental Administration
Policy and Management

(Tabular dollars in thousands. Narrative material in whole dollars.)

Office of Minority Economic Impact

The Office of Minority Economic Impact was established in FY 1979 as mandated in the National Energy Conservation Policy Act. The Office advises the Secretary on the effect of energy policies, regulations, and other DOE actions on minorities and minority business enterprises, and on methods to afford minorities an opportunity to participate fully in DOE's energy programs.

The FY 1980 objective of the Office of Minority Economic Impact is to establish institutionalized methods of determining the impact on minorities and minority business enterprises of DOE action and programs.

Regional Representative Organizations

The Regional Representative acts as a catalyst for accomplishing the Secretary's and the Department's objectives within each Federal region. The Regional Representative is responsible for communicating regional, state, and local concerns to the Secretary, communicating DOE policy within the region, and providing regional perspectives on individual programs directly to the appropriate Headquarters program office.

Multi-Program Operations Offices

The Operations Offices perform a wide variety of functions in support of Department activities throughout the country. Among these functions are field procurement, engineering and construction management, health and safety, cost and schedule control, property management, labor relations as well as maintenance of personnel and financial systems.

In FY 1980, the Operations Offices objective is to effectively manage and oversee the operations by contractors in government-owned laboratories and facilities and to respond favorably to meet the challenge of further decentralization of project management.

The staffing reduction in FY 1980 reflects an effort to reduce the Federal workforce in such direct activities as guard services.

Office of Power Marketing Coordination

The Office of Power Marketing Coordination reports directly to the Assistant Secretary for Resource Applications, advising him on all matters concerning power marketing. The Office is responsible for coordinating and overseeing the operations of the five power marketing administrations within a framework which preserves their organizational independence while ensuring conformance to National Energy Policy directives.

The Office develops common procedures for the preparation of repayment studies, rate proposals, and other aspects of power sales. It serves as a focal point on physical resources matters for all power marketing administrations, especially in relation to national and international water resources organizations and the Water Resources Council. It coordinates legislative proposals, budget authorization and presentation, management plans, financial management matters, organizational structure, and other administrative affairs for all five power marketing administrations within the structure of the Department of Energy.

Departmental Administration
Policy and Management
(Tabular dollars in thousands. Narrative material in whole dollars.)

Travel \$ 4,910 \$ 5,312

This estimate covers funding for official domestic and foreign travel for the Management and Support program. Travel resources of \$5,312,000 in FY 1980 will allow the Department to continue the scope and level of effort conducted in FY 1979. The increase of \$402,000 in FY 1980 is attributable exclusively to rate increases. Resources for FY 1980 will primarily support growth energy programs requiring travel intensive oversight. Lower priority programs and conference/training related travel will be curtailed. The majority of travel expenses are related to travel subject to regulation with relatively minor amounts utilized for GSA motor pools and shuttle bus services. Approximately 95% of the budget involves travel subject to regulation. Travel is conducted primarily by management and support full-time permanent employees and to a much lesser extent advisory groups and individual consultants.

Support services \$ 86,380 \$ 86,906

This estimate covers administrative requirements for operations at the Headquarters (excluding ERA, FERC, EIA, and Hearings and Appeals) and multi-program operations offices and regional representative organizations in the field. The increase of \$526,000 in FY 1980 reflects a continuation of the FY 1979 level of effort with an allowance for inflation. The estimates provide for communication services, rents and utilities, printing and reproduction, transportation of things, supplies and materials, and other essential administrative expenses necessary to support programmatic efforts.

Included in this program is an ongoing capability to design, develop and implement program/project and business management information systems, in particular, and an overall management analysis function for management information systems in general. Funds are also provided to develop capabilities for independent cost estimating; develop and implement several procurement information systems; automate various procurement operations; prepare modern and uniform instructional materials for DOE Federal and contractor personnel; provide publications describing the minority and small business programs to candidates; integrate predecessor agency procurement management information systems to effectively comply with OMB Federal Procurement Data System requirements; and to improve management efficiency. Estimates were developed by detailed analysis of needs under the various activities to provide an economical, efficient scope and level of effort equivalent to FY 1979. The following table provides a functional profile of support services:

	Estimate <u>FY 1979</u>	Estimate <u>FY 1980</u>
Transportation of things	\$ 526	\$ 538
Communications services	17,215	17,386
Rents and utilities	19,834	18,662
Printing and reproduction	6,502	6,625
Other services	33,984	35,335
Supplies and materials	<u>8,319</u>	<u>8,360</u>
Total	\$ 86,380	\$ 86,906

Departmental Administration

Policy and Management

(Tabular dollars in thousands. Narrative material in whole dollars.)

The estimate for transportation of things includes costs for transportation of Government property and for contract messenger service (at Headquarters). Communications services includes various items as: (1) commercial telephone services, including equipment and circuit rental and installation costs, the Federal Telecommunications System and commercial toll calls; (2) a dedicated narrow-band secure voice (telephone) system between the field organizations and Headquarters as well as DOE's use of the Washington, D.C., wide-band system serving most Federal agencies in the area for discussion of classified and sensitive information; (3) teletype services, including equipment and circuit rentals; (4) a secure computer based message switching system at Germantown, Maryland, which provides capability for secure high speed and high volume transmission of administrative messages and technical, financial, and scientific data among DOE installations throughout the country; (5) payments to the U.S. Postal Service for postal services; and (6) other communications services for such items as telecommunications engineering studies, teleconferencing services, communications services for foreign offices, telegrams, and lease of facsimile equipment and radio frequency management costs.

Rents and utilities covers requirements for rental of office and other administrative space, utilities, and rental of computer and other specialized equipment such as copying and word processing equipment. Included are space and user charges (SLUC) to be paid by DOE to the General Services Administration as required by the Public Buildings Act. SLUC expenses have declined at Headquarters as a consequence of the consolidation of office locations.

The estimate for printing and reproduction includes costs of printing forms, letterheads, and routine and special reports. Major publications produced with this funding will include the DOE Gas Mileage Guide and the Tips for Energy Savers.

Other services includes all other requirements for contractual services performed by other Government agencies and contractors. This includes services such as guard services, maintenance and operation of buildings and grounds, assist audits, employee training and maintenance of crypto equipment. Also included are requirements for services performed by contractors, such as: (1) management information systems to provide essential information services for Headquarters and field locations; (2) special management studies and other contract items with private firms or individuals for improving the administrative functions of the Department; (3) graphics contracts to provide the visual aids required for presentations, briefings, etc., to the Congress and general public; and (4) services furnished to the field locations by DOE contractors such as security services, maintenance and operation of buildings and employee training.

The estimate for supplies and materials includes costs such as office supplies; technical and professional books, gasoline, oil, and parts for Department-owned vehicles; and subscriptions for periodicals.

Loans \$... \$ 3,000

The Office of Minority Economic Impact, as authorized by the National Energy Conservation Act, provides management and technical assistance to minority educational institutions and minority business enterprises, and provides loans to minority business enterprises to assist them in participating in DOE research and development programs. This represents a new initiative in FY 1980. These loans are to be used to assist the businesses in bidding for and obtaining contracts. Loans are limited to 75% of the firms costs for such activities.

Departmental Administration
Policy and Management

(Tabular dollars in thousands. Narrative material in whole dollars.)

Capital equipment \$ 3,305 \$ 4,305

This estimate provides for the procurement of administrative equipment for the Headquarters, multi-program operations offices and regional representative organizations for regular operating requirements. Procurement is primarily for replacement of items which have become unserviceable or on which further repairs would be uneconomical. Funding is also provided for remote terminals and associated transmission control units for the DOE field locations and Headquarters Computer Center to meet computing workload. Terminals will support program applications involving large-scale data base retrieval, data entry and update, interactive graphics for both scientific and business type applications, computer-aided problem solving, and computer aids for project management, budget formulation, forecasting and trend analysis.

The FY 1980 estimate includes requirements for data communications equipment for normal expansion and enhancement of SACNET switch equipment, terminals and hardware to provide SACNET capabilities to new users. Many field locations, due to greater delegated responsibilities from the Headquarters, have experienced significant increases in message traffic volume both with the Headquarters and other field locations. Presently, message traffic is conducted through GSA and commercial services. Extensive commercial services are necessary to supplement GSA capabilities.

Based on cost-effectiveness analyses, increased message traffic is most economically accomplished by integrating certain nonconnected field locations with the existing SACNET system. GSA is unable to provide enhanced service and commercial alternatives are not as economical. Also included is funding for DOE-wide emergency radio equipment and Headquarters and field data sets, facsimile, terminals and voice communications devices to protect sensitive information.

Departmental Administration
Policy and Management
Management and Support Position and Funding Targets
(dollars in thousands)

Organization	FY 1979			FY 1980		
	FTP Auth. End Yr. \$	Other Auth. End Yr. \$	Program Admin. \$	FTP Auth. End Yr. \$	Other Auth. End Yr. \$	Program Admin. \$
Office of the Secretary	85	4	\$ 2,338	85	4	\$ 2,896
General Counsel	361	10	11,770	361	10	13,311
Inspector General	100	1	3,746	100	1	4,165
Equal Opportunity	35	7	1,104	35	7	1,347
Board of Contract Appeals	5	1	223	5	1	225
Administration ^{1/}	675	69	19,057	675	69	19,443
Procurement	218	21	7,089	222	21	7,890
Controller	305	18	9,106	299	18	9,606
International Affairs	131	14	5,915	131	14	5,245
Policy & Evaluation	190	8	6,808	176	8	6,882
Institutional & Intergovernmental Relations .	292	17	9,864	263	17	10,119
Subtotal Headquarters	2,397	170	77,020	2,352	170	81,129
Operations Offices	1,816	171	57,508	1,806	171	61,467
Regional Counsels	119	...	3,578	119	...	4,117
Regional Representatives	264	26	6,775	157	26	7,079
Power Marketing Administration Coordination .	15	...	467	15	...	510
Grand Total	4,611	367	145,348	4,449	367	154,302
Adjustment ^{2/}			-8,457			0
BA Total			\$136,891			\$154,302

^{1/} Includes one position for the Office of Minority Economic Impact.

^{2/} Difference in FY 1979 BA and BO resulting from the personal services and benefits reprogramming source of prior year unobligated carryover.

Departmental Administration
Policy and management
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1979 Estimated Budget Authority	FY 1980 Requested Budget Authority
<u>Intergovernmental and institutional relations (IR)</u>		
Technical information services:		
Operating expenses.....	\$ 9,588 ^{a/}	\$ 10,574 ^{b/}
Capital equipment.....	700	400
Subtotal.....	10,288	10,974
Education, business, industry, and labor affairs...		
Operating expenses.....	10,590	11,870
Capital equipment.....	100	...
Subtotal.....	10,690	11,870
Intergovernmental affairs:		
Operating expenses.....	9,079 ^{a/}	9,172 ^{b/}
Subtotal.....	9,079	9,172
Consumer affairs:		
Operating expenses.....	650	1,000
Subtotal.....	650	1,000
Public affairs:		
Operating expenses.....	2,460	2,290
Capital equipment.....	100	110
Subtotal.....	2,560	2,400
Indian affairs:		
Operating expenses.....	...	1,000
Subtotal.....	...	1,000
Total, intergovernmental and institutional relations.	\$ 33,267	\$ 36,416

^{a/} Includes pending supplemental requests of \$288,000 and \$22,000 respectively for the October 1978 pay raise.

^{b/} Includes \$294,000 and \$22,000 respectively for October 1978 pay raise.

Authorization: Sec. 102, 103, 203(a), P.L. 95-91		
P.L. 93-557		
P.L. 84-221	\$ 33,267	\$ 36,416
P.L. 93-438		
P.L. 94-163		

<u>Technical information services</u>	\$ 10,288	\$ 10,974
---	-----------	-----------

The FY 1980 budget request for technical information services is \$10,974,000, a \$686,000 increase over the amount appropriated in FY 1979; of this combined total, \$10,574,000 is for operating expenses, an increase of \$986,000 from the prior year, and \$400,000 is for capital equipment.

Goals for the technical information services in FY 1980 are to: (1) continue building the energy information data base (EIDB). As a result of citations gathered from world-wide sources, the EIDB is growing at a rate of 120,000 to 150,000 items annually. The EIDB is produced both in electronic and published form, which helps to ensure convenient access to users, regardless of their location or available resources. (2) continue implementation of the technical information management system (TIMS), which monitors Departmental R & D efforts. TIMS assures that research sponsored by DOE results in published reports that are available to other DOE contractors and to industry. TIMS will increase the number of DOE reports published and acquired from 17,000 to almost 24,000 in FY 1980.

Departmental Administration
Policy and management

(Tabular dollars in thousands. Narrative material in whole dollars.)

(3) provide a publications inventory and secondary publications service. By implementing this program, both DOE and the public will have improved knowledge of and access to general audience energy publications. In FY 1980, more than 15,000 requests for several hundreds of thousands of copies are expected. (4) provide a more convenient means of access to the energy related scientific, engineering, and technical information store maintained as part of technical information services program. By FY 1980, initial electronic access to the EIDB will be possible for over 15,000 institutional users. At present, access is limited to some 300 high priority DOE-affiliated users, but this expansion will be made possible through the use of private sector vendors. Use of energy related computer programs by other contractors will be continued and an estimated 1,000 of these programs will be distributed in FY 1980. Finally, technical information services will provide almost 2,000,000 copies of scientific and technical reports to DOE users and answer at least 190,000 reference inquiries.

The FY 1980 request of \$400,000 for capital equipment provides for the add-on of a minimum storage capacity for EIDB maintenance requirements as well as equipment necessary to maintain an inventory of DOE general publications, and the provision for Technical Information Center (TIC) distribution upon request. A decrease of \$300,000 in capital equipment procurement compared with the prior year is possible by deferment of the purchase of a mass storage device pending the advancement in technology for this major item.

The FY 1980 requested year-end ceiling for TIC, which is located in Oak Ridge, Tennessee, is 203 full-time permanent positions, down 8 from FY 1979. Additionally, 42 other than full-time permanent positions are requested, for a total personnel level of 245 positions. A distribution of these personnel resources, by the type of work effort involved, follows. 95 positions will be allocated to the continued development and maintenance of the energy information data base (EIDB). This ceiling is equivalent to the FY 1979 figure, in spite of a workload increase of 14%. A large portion of this productivity increase can be attributed to the implementation of improved processing systems and new equipment. The printing and distribution of research and development reports will require 93 positions. The use of overtime and contractor assistance in this activity will permit the level to remain the same as FY 1979, in spite of an increase of 9% in workload. Additionally, over 300,000 requests for specific information on energy related topics will be processed during FY 1980, an increase of 40,000 over the previous fiscal year. This function will require 57 positions. The following table provides a tabular presentation which shows the steadily increasing workload measurement factors for the three areas of personnel allocation.

	<u>FY 1978</u>	<u>FY 1979</u>	<u>FY 1980</u>
Energy documents added to data base inventory.....	168,000	175,000	200,000
R & D reports and general educational materials distributed..	12,548,000	14,700,000	16,000,000
Responses to requests for energy information.....	210,000	260,000	300,000

Because of increasing workload pressure, a number of work efforts have been revised or reduced in scope. Included in this category are reductions in technology transfer projects and the acquisition of information from technical conferences. The 8 position reduction will be achieved through elimination of the Federal guard service at TIC. Security services will be obtained instead on a contractual basis.

Departmental Administration
Policy and management
(Tabular dollars in thousands. Narrative material in whole dollars.)

Education, business, industry, and labor affairs..... \$ 10,690 \$ 11,870

The FY 1980 budget request for Education, Business, and Labor Affairs (EBLA) is \$11,870,000, an increase of \$1,180,000 over the FY 1979 appropriation. \$1,150,000 of this increase will fund efforts for expanded relations with the labor, industry and business constituencies. Specifically, the FY 1980 request will provide for assistance to inventors; completion of plans for developing energy manpower data bases and for conducting assessments of commercialization efforts related to various technologies (including conservation); implementation of national business and labor outreach programs based on DOE perspectives of its relationship with labor, business and industry; and centralized coordination and management of the educational projects that contribute to energy awareness and the development of energy-related manpower. A tabular presentation of the FY 1979 and FY 1980 requests is included below.

	<u>FY 1979</u>	<u>FY 1980</u>
1. Industry and business.....	...	\$ 550
2. Labor affairs.....	...	600
3. Energy-related inventions.....	\$ 2,000	2,220
4. Education and training.....	7,960	7,650
5. Manpower assessment.....	<u>730</u>	<u>850</u>
TOTAL, EBLA	\$ 10,690	\$ 11,870

1. Industry and business..... ... \$ 550

The \$550,000 request in FY 1980 for this activity is to conduct and support active communication between DOE and the business community on energy policies, plans and programs. \$200,000 of this request is for the use of contract analytic support which will enhance the value of business input to DOE policy and program planning by consolidating and interpreting business community perspectives on major energy policy issues. These funds will also aid in planning business outreach activities and in the establishment and maintenance of effective communication channels with the business community. Funding support of an additional \$200,000 will permit DOE to improve its policy and program planning dialogue with "grass roots" business representatives. This effort will provide the capability of dealing with regional differences and will support commercialization of DOE-sponsored emerging technologies.

\$150,000 is requested in the area of small business to continue policy-related joint funding efforts with other departments and agencies toward solving common problems associated with small businesses to continue joint funding of projects with other DOE offices that outreach to small business; to follow-up on issues that have been identified as critical energy needs of small businesses; and to support White House Conferences on Small Business.

2. Labor affairs..... ... \$ 600

The establishment of a labor affairs function provides for a focal point for 22 million of the Nation's organized work force. Their direct participation in energy policy matters is a vital link in achieving a comprehensive National energy policy supported by all segments of our society. \$600,000 is requested for labor and energy policy awareness and education projects; regional labor energy and employment assessments and projects; labor energy and employment communications activities, which include workshops, conferences, topical publications, and use of labor press; and labor energy and employment impact assessments on selected groups.

Departmental Administration
Policy and management

(Tabular dollars in thousands. Narrative material in whole dollars.)

3. Energy-related inventions..... \$ 2,000 \$ 2,220

DOE's Inventions Program provides direct support to inventors both by evaluating their inventions and by providing assistance to inventors with promising inventions in order to help develop their products or processes for commercialization, thus contributing to energy conservation or production. This program pays particular attention to those inventions submitted by individual inventors and small companies. Inventions are evaluated by the National Bureau of Standards (NBS). DOE then considers for support those inventions recommended by the NBS. The criteria for funding are: the inventor's proposal for development, DOE technical program review, and the NBS recommendation. Program funding consists of two parts: \$2,220,000 budgeted here for evaluation and administrative support and \$3,200,000 for direct support to inventors. (A separate FY 1980 Congressional Budget request for the \$3,200,000 appears under the Energy Conservation Appropriation.) The FY 1980 request will provide \$1,950,000 for a larger capability at NBS to evaluate energy-related inventions. Growing program success and popularity has increased the number of invention disclosures submitted to NBS and is expected to reach 3,800 per year by FY 1980. The remaining \$270,000 is being requested for program administration and support of contracts for aiding inventors in technical, business and market planning, and the conducting of state-of-the-art seminars which provide innovators information necessary to research work done by other innovators. The FY 1980 increases over FY 1979 are for cost of living increases experienced in NBS staff and contracts; and support for a new central state innovation center to aid inventors with concept development and commercialization.

4. Education and training..... \$ 7,960 \$ 7,650

The FY 1980 request for Education and Training activities reflects a reduction of \$310,000 from FY 1979 levels, accounted for by a reduction of support to graduate and professional training, and to the Puerto Rico Center for Environmental and Energy Research. DOE recognizes that educational activities comprise an important tool in the implementation of national energy plans, and that successful implementation requires that citizens be capable of dealing with complex energy issues. DOE must insure, therefore, that carefully balanced, objective, and accurate energy components are included in the Nation's educational programs which help shape society's attitudes toward energy. Since individual educational projects provide a vehicle for achieving energy manpower and awareness goals, these programs enable DOE to utilize all educational activities in an optimal manner. Achievement of these goals requires that DOE maintain a serious partnership with the academic community, business and labor groups, and public institutions in their educational programs.

a. Manpower development..... \$ 3,475 \$ 2,300

The FY 1980 request of \$2,300,000 reflects an overall reduction from FY 1979 of \$1,075,000 as a result of a new approach to the management and budgeting for graduate training activities. This request will provide for the maintenance of an administrative and student support activity in major DOE research laboratories which permits students and faculty to participate in ongoing energy research activities at the present level of effort.

The Pre-Freshman and Cooperative Education (PREFACE) program will support approximately 500 minority and women students in their efforts to successfully complete training in engineering, an important field in energy research and development in which minority and women careerists are significantly underrepresented. A minority-oriented program for energy professionals, initiated in FY 1979, will be continued at its present level. This program provides three key personnel in minority institutions to upgrade energy skills for management and administration in their roles as leaders in the institutions they represent. Additionally, a substantial teacher-training program will be initiated during FY 1980 to train vocational and technical instructors in energy-related technical areas.

Departmental Administration
Policy and management

(Tabular dollars in thousands. Narrative material in whole dollars.)

b. Energy education..... \$ 3,065 \$ 4,050

Public and academic energy education programs promote the development of energy skills and knowledge for the purpose of enabling students and consumers to be competent to deal with difficult and conflicting energy issues. The FY 1980 request of \$4,050,000 for these activities represents an increase of \$985,000 over FY 1979. The development of the major interdisciplinary secondary curriculum package energy workshops for approximately 2,000 high school teachers will be continued. Additional emphasis will be given to skills development for elementary school teachers, which is a continuation of a modest initiative in FY 1979, and to the development of energy education materials for post-secondary institutions, primarily two-year colleges. This request will also support inservice and summer workshop training for elementary and high school teachers, the development of 15 new secondary curriculum modules, and continuation of support of such special school programs as information newsletters and the international science engineering energy prizes. Technician training packages will be developed in the major energy areas, including all of the new emerging technologies.

In addition to school-oriented programs, the FY 1980 budget will support six public education projects through the use of facilities of national organizations, such as the League of Women Voters. This effort reflects a modest increase over FY 1979.

c. Special projects..... \$ 1,420 \$ 1,300

The \$1,300,000 request will support three policy analyses required to evaluate the changing role of educational activities in implementing the National Energy Plan, including the continuation of a study on the impact of R & D funding on higher education.

Support for the continuation of two and the establishment of three additional mechanisms for assuring regional input from educational organizations and institutions to the Department will be provided. The initiatives in this category involve the development of outreach mechanisms through the ten DOE regional offices as part of the effort to insure that existing educational programs be implemented locally.

A major program evaluation project will be continued at current FY 1979 levels; this project provides DOE management with data on the effectiveness of its educational activities and serves as an integral part of DOE program planning. Additionally, this request allows for expansion of the vocational-technical educational Communication Network's activities, instituted in FY 1979, through the development of energy related technical curricula, conferences, and workshops.

5. Manpower and systems assessment..... \$ 730 \$ 850

The FY 1980 request of \$850,000 will continue the efforts to develop a comprehensive manpower data collection and analysis system to provide base-line data on the supply, employment, and utilization of engineering, scientific, technical and skilled personnel for the energy-related segments of the economy. These programs provide manpower supply and demand data for national energy manpower development decisions. In FY 1980, DOE will continue to sponsor with the Department of Labor and the Tennessee Valley Authority the development and maintenance of the total Construction Manpower Demand System in order to provide data on manpower requirements for all types of energy-related construction. DOE will continue to work with other Federal agencies, private industry, educational institutions, and other nonprofit research organizations in the development and expansion of a comprehensive data base for all non-construction energy-related activities. The Department will also continue its efforts in estimating future manpower requirements and the potential supply.

Major projects that will be undertaken in FY 1980 include the augmentation of a basic energy manpower data base to provide current and trend hard data on the supply, employment, utilization and characteristics of all personnel involved in carrying out activities

Departmental Administration
Policy and management

(Tabular dollars in thousands. Narrative material in whole dollars.)

related to the regional development, production and operation of energy technologies. DOE will also provide an assessment of technology-related manpower requirements to provide an evaluation of the direct labor requirements on an occupational basis. An additional effort will provide broad assessments of the impact on employment, on both a National and regional level, of activities related to goals and objectives of National energy plans and the National Energy Act.

The Department will develop and annually update a comprehensive energy manpower report for publication which will summarize all supply and demand data relating to the development and operation of energy technologies and related activities. Furthermore, it will provide an inventory of recently developed or revised methodologies for measuring energy-related employment impact. The FY 1980 request will provide for the development and maintenance of a system of nationwide contacts in industry, educational systems, labor unions, and state and local governments, to obtain information on manpower problems or constraints related to the development and performance of all energy-related activities.

Intergovernmental affairs..... \$ 9,079 \$ 9,172

The FY 1980 budget request of \$9,172,000 reflects a net increase of \$93,000 from the FY 1979 allocation; this net increase represents a reduction of \$407,000 in community assistance payments and an increase of \$500,000 to resume the public interest group contract effort initiated in FY 1978.

1. Community assistance..... \$ 9,079 \$ 8,672

The FY 1980 budget request of \$8,672,000 will provide for a level of assistance payments to the former atomic energy communities which are basically commensurate with the FY 1979 level. The request also includes funds to be made available to the communities of Los Alamos and Oak Ridge for the purpose of encouraging self-sufficiency. This is in keeping with the recommendation of the DOE Community Assistance Task Force, which has stated that various self-sufficiency measures should be encouraged on behalf of the communities. These may include industrial development feasibility studies, capital grants, land sales and transfers, etc. This Task Force is currently conducting a study of alternative approaches to a long-term solution to the provision of assistance within the authorization of the Atomic Energy Community Act of 1955.

A summary of payments by community and type of assistance follows:

<u>Los Alamos</u>		
Fire Protection		
& Prevention.....	\$ 430	\$ 430
Civic Activities.....	30	30
Municipalities.....	1,268	910
Schools.....	3,301*	3,000
Total Los Alamos.....	5,029	4,370
<u>Oak Ridge</u>		
Municipalities-City of Oak		
Ridge.....	2,100*	2,604
Municipalities-Anderson		
County.....	627	843
Municipalities-Roane County..	623	855
Total Oak Ridge.....	3,350	4,302
<u>Unallocated</u>	700	...
Total.....	\$ 9,079	\$ 8,672

*Includes contingency for P.L. 81-874 payments if needed

Departmental Administration
Policy and management
(Tabular dollars in thousands. Narrative material in whole dollars.)

The Los Alamos assistance payment is for partial support of the operating expenses of the Los Alamos Schools and the County of Los Alamos. The Oak Ridge assistance payment is for partial support of the operating expenses of the City of Oak Ridge and includes the Oak Ridge Schools. This funding level also provides assistance payments for the Tennessee Counties of Anderson and Roane. The Richland payment is for schools only.

Municipal fire protection and prevention services at Los Alamos will continue to be provided in FY 1980 essentially at the FY 1979 level. A single fire department serves both the Los Alamos Scientific Laboratory and the Community. The funds and the seventeen positions requested represent that portion of the effort attributable to community protection.

2. State and local relations..... \$... \$ 500

An amount of \$500,000 is requested in FY 1980 to resume efforts initiated in FY 1978, but unfunded in FY 1979, with State and local government public interest groups. These groups, by virtue of their role as official representatives, serve in a unique linkage position with the Nation's local government entities and play a role in establishing and maintaining a Departmental outreach effort.

The requested level of funding will provide for the National Governors' Association to convene meetings of State officials and to conduct studies and surveys to address specific energy problems identified by DOE. These include assisting DOE in an analysis of impacts on States caused by the implementation of parts of the National Energy Act.

The funding level will also allow the National Conference of State Legislatures (NCSL) to assist DOE in developing compilations and analyses of State energy legislation, and in assessing various State legislative needs resulting from enactment and implementation of NEA. Where determined necessary, NCSL will provide input to DOE on model State legislation to be proposed.

Additionally, we plan to award a contract to the National Association of Counties to perform a variety of analyses on energy-related issues and programmatic developments as they impact county governments.

The National League of Cities (NLC) will receive a contract to analyze and propose improvements in State and local relationships vis-a-vis DOE programs to help ensure accomplishing the goals of the NEA. The NLC will also assist cities in order to define the role and develop the capacity of local governments in energy planning and conservation activities.

The United States Conference of Mayors (USCM) will be provided funding to identify energy-related needs of local governments. The USCM will assist DOE in implementing various program activities including rate reform, encouragement of cogeneration, analyses of local impact of coal conversion, siting, and transportation.

Consumer affairs..... \$... \$ 1,000

The FY 1980 request of \$1,000,000, a \$350,000 increase over FY 1979, will be used to fund effort in the areas of public participation, National Energy Act outreach activities, consumer impact, and advisory committee services.

The consumer affairs FY 1980 request includes \$440,000 for public involvement activities. The Department intends to: conduct 6 public briefings and debates between DOE policy officials and public leaders in a large meeting setting; provide contract travel assistance to approximately 225 individuals to assure a balanced interaction with DOE decisionmakers; conduct 3 briefings/workshops and 5 special studies on regional specific

Departmental Administration
Policy and management

(Tabular dollars in thousands. Narrative material in whole dollars.)

issues; co-sponsor 15 meeting or conferences with consumer and public interest groups to increase private sector dialogue and information on energy issues; and maintain Consumer Energy Response Control System for analyzing unsolicited comments received from the public on DOE programs and policies. Through the preparation of approximately 6 Consumer Briefing Summaries and newsletters, 3 formal publications and 2 films and audiovisual materials, the Office of Consumer Affairs will provide consumers with information related to DOE programs and policy positions. Additionally, the Office will serve as a focal point for conducting 40 small group meetings to ensure timely input to the Department in the policy formulation stage and to explain impending decisions to public leaders.

Of the FY 1980 budget request, \$300,000 will be needed to promote innovative citizen-to-citizen NEA energy outreach and follow-up activities by providing financial assistance to consumer/public interest groups.

\$165,000 will be required to fund the Department's consumer impact program. This effort will ensure Departmental consideration of such special impact groups as low-income and fixed-income people (e.g., the elderly, minorities and the handicapped). DOE intends to provide these groups with energy information, opportunities to participate in energy decisions, and a formal mechanism to identify and deal potentially unfair impacts of energy programs. Specifically, the Department will conduct 3 major studies designed to explore policy options vis-a-vis special impact groups.

Additional efforts to be undertaken in FY 1980 include: working cooperatively with State and local consumer protection offices to develop strategic options for preventing energy technology/system fraud; the development of a Community Energy Emergency (Human Needs) capability, which is a model program designed to demonstrate ways for citizens, using existing community resources, to prevent severe human hardship in the event of an energy supply emergency, and the provisions for follow-up information and establishment of additional programs to encourage consumers to assist one another in order to maximize energy efficiency at the neighborhood level. This will be done by selecting one 20,000-50,000 inhabitant community as a demonstration model of a citizen-to-citizen program.

Consumer affairs will continue to manage the Department's formal advisory committees. Of the FY 1980 budget request, \$95,000 will fund special support services for the advisory committee efforts and assistance to individuals and public interest groups to improve their understanding of grant, contract and Freedom of Information procedures.

Public affairs..... \$ 2,560 \$ 2,400

The Public Affairs program goal is to focus public attention and to increase public understanding of National energy needs, policies and programs, with the objective of fostering active nationwide support for the energy conservation ethic and greater prudence in the use of energy resources. To reach a cross section of the population, a variety of communication media is employed. In FY 1978, for example, it is estimated that around 18 million Americans visited DOE exhibits and traveling presentations in museums, fairs, shopping malls and the like. Over 400,000 civic and community leaders participated in some 14,300 energy workshops DOE held throughout the United States. DOE radio and television broadcast features achieved audience impressions totaling roughly 400 million. Nearly 12 million copies of new, revised, or reprinted pamphlets, booklets, and posters were produced and distributed to individual requesters, consumer groups, other organizations having significant energy interests, and to participants in local, regional, and nationwide energy awareness programs such as Sun Day.

Departmental Administration
Policy and management
(Tabular dollars in thousands. Narrative material in whole dollars.)

The FY 1980 budget request is \$2,400,000, a decrease of \$160,000 below the sum appropriated for these activities in FY 1979. A comparison of the allocation for these activity in FY 1979 and FY 1980 follows:

Operating expenses:

1. Science museum presentations.....	\$ 500	\$ 470
2. Other public presentations.....	1,100	980
3. Audiovisual materials and services.....	480	400
4. Printing.....	230	300
5. Other public awareness services.....	150	140
Subtotal, operating expenses.....	2,460	2,290

<u>Capital equipment:</u>	100	110
---------------------------------	-----	-----

Total Public Affairs.....	\$ 2,560	\$ 2,400
---------------------------	----------	----------

1. <u>Science museum presentation and demonstrations</u>	\$ 500	\$ 470
--	--------	--------

Science museums provide an excellent opportunity to enable interested citizens to obtain information needed about energy conservation, to make objective evaluations of energy resources and technology and to understand economic problems associated with importing large amounts of petroleum.

It is expected that in FY 1980 over 3 million people will see DOE exhibits as they visit science museums around the country, and will gain greater insight into the energy problem and the technology, conservation, and other resource options which may be applied to meet the Nation's energy needs. In FY 1980 DOE will operate its own American Museum of Science and Energy in Oak Ridge, Tennessee, 5 days a week (\$425,000), and will circulate a variety of specialized energy exhibits to other science museums throughout the U.S. which are visited by large numbers of people (\$45,000.) This FY 1980 budget request does not include funds to support DOE's National Atomic Museum in Albuquerque, New Mexico.

2. <u>Other public presentations and demonstrations</u>	\$ 1,100	\$ 980
---	----------	--------

DOE plans to communicate information on national energy use, the effects of oil imports on inflation, and other aspects of the energy problem to around 5 million people from all walks of life who visit state fairs, large shopping centers, civic functions, conventions, libraries, and public buildings. Traveling presentations, exhibits, and workshops use audience participation devices, working hardware, audio-visual techniques, literature, 3-dimensional models, and lectures to explain and demonstrate energy topics.

Thus, in FY 1980 \$250,000 will be used to operate three mobile trailer exhibits five months each in state fairs; \$300,000 will pay to operate two shopping center exhibits in 24 states at about 50 different locations; and \$160,000 will be used to show 25 compact, topical panel exhibits in libraries and other public buildings, and civic clubs and other public meetings. Topics dealt with will include the oil import situation and other aspects of the energy problem, equal opportunity, the National Energy Act, and related U.S. policies and programs. Finally, \$270,00 will be used to hold an estimated 20,000 Citizen's Workshops which are conducted by trained personnel

Departmental Administration
Policy and management
(Tabular dollars in thousands. Narrative material in whole dollars.)

through contracts with universities and nonprofit organizations to familiarize the public--particularly civic and community leaders--with the interrelationships between U.S. fuel resources, energy consumption, environmental effects, technology development, the national economy, and other aspects of the energy problem.

3. Audiovisual materials and services.....\$ 480 \$ 400

Radio, television, and motion pictures, among the most effective and economical instruments to communicate information to very large numbers of people in all levels of society, are vital components of DOE's effort to inform Americans about current energy objectives, policies, and programs. Of the sum requested, \$275,000 will be used to produce radio and television news features, public service announcements, and other materials encouraging citizens to obtain further information on energy matters and to actively participate in energy conservation. This use of mass media is expected to enable DOE to effect over 400 million audience impressions in FY 1980. The balance, \$125,000, will be used primarily to distribute energy-related films to public service and minority groups, schools and other requesters, through the agency's free-loan library and commercial distributors. These audiences are expected to total around 47 million.

4. Printing.....\$ 230 \$ 300

Publications, including pamphlets, booklets, fact sheets, posters, and news releases, are printed with these funds to provide prompt, economical, and appropriately substantive responses to requests and inquiries regarding a broad range of energy matters; e.g.: techniques of energy conservation, energy industry careers, the economics of petroleum imports, the status of solar technology, and so on. Requesters include regional and community action organizations, educators and students, journalists, consumer interest and minority groups, and private citizens. The requested sum is needed to provide publications responsive to public concerns, and to encourage public participation at all levels in efforts to understand and solve the energy problem.

5. Other public awareness services.....\$ 150 \$ 140

Funds in this category are needed primarily to prepare up-to-date texts for publications mentioned in Item 4. above. The balance will be used to obtain miscellaneous products and services required to strengthen DOE's overall public outreach effort; for example, to acquire address lists to distribute information to selected regional or specialized audiences.

Capital equipment.....\$ 100 \$ 110

DOE's exhibits and public demonstrations employ Oil Import and Home Energy Cost Savings Calculators to simulate the problem of oil imports in terms of unemployment and the dollar drain on the U.S. economy, and to demonstrate the economics of home use of energy for space heating and cooling, hot water heating, cooking, etc. Of the funds requested \$80,000 is needed to buy 25 of these units for use in conjunction with various exhibits and speakers bureau activities. \$10,000 is requested to purchase 3 simulators for the Citizen's Workshops which utilize Energy-Environment Simulators to show the effects of a wide range of decisions involving energy use and environmental protection. The balance, \$20,000, is needed to buy heat pumps and audiovisual equipment replacements required in the mobile exhibit halls.

Departmental Administration
Policy and management

(Tabular dollars in thousands. Narrative material in whole dollars.)

Indian affairs..... \$... \$ 1,000

The FY 1980 budget request of \$1,000,000 represents the initial IR funding of the Indian Affairs program. Of this total, \$750,000 is being requested to support the program activities of the Council of Energy Resource Tribes (CERT). The remaining \$250,000 will be used to support other research activities.

The objective of this program is to encourage and assist Indian tribes in producing their energy resources in a manner most beneficial to the tribe and its members. However, certain studies are required by the tribes in order to put them in the position of producing their energy resources under their own authority rather than using the traditional mineral lease approach.

Specifically, in order to assume the position of an equity producer of their resources, the tribes need to know the quality and quantity of their resources. In addition, they need to know the status of the financial market and on what terms they could borrow capital to move into production. Moreover, they need to identify potential markets and any attendant transportation problems that would inhibit the sale of their resources.

CERT, organized by twenty-five tribes who own extensive energy resources, is in the process of conducting the necessary studies in order to provide the tribal councils with the information necessary for them to make the correct production decisions.

The FY 1980 budget request will allow funding for the following activities: the review of existing mineral inventory studies and the completion of environmental, social impact and cost benefit studies of energy resource development; the on-site monitoring of mining extraction, coal reclamation, uranium extraction, and air and water quality testing and analyses; and the development of appropriate financial and management systems for energy resources.

Departmental Administration
Policy and Management
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1979 Estimated Budget <u>Authority</u>	FY 1980 Requested Budget <u>Authority</u>
<u>In-house energy management (AD)</u>		
FY 79 modifications for energy management, various locations:		
Construction.....	\$ 12,655 ^{a/}	...
Subtotal.....	12,655	...
Heating, ventilating, and air conditioning, heat recovery, Richland, Washington:		
Construction.....	4,000	...
Subtotal.....	4,000	...
Process waste heat utilization, gaseous diffusion plant, Paducah, Kentucky:		
Construction.....	4,800	...
Subtotal.....	4,800	...
Survey and central plant studies:		
Operating expenses.....	3,600	\$ 3,600
Subtotal.....	3,600	\$ 3,600
FY 80 modifications for energy management, various locations:		
Construction.....	...	19,700
Subtotal.....	...	19,700
Automated energy management system, Argonne National Laboratory:		
Construction.....	...	4,500
Subtotal.....	...	4,500
Process waste heat utilization, Portsmouth Gaseous Diffusion Plant:		
Construction.....	...	4,200
Subtotal.....	...	4,200
Automated energy management system, Pantex Plant:		
Construction.....	...	4,000
Subtotal.....	...	4,000
Conversion of boiler #5 to high sulfur coal, Argonne National Laboratory:		
Construction.....	...	5,000
Subtotal.....	...	5,000
Total, in-house energy management.....	\$ 25,055	\$ 41,000

^{a/} Includes \$10,000,000 supplemental approved by OMB.

Departmental Administration
Policy and Management
(Tabular dollars in thousands. Narrative material in whole dollars.)

Authorization: Sec. 102(a), P.L. 95-238 \$25,055 \$41,000

Surveys and central plant studies\$ 3,600 \$ 3,600

The operations funds are required by the Office of Administration for the In-house Energy Management Program to accomplish formal surveys of existing utility systems or buildings to identify and document retrofit projects to reduce energy consumption. These surveys will: accomplish the necessary engineering investigations to document energy savings resulting from a proposed project; address life cycle costing to assure project cost-effectiveness; and produce cost estimates and budget documents for the proposed project. These funds will enable the agency to continue surveys of about 15% of DOE's space. This level of effort will identify enough projects at various DOE-owned facilities for future funding to achieve the 20% reduction in energy consumption mandated by the President if the projects are funded. Conceptual design for the more complex future projects and the study of two central heating plants for conversion to coal or other more abundant fuels will be allowed. Two plant conversions per year are required annually in order to convert all major DOE central heating plants by 1995. These funds will be expended within the United States.

FY 1980 modifications for energy management,
various locations.....\$... \$19,700

This line item is for various small retrofit projects of less than \$1,500,000 in scope, and will provide about half of the annual investment required to achieve the 20% energy reduction. These small modifications are selected on the basis of energy saved per investment dollar, total dollar return on investment, and length of time required to payback investment. Projects compete on a DOE-wide basis for funding under this lump sum item thus assuring the greatest dollar return and greatest energy savings per investment dollar for the Department. The average payback for this line item is between three and four years. For about \$12,500,000 in projects selected in FY 1979 for this type of effort the average payback was 2.9 years. Final project selection may be delayed until early 1979 affording the maximum time for current surveys to identify as many projects as possible further enabling the selection of the best projects from a wide backlog of projects. No funds were appropriated in FY 1979 since this is a new project.

Automated energy management system,
Argonne National Laboratory, Argonne, Illinois.....\$... \$ 4,500

This project provides for a complete system for monitoring and controlling energy consuming systems, such as heating, ventilating, and air conditioning, with sensors of various types located at the points to be monitored. Sensor data will be transmitted to a central location which will have the capability of issuing commands to make real-time adjustments to various system parameters with response occurring immediately. A combination of hardware and software will permit simultaneous data acquisition, output printing and operator communication. Investment in the proposed systems is expected to have an annual savings of \$1,000,000 and 330 billion Btus. No funds were appropriated in FY 1979 since this is a new project.

Departmental Administration
Policy and Management
(Tabular dollars in thousands. Narrative material in whole dollars.)

Process waste heat utilization, Portsmouth Gaseous
Diffusion Plant, Piketon, Ohio.....\$... \$ 4,200

This project will provide hot water heating systems for several major existing auxiliary buildings at the Portsmouth Gaseous Diffusion Plant to permit utilization of hot water from the uranium enrichment process recirculating cooling water to meet the space heating requirements of these facilities, eliminating the use of coal-fired steam for this purpose. The buildings to be heated contain a total floor space of approximately 570,000 square feet and encompass a total annual heat load of approximately 270 billion Btus. This project is expected to save \$687,000 annually. No funds were appropriated in FY 1979 since this is a new project.

Automated energy management system,
Pantex Plant, Amarillo, Texas.....\$... \$ 4,000

Investment in this project permits the replacement of an existing outdated utility monitoring system with a new system that includes the latest "state-of-the-art" proven products available for monitoring building environments, outside environments, building equipment status and managing the physical plant usage. The automated energy management system will have the flexibility for future expansion, and it will incorporate peripheral/distributed processing. Energy management calculations, predictions, usage records, a display of system data, status, and rapid information printout will be included in the system capability. This new system is expected to save \$690,000 and 162 billion Btus annually. No funds were appropriated in FY 1979 since this is a new project.

Conversion of boiler no. 5 to high sulfur coal firing,
Argonne National Laboratory, Argonne, Illinois.....\$... \$ 5,000

This project provides for the only DOE fuel conversion project proposed for FY 1980. The project allows for the conversion of Boiler No. 5 from natural gas/fuel oil to high sulfur coal firing. The project consists of three tasks: (1) the boiler will be rehabilitated and prepared for coal firing; (2) the coal handling system will be repaired and upgraded to make it safe, operational, and efficient; and (3) exhaust stack gas cleanup systems, both particulate and sulfur removal, will be installed to meet emissions standards. This conversion will permit the combustion of local high sulfur coal, and will save approximately \$864,000 annually in fuel costs. No funds were appropriated in FY 1979 since this is a new project.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

CONSTRUCTION PROJECT DATA SHEETS
Departmental Administration
Policy and Management

(Tabular dollars in thousands. Narrative material in whole dollars.)

<u>Office of Construction and Facility Management, Headquarters</u>		In-house Energy Management
1. Title and location of project: Modifications for energy management, various locations	2. Project no. 80-DA-1	
3. Date A-E work initiated: 1st Qtr. FY 1980	5. Previous cost estimate: None	
3a. Date physical construction starts: 2nd Qtr. FY 1980	Date:	
4. Date construction ends: 4th Qtr. FY 1982	6. Current cost estimate: \$19,700	
	Less amount for PEAD: 0	
	Net cost estimate: \$19,700	
	Date: December 1978	
7. Financial schedule: (dollars in thousands)		

<u>Fiscal Year</u>		<u>Obligations</u>	<u>Costs</u>
1980		\$19,700	\$12,020
1981		0	6,700
1982		0	980

CONSTRUCTION PROJECT DATA SHEETS

In-house Energy Management

Office of Construction and Facility Management, Headquarters

1. Title and location of project: Modifications for energy management, various locations
2. Project no. 80-DA-1

8. Description:

This line item is for various small retrofit projects to reduce energy consumption in DOE-owned facilities. These small modifications are selected on the basis of energy saved per investment dollar, total dollar return on investment, and quickness of payback. Projects compete on a DOE-wide basis for funding under this lump sum item thus assuring the greatest dollar return and greatest energy savings per investment dollar for the agency. The requested FY 1980 funding will be used to make the energy conservation modifications identified below.

A. Richland (RL)

Energy Monitoring and Control System (EMCS)\$ 800

This computerized energy management system will provide monitoring and control of building energy consumption and plant operations. The system proposed will be designed to provide continuous monitoring and control of energy systems and will provide flexibility, both for day-to-day operational changes, as well as future additions.

B. Savannah River (SR)

River Water Pump Modification.....\$ 1,200

This project will reduce the size of the pump impellers in the river water pumps to reduce the static pressure in the pumps. This reduction will reduce the horsepower required which will reduce the amount of energy required for the river water pumping.

CONSTRUCTION PROJECT DATA SHEETS

In-house Energy Management

Office of Construction and Facility Management, Headquarters

1. Title and location of project: Modifications for energy management, various locations 2. Project no. 80-DA-1

8. Description: (Continued)

C. Lawrence Berkeley Laboratory (LBL)

Energy Monitoring and Control System (EMCS).....\$ 1,100

This computerized energy management system will provide monitoring and control of building energy consumption and plant operations. The system proposed will be designed to provide continuous monitoring and control of energy systems and will provide flexibility, both for day-to-day operational changes, as well as future additions.

D. Lawrence Livermore Laboratory (LL)

Energy Monitoring and Control System (EMCS).....\$ 1,100

This computerized energy management system will provide monitoring and control of building energy consumption and plant operations. The system proposed will be designed to provide continuous monitoring and control of energy systems and will provide flexibility, both for day-to-day operational changes, as well as future additions.

E. Mound Facility, Miamisburg, Ohio (DAO)

Energy Monitoring and Control System (EMCS).....\$ 990

This computerized energy management system will provide monitoring and control of building energy consumption and plant operations. The system proposed will be designed to provide continuous monitoring and control of energy systems and will provide flexibility, both for day-to-day operational changes, as well as future additions.

CONSTRUCTION PROJECT DATA SHEETS

Office of Construction and Facility Management, Headquarters

In-house Energy Management

1. Title and location of project: Modifications for energy management, various locations

2. Project no. 80-DA-1

8. Description: (Continued)

F. Brookhaven National Laboratory (BNL)

(1) Installation of Economizer for Feed Water Preheating.....\$ 777.7

This project provides for the installation of a heat reclaim for the 180,000 lbs./hr. boiler (No. 5) at the Central Steam Plant. The economizer is an air to water heat exchanger that extracts heat from the boiler flue gases and transfers the heat to the entering boiler feed water. The economizer cycle of operation reduces fuel consumption, lowers stack temperatures and improves overall efficiency.

(2) Conversion of Central Steam Facility from No. 6 Oil to an Alternate Liquid Fuel.....\$ 1,500

This project provides for the conversion of the Central Steam Facility boilers and fuel distribution system to use an Alternate Liquid Fuel (ALF) prepared from waste industrial alcohols, solvents, etc., in lieu of No. 6 fuel oil.

Listed below are other projects currently planned:

Title and location of retrofit projects:Total Estimated Cost

Install Efficient Chiller Control System, Kansas City Plant, Kansas City, MO.....	\$ 120.0
Tank Insulation Using Plastic Balls, Paducah Gaseous Diffusion Plant, Paducah, KY.....	\$ 22.8
Shutdown and Heat Recovery, Building 894, Sandia Laboratories, Albuquerque, NM.....	\$ 28.0
Power Factor Improvements, Building 88, Lawrence Berkeley Laboratory, Berkeley, CA.....	\$ 17.0

CONSTRUCTION PROJECT DATA SHEETS

Office of Construction and Facility Management, Headquarters

In-house Energy Management

1. Title and location of project: Modifications for energy management, various locations

2. Project no. 80-DA-1

8. Description: (Continued)

Title and location of retrofit projects:

	Total Estimated Cost
HVAC Demand Control Mods, Building 800, Sandia Laboratories, Albuquerque, NM.....	\$ 4.0
Install Automatic Off-Hour Temperature Setback, Albuquerque Operations Office, Albuquerque, NM.....	\$ 19.0
Install Primary Chilled Water Loop, Sandia Laboratories, Albuquerque, NM.....	\$ 52.0
Collect and Return Steam Condensate, Portsmouth Gaseous Diffusion Plant, Portsmouth, OH.....	\$ 26.8
Install Automatic Off-Hour Temperature Setback, Paducah Gaseous Diffusion Plant, Paducah, KY.....	\$ 119.0
Convert Dual Duct HVAC To Demand Control, Sandia Laboratories, Albuquerque, NM.....	\$ 64.0
Modify Chiller Controls for Optimization, Sandia Laboratories, Albuquerque, NM.....	\$ 9.0
Desiccant Dryer System, Building 894, Sandia Laboratories, Albuquerque, NM.....	\$ 6.3
Chiller Control Unit, Building 7900, Oak Ridge National Laboratory, Oak Ridge, TN.....	\$ 15.3
Convert Dual Duct To Demand Control, Buildings 806, Sandia Laboratories, Albuquerque, NM.....	\$ 17.0
Heating Shut-Off Timers Gas Heated Buildings, Stanford Linear Accelerator, Stanford, CA.....	\$ 20.4
Power Factor Improvements, Building 62, Lawrence Berkeley Laboratory, Berkeley, CA.....	\$ 4.0
Insulate Walls and Roof, Building 8711, Oak Ridge Gaseous Diffusion Plant, Oak Ridge, TN.....	\$ 17.0
Convert HVAC To Demand Reset, Building 9215, Y-12 Plant, Oak Ridge, TN.....	\$ 160.0
Automatic Shut-Off Valves, Campus Building, Stanford Linear Accelerator, Stanford, CA.....	\$ 166.0
Aquatic Laboratory, Energy Conservation, Oak Ridge National Laboratory, Oak Ridge, TN.....	\$ 128.2
Install Automatic Off-Hour Temperature Setback, Argonne National Laboratory - East, Argonne, IL.....	\$ 30.3
Chiller Control Unit, Oak Ridge National Laboratory, Oak Ridge, TN.....	\$ 27.3
Reduce Cafeteria Air Change Rate, Rocky Flats Plant, Golden, CO.....	\$ 8.3
Package Boiler for Plating Shop, Stanford Linear Accelerator, Stanford, CA.....	\$ 81.2
Install Automatic Off-Hour LTC and A/C Shutdown, Savannah River Operations Office, Aiken, SC.....	\$ 158.0
System Mods To Reduce Vent Air, ATR, Idaho National Engineering Laboratory, Idaho Falls, ID.....	\$ 50.0
Install Small Coal Fired Boiler, Feed Material Production Center, Fernald, OH.....	\$ 377.0

CONSTRUCTION PROJECT DATA SHEETS

Office of Construction and Facility Management, Headquarters In-house Energy Management

1. Title and location of project: Modifications for energy management, 2. Project no. 80-DA-1
various locations

8. Description: (Continued)

Title and location of retrofit projects:

Total Estimated Cost

Modify Ducts, Building 45005, Oak Ridge National Laboratory, Oak Ridge, TN.....	\$ 43.0
Replace Incandescent With Fluorescent, Argonne National Laboratory - West, Argonne, IL.....	\$ 91.0
Boiler Water Treatment System, Idaho National Engineering Laboratory, Idaho Falls, ID.....	\$ 58.0
Install Off-Hour Lighting Level Cutback, Paducah Gaseous Diffusion Plant, Paducah, KY.....	\$ 61.0
Automatic HVAC Controls, Site Wide, Morgantown Energy Technology Center, Morgantown, WV.....	\$ 37.7
Waste Heat Recovery and Pump Mode, Los Alamos Scientific Laboratory, Los Alamos, NM.....	\$ 104.0
Tower Water Molds, Buildings 9202 and 9203, Y-12 Plant, Oak Ridge, TN.....	\$ 107.0
Modify Air Handling Unit Controls, Savannah River Operations Office, Aiken, SC.....	\$ 154.0
Modify Chillers for Increased Efficiency, Pinellas Plant, St. Petersburg, FL.....	\$ 482.0
Reduce Air Flow, Building K1420, Oak Ridge Gaseous Diffusion Plant, Oak Ridge, TN.....	\$ 48.9
Insulate Attic, Building K1003, Oak Ridge Gaseous Diffusion Plant, Oak Ridge, TN.....	\$ 23.0
Replace Steam Absorption with Electric, Sandia Laboratories, Albuquerque, NM.....	\$ 300.0
Insulate Walls and Roof, Buildings K1031 and K1410, Oak Ridge Gaseous Diffusion Plant, Oak Ridge, TN.....	\$ 44.0
Energy Conservation, Plant Services, Mound Laboratory, Miamisburg, OH.....	\$ 268.0
Insulate Condensate Lines, Paducah Gaseous Diffusion Plant, Paducah, KY.....	\$ 71.7
Heat Exchanger for Winter Cooling, C-Site, Princeton Plasma Physics Laboratory, Princeton, NJ.....	\$ 119.0
Expand Energy Monitoring and Control System, Princeton Plasma Physics Laboratory, Princeton, NJ.....	\$ 345.0
Feedwater Economizers for Boilers 3, 5 and 6, Hanford Engineering Development Laboratory, Richland, WA.....	\$ 475.0
Return Condensate to Boilers, Kansas City Plant, Kansas City, MO.....	\$ 275.0
Insulate Steam Condensate Return Lines, Lawrence Livermore Laboratory, Livermore, CA.....	\$ 132.0
Install Electric Boilers to Reduce Steam, Pantex Plant, Amarillo, TX.....	\$ 435.6
Convert to Electric Centrifugal Chiller, Sandia Laboratories, Albuquerque, NM.....	\$ 484.0
Insulate #5 Fuel Oil Storage Tanks, Idaho National Engineering Laboratory, Idaho Falls, ID.....	\$ 146.3
Convert HVAC to Variable Air Volume, Manufacturing Building, Pinellas Plant, St. Petersburg, FL.....	\$ 82.5
Cyclotron Process Waste Heat Utilization, Oak Ridge National Laboratory, Oak Ridge, TN.....	\$ 42.9
Install High Pressure Sodium Lighting, Paducah Gaseous Diffusion Plant, Paducah, KY.....	\$ 114.0

CONSTRUCTION PROJECT DATA SHEETS

Office of Construction and Facility Management, Headquarters

In-house Energy Management

1. Title and location of project: Modifications for energy management, various locations		2. Project no. 80-DA-1
8. Description: (Continued)		
Title and location of retrofit projects:		Total Estimated Cost
Variable Volume, Automatic Setback and Heat Recovery, Argonne National Laboratory-East, Argonne, IL.....		396.9
Economizer Cycle, Convert to Demand and Temperature Setback, Sandia Laboratories, Albuquerque, NM.....		48.4
M6 Beamline Convert to Cryogenic Magnets, Fermi National Accelerator Laboratory, Batavia, IL.....		555.5
Convert HVAC to Demand Control, Building 804, Sandia Laboratories, Albuquerque, NM.....		7.0
Insulate Walls and Ceilings, Various Buildings, Richland Operations Office, Richland, WA.....		478.4
Return Air, Heat Recovery and Temperature Setback, Argonne National Laboratory-East, Argonne, IL.....		76.5
Heat Recovery, Automatic Setback and Demand Control, Los Alamos Scientific Laboratory, Los Alamos, NM.....		226.6
Direct Cooling of Condensing Water, Argonne National Laboratory-East, Argonne, IL.....		261.9
Conservation Mods to Chemical Plant, Idaho National Engineering Laboratory, Idaho Falls, ID.....		50.0
Convert Chillers from Electric to Steam, Sandia Laboratories, Albuquerque, NM.....		139.7
Insulate Various Buildings, Pantex Plant, Amarillo, TX.....		217.9
Convert Mechanical Power Supply to Electric, Rocky Flats Plant, Golden, CO.....		38.5
Energy Monitoring and Control System, Energy Technology Engineering Center, Santa Susana, CA.....		318.0
Storm Window Insulation, O-Wing, University of Rochester, Rochester, NY.....		32.0
Install HVAC Fresh Air Intake Dampers, Energy Technology Engineering Center, Santa Susana, CA.....		11.0
Replace Incandescent with Fluorescent, Argonne National Laboratory-East, Argonne, IL.....		455.0
Run-Around Heat Recovery Loop for HVAC, Los Alamos Scientific Laboratory, Los Alamos, NM.....		88.0
Exhaust Air Heat Recovery, Buildings 3, 4 and 6, Morgantown Energy Technology Center, Morgantown, WV.....		66.3
Air Curtains for Vehicle Doors, Idaho National Engineering Laboratory, Idaho Falls, ID.....		27.8
Steam Power Plant Burner Modifications, Los Alamos Scientific Laboratory, Los Alamos, NM.....		319.0
Install High Pressure Sodium Lighting, Sandia Laboratories, Livermore, CA.....		79.0
Energy Monitoring and Control System, Princeton Plasma Physics Laboratory, Princeton, NJ.....		93.5
Convert HVAC to Variable Air Volume Systems, Lawrence Livermore Laboratory, Livermore, CA.....		325.0
Electrically Driven Air Cooled Chillers, Bartlesville Energy Technology Center, Bartlesville, OK.....		195.0
Insulate Fuel Oil Storage Tanks, Kansas City Plant, Kansas City, MO.....		43.0

CONSTRUCTION PROJECT DATA SHEETS

Office of Construction and Facility Management, Headquarters

In-house Energy Management

1. Title and location of project: Modifications for energy management, various locations
2. Project no. 80-DA-1

8. Description: (Continued)

Title and location of retrofit projects:

	Total Estimated Cost
Energy Monitoring and Control System, Sandia Laboratories, Livermore, CA.....	\$ 330.0
Ventilation Exhaust Air Heat Recovery, Inhalation Toxicology Research Institute, Albuquerque, NM.....	\$ 368.8
Replace Translucent Siding, Argonne National Laboratory-West, Argonne, IL.....	\$ 10.0
Exhaust Waste Heat Recovery, CF604, Idaho National Engineering Laboratory, Idaho Falls, ID.....	\$ 83.0
Install Light Load Chiller, Argonne National Laboratory-East, Argonne, IL.....	\$ 52.0
Process Metering, Various Locations.....	\$ 541.9
Subtotal.....	\$12,232.3

9. Justification:

These energy modifications will be accomplished for the purpose of saving energy and oil. Projects have been selected on the basis of return on investment. Only those projects which are relatively quick in payback will be selected and funded.

Present experience shows that when evaluated by a present value analysis method, using a discount rate of 10%, the various small retrofit projects selected for this line item will have the following total effect:

Average Savings to Investment Ratio	5.0
Annual Savings, 1977 Dollars	\$4,800,000
Total Annual Energy Savings	2.2 Trillion Btus
Average Btu Savings Per Investment Dollar	115,000 Btu/\$
Average Discounted Payback Period	4.2 Years

CONSTRUCTION PROJECT DATA SHEETS

In-house Energy Management

Office of Construction and Facility Management, Headquarters

1. Title and location of project: Modifications for energy management, various locations

2. Project no. 80-DA-1

10. Details of cost estimate:

	Total Cost
(1) RL Energy Monitoring and Control System.....	\$ 800.0
(2) SR River Water Pump Modification.....	1,200.0
(3) LBL Energy Monitoring and Control System.....	1,100.0
(4) ILL Energy Monitoring and Control System.....	1,100.0
(5) DAO Energy Monitoring and Control System.....	990.0
(6) BNL Install Economiser for Feedwater Preheating.....	777.7
(7) BNL Conversion of Central Steam Facility to ALF.....	1,500.0
(8) Other retrofit projects.....	7,467.7
Subtotal.....	12,232.3
Total project cost.....	\$19,700.0

11. Method of performance:

Design and inspection will be performed under a negotiated architect-engineer contract. Construction and procurement will be accomplished by fixed-price contracts awarded on the basis of competitive bidding.

12. Funding schedule of project funding and other related funding requirements:

Not applicable.

13. Narrative explanation of total project funding and other related funding requirements:

Not applicable.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

CONSTRUCTION PROJECT DATA SHEETS
Departmental Administration - Operating Expenses and Construction
Policy and Management

(Tabular dollars in thousands. Narrative material in whole dollars.)

In-house Energy Management

Chicago Operations Office

1. Title and location of project: Automated energy management system, Argonne
National Laboratory, Argonne, Illinois
2. Project no. 80-DA-2
3. Date A-E work initiated: 1st Qtr. FY 1980
5. Previous cost estimate: None
Date:
6. Current cost estimate: \$4,500
Less amount for FE&D: 0
Net cost estimate: \$4,500
Date: December 1978
- 3a. Date physical construction starts: 4th Qtr. FY 1980
4. Date construction ends: 4th Qtr. FY 1983

7. Financial schedule: (dollars in thousands)

Fiscal Year	Obligations	Costs
1980	\$4,500	\$ 900
1981	0	1,500
1982	0	1,500
1983	0	600

8. Description:

This project includes a complete system for monitoring and controlling the physical plant systems, such as heating, ventilating and air conditioning, with sensors of various types located at the points to be monitored. The action of the sensors will be transmitted to a central location which will have the capability of issuing commands to make necessary on-line adjustments to various system parameters with response occurring immediately; a combination of hardware and

CONSTRUCTION PROJECT DATA SHEETS

In-house Energy Management

Chicago Operations Office

2. Project no. 80-DA-2

1. Title and location of project: Automated energy management system, Argonne National Laboratory, Argonne, Illinois

8. Description: (continued)

software will permit simultaneous data processing, output printing and operator communication. Through its central computerized control, the system will start and stop fans based on inside/outside conditions, adjust air stream temperature to provide the most economic enthalpy control for heating and cooling, survey supply and return temperature differentials to adjust loading and unloading of chillers, and improve damper operation to meet minimum leakage requirements. The system initially will comprise 6,000 points and will be expandable to 10,000 points without additional computer module or extensive system modifications. This is a DOE-owned facility.

The following items will be located at the fully computerized central location: Central processing unit(s) with bulk memory storage capacity; full cathode ray tube display with alpha/numeric keyboard entry; a graphic projector; a line printer; an alpha/numeric keyboard printer for input/output functions and any additional items required for the subsystems. Loop remote terminals at all major buildings and facilities on the site will be linked by coaxial cable and external pairs of wires as required. Remote inputs will be linked by single pair wires.

The immediate, and primary, purpose of the system is to conserve energy, but it will have inherent capability for security, maintenance and other uses to reduce manpower levels and assure reliability.

9. Justification:

This project is justified by the potentially large savings which can be realized by the centralized control of numerous systems which are currently independently and inefficiently controlled. The initial installation will coordinate the systems of about 37 buildings, including the central heating plant, and will include about 6,000 points (including both sensors and final control elements). Expansion capability for additional buildings will be provided, for up to a total of 10,000 points without the requirement for major system modification.

Other inherent benefits, resulting in substantial but not readily calculable savings will include reduced maintenance and operation costs and increased useful life of equipment, which will be afforded by the generation and availability of complete operational cost records, preventive maintenance schedules, and other valuable engineering information.

CONSTRUCTION PROJECT DATA SHEETS

Chicago Operations Office

In-house Energy Management

1. Title and location of project: Automated energy management system, Argonne National Laboratory, Argonne, Illinois 2. Project no. 80-DA-2

9. Justification: (continued)

Present value analysis, accomplished according to DOE guidelines, using a discount rate of 10%, and a 25 year useful life of the system, indicates the following:

Savings to Investment Ratio	3.9
Discounted Payback Period	4.9 years
Annual Savings, 1977 Dollars	\$1,018,000
Annual Energy Savings	330 Billion Btus
Btu savings per investment dollar	73,400

10. Details of cost estimate*

	Item Cost	Total Cost
a. Engineering, design and inspection at approximately 18% of construction cost, item b.		\$ 600
b. Construction cost		3,300
1. Central station material	\$ 500	
2. Satellite station material	900	
3. Coaxial cable including installation	200	
4. Field installation	1,000	
5. Field management and testing	700	
	Subtotal	3,900
c. Contingency at approximately 15% of above costs		600
	Total project cost	\$ 4,500

* Cost estimate based on completed conceptual design study.

CONSTRUCTION PROJECT DATA SHEETSChicago Operations Office

In-house Energy Management

-
1. Title and location of project: Automated energy management system, Argonne National Laboratory, Argonne, Illinois 2. Project no. 80-DA-2
-

11. Method of performance:

Design and inspection will be performed under a negotiated architect-engineer contract. Construction and procurement will be accomplished by fixed-price contracts awarded on a basis of competitive bidding.

12. Funding schedule of project funding and other related funding requirements:

Not applicable.

13. Narrative explanation of total project funding and other related funding requirements:

Not applicable.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

CONSTRUCTION PROJECT DATA SHEETS
Departmental Administration - Operating Expenses and Construction
Policy and Management

(Tabular dollars in thousands. Narrative material in whole dollars.)

Oak Ridge Operations Office

In-house Energy Management

1. Title and location of project: Process waste heat utilization, Portsmouth Gaseous Diffusion Plant, Piketon, Ohio		2. Project no. 80-DA-3
3. Date A-E work initiated: 1st Qtr. FY 1980	5. Previous cost estimate: None	Date:
3a. Date physical construction starts: 3rd Qtr. FY 1980	6. Current cost estimate: \$4,200 Less amount for FE&D: 0 Net cost estimate: \$4,200	Date: December 1978
4. Date construction ends: 4th Qtr. FY 1982		

7. Financial schedule: (dollars in thousands)

Fiscal Year	Obligations	Costs
1980	\$4,200	\$ 900
1981	0	2,200
1982	0	1,100

8. Description:

This project will provide hot water heating systems for several major DOE-owned auxiliary buildings at the Portsmouth Gaseous Diffusion Plant to permit utilization of hot water from the uranium enrichment process recirculating cooling water to meet the space heating requirements of these facilities, eliminating the use of coal-fired steam for this purpose. The buildings to be heated under this project include two switch houses, and cleaning, decontamination, (high bay only), maintenance and stores and two test and repair buildings. These buildings contain a total floor space of approximately

CONSTRUCTION PROJECT DATA SHEETS

Oak Ridge Operations Office

In-house Energy Management

1. Title and location of project: Process waste heat utilization, Portsmouth
Gaseous Diffusion Plant, Piketon, Ohio
2. Project no. 80-DA-3

8. Description: (continued)

570,000 square feet and encompass a total annual heat load of approximately 270 billion Btus.

The Gas Centrifuge Enrichment Plant will install a piping and pumping system to heat its own buildings with gaseous diffusion plant waste heat. The mains and pumps installed to heat the centrifuge facilities will be used to supply branches to buildings included under this project. Small primary pumping stations will be installed in the process buildings to circulate hot water from return headers to the Switch Houses and the Test and Repair buildings through new piping mains. All mains will be insulated, and those below-ground will be provided with suitable corrosion protection. After being used for space heating, the water will be returned through parallel piping to the process cooling system which will then transport it to the cooling towers.

Secondary pumping stations will be installed inside the buildings to be heated, to circulate the hot water in the building heating systems. Steam coils in existing building ventilation systems will be replaced with hot water coils, and hot water unit heaters will be installed in some building areas. Hot water supply and return piping will be extended to each coil and unit heater, and redundant steam and condensate piping will be abandoned or removed. The present temperature control systems will be removed and replaced with control systems composed of face and by-pass dampers for freeze protection, new thermostats, water flow regulators, and fan activators.

9. Justification:

Large quantities of waste process heat (approximately 7 billion Btus per hour at full gaseous diffusion plant loading) are continuously removed from process streams by the recirculating cooling water and rejected to the atmosphere through the operation of evaporative cooling towers. The temperature of much of the recirculating cooling water as it leaves the process buildings is sufficiently high to be utilized for conventional space heating requirements of major plant-site auxiliary buildings. In addition, this water has already been softened and treated with corrosion inhibitors for the protection of piping and heat transfer components. The waste heat utilization as proposed in this project will significantly reduce the quantities of fossil fuels required for steam generation at the Steam Plant. This avoidance will not only result in fuel cost savings, but will also reduce the generation of pollutants normally associated with coal-fired steam production. The annual building heating load savings of 270 billion Btus results in a total energy savings of 474 billion Btus when steam production inefficiencies and distribution losses are accounted for (57% overall efficiency).

CONSTRUCTION PROJECT DATA SHEETS

Oak Ridge Operations Office

In-house Energy Management

1. Title and location of project: Process waste heat utilization, Portsmouth Gaseous Diffusion Plant, Piketon, Ohio 2. Project no. 80-DA-3

9. Justification: (continued)

Present value analysis, accomplished according to DOE guidelines, using a discount rate of 10%, and assuming a service life of 25 years, indicates the following:

	Item Cost	Total Cost
Savings to Investment Ratio	2.7	
Discounted Payback Period	5.4 years	
Annual Savings, 1977 Dollars	\$687,000	
Annual Energy Savings	474 billion Btus	
Btu Savings Per Investment Dollar	113,000 Btus/\$	
a. Engineering, design, and inspection at approximately 20% of construction costs, item b.		\$ 580
b. Construction costs:		2,860
1. Outside utilities (above and below ground distribution piping)		
2. Building modifications (secondary pumping stations and retrofit hot water systems in existing buildings)	\$ 330	
3. Special facilities (primary pumping stations)	2,330	
	200	
c. Contingency at approximately 22% of above costs.	Subtotal	3,440
		760
	Total Project Cost	\$ 4,200

11. Method of performance:

Design and inspection will be accomplished by a negotiated architect-engineering contract and the operating contractor. To the extent feasible, construction and procurement will be accomplished by prime fixed-price contracts awarded on the basis of competitive bidding.

* Cost estimate based on completed conceptual design.

CONSTRUCTION PROJECT DATA SHEETSOak Ridge Operations OfficeIn-house Energy Management

1. Title and location of project: Process waste heat utilization, Portsmouth
Caseous Diffusion Plant, Piketon, Ohio

2. Project no. 80-DA-3

12. Funding schedule of project funding and other related funding requirements:

Not applicable.

13. Narrative explanation of total project funding and other related funding requirements:

Not applicable.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

CONSTRUCTION PROJECT DATA SHEETS
Departmental Administration - Operating Expenses and Construction
Policy and Management

(Tabular dollars in thousands. Narrative material in whole dollars.)

Albuquerque Operations Office

In-house Energy Management

1. Title and location of project: Automated energy management system Pantex Plant, Amarillo, Texas	2. Project no. 80-DA-4	
3. Date A-E work initiated: 2nd Qtr. FY 1980	5. Previous cost estimate: None Date:	
3a. Date physical construction starts: 4th Qtr. FY 1980	6. Net cost estimate: \$4,000 Less amount for FEED: 0 Net cost estimate: \$4,000 Date: December 1978	
4. Date construction ends: 4th Qtr. FY 1981		
7. <u>Financial schedule:</u> (dollars in thousands)		

Fiscal Year	Obligations	Costs
1980	\$4,000	\$ 500
1981	0	3,500

8. Description:

This project replaces the existing utility monitoring system with a new system that includes the latest "state-of-the-art" proven products available for monitoring building environments, outside environments, building equipment status and managing the physical plant energy usage. The automated energy management system will have the flexibility for future expansion, and it will incorporate peripheral/distributed processing. Energy management calculations, predictions, usage records, Cathode Ray Tube display of system controlled component status, and rapid information printout will be included in the system capability. Initially, approximately 4,000 monitoring and control points will be included into several

CONSTRUCTION PROJECT DATA SHEETS

Albuquerque Operations Office

In-house Energy Management

1. Title and location of project: Automated energy management system
Pantex Plant, Amarillo, Texas
2. Project no. 80-DA-4

8. Description: (continued)

Independent data gathering/control units. These units will each be programmed to serve the unique requirements of a group of buildings. In addition, each remote unit will feed information to a central processing unit which will have the ability to override the remote units in special situations requiring such control (such as plant-wide "peak" demand limiting). Space allocation for the new central unit will be provided by rehabilitating 2,500 square feet of existing space. The remote micro-processors and control consoles will be located in various existing buildings. This is a DOE-owned facility.

9. Justification:

The purpose of this project is to save energy in the Pantex Plant by monitoring and controlling the various plant systems and equipment to optimize energy use. The existing monitoring system is obsolete, and spare parts and sensors for further expansion are not available. The existing capabilities of the system are limited in response speed, inability to make energy calculations and predictions, incapable of limiting demand and adjusting systems to take advantage of outside environment conditions.

This automated energy management system will save approximately 21% of the plants fuel oil consumption and 18% of the electric energy usage. This savings is the result of controlling air handling units, return air fans, vacuum and water pumps, dehumidification units, miscellaneous process units, electric refrigeration and absorption refrigeration to obtain optimum use of the plant systems and equipment.

Present value analysis, accomplished according to Department of Energy guidelines, using a discount rate of 10% assuming a 20 year life, indicates the following:

Savings to Investment Ratio	3.0
Discounted Payback Period	6.0 years
Annual Savings, 1977 Dollars	\$690,000
Annual Energy Savings	162 billion Btus
Btu Savings Per Investment Dollar	40,500 Btus/\$

CONSTRUCTION PROJECT DATA SHEETS

Albuquerque Operations Office

In-house Energy Management

1. Title and location of project: Automated energy management system
Pantex Plant, Amarillo, Texas

2. Project no. 80-DA-4

10. Details of cost estimate*

	Item Cost	Total Cost
a. Engineering, design, and inspection costs, at approximately 13% of construction costs, item b		\$ 400
b. Construction costs		3,000
1. Modification of existing structure for central station space	20	
2. Central station equipment including computer	300	
3. Peripheral/distributive processing units (micro-processors)	175	
4. Data gathering control panels for each building	532	
5. Remote sensors, start/stop controls and other control mechanisms	1,500	
6. Trunk cable for communication	163	
7. Demand metering and other energy use measurement devices	310	
	Subtotal	3,400
c. Contingency, at approximately 18% of above costs		600
	Total project cost	\$ 4,000

11. Method of performance:

Design and inspection will be performed under a negotiated architect-engineer contract. Construction and procurement will be accomplished by fixed-price contracts awarded on a basis of competitive bidding.

12. Funding schedule of project funding and other related funding requirements:

Not applicable.

13. Narrative explanation of total project funding and other related funding requirements:

Not applicable.

* Cost estimate based on completed conceptual design.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

CONSTRUCTION PROJECT DATA SHEETS
Departmental Administration - Operating Expenses and Construction
Policy and Management

(Tabular dollars in thousands. Narrative material in whole dollars.)

Chicago Operations Office

In-house Energy Management

1. Title and location of project: Conversion of boiler no. 5 to high sulfur coal firing, Argonne National Laboratory, Argonne, Illinois 2. Project no. 80-DA-5

3. Date A-E work initiated: 2nd Qtr. FY 1980 5. Previous cost estimate: None
Date:

3a. Date physical construction starts: 1st Qtr. FY 1981 6. Current cost estimate: \$5,000
Less amount for P&SD: 0
Net cost estimate: \$5,000
Date: December 1978

4. Date construction ends: 2nd Qtr. FY 1982

7. Financial schedule: (dollars in thousands)

<u>Fiscal Year</u>	<u>Obligations</u>	<u>Costs</u>
1980	\$5,000	\$1,000
1981	0	3,500
1982	0	500

8. Description:

This project provides for the conversion of boiler no. 5 from natural gas/fuel oil firing to high sulfur coal firing, and consists of three tasks: (1) the boiler will be rehabilitated and prepared for coal firing; (2) the coal handling system will be repaired and upgraded to make it safe, operational, and efficient; and (3) exhaust stack gas cleanup systems, both particulate and sulfur removal, will be installed to meet emission standards. The conversion will permit the

CONSTRUCTION PROJECT DATA SHEETS

Chicago Operations Office

In-house Energy Management

1. Title and location of project: Conversion of boiler no. 5 to high sulfur coal firing, Argonne National Laboratory, Argonne, Illinois
2. Project no. 80-DN-5

8. Description: (continued)

combustion of local high sulfur coal or, if necessary, the more expensive low sulfur western coal. This is a DOE-owned facility.

9. Justification:

The purpose of this project is to reduce the consumption of natural gas and fuel oil at Argonne National Laboratory's boiler plant in accordance with the Department of Energy's policy calling for the reduction and elimination of use of these fuels in Department of Energy facilities. It is proposed to switch boiler no. 5 to high sulfur coal. This project is the first step in implementing the Laboratory's long range Central Plant Conversion Plan.

The Laboratory's steam demand ranges from 80,000 to 280,000 pounds per hour. Natural gas availability is 43,340 therms per day which affords generation of 140,000 pounds of steam per hour. When energy demand exceeds the natural gas allotment and also when natural gas is curtailed, the more expensive fuel oil is burned to satisfy the need. Conversion of boiler no. 5 to coal firing will permit generating up to 170,000 pounds of steam per hour, thus providing the base load requirements and much of the time the total requirements of the laboratory from coal, and thereby reducing significantly the Laboratory's consumption of natural gas and fuel oil. During CY 1976 boiler no. 5 generated 582,000,000 pounds of steam; it is estimated that the proposed conversion would save 7,500,000 therms of natural gas, or alternatively, about 5,400,000 gallons of fuel oil. After conversion to coal, boiler no. 5 will be able to provide an even greater portion of the base load, about 800,000,000 pounds of steam annually.

Present value analysis, accomplished to Department of Energy guidelines, using a discount rate of 10% and a 20 year service life, indicates the following:

Savings to Investment Ratio	5.6
Discounted Payback Period	4.5 years
Annual Savings, 1977 Dollars	\$864,000
Annual Energy Savings	None-this is a fuel conversion project
Btu Savings Per Investment Dollar	None-this is a fuel conversion project

CONSTRUCTION PROJECT DATA SHEETS

Chicago Operations Office

In-house Energy Management

1. Title and location of project: Conversion of boiler no. 5 to high sulfur coal firing, Argonne National Laboratory, Argonne, Illinois

2. Project no. 80-DA-5

10. Details of cost estimate:*

	Item Cost	Total Cost
a. Engineering, design, and inspection costs, at approximately 17% of construction costs, item b.....		\$ 640
b. Construction costs.....		3,720
1. Boiler conversion and rehabilitation (Task 1).....	\$ 135	
2. Coal handling system rehabilitation (Task 2).....	510	
3. Emission control system (Task 3).....	3,075	
Subtotal.....		4,360
c. Contingency, at approximately 15% of above costs.....		640
Total project cost.....		\$ 5,000

11. Method of performance:

Design and inspection will be performed under a negotiated architect-engineer contract. Construction and procurement will be accomplished by fixed-price contracts awarded on the basis of competitive bidding.

12. Funding schedule of project funding and other related funding requirements:

Not applicable.

13. Narrative explanation of total project funding and other related funding requirements:

Not applicable.

* Cost estimate based on completed conceptual design.

Departmental Administration
Policy and Management
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1979 Estimated Budget <u>Authority</u>	FY 1980 Requested Budget <u>Authority</u>
<u>Security investigations (DP)</u>		
Operating expenses.....	\$14,660	\$16,400
Total, security investigations.....	\$14,660 ^{1/}	\$16,400
^{1/} Includes a pending pay raise supplemental request of \$760,000		
Authorization: Sec. 102(18), P.L. 95-91	\$14,660	\$16,400
<u>Security Investigations</u>	\$14,660	\$16,400

The objective of the Security Investigations Program is to insure that the granting of security clearances to those Department of Energy (DOE), other Government and contractor personnel who must, in the performance of their work, have access to Restricted Data, National Security Information, Special Nuclear Material, or who occupy a designated Critical Sensitive position, will not endanger the common defense and security of the United States. The Assistant Secretary for Defense Programs is responsible for this activity.

The FY 1980 budget request for the Security Investigations Program is \$16,400,000, an increase of \$1,740,000 over the amount appropriated in FY 1979. The majority of this increase, \$1,210,000, is due to the increased cost per investigation charged by the investigative agencies. The Federal Bureau of Investigation has programmed an increase in the cost for an investigation from \$979 in FY 1979 to \$1,105 in FY 1980, and Civil Service Commission has programmed an increase from \$850 in FY 1979 to \$925 in FY 1980. The FY 1980 budget request will provide for an estimated 28,139 security investigations (17,491 full field background investigations and 10,648 National Agency Checks). About 85 percent of all security investigations funded by this activity are for Department of Energy contractor employees.

The proposed level of funding for FY 1980 will meet all of the security clearance requirements for the various programmatic areas in the Department of Energy. A tabulation of the programmatic areas that will be supported by the FY 1980 funding level follows.

Departmental Administration
Policy and Management
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1979		FY 1980	
	<u>Cases</u>	<u>\$</u>	<u>Cases</u>	<u>\$</u>
Defense Activities.....	16,005	\$8,582	16,023	\$ 9,884
Nuclear Energy and Research.....	3,736	1,249	3,924	1,466
Uranium Enrichment Activities.....	6,012	2,833	6,208	3,625
Policy and Management.....	2,647	1,996	1,984	1,425
Total.....	28,400	\$14,660	28,139	\$16,400

Below is a summary tabulation of security clearance requirements for FY 1979 and FY 1980 by type of clearance

<u>Programs</u>	FY 1979		FY 1980	
	<u>Full Field</u>	<u>NAC</u>	<u>Full Field</u>	<u>NAC</u>
Defense Activities.....	9,977	6,028	10,586	5,437
Nuclear Energy and Research.....	1,417	2,319	1,553	2,371
Uranium Enrichment Activities.....	3,287	2,725	3,878	2,330
Policy and Management.....	2,133	514	1,474	510
Total.....	16,814	11,586	17,491	10,648

The entire \$16,400,000 will be obligated for the Federal Bureau of Investigation and the Civil Service Commission both of which are located in the District of Columbia.

Departmental Administration
Policy and Management
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1979 Estimated Budget <u>Authority</u>	FY 1980 Requested Budget <u>Authority</u>
<u>Other Supporting Activities (CR)</u>		
Plant engineering and design, non-defense:		
Construction	\$ 3,000	\$ 9,000
Total, Plant engineering and design, non-defense	\$ 3,000	\$ 9,000
Authorization: Sec. 102(a)(14), P.L. 95-238	\$ 3,000	\$ 9,000
Plant engineering and design, non-defense		
	\$ 3,000	\$ 9,000

The FY 1980 budget request for this activity is \$9,000,000, a \$6,000,000 increase over the amount appropriated in FY 1979. This increase in funds is part of a gradual buildup to a level sufficient to support design activities of many of the major projects the Department has under consideration for authorization in future years. A review of future years' funding levels will be performed during FY 1979 in support of the FY 1981 budget. The requested level will support continued preliminary and definitive design of projects initiated during FY 1979 and a limited number of new starts in FY 1980. The Office of Controller is responsible for implementation of this activity.

The investment of funds to complete a large portion (35-50%) of design prior to authorization provides numerous advantages including: (1) more reliable cost estimates being available to the Department and Congress at the time of budget consideration; (2) permits uninterrupted design progression by permitting architect-engineering services to proceed immediately following completion of conceptual design studies; (3) results in escalation cost savings due to accelerated engineering and construction; and (4) accelerate execution of DOE-wide, non-defense development and construction projects. Requested funds will be expended in the coterminous United States.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST

CONSTRUCTION PROJECT DATA SHEETS
Departmental Administration - Operating Expenses and Construction
Policy and Management

(Tabular dollars in thousands. Narrative material in whole dollars.)

Washington Headquarters

Other Supporting Activities

1. Title and location of project: Plant engineering and design, various locations	2. Project No.: 80-PZ4D-1
3. Date A-E work initiated: 1st Qtr. FY 1980	5. Previous cost estimate: None Date:
3a. Date physical construction starts: Not applicable	6. Net cost estimate: \$ 9,000 Date: December 1978
4. Date construction ends: Not applicable	

7. Financial schedule	
Fiscal Year	Obligations
1980	\$ 9,000
1981	0
1982	0
1983	0
	Costs
	\$ 2,000
	3,000
	3,000
	1,000

8. Brief physical description of project

This project provides for architect-engineering services (Title I and Title II) on Departmental construction project (excluding those authorized under Atomic Energy Defense) which the DOE has under consideration for authorization request in future years. This will allow certain designated projects to proceed from conceptual design into Preliminary design (Title I) and Definitive design (Title II) prior to requesting Congressional authorization. Design efforts accomplished under this project will accelerate project execution, assure project feasibility, define the scope, provide improved estimates of the

CONSTRUCTION PROJECT DATA SHEETS

Washington Headquarters

1. Title and location of project: Plant engineering and design, various locations 2. Project No.: 80-PE4D-1

cost of construction based on advanced design and improve the reliability of procurement and construction schedules. An objective of plant engineering and design is to accomplish sufficient design so that construction can physically start or contracts be let for long-lead procurement items in the budget fiscal year in which Congressional authorization is sought. Engineering design accomplished under this project may encompass the design requirements of any construction project except: (1) design required for small construction projects whose total estimated cost is estimated less than \$750,000 included in the General plant project funding request, (2) projects to be authorized under Atomic Energy Defense Activities, and (3) conceptual design accomplished with operating funds. Additionally, essential long-lead procurement is permitted only to the extent that not ordering of such equipment until the construction phase would unduly delay project completion. Site work or other construction activities are not permitted.

9. Purpose, justification of need for, and scope of project

Conceptual studies completed for a project, utilizing operating funds, define the scope of the project and produce a rough cost estimate. These conceptual design studies are completed 9-12 months before the budget is submitted to the Congress, resulting in the studies being as much as 24 months old by the time authorizing legislation is enacted. The use of plant engineering and design funding permits projects to proceed immediately upon completion of conceptual design into advanced design phases resulting in more reliable cost estimates being available to the Congress when the budget is presented. Additionally, this funding permits uninterrupted design progression by permitting architect-engineer services to proceed immediately upon completion of conceptual studies.

10. Details of cost estimate

Engineering and design \$ 9,000

Departmental Administration
Policy and Management
(Tabular dollars in thousands. Narrative material in whole dollars.)

	FY 1979 Estimated Budget Authority	FY 1980 Requested Budget Authority
<u>Other supporting activities (AD)</u>		
General purpose facilities		
Construction	\$10,600	\$...
Total, general purpose facilities	\$10,600	\$...
Authorization: Sec. <u>102(a)</u> , P.L. <u>95-238</u>	\$10,600	\$...
<u>General purpose facilities</u>	\$10,600	\$...
The FY 1979 Budget Authority relates to a prior year project. The General Purpose Facilities Program has been discontinued under Departmental Administration. The GPF requirements will be included within other programs. The \$6,600,000 in outlays will allow completion of project 78-19-a, Program Support Facility at Argonne National Laboratory.		
<u>Resource requirements</u>	<u>1979</u>	<u>1980</u>
Budget Authority (\$000)		
Construction	10,600	...

Departmental Administration - Operating Expenses
Policy and Management
(Tabular dollars in thousands. Narrative material in whole dollars)

	FY 1979 Estimated Budget Authority	FY 1980 Requested Budget Authority
<u>Changes in inventories, working capital (CR)</u>		
Operating expenses	\$ 10,000	\$ 19,260

Authorization: Sec. 161, P.L. 83-703 \$ 10,000 \$ 19,260

Changes in inventories, working capital \$ 10,000 \$ 19,260

The Policy and Management Changes in inventories program provides for changes in the value of the physical quantity balances of Common Use Stores and certain recyclable precious metals. The FY 1980 budget request is \$19,260,000 a \$9,260,000 increase over the amount appropriated in FY 1979. No funds were appropriated in FY 1979 for working capital allowances and none are requested in FY 1980.

Common Use Stores inventories consist of all supplies necessary to support large facilities and labor forces, but which are not directly program related. These items consist of, but are not limited to, office supplies, laboratory supplies, building and grounds maintenance and repair items, electronic parts, janitorial supplies, automotive maintenance and repair items, and heating fuels.

The balance of the inventory on hand at the beginning of FY 1980 is estimated to be \$175,276,623. This balance will turn over 1.6 times, or once every seven and one-half months, during the year based upon estimated issuances of \$272,558,000.

Exclusive of the DOE coal stockpiles, the net increase in the per unit replacement cost of these items over that included in the balance on hand at the beginning of the year is estimated to be \$10,288,000. A \$2,572,000 increase is estimated in the goods and services on order for the same reason in accordance with the prefinancing requirements in the DOE contracts with the national laboratories. These two factors result in the requirement for \$12,860,000 of budget authority to maintain the status quo of the physical quantities exclusive of the coal stockpile. This increment of budget authority will be allocated among all of the DOE national labs and operations offices according to their requirements.

Various DOE facilities consume large amounts of coal in the generation of electricity, process steam, and space heating. During the coal strike of the winter of 1977-1978, these stockpiles were depleted to dangerously low levels. They must be replenished at unit prices considerably in excess of those in the original stockpile. The FY 1979 appropriation did not provide for this requirement. The following table reflects the FY 1980 budget impact of the replenishment.

Coal Stockpile
FY 1980 Balances

	Beginning Balance	Ending Balance	Change
Tons on hand and on order	355,000	440,550	85,550
Average price per ton	\$ 33.15	\$ 41.24	\$ 8.09
Total Dollar Value (000)	\$ 11,768	\$ 18,168	\$ 6,400

The request for budget authority of \$6,400,000 is the result of \$2,836,000 attributable to the volume increase of 85,550 tons, and \$3,564,000 is attributable to the increase in the average price per ton of \$8.09. This increment of budget authority will be allocated among the principal coal using facilities located at Savannah River, SC; Oak Ridge, Tenn.; Paducah, Ky.; and Portsmouth, Ohio.

Departmental Administration
Policy and Management
(Tabular dollars in thousands. Narrative material in whole dollars)

	FY 1979 Estimated Budget Authority	FY 1980 Requested Budget Authority
<u>Cost of work for others (CR)</u>		
Cost of products sold:		
Operating expenses	\$ 6,879	\$10,229
Cost of services performed:		
Operating expenses	11,750	12,505
Cost of uranium enrichment activity services:		
Operating expenses	<u>3,971</u>	<u>2,260</u>
Total, cost of work for others	<u>\$22,600</u>	<u>\$24,994</u>
Authorization: Chap. 14, P.L. 83-703	\$22,600	\$24,994

<u>Cost of products sold</u>	\$ 6,879	\$10,229
------------------------------------	----------	----------

The program includes the costs of sales of special reactor materials, isotopes, and other products. The justification by category follows:

a. Special reactor materials	\$ 340	\$ 350
b. Isotopes		
(1) Fission products	52	132
(2) Other isotopes	4,874	7,548
c. Other products sold	<u>1,613</u>	<u>2,199</u>
Total cost of products sold	\$ 6,879	\$10,229

<u>Special reactor materials</u>	\$ 340	\$ 350
--	--------	--------

These estimates include the costs of sales of heavy water and other reactor materials. The FY 1979 estimate includes the sale of one ton of heavy water. The FY 1980 estimate includes the sale of one thousand pounds of heavy water. Related revenues of \$367,000 is included under the program "Miscellaneous Revenues".

Departmental Administration
Policy and Management
(Tabular dollars in thousands. Narrative material in whole dollars)

<u>Isotopes</u>	\$ 4,926	\$7,680
-----------------------	----------	---------

This estimate includes the costs associated with the the sale of fission products and other isotopes.

(1) Fission products	\$ 52	\$ 132
----------------------------	-------	--------

The estimate reflects the costs associated with the sale of strontium - 90 and cesium - 137. FY 1980 sales levels are anticipated to produce revenues of \$5,544,000.

(2) Other isotopes	\$ 4,874	\$7,548
--------------------------	----------	---------

This estimate includes the costs of isotopes sold, exclusive of the fission products strontium - 90 and cesium - 137. These products are sold to research laboratories, industry, educational institutions, and foreign countries. Related revenues are estimated to be \$3,030,000 and are included under the program "Miscellaneous Revenues".

<u>Other products sold</u>	\$ 1,613	\$2,199
----------------------------------	----------	---------

These estimate cover the cost of sales of miscellaneous products. The FY 1979 estimate reflects sales to the United Kingdom under the Mutual Defense Agreements along with sales of americium and neptunium. The FY 1980 estimate is made up principally by continued sales of americium and neptunium. Related revenues of \$2,139,000 are included under the program "Miscellaneous Revenues".

<u>Cost of services performed</u>	\$11,750	\$12,505
---	----------	----------

a. Use of DOE-owned facilities and equipment, and irradiation services	\$ 347	\$ 75
b. Special services and fabrications	280	209
c. Security investigations	200	200
d. Other services	10,923	12,021
Total cost of services performed	\$11,750	\$12,505

This estimate includes costs related to the use of DOE-owned facilities and equipment, irradiation services, special services and fabrications, security investigations, and other energy related activities. The costs of security investigations are related to the granting of access authorization under the Access Permit Program. This program, which was initiated as a means of encouraging American industry to participate more fully in the nuclear energy program, provides for release of selected classified non-military information, after obtaining the necessary security clearance (access authorization), to applicants who can demonstrate the need for this information in their business or profession. Revenue from services of \$12,740,000 in FY 1980 is included under the program "Miscellaneous Revenues."

Departmental Administration
Policy and Management
(Tabular dollars in thousands. Narrative material in whole dollars)

Cost of uranium enrichment

<u>activity services</u>	\$ 3,971	\$ 2,260
--------------------------------	----------	----------

This estimate includes costs of services related the Uranium Enrichment Activity other than toll enriching, such as withdrawal and analyses at the gaseous diffusion plants, cylinder cleaning, and valve chargeouts. Related revenue in FY 1980 of \$2,630,000 is included under the program "Miscellaneous Revenues."

Departmental Administration
Policy and Management
(Tabular dollars in thousands. Narrative material in whole dollars)

	FY 1979 Estimated Budget <u>Authority</u>	FY 1980 Requested Budget <u>Authority</u>
<u>Miscellaneous revenues (CR)</u>		
Revenue from products sold:		
Operating expenses	\$ 7,521	\$ 11,400
Revenue from services:		
Operating	12,059	12,740
Revenue from uranium enrichment services:		
Operating	3,770	2,630
Other revenue:		
Operating	<u>89,550</u>	<u>82,984</u>
Total, miscellaneous revenues	<u>\$112,900</u>	<u>\$109,754</u>

Authorization: Chap. 14, P.L. 83-703	\$112,900	\$109,754
--------------------------------------	-----------	-----------

<u>Revenues from products sold</u>	\$ 7,521	\$ 11,398
--	----------	-----------

These estimates include revenue from the sale of special reactor materials, isotopes, and other products.

Justification by activity follows:

a. Special reactor materials	\$ 425	\$ 360
b. Isotopes		
(1.) Fission products	13	5,544
(2.) Other isotopes	5,010	3,030
c. Other products sold	<u>2,073</u>	<u>2,466</u>
Total, revenue from sale of products	\$ 7,521	\$ 11,400

<u>Special reactor materials</u>	\$ 425	\$ 360
--	--------	--------

This estimate reflects revenue from the sale of heavy water and other special reactor materials. The estimate for FY 1979 includes revenue from the sale of one ton of heavy water. The FY 1978 estimate includes revenues from the sale of one thousand pounds heavy water. Related FY 1980 costs of \$350,000 for heavy water sales are included in the program "Cost of Work for Others."

Departmental Administration
Policy and Management
(Tabular dollars in thousands. Narrative material in whole dollars)

<u>Isotopes</u>	\$ 5,023	\$ 8,574
-----------------------	----------	----------

This estimate includes revenue from the sale of fission and other isotopes.

(1.) Fission products	\$ 13	\$ 5,544
-----------------------------	-------	----------

These estimates consists of revenue derived from the sale of strontium-90 and cesium-137. Costs of \$132,000 associated with these sales in FY 1980 are included under the "Cost of Work for Others" program.

(2.) Other Isotopes	\$ 5,010	\$ 3,030
---------------------------	----------	----------

This estimate consists of revenue from the sale of radio - and stable isotopes, excluding strontium-90 and cesium-137. These products are sold to research laboratories, industry, educational institutions, and foreign countries. The estimate is based on current sales projections. The cost of sales of these isotopes in FY 1980 is \$7,548,000 and is included under the program "Cost of Work for Others."

<u>Other products sold</u>	\$ 2,073	\$ 2,466
----------------------------------	----------	----------

This estimate consists of revenue derived from the sale of miscellaneous products. The FY 1979 estimate reflects sales to the United Kingdom under Mutual Defense Agreements along with sales of americium and neptunium. The FY 1980 estimate consists principally of continued sales of americium and neptunium. Related costs of \$1,192,000 are included in FY 1980 under the program "Cost of Work for Others."

<u>Revenue from services</u>	\$12,059	\$12,740
------------------------------------	----------	----------

a. Use of DOE-owned facilities and equipment, and irradiation services	\$ 446	\$ 115
b. Special services and fabrications	319	393
c. Security investigations	240	237
d. Other services	<u>11,054</u>	<u>11,995</u>
Total, revenue from services	\$12,059	\$12,740

This estimate includes income from the use of DOE-owned facilities and equipment, irradiation services, special services and fabrications, security investigations, and other miscellaneous services in the field of energy research. Revenues from security investigations are for granting access authorization under the Access Permit Program. This program, which was initiated as a means of encouraging American industry to participate more fully in the nuclear energy program, provides for release of selected classified non-military information in their business or profession. Costs of \$12,505,000 related to Revenue from Services are included in FY 1980 estimates for the "Cost of Work for Others" program.

<u>Revenue from uranium enrichment services</u>	\$ 3,770	\$ 2,630
---	----------	----------

This estimate includes revenue from services related to the Uranium Enrichment Activity other than toll enriching, such as withdrawals and analyses at the gaseous diffusion plants, cylinder cleaning, and valve chargeouts. Related costs of \$2,260,000 are included in the FY 1980 estimates under the program "Cost of Work for Others."

Departmental Administration
Policy and Management
(Tabular dollars in thousands. Narrative material in whole dollars)

<u>Other revenue</u>	\$ 89,550	\$ 82,984
Sale of source and special nuclear (SS) materials	\$ 10,900	\$ 9,676
Charges for SS materials consumed	7,525	8,307
Revenues from lease of materials and interest		
from deferred sales of material	2,340	2,326
Charges for recovery of SS materials	9,885	9,075
Sale of other special products	240	450
Sale of steam	36,615	39,480
Revenue from research hospitals	40	40
Revenue from services-Washington Public Power Supply		
System	4,200	475
Other miscellaneous revenue	17,805	13,155
Total, other revenue	\$ 89,550	\$ 82,984
<u>Sale of source and special nuclear materials</u>	\$ 10,900	\$ 9,676

This estimate consists of income derived from the sale of enriched uranium and other special nuclear materials to foreign countries, domestic licensees, and other federal agencies. The FY 1979 estimates are based on anticipated sales. Related costs of these materials are included under the budget program "Uranium Enrichment" either currently or in prior years.

<u>Charges for SS materials consumed</u>	\$ 7,525	\$ 8,307
--	----------	----------

This estimate reflects income derived from charges made for DOE material consumed, either lost or "burned up," in the operation of private domestic power and test reactors and military reactors. These charges are billed currently from data submitted by the reactor operators. The FY 1980 estimate is based on past experience and projected operational schedules of these reactors.

<u>Revenue from lease of materials and interest</u>		
<u>from deferred sales of materials</u>	\$ 2,340	\$ 2,326

The FY 1980 Estimate includes revenue derived from (1) lease of source and special nuclear materials (\$ 105,000); and (2) interest from deferred sales of source and special nuclear materials (\$ 2,221,000).

DOE policy has provided for a lease or use charge of 7.5% per annum on the sales value of material leased to qualified domestic and foreign users. The lease program was discontinued, however, effective December 31, 1974 with certain minor exceptions primarily for material used for educational purposes and for domestic lessees participating in the power reactor demonstration program. The FY 1980 estimate provides for revenues related to these exceptions.

Departmental Administration
Policy and Management

(Tabular dollars in thousands. Narrative material in whole dollars)

DOE continues to have four contracts for the supply of enriched power reactor fuels under deferred payment arrangements which provide for a ten-year deferral of the payment for the material purchased and equal annual installments over the next ten years with interest to be charged on the unpaid balance of the purchase. Purchases for the SENN and SENA reactors under the U.S.-Euratom joint program are subject to a fixed interest charge of 4% per annum while purchases of the SELNI and TARAPUR reactors under DOE's "Limited Deferred Payment Plan" are currently subject to an interest charge of 7.5% per annum.

<u>Charges for Recovery of SS Material</u>	\$ 9,885	\$ 9,075
--	----------	----------

DOE receives income from charges made for the separation of returned irradiated non-production reactor fuels and for the recovery as UF of unirradiated uranium for domestic, foreign, and other federal agency users. The estimate is based on scheduled returns and, therefore, is subject to adjustment depending upon receipt of material.

<u>Sale of other special products</u>	\$ 240	\$ 450
---	--------	--------

The estimate consists of revenue from the sale of californium - 252 which is for use in industry, medicine, education, environmental control and other fields.

<u>Sale of steam</u>	\$36,615	\$39,480
----------------------------	----------	----------

This estimate reflects income from the sale of steam from the N reactor at Richland and the Shippingport Pressurized Water Reactor near Pittsburgh. Under a contractual arrangement between DOE and the Washington Public Power Supply System (WPPSS), steam from the N reactor is supplied to WPPSS for generation of electric power. The FY 1980 estimate reflects \$2,880,000 in sales from the Shippingport reactor and \$36,600,000 from N reactor.

<u>Revenue from research hospitals</u>	\$ 40	\$ 40
--	-------	-------

This estimate consists of revenue derived from the use of the patient floors at the Franklin McLean Memorial Research Institute by the University of Chicago Hospitals and Clinics and from the maintenance of equipment.

Revenue from services - Washington Public Power

<u>Supply System</u>	\$ 4,200	\$ 475
----------------------------	----------	--------

This estimate reflects net income from the Washington Public Power Supply System trust fund for services furnished by DOE in connection with the operation of power generation facilities at the "N" reactor, Richland, Washington.

<u>Other miscellaneous revenue</u>	\$17,805	\$13,155
--	----------	----------

This estimate includes income derived from lease of uranium-bearing lands, timber sales, sales of publications, and other miscellaneous sources.

Mr. MITCHELL. I have with me today Mr. Bill Heffelfinger, Director of Administration; Mr. Lynn Coleman, General Counsel; Mr. Sam Hughes, the Assistant Secretary for Intergovernmental and Institutional Relations; and Mr. Alvin Alm, the Assistant Secretary for Policy and Evaluation.

Mr. Harry Bergold, the Assistant Secretary for International Affairs, whose program is a part of Departmental Administration, has already appeared before the Subcommittee at a previous hearing.

DEPARTMENTAL ADMINISTRATION

At this time we would like to summarize briefly the 1980 Departmental Administration Request and then answer any questions you or the members of the Subcommittee might have.

The total request for Departmental Administration activities in 1980 is \$308 million, an increase of \$56 million over the 1979 request of \$252 million.

This amount includes management and support, the Department's outreach and international affairs activities, policy analysis and systems studies, in-house energy management, security investigations, and other supporting activities.

MANAGEMENT AND SUPPORT

The 1980 management and support budget is presented in a structure more suitable to the requirements of the Department's various Congressional committees.

It includes only the personnel and associated funding resources of the Office of the Secretary, the Headquarters staff organizations, the multi-program operational offices, and regional representative organizations supporting the Department's diverse, complex energy programs.

Of the total request for 1980 of \$248.5 million, \$154.3 million provides for the salaries, the benefits, and travel expenses of the 4,449 full-time permanent employees funded from management and support account.

The increase in 1980 of \$14 million over the 1979 level is primarily attributable to built-in normal within grade increases, two extra paydays, and the newly initiated minority economic impact program.

Mr. Heffelfinger is prepared to discuss the new Office of Minority Economic Impact for which we are requesting \$3 million in more detail if the Subcommittee desires.

We are requesting \$87 million for support services, essentially the same as fiscal 1979, when the support services supplemental is added.

Capital equipment funding of \$4.3 million will provide for replacement of outdated administrative equipment and computer terminals for the DOE field locations and Headquarters computer center.

POLICY ANALYSIS AND SYSTEMS STUDIES

The Departmental Administration request also includes the following. First, \$18.5 million for policy analysis and system studies, an increase of \$4 million over 1979. Included are \$2 million for data

services to be provided by the Energy Information Administration, \$2 million for coal competition and policy studies initiated in 1979, and \$1.1 million for NEP III and other energy development activities.

SECURITY INVESTIGATIONS

Second, \$15.4 million for security investigations, which is approximately \$2 million over 1979. This level will provide for about 17,500 full-field investigations. This represents an increase of 700 in 1980 and is primarily connected with our contractor personnel in new centrifuge activities.

OUTREACH ACTIVITIES

Third, \$36.4 million for outreach activities. This includes technical information services, education, business and labor affairs, inter-governmental affairs, consumer affairs, public affairs and Indian affairs.

The increase is approximately \$3 million over 1979. The major portion of the increase is \$1.2 million for expanded education, business and labor affairs, and \$1 million for Indian affairs.

IN-HOUSE ENERGY MANAGEMENT

Fourth, \$41 million for in-house energy management, an increase of \$16 million over the combined 1979 appropriation and supplemental request. The anticipated benefits include annual savings of 3.2 trillion BTU's, or the equivalent of 560,000 barrels of oil, and an annual savings of \$8.1 million.

INTERNATIONAL AFFAIRS

Fifth, \$3.5 million for International Affairs, a decrease of \$0.5 million from 1979.

PLANT ENGINEERING AND DESIGN

Sixth, \$9 million for plant engineering and design, an increase of \$6 million over 1979, but the same level as appropriated in 1978. These funds will permit us to accomplish better conceptual, preliminary, and definitive design on non-defense future year projects before they are submitted for Congressional authorization and appropriation.

COST OF WORK FOR OTHERS

Seventh, \$25 million for the cost of work for others program. The Department will receive \$26.8 million in miscellaneous revenues as reimbursement to offset the cost of this work.

MISCELLANEOUS REVENUES

Eight, \$109.8 million in miscellaneous revenues, down from the 1979 level of \$112.9 million.

INVENTORIES

And last, \$19.3 million for changes in inventories, an increase of \$9.3 million over the amount appropriated in 1979. About \$6.4 million of that increase is earmarked to replenish the coal stockpiles depleted during the coal strike in the winter of 1977 and 1978, and \$2.9 million covers the inflationary impact on the replacement cost of the beginning balances.

That concludes my portion of this presentation, Mr. Chairman. I would now like to introduce Mr. Sam Hughes, Assistant Secretary for Intergovernmental and Institutional Relations.

Mr. HUGHES. Thank you, Mr. Mitchell and Mr. Chairman. I would appreciate my brief statement being made a part of the record if you would and I will try to be even briefer.

[The information follows:]

STATEMENT OF PHILLIP S. HUGHES
ASSISTANT SECRETARY
INTERGOVERNMENTAL AND INSTITUTIONAL RELATIONS
DEPARTMENT OF ENERGY
FY 1980 APPROPRIATIONS HEARINGS

Mr. Chairman and Members of the Committee, thank you for the opportunity to appear before you today in support of the intergovernmental and institutional relations activities of the Department of Energy.

Clearly, carrying out the objectives and policies of our enabling legislation and of the National Energy Act depends heavily on the widest-possible public understanding of the nature of our energy problems, and on the understanding and cooperation of all sectors of government, business and industry, the academic community, as well as the individual citizen and special interest groups in their solution. The outreach, or external affairs, activities of the Department, for which I am responsible, are charged with establishing and maintaining two-way communications with these groups. Not only is it important for us to tell others of the Department's programs and policies, but it is equally important for the Department to listen to the concerns, problems, and interests of these external groups in developing energy programs, policy, and legislation.

Organizationally, the following activities are part of the outreach function: Offices of Public Affairs; Congressional Affairs; Consumer Affairs; Education, Business, and Labor Affairs; Intergovernmental Affairs; Indian Affairs; and Technical Information. The Offices carrying out these activities provide direct support to the Secretary and the top management of the Department, and provide guidance and assistance on external relations to policy, management, and program staffs in both the headquarters and the field. Again, the mission of these Offices is to ensure effective two-way communications. Our major goals are:

- o To provide a high level, visible point of contact for individuals and groups, and to facilitate their communication with appropriate Departmental offices;
- o To provide information on the programs, services, and publications available within the Department; and
- o To develop policies and procedures for ensuring feedback to the Department on the reactions of key groups to Departmental policies and programs.

The concept of consolidating outreach or external relations functions into a single office was a new concept under DOE. There are significant benefits to be realized through utilization of a common information base and pooling the resources and talents available among offices having many similar functions and procedures. We have been in business for more than a year now, and while we are still pioneers in a sense, I believe the concept has proved itself in our case. I would like to highlight some very tangible outreach accomplishments in FY 1978 and FY 1979.

We have managed the public participation in development of the Domestic Policy Review of Solar Energy, where 3,000 citizens testified or submitted written testimony and 10,000 people attended public meetings.

Over 1,100 students and faculty participated in projects at DOE laboratories and Energy Research Centers in such areas as biomedical and environmental research, and coal gasification and control. Over 3,000,000 pieces of energy curriculum materials were developed and distributed to teachers.

Our Office of Intergovernmental Affairs has been involved in and assured State and local public interest group participation in the development of legislative proposals such as

The Energy Management and Partnership Act, and impact assistance legislation.

Our FY 1980 budget includes a \$500,000 request to enable us to better communicate with and receive advice from State and local public interest groups such as the National Conference of State Legislatures, the National Association of Counties, the National League of Cities, and the United States Conference of Mayors. We place a very high priority on such assistance to State and local governments to help them effectively address their energy problems and to assure that National energy policies are reflective of and responsive to State and local needs.

In FY 1979 we sought funds for these purposes as well as for initiatives in labor, business and industry affairs. The committee denied the funds, perhaps not realizing that the funds for State and local purposes were to continue activities initiated by the FEA in prior years. I would like to take this opportunity to seek the committee's approval to use prior year unobligated funds to continue State and local efforts similar to those that were funded prior to FY 1979. With your permission, we would be pleased to discuss the matter with the committee staff in further detail.

We believe that, over the past year and a half, we have significantly improved the Department's outreach processes and even more important, have increased the Department's knowledge of and sensitivity to energy concerns outside the Federal Government. The consolidated outreach concept has enabled us, in little more than a year's time, to better focus and coordinate our resources. We look forward to more gains during the remainder of this fiscal year, and in FY 1980. Thank you very much for this opportunity.

OUTREACH ACTIVITIES

Mr. HUGHES. As Mr. Mitchell has indicated, my responsibility is the outreach area of the Department. We have a rather unique structure within the Department of Energy which encompasses all of the outreach activities: public affairs; Congressional affairs; consumer affairs; education, business, and labor affairs; relations with state and local governments, and the Indian tribes; and the technical information function which provides bibliographic reference data of energy related information.

We are trying briefly to provide a high level and visible point of contact for individuals and groups with the Department. We are trying to develop policies and procedures to ensure the feedback to the Department of their reactions to our program policies and procedures. And, of course, we are carrying out the normal functions of providing information about Departmental programs.

The consolidation of outreach activities is in the nature of an experiment. We have been in business for a little over a year now and we think it is useful and it enables us to take advantage of common information bases and to pool the resources and the talents that are available to deal with these different constituency or clientele groups.

We have, in my statement, indicated some accomplishments which I will simply leave for the record except to the extent the Committee wishes to discuss them.

INTERGOVERNMENTAL AFFAIRS

I wanted particularly to talk about our Office of Intergovernmental Affairs where we sought funds from the Committee in 1979 and you and I had some exchange of correspondence earlier with respect to the possibility of reprogramming. You invited me to raise the question again at this point.

We are seeking \$500,000 to enable us to both better inform the states and localities of what we are up to and to listen better to them to hear what they are saying in response to our actions. We have included that request in our 1980 budget and we would like to seek your cooperation in reprogramming in fiscal year 1979 to cover similar activities of the sort that were carried on by some of the predecessor agencies. We can discuss this latter matter with the staff or here as you may wish.

Mr. BEVILL. Why do you need \$500,000 for State and local relations?

Mr. HUGHES. The objective of the Office of Intergovernmental Affairs is to facilitate communications between DOE and State and local governments to ensure that national energy policies are responsive to State and local needs. This can be accomplished by working with State and local governments in the design and execution of energy programs and policies. Such involvement in energy supply initiatives and regulatory programs, for example, helps to ensure resolution of contentious issues prior to development of legislative initiatives and administrative actions. Through the funds requested, we would hope to enable States and the groups which represent them to better participate in and understand the effects of national energy policies within their geographic boundaries. Without this limited

assistance, we believe the State capacities will develop much more slowly. We intend to work particularly to establish good two-way communication to exchange information, ideas, and opinions.

INDIAN AFFAIRS

The other area that I might make reference to is the Indian Affairs^s area, which I think may have been one in which there was some misunderstanding. We have regarded our responsibility there as one of doing what we could for national purposes to stimulate the wise utilization of resources that are under the control of the Indian tribes.

We have a very small office. I do not anticipate that it will get any larger. It consists of three professionals at the present time. I see no more than that, possibly less.

We have worked closely with the Department of Interior on it. I believe that they understand and support our need here. We are doing different kinds of things and solely related to the production of energy resources and we can discuss that in more detail.

Mr. BEVILL. Explain briefly the purpose and need for \$1,000,000 to support your Indian Affairs program.

Mr. HUGHES. Of the \$1 million we are requesting for FY 1980 for the Indian Affairs program, it is anticipated that a \$750,000 grant will be awarded to the Council of Energy Resource Tribes, CERT, with the remaining \$250,000 being utilized to fund projects for non-CERT tribes that have energy resources. CERT is a non-profit corporation whose members consist of twenty-five Indian tribes who own a substantial amount of energy resources. It was created by the tribes to help them develop the necessary technical, legal, and financial expertise needed to make informed decisions on energy resources. There are sound reasons for requesting these funds in the DOE budget. Simply put, Indian tribes own a very substantial amount of the Nation's energy resource. It is the responsibility of this Department to encourage the development of energy resources. Enabling tribes to gain the information necessary to make informed decisions on the management of their energy resources is an important step in facilitating the development of these resources.

OUTREACH ACTIVITIES

We believe in summary that over the past year and a half we have improved the Department's outreach processes, gained more efficiency from them, and have increased the Department's knowledge of and sensitivity to factors and forces outside the Federal Government, notably in the states and localities and among the citizens at large.

This consolidated outreach concept has enabled us, I think, to better focus and coordinate our resources and we look forward to some more gains during the current year.

Mr. BEVILL. What is the total DOE funding in "outreach activities," including those requested in solar, conservation, intergovernmental affairs, and other programs?

Mr. HUGHES. We are requesting \$36.4 million in FY 1980 for such Department-wide outreach activities as technical information; education, business, and labor affairs; intergovernmental affairs; consumer affairs; public affairs; and Indian affairs. All of these activities, for

which I am responsible, constitute the official outreach functions of the Department of Energy. Other program areas, however, can and do use their own program funds for specific informational activities that are integral parts of their programs.

INTERGOVERNMENTAL AND INSTITUTIONAL RELATIONS STAFFING

Mr. BEVILL. Why do you need 292 positions for Intergovernmental and Institutional Relations and how do you plan to reduce to 263 positions in FY 1980?

Mr. HUGHES. The organization of the Department of Energy (DOE) was based upon an exhaustive examination of the functions to be performed and their interrelationships. As a consequence, those functions of an "outreach" or "external" nature were grouped together under a single secretarial officer, the Assistant Secretary for Intergovernmental and Institutional Relations. Most of these functions, that is, public and congressional affairs, intergovernmental relations, university programs, and a small consumer effort, had been performed in the DOE predecessor agencies. In addition, it was determined that certain new or expanded functions would be required in DOE. These were organized outreach efforts with Indian tribes and labor, as well as an outreach effort to the business community apart from procurement or regulatory requirements, and to the consumer as an individual. Within Federal departments, the centralized approach to outreach activities is unique to DOE.

An organization consisting of five subordinate offices, with responsibilities which cut across program and operating lines, was approved to perform these functions. In the absence of operating experience and established work measurements, initially over 330 positions were authorized to perform these functions. Operating experience to date, including the staffing economies resulting from consolidation of predecessor agency functions, has reduced this number to 275 excluding 17 Energy Extension Service positions which have been transferred to the Assistant Secretary for Conservation and Solar Applications. As added operating experience is gained and priorities refined, future adjustments will be made. We are uncertain just how the adjustment to 263 positions will be taken.

POLICY AND EVALUATION

Mr. MITCHELL. May I introduce Mr. Alvin Alm, Mr. Chairman, the Assistant Secretary for Policy and Evaluation.

Mr. ALM. Mr. Chairman, members of the Committee, I thought during my brief presentation I would talk about some of the things we have done and some of the things we plan to do.

First, I would like to describe what I see as the role of the Office of Policy and Evaluation. I believe our role is to help solve the nation's energy problems, not to obscure them nor to develop a whole range of new options. Our job is to move ahead with this very critical problem.

To do so we need a firm analytical base. Basically, we need to know what we are doing, what the effects of our policies are, and we need to be able to track those policies.

During the last year we have made a major effort in the development of the second National Energy Plan, which will be submitted to the

Congress in the month of April. That plan will describe and back up a number of Presidential initiatives which will be made available to the country very shortly.

Other activities during the year include the development of a refinery policy, and analyses on options to deal with the West Coast surplus problem, including a study of west-to-east pipelines which is currently out for public comment.

We have done a good deal of work in the area of environmental controls. The Department has developed, I think, a strong and forceful position on the EPA's new source performance standards. We have developed a position on the surface mine regulations of the Department of the Interior. Both of these activities are aimed at assuring that coal can be used in this country.

We have also intervened and done analyses on coal transportation issues, again to assure that the country can use its coal resources.

We have been extremely busy on the Iranian response plan. We have developed the President's program which hopefully will also be made public some time in the future.

And finally, we developed the Secretary's gas policy which he has presented publicly.

Next year we see continuing our work with particular emphasis on dealing with the constraints to energy production in the country. This includes constraints of siting facilities, particularly pipelines, port facilities, refineries, the impact of environmental controls, the impact of transportation barriers, and the whole range of activities that are inhibiting production in the U.S.

We are devoting a great deal of resources to the development of unconventional coal resources, coal liquefaction, gasification, as well as continuing our work on direct coal use.

We will also be doing program evaluation work to determine how effectively our programs are working in bringing about new energy supply. In particular, we will want to follow the progress of the coal conversion program. But in addition, we will want to see how well the many conservation measures recently passed by the Congress in the National Energy Act are actually working in practice.

So our program in 1980 will deal with these very specific issues as well as the initial development of a third National Energy Plan.

This completes my opening statement. I will be happy to answer any questions the Committee may have.

EXPLANATION OF INCREASE

Mr. BEVILL. Briefly explain why you need an increase of \$3,924,000—27 percent—to a total of \$18,500,000 for analysis and studies?

Mr. ALM. More than half of the increase, or \$2 million, is requested to cover data services support to be performed by the Energy Information Administration for Policy and Evaluation. This support involves EIA computer time for PE-generated analytical tasks. By law, PE and EIA must be independent organizationally, and EIA has not included these support services in its fiscal year 1980 budget request. Increases for vital basic policy studies such as NEP III and other analytical status reports—up \$1.1 million; general systems analysis—up \$1.8 million; and competition analysis—up \$0.2 million; have been partially offset by decreases in energy technology assessments—down \$0.9 million; and program evaluation—down \$0.2 million.

This increased emphasis on basic policy studies will help bring on line more energy sources to meet national energy needs.

It should be noted that \$2 million of the budget increase is specifically earmarked for NEA-mandated studies of national coal policy and coal industry performance and competition. Congress has authorized the amount of \$18 million for fiscal year appropriation 1980 to cover these studies, but it was concluded that results of other analyses could be used to meet partially the associated data requirements.

MAJOR ANALYSES AND STUDIES

Mr. BEVILL. What were the major analyses and studies completed in fiscal year 1979 and what did they show?

Mr. ALM. Among the most significant projects are those included in the following list I will supply for the record.

[The list follows:]

Analytical work in support of the National Energy Plan—called NEP II—which responds to a Congressional mandate and is to be submitted in the near future.

Analyses underpinning the Secretary's gas policy.

A study of strip mining.

Studies supporting the Department's emergency response planning.

Analytical support for the President's Solar Domestic Policy Review.

Support for the alcohol fuels strategy.

Analyses leading to DOE position on new source performance standards.

Analyses leading to DOE position on surface mining regulations.

Analysis of residential gas hookups leading to a paper which subsequently became Departmental policy.

Demand and cost analyses using industrial sector models, including supplementary demand analyses for NEP II, cost analyses for the coal conversion program and analyses of incremental pricing provisions for the National Gas Policy Act.

Analyses of world oil price trajectories and the effects of U.S. demand reductions on those trajectories.

The Northern Tier Pipeline Study.

The Refinery Policy Study which is now nearing completion.

A wide-ranging set of analyses of oil decontrol options, also to be completed shortly.

Reports on private sector energy R&D and private sector activities in photovoltaics and medium-BTU gas.

A series of energy technology assessments, including an international coal technology report, a handbook on appropriate technologies, and a series of studies on use of solar dispersed technologies and electric grids.

A study on energy supply planning models.

I should add that all of these studies have figured importantly in the development of Departmental and Administration positions on a variety of issues. Some of the work, such as that for the Northern Tier Pipeline Study and the Solar Domestic Policy Review, has formed the basis for public debate. Some studies, such as those supporting the Congressionally-mandated NEP II, are nearing completion at this time and are expected to be released shortly. The data generated by these studies will assist in providing the foundation for national energy policy development, analysis and evaluation on a Department-wide basis.

AVOIDING DUPLICATION

Mr. BEVILL. How do you avoid duplication with analyses and studies being carried out by other DOE organizations?

Mr. ALM. On October 31, 1978, I established a Policy Studies Coordination Council consisting of the representatives of each of the Secretarial Officers, and chaired by the Deputy Assistant Secretary

for Planning and Evaluation in Policy and Evaluation. The purpose of this Council is to make the most efficient and effective use of the resources expended by and within the Department of Energy for policy-relevant analysis. In-house and contractor studies, including headquarters and field efforts, will receive Council review. The primary focus is the review of analytic issues for duplication, overlaps, and conflicts. The Council also provides a forum to ensure adequate coverage of these issues, explore possibilities for joint funding of studies, share studies as completed, review and share analytic methodologies, and review and discuss individual studies.

PROGRAM STRATEGIES

Mr. BEVILL. What program strategies have you completed? Can you provide copies to the Committee?

Mr. ALM. Four major program strategies were completed by the Department as part of the fiscal year 1980 budget preparation. Policy and Evaluation had the lead in two of these: solar and coal. It also participated in the other two, fission and fusion, which were led by the Office of Energy Research. These program strategies laid the groundwork for a more extensive set of strategy analyses being inaugurated as part of the fiscal year 1981 budget preparation. All of these strategies have looked at current programs and possible alternatives in terms of a broad view of the Nation's energy future. They have considered a variety of individual activities and projects in light of our emerging perceptions of the future. Copies of the solar and coal strategy papers prepared under PE's leadership will be provided to the Subcommittee separately.

DATA SERVICES FROM ENERGY INFORMATION ADMINISTRATION

Mr. BEVILL. Why do you need \$2,000,000 for data services from the Energy Information Administration? How were these services acquired in fiscal year 1979?

Mr. ALM. The data services to be provided by the Energy Information Administration include collection, processing and reporting of new energy data and energy data systems; EIA computer support for the use of existing data systems; and the provision of terminals and graphic printers to link up with the existing EIA data processing computers.

In the area of new systems data support, specific requirements consist of major data needs in detailed disaggregation of energy demand and use by geographical area, financial data for competition analyses, capital market and capital availability analyses, oil and gas reserves and production, coal production and demand, and renewable resources. In the area of utilization of existing data systems, PE requires EIA support in financial reporting system data base runs, use of oil and gas models, use of EIA coal models, Energy Emergency Management Information System utilization and analysis, consumer end use data analysis and EIA model runs in support of NEP III.

In fiscal year 1979, these services were not specifically provided for in either the PE or EIA budget requests. EIA has assisted in this area with limited support on an ad hoc basis but has been very

constrained by the availability of funds. In fiscal year 1980, these funds are included within the PE request; they are not included in the EIA request.

PROGRAM EVALUATION ACTIVITIES

Mr. BEVILL. What program evaluation activities have you undertaken and what do they show?

Mr. ALM. Policy and Evaluation is involved in a number of program evaluation activities—some of which are formally titled evaluations and others which go by a variety of names.

We have completed a formal evaluation of DOE's oil shale environmental research program. The purpose was to determine whether on-going research throughout the Department is contributing to the resolution of environmental problems associated with the commercial development of oil shale. Recommendations for program improvements were made and are being implemented.

Detailed plans for two other formal program evaluations are now being prepared. One will focus on the Solar Heating and Cooling Demonstration program to determine what we have accomplished and learned over the course of ERDA's and DOE's efforts. The second will focus on the Department's energy storage program to determine how the R&D on storage is supporting other program requirements.

Other formal evaluations will be initiated shortly dealing with occupational health and safety issues in coal liquefaction and with regulatory programs.

In addition to conducting these formal evaluations, P&E has participated in the development of evaluation plans for a number of the Department's regulatory and operating programs. Although these evaluations will ultimately be carried out by the programs themselves, it is important that they are properly structured.

Some of the P&E analysis activities have contributed to major Departmental program and project decisions. As a member of the Energy Systems Acquisition Advisory Board, I am called upon to participate in major project decisions. One decision involved the choice and timing of a high-Btu coal gasification project. My staff evaluated the status of the technology, the market for the product and the quality of the cost data and concluded that an accelerated decision was not warranted.

Each of these evaluations requires a detailed analysis of the on-going programs and is intended to provide guidance for future decisions.

NUCLEAR PROGRAM POLICY

Mr. BEVILL. Responsibility for nuclear program policy was transferred to the Director of the Office of Research. Why do you need funds for the Office of Nuclear Policy?

Mr. ALM. Formulation and submission of the Department's fiscal year 1980 budget to OMB had been accomplished by September 1978, prior to transfer of the nuclear policy function and associated funding responsibility to the Office of Energy Research on October 12, 1978. For accounting purposes, to tie to OMB decisions on the budget to be presented to the Congress, funds in support of the nuclear policy function were thus retained in the Policy and Evaluation

budget request. However, when these nuclear policy funds are appropriated, they will be controlled by the Director of Energy Research, as is being done with the balance of fiscal year 1979 funds earmarked to support the Office of Nuclear Policy.

FUNDING REQUEST DETAIL

Mr. BEVILL. Provide a breakdown of the funding for 1979 and requested for 1980 for each of the offices listed on pages 243-261.

Mr. ALM. The requested breakdown is provided for the record.

POLICY ANALYSIS AND SYSTEMS STUDIES

[Dollar amounts in thousands, fiscal years]

Office	1979	1980
Planning and evaluation:		
Planning and regulatory program evaluation.....	\$1,800	\$2,000
Technical programs evaluation.....	1,900	2,000
Policy coordination.....	800	1,000
Subtotal.....	4,500	5,000
Policy analysis:		
Coal, utility, and integrated energy analysis.....	1,700	2,060
Oil and gas policy.....	1,600	1,950
Conservation and advanced energy systems.....	1,500	1,820
Analytical services.....	1,400	1,700
Subtotal.....	6,200	7,530
Competition.....	800	1,000
General studies.....	276	0
NEA-mandated studies.....	2,000	2,000
Data services.....	0	2,000
Nuclear policy.....	800	970
Total, policy analysis and systems studies.....	14,576	18,500

¹ Includes fiscal year 1979 supplemental request of \$2,000,000 for NEA-mandated studies.

STAFFING REQUIRED

Mr. BEVILL. Why do you need a staff of 190 personnel for policy and evaluation functions?

Mr. ALM. I consider the 190 figure to be very tight in light of the current and projected workload that the Office of Policy and Evaluation faces. My office is involved in a broad spectrum of responsibilities within the Department of Energy, ranging from comprehensive energy policy assessments to more specific analyses and special reports.

In the area of comprehensive energy policy, a major portion of my staff has been working on the second National Energy Plan, which should be released late in April. We have just completed the policy portions of the Secretary's Policy and Fiscal Guidance for Fiscal Year 1981 and will be involved in the preparation and review of 18 separate strategy studies that this guidance calls for. In addition, my office has been designated to lead energy emergency response planning for the Department, encompassing all aspects of handling both the immediate emergency situation in Iran, as well as preparation of response plans for other contingencies.

Beyond the analytical implications of the broad issues, my office has the lead in a wide range of special studies and analyses outlined in this list, I will provide for the record.

[The list follows:]

1. Identification and evaluation of impediments to energy growth, including review and comments on regulations proposed by other agencies.
2. Development and analysis of new initiatives to increase energy supplies, such as those presented to the Congress in May 1978, the initiatives developed in the Solar DPR, and the current analysis being done for the President's impending energy message.
3. Analyses of a full range of domestic and international tax policies, loan guarantee authorities, and other financial issues.
4. Analyses of world oil price trajectories and effects of U.S. demand reductions on those trajectories.
5. Studies of New Source Performance Standards and other environmental aspects of energy development.
6. Demand and cost studies in the industrial and utilities sectors.
7. Preparation of the DOE Annual Report.
8. Other ongoing studies in various stages of development include:
 - Alcohol fuels
 - Transportation alternatives for the Northern Tier
 - Disposition of crude oil on the West Coast
 - Refinery policy
 - Title III study of gasoline marketing practices
 - Coal policy study
 - Study of competition in the coal industry

Mr. ALM. In addition to normal responsibilities in the area of oversight and review, Policy and Evaluation has taken the lead in policy oversight of the regulatory process and implementation of the President's order on regulatory reform, the development and coordination of the Department's legislative program, and the testimony clearance and follow-up within DOE and coordination of OMB clearances.

The workload I have outlined above is not a complete enumeration, hitting only the highlights. Many other significant projects are underway or projected to start over the next year. If anything, the load appears to be increasing as staff is decreasing, and I find more frequently that important projects do not have the priority to assign adequate resources. Currently my staff shows the highest per capita overtime load within the Department, a condition that is not projected to change in the near future. Any reduction in staff from my current ceiling would only place a greater burden on already over committed staff resources and reduce my effectiveness in several critical areas.

Mr. BEVILL. Very good.

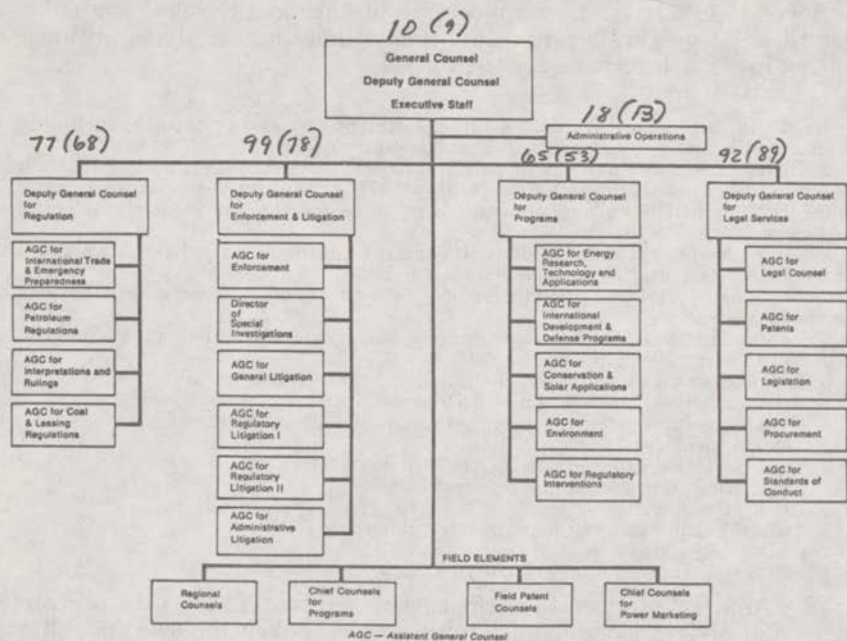
GENERAL COUNSEL

Mr. MITCHELL. May I introduce, Mr. Chairman, Mr. Lynn Coleman, the General Counsel.

Mr. COLEMAN. Mr. Chairman, Mr. Myers, I am pleased to be with you. The Office of General Counsel impacts the budget in terms of the personnel that we have and it is easier for me to discuss the activities of the General Counsel's office in terms of people devoted to tasks.

I wonder if I might hand up to the Chairman an organizational chart that shows the way we are organized. It may be useful for purposes of this discussion.

[The information follows:]



STAFFING

Mr. COLEMAN. I came to the Government last May. I had been in private practice, or since I got out of law school, in an energy-related practice. I had a lot of experience litigating against the Government, none on behalf of the Government.

At the time I came, in May, we had 310 positions that were filled. Last summer there was a judgment made by the Department that because of increased responsibilities in the enforcement and litigation area, we needed to add about 50 additional people. So we now have an authorization ceiling of 361, but the number of people we have on board is 310, the same that we had at the time that I started.

However, in terms of the deployment of those people, we have had to put about 20 more people into the litigation area and, hence, we have had to take 20 people away from other areas.

If you look here on the left side of the chart, you have a division called Regulation. That group essentially provides legal support for the Economic Regulatory Administration in the petroleum and coal areas.

In the next column on the chart is the Litigation and Enforcement Division. With the exception of general litigation which is right there in the middle of that column, that group is essentially also support for Economic Regulatory Administration programs.

The outlay programs are generally represented by the third column, including the environmental area and the regulatory interventions programs, which is the program required by the Congress last term to conduct interventions before state and federal regulatory commissions.

Legal Services, the fourth column, are functionally aligned groups of lawyers that may perform services for anyone anywhere in the Department. This is the general breakdown.

If I might just for a moment dwell on what has happened since I came to the Department. The judgment was made that we needed 361 positions, which are the numbers you have in the budget presentation.

LITIGATION ACTIVITIES

There has been an enormous increase in litigation. When the Department of Energy was started in October, 1977, there were——

Mr. MYERS. Who are you working for now? Are you working for both sides now?

Mr. COLEMAN. No, sir; I am not.

At the time the Department started, there were 154 pending lawsuits. Yesterday, there were 317, an increase of over 100 percent. And in 93 percent of those cases, Mr. Chairman, the Department is the defendant. In other words, at least until this point, we haven't been bringing the suits. They have been brought by the likes of the folks I used to represent.

Thus, when you are dealing with litigation, the number of lawyers that is required is essentially a function of what happens in areas that the Department as a matter of planning can't control.

For example, a week or so ago Progressive Magazine decided to publish an article entitled, "How a Hydrogen Bomb Works." A number of our lawyers had to stop what they were doing and I have lawyers today in Milwaukee, and in California, and in New York preparing the Government's case in that particular litigation.

We put out a rule the other day to increase the incentives to refiners to produce unleaded gasoline. The Ralph Nader group immediately hailed us into court, arguing that our environmental impact statement was inadequate. That is an injunction action, with a very quick turn around, and a number of lawyers had immediately to respond to that situation.

The Congress last year required us to establish a financial reporting system by the major energy companies. A part of that system has not been implemented. A major law suit was filed last week against this in Delaware, and that obviously has to be defended.

We have recently been confronted with hundreds of radiation damage claims by people living in Arizona and southern Utah. Those have to be processed. There is not any way you can plan precisely in advance what sort of trouble the Government is going to get into in the course of the year in litigation.

The effect of all that has been that we have had to substantially increase litigation resources. The character of our litigation is also changing because the courts have now opened up government files very substantially to pretrial discovery. So most of these cases no longer present "just legal questions" that can be handled without any substantial manpower commitment. There is frequently a very substantial discovery commitment as well. So we have had to put more lawyers in the litigation area.

NEA AND LITIGATION

The other thing, of course, that has happened is the passage of the National Energy Act. That particularly impacts us in the area of coal conversion. We have been able to do our part in drafting all those new regulations with the same number of people as a year ago, actually a slight reduction of the people devoted to that task.

There are a great number of new conservation programs in which we are actively assisting the Assistant Secretary for Conservation and Solar at the present time.

If you total up the number of new actions that were required of the Department by the NEA legislation passed last year, it is about 110. The General Counsel's Office has a role in about 100 of those.

What we have had to do on NEA implementation is to in effect redeploy people from other sources or do it with existing personnel and we have been able to do that so far. We have moved, I believe, seven people on a detail basis to the conservation area. We have assigned some NEA responsibilities to other sections in certain instances. But the consequence of all of those things is to require more people.

ENVIRONMENTAL LITIGATION

The environmental area is another one where I can predict that we are going to continue to have problems with manpower.

Since October of 1977, we have reviewed and approved 80 environmental assessments. We have worked on 46 environmental impact statements, and the Assistant Secretary for the Environment testified the other day that she anticipates in FY 80 that there will be 135 occasions where there will be either an environmental assessment or an environmental impact statement required by law. Of course, the lawyers always play an important role in that. A lot of those turn into lawsuits, unfortunately, sir. Thank you.

Mr. MITCHELL. Thank you, Mr. Chairman. This concludes our presentation and we are ready to answer any questions the Committee might ask.

INTERVENOR FUNDING

Mr. BEVILL. Did Congress authorize the payment of lawyers for interveners?

Mr. COLEMAN. The Congress denied payment of interveners, I believe, as far as the activities of Economic Regulatory Administration was concerned. There was some question as to whether there was authority elsewhere in the Department to fund those activities, and I am having to recall now, Mr. Chairman, because—

Mr. HUGHES. May I talk to that, Mr. Chairman?

There are several kinds of intervention, and used a little interchangeably, the area that I believe you are questioning has to do with, as Mr. Coleman indicated, with an intervention before DOE proceedings. DOE has not financed interventions before DOE proceedings.

We, in response to considerable interest in the Congress and elsewhere, were in the process last year of developing draft regulations to set forth the framework, policies, and so on. At that time, this Committee and counterpart committees, both in legislative language and in language in the Committee report, stated that funds were not intended to be available for those purposes.

Pursuant to that, we have had rather extensive discussions with both sides of the Congress and are in the process of drafting regulations which we would propose to discuss with you, this Committee, and other committees concerned prior to any further action.

Meanwhile, our practice has been to follow the Committee's advice that no funds were provided for these purposes.

Mr. BEVILL. Is there any funding in this budget for 1980 that would be used to pay intervenors?

Mr. HUGHES. There are no requested funds for intervention per se, for attorneys or otherwise in the budget. The dollar amount involved here would inevitably I think be very small. Our assumption would be that if the Committee found our regulations satisfactory and if there is not a similar prohibition in 1980, that program funds, funds of the affected programs, might be available for that purpose, but that would be subject to further discussion with this Committee and other committees.

Mr. BEVILL. You have at least three organizations within the Department of Energy that have their own staff of lawyers.

Mr. COLEMAN. Yes, that is correct.

Mr. BEVILL. And you have FERC, you have the Special Counsel, and—

Mr. MYERS. May I interrupt you, Mr. Chairman?

Mr. BEVILL. Yes.

Mr. MYERS. On page 7, Mr. Mitchell, the 1980 budget shows a half million dollars for public interest group support. If that isn't intervenors, what is it? It is right in the middle of the paragraph on page 7 of your presentation.

Mr. HUGHES. Those funds are for our State and local relations efforts.

Mr. MYERS. You don't call that intervenor funding?

Mr. HUGHES. No, sir.

Mr. MYERS. I would.

Mr. HUGHES. Let me try to identify what I believe the term intervention refers to and welcome the Committee's comments, obviously.

Intervention, as I understand it, the term in general usage has to do with the use of public funds to fund interventions in regulatory processes of the Department of Energy, not necessarily by lawyers but perhaps research activities and so on. This is based on the hypothesis that public interest groups, consumer groups and others, cannot finance their own research activities or other activities from their funds and that a more balanced Departmental program can be evolved if the Department is authorized to provide such funds to these groups.

An amount of \$1 million is requested by our Office of Consumer Affairs for activities which include the conduct of public meetings, not only authorized, but required by our basic legislation: meetings on such matters as the President's review of solar policy, with respect to the second National Energy Plan, which is due as of April 1, and so on. These are, in effect, public meetings and discussions involving a wide range of groups. They are not regulatory proceedings in any sense of that term nor do they have the same effect.

Mr. MYERS. I am afraid you are playing games with us. It is not our intention to discourage public participation, not for a moment. But if the U.S. Treasury is going to fund every organization who cares to participate in any type of proceeding, we will never be able to balance the budget.

Most of us have to finance our own way if we want to participate or intervene. But if you want the U.S. Treasury to pay, I think we will have to draw the line. The spirit of this Committee is not to pay for activities like this. If someone wants to intervene, they are going to have to pay their own way.

If you need technical assistance, that is a different matter. But to fund any of these consumer groups or lobby groups, that is in violation of what the Committee intended.

Mr. HUGHES. That certainly was not clear to me until now, Mr. Myers, and it is not my intention to play games with you, particularly in these circumstances.

Funds are spent by our consumer affairs and community participation office in the conduct of public meetings, for example, which the law requires, to organize those meetings, to arrange for scheduling, to get people to come to the meetings, and to provide for feedback from the meetings to the Congress, to us in the Department of Energy, to states, and so on.

Mr. MYERS. From the meetings I have seen along this line you could sell tickets and still fill the house. I don't think you have to pay people to get there.

Mr. HUGHES. We have meetings where, at least as I read the law and in our experience, it is very useful to get people there to get different points of view and to get the kind of a balanced presentation which it seems to us the law requires.

Mr. MYERS. I hesitate to speak for my colleagues, but we have gone over this many times. I will reiterate the position. It is not to discourage participation by the public. We are not trying to lock you in to the point you can't invite experts to help you make the right decision. But to pay intervenors to come in to appear before a public meeting, consumer groups or other groups like this, it is not the intention of this Committee to finance those.

Mr. BEVILL. I share the views of Mr. Myers. To me, the idea that the Government and the taxpayers of this country would pay people to intervene, the Ralph Naders, or whoever, is ridiculous. No wonder your litigation is increasing. We will never catch up. You increased your lawyers from 270 to 311. And now you want 50 more this year, and you will want 50 more next year. There will be no end to it.

Mr. HUGHES. I don't know if we have paid lawyers, Mr. Chairman. I don't think we have.

Mr. BEVILL. Have you paid for any groups to intervene?

Mr. HUGHES. No, sir. We have not been paying for intervention. We have paid, for example, people who had solar activities, solar projects, they thought a description of which would make a useful contribution in the review of solar policy which the President initiated.

We have financed travel by those people, generally citizens who have very limited resources, to our meetings in order to get that point of view represented along with the point of view of advocates of other sorts of energy who are better financed.

Mr. MYERS. Can't you get statements from them rather than paying their way? The mail is a lot cheaper than air fare.

Mr. HUGHES. It certainly is. It is also, I think, generally believed to be less effective. I think we are doing something, Mr. Myers, that our Act says we should do with these funds.

Mr. MYERS. The Appropriations Committee does not, necessarily, fund everything that is authorized, that is one of the reasons Congress has Appropriations Committees.

Mr. HUGHES. That certainly is true.

GENERAL COUNSEL JUSTIFICATION

Mr. BEVILL. Let me change the subject. Your justification material. It says, "The General Counsel is responsible for providing legal services for all departmental activities except for the Federal Energy Regulatory Commission." Nobody can argue with that.

This responsibility entails provisions of counsel and assistance in the development of all DOE programs and policies. The General Counsel is expected to carry out litigation of interest to the Department, and he is responsible for assuring consideration of the public interest. That is also fine. But it doesn't tell us why you need 311 people, or 361, or 270.

Mr. MYERS. Why do you need 50 more attorneys?

Mr. COLEMAN. I am sorry, but you are—they are two completely different issues.

Mr. MYERS. I know, I can see the difference. You are paying these so-called public interest groups—I will call them intervenors. Now you have to hire 50 attorneys to entertain them.

Mr. HUGHES. No, sir, no, sir. No litigation has come out of the public meetings, to the best of my knowledge, and the folks that are litigating with him are entirely different groups of people from those that consumer funding would be—

PUBLIC MEETING PARTICIPATION

Mr. MYERS. Provide for the record who you have paid to participate.

Mr. HUGHES. I will be delighted to.

Mr. MYERS. And the organization they represent.

Mr. HUGHES. The Office of Consumer Affairs has generally coordinated and arranged for public meetings involving more than one DOE office, such as the Domestic Policy Review for Solar, Nuclear Waste Management, National Energy Plan II and National Energy Act. Citizens representing a segment of the population or a point of view which would otherwise not be heard from at the public meetings held in distant locations and who could not otherwise be present because of financial constraints are eligible for travel and per diem expenses. I will supply for the record the specific number of people, and the organizations they represent. No funds other than travel and per diem have been provided.

[The information follows:]

FY 1979 PUBLIC MEETING PARTICIPATION

SOLAR DOMESTIC POLICY REVIEW (17 PUBLIC MEETINGS)

Fifty-four persons received invitation travel, including per diem. These persons represented such groups as: the League of Women Voters, the Audubon Society, the Sierra Club, the Center for Renewable Resources, the Appropriate Technology Action Coalition, the People's Energy Resource Co-op, ACORN, New Life Farms, Inc., the Nebraska Small Farm Project, and the Three Affiliated Tribes.

NUCLEAR WASTE MANAGEMENT MEETINGS (3 PUBLIC MEETINGS)

Forty-four persons received invitational travel to participate. They represented such diverse groups as: the American Cetacean Society, the League of Women Voters, Another Mother for Peace, the United Nations Association, the Sierra Club, the Georgia Conservancy, the Louisiana Consumers League, the International Machinists and Aerospace Workers Labor Coalition, the Catfish Alliance, and universities and research laboratories.

NEP II PUBLIC MEETINGS (6 PUBLIC MEETINGS)

Thirteen persons received invitational travel, including per diem, to participate in NEP II hearings. They represented such groups as the League of Women Voters, the South Dakota Environmental Education Association, the Montana Senior Citizens Association, the Arkansas Citizens Committee, the Louisiana Wildlife Federation, the Community Action Research Group, and the Center for Rural Affairs Electric Utility Research Project.

NEA RULEMAKING HEARINGS (ON-GOING)

To date (March 23, 1979) four persons have been funded to participate in NEA Rulemaking Hearings. Three of them represented State energy offices; the other, a Black State legislator, was funded to participate in the Weatherization Assistance Hearing.

COURT COSTS

Mr. MYERS. Who pays, Mr. Coleman, the court costs in the litigation that you are participating in?

Mr. COLEMAN. Ordinarily the side that loses the case. The Government wins most of these cases.

Mr. MYERS. They do?

Mr. COLEMAN. Yes, 80 or 90 percent. I can give you a figure if you would like a number on that.

Mr. MYERS. I wasn't sure that was still happening. That used to be the custom, that the losing side paid the costs. There have been so many cases, so many consumer groups, where do they get money to pay all the court assessed costs?

Mr. COLEMAN. The great majority of the cases that we are involved in and the ones I have been talking about today have been brought by major oil companies against the Government.

Mr. MYERS. They can pay their way.

Mr. COLEMAN. They can pay their way.

Mr. MYERS. They don't either, we do as consumers.

Mr. COLEMAN. But I think you ought to keep that distinction clear, the kind of litigation we are involved in. We frequently are in court against somebody like a Ralph Nader group, Consumer Federation of America, somebody like that but that happens every once in a while.

Mr. MYERS. Do they pay their court costs?

Mr. COLEMAN. What is that?

Mr. MYERS. Do they ever pay their court costs?

Mr. COLEMAN. I would have to check to give you an accurate answer.

Mr. MYERS. Would you check?

Mr. COLEMAN. I will.

[The information follows:]

COURT COSTS

In private litigation, Rule 54(d) of the Federal Rules of Civil Procedure directs that the "prevailing" party recovers his "costs" unless the court otherwise directs. The rule is essentially the same in actions by or against the United States—the court may allow costs to the "prevailing" party. 28 U.S.C. § 2412.

"Costs" is, of course, a term of art and generally does not include attorneys' fees. In the absence of a court order awarding attorneys' fees, each party must bear his own. And ordinarily, there must be statutory authorization for an award of attorneys' fees, even in private litigation. See, e.g., *Alyeska Pipeline Service Co. v. Wilderness Society*, 421 U.S. 240 (1975).

LITIGATION ASSISTANCE

Mr. BEVILL. Just what contribution do these intervenor groups make? Why give them \$500,000?

Mr. HUGHES. The \$500,000.

Mr. BEVILL. Yes. Can you tell me again what you are going to do with that money?

Mr. HUGHES. Yes, sir. Those funds should be kept completely separate from Mr. Coleman's business. They are not involved in litigation or in regulatory hearings.

Mr. BEVILL. You have told me what they are not; tell me what they are.

PUBLIC PARTICIPATION SUPPORT

Mr. HUGHES. They have been used to conduct, for example, the large number of public meetings required under the National Energy Act, where we are to have meetings all over the country, where we are to obtain representative viewpoints from the public with respect to desirable energy policy, where similar meetings were held with respect to the President's review of solar policy and where again we are to solicit and obtain the widest possible spectrum of view. Those are not the words of the Act, but I think that is essentially the sense of the words of the Act. None of these cases have involved regulation or rulemaking. The people have been brought in because they had a product in which there seemed to be some potential or interest. This is particularly true in the solar and the soft technologies areas, areas that the Government in general, and our Department in particular, have been accused of overlooking. We have been rather anxious to bring those people in where they have solar panels or where they thought they had an idea for a more efficient use of wood in pelletized form, for example, or where they had a biomass device to make alcohol. They want to get on the record the kinds of things they were doing with as much data as they could gather about its utility.

Mr. MYERS. I am confused. In Institutional and Intergovernmental Relations, you have a significant request. You want a million dollars for consumer affairs, a million dollars for Indian affairs, \$600,000 for labor affairs. Tell me now what that money is for.

Mr. HUGHES. Two areas that the Department and its predecessor agencies have really heretofore had no contacts with, other than contractual or regulatory relationships, were the business community and the organized labor community. We think both of these groups, if you will, these constituencies, are very important to us and we are anxious to build—

Mr. MYERS. You have to buy them?

Mr. HUGHES. We are certainly going to have to do some things which they want and some things to find out what of our activities they like and what they don't like. We need to know how to improve their conservation efforts, to involve the teamsters, for example, somewhat more enthusiastically in some of the conservation activities that we are undertaking. These are, in a sense, pioneering efforts. None of the predecessor agencies had relationships with the labor community.

LABOR AFFAIRS

Mr. MYERS. Provide for the record what that \$600,000 will buy.

Mr. HUGHES. The purpose of the \$600,000 is to establish and implement a Labor Affairs program in order to provide a focal point in the Department for 22 million of the Nation's organized labor force. Their direct participation in energy policy matters is vital to achieving a comprehensive national energy policy that can be supported by all segments of our society. The \$600,000 is requested for labor and energy policy awareness and education projects in order to establish communication with labor organizations most directly affected by policy initiatives undertaken by the Department; identify and assess regional, labor-related, social and economic affects of national energy plans and policies; and develop and implement conferences, seminars and other methods to facilitate communication on energy policy initiatives with the labor community. Neither the Department of Energy nor predecessor agencies had any previous outreach to the labor community except in the context of contracting or regulation.

BUSINESS AND INDUSTRY COMMUNICATIONS

Mr. BEVILL. Explain the purpose of the \$550,000 requested for communication with business and industry.

Mr. HUGHES. The purpose of the \$550,000 requested in FY 1980 is to support the Departmental program to implement ready, near-term technologies that will have significant impact on the reduction of oil and gas consumption; and to prepare and conduct programs to effectively train and utilize headquarters and regional personnel in techniques that will assure timely transfer of these technologies to business, industry and user communities. We plan to obtain specialized data and analytical service to improve DOE awareness and the capacity to understand and address energy issues of concern to the business community. We further plan to analyze historical and contemporary business positions on major national policies that affect or are affected by energy policy actions in various technological areas. In addition to these activities, we believe we must deal with the needs of small businesses more effectively and we plan to support White House Conferences on Small Business.

Mr. BEVILL. What are you trying to achieve?

Mr. HUGHES. The result of these efforts will be to receive and accommodate the concerns and interests of the large and small business communities for incorporation in the deliberation and planning of Departmental energy initiatives. Neither the Department of Energy nor predecessor agencies had any previous outreach to the business community except in the context of contracting or regulation.

MANPOWER ASSESSMENT

Mr. BEVILL. What have you accomplished with the \$730,000 provided for manpower assessment in FY 1979?

Mr. HUGHES. Among the major accomplishments we have made with the \$730,000 for manpower assessment in FY 1979 was the initiation and development of a continuing methodology to measure the "impact on employment" as required to implement Section 743,

Subtitle (a), Evaluation, of the Powerplant and Industrial Fuel Use Act of 1978. We developed a Comprehensive Energy Manpower Information System which covers all energy-related activities and provides the means for building a data base for achieving the objectives of the national energy plan. We further developed a Construction Labor Demand System, in cooperation with the Department of Labor and Tennessee Valley Authority, to provide skilled craft, engineering and technical manpower requirements for powerplant construction. We conducted assessments of near-term manpower constraints and bottlenecks related to achieving coal production goals; for example, a coal mine productivity study, and solar commercialization activities. Also, we initiated continuing long-term studies to assess the impact of selected energy conservation measures on changing employment levels and occupational requirements.

Mr. BEVILL. Why do you need to continue the manpower assessment program in 1980?

Mr. HUGHES. We need to continue the program for a number of reasons. For example, since we now have developed the evaluation methodology to measure impact on employment, required by the Powerplant and Industrial Fuel Use Act, we can and must in FY 1980 measure actual employment changes and dislocations as anticipated because of prohibition measures. We need to extend and maintain the Comprehensive Energy Manpower Information System in order to provide current and trend information on all types of energy-related manpower. We must also extend the Construction Labor Demand System to cover other energy-related facilities, and focus further assessments of manpower constraints on areas such as synthetic fuels.

CONSUMER AFFAIRS

Mr. MYERS. What about consumer affairs? What is that million dollars for?

Mr. HUGHES. Consumer affairs which we have been talking about, unfortunately, incorrectly in the context of intervention. Those funds have been used to improve our communication with the public at large through forums, through the kind of public meetings that I have described about the National Energy Act, and the President's Solar Policy Review, and so on.

In addition to the generally improved communications aspect of the program which I have just discussed, the Consumer Affairs program is also responsible for Department-wide public participation activities which are designed to ensure a balanced interaction between a wide variety of consumer groups and the Department. Through dialogue with these energy consumers and Department officials, we are able to assure public involvement in the policy process and to provide early identification of any problem areas. The program provides for the distillation of public comments into specific issues and recommendations and includes feedback to the public as well as internal follow-through. Throughout all the activities planned for 1980, the Office of Consumer Affairs has tried to structure its budget to support and encourage citizens to become involved in energy self-help activities in their neighborhoods and communities. Our experience in fiscal year 1978 and fiscal year 1979 indicates that if we can find ways to encourage citizens to exchange information at the grassroots level, many Americans are willing and able to initiate innovative con-

servation and other energy activities within their communities. Specifically, the funding requested for FY 1980 will provide for public involvement activities in the form of briefings and debates on national energy issues, National Energy Act outreach and follow-up activities, and the Department's consumer impact program which will ensure that such special impact groups as those on low and fixed incomes, the elderly, the handicapped, and minorities, are provided with energy information and opportunities to participate in energy decisions.

Mr. MYERS. Thank you.

Mr. BEVILL. Would you put in the record the section of the Energy Act or whatever law gives you authority for holding these public meetings?

LEGAL BASIS OF PUBLIC MEETINGS

Mr. HUGHES. Public Law 95-91, DOE Organization Act, authorizes public meetings under a variety of sections, including Section 102(15), Purposes, which requires the Secretary to "provide for, encourage, and assist public participation in the development and enforcement of national energy programs."

Also, Section 203(a)(7), Assistant Secretaries, establishes "protection of the consuming public in energy policy making process" as a mandatory function of the Department of Energy. Public meetings are a particularly useful tool in questioning or discussing protection of the consuming public.

Section 801(a)(2), National Energy Policy Plan, directs the President to "seek active participation by regional, State and local agencies and instrumentalities and the public sector through public hearings in cities and rural communities . . ."

Section 801(d), National Energy Policy Plan, directs the President to "insure that consumers, small business, and a wide range of other interests, including those of individual citizens who have no financial interest in the energy industry, are consulted in the development of the Plan."

As a last example, Section 301(2), General Transfers, transferred to DOE functions vested by law in the Administrator of the Energy Research and Development Administration (ERDA). Public Law 95-39, FY 1977 ERDA Appropriation Authorization, Section 508(a), directed the ERDA Administrator to establish a Federal energy education program. At DOE's creation, ERDA had established and funded public meetings as one of the public education programs mandated by Section 508(a); public meetings, as a program function, were therefore transferred as an operating program from ERDA into DOE.

Mr. BEVILL. And who decides how many public meetings are held?

Mr. HUGHES. The DOE program or project manager responsible for implementing, evaluating or enforcing a policy, program or regulation normally decides how many meetings should be held. Occasionally, however, this decision authority has been removed from program or project manager control and decisions have escalated to Secretarial Officers. This was the case with the large number of NEA implementation hearings.

I will provide for the record a list of legislatively required NEA public hearings and a calendar of other DOE-sponsored opportunities for the public to participate in the decision making process.

D R A F T

DOE RULEMAKING CALENDAR OF NEA HEARINGS

Page 1 of 5

I T E M	SUBJECT	ACTS NO.	LEGISLATIVE REF.	STATUTORY DEADLINE	HEARING DATES	HEARINGS, NUMBER & SITES
1.	Energy Audits, Schools, Hospitals, Local Public Buildings	CS 503 CS 504	PL 95-619, Title III, Parts 1 and 2 (NECPA)	Final Rule within 60 days of enactment.	1/8-9/79 (c) 1/8/79 (c) 1/8/79 (c)	3, Chicago, San Francisco Washington, D.C.
2.	Fuel Use Act Transitional Facilities	ERA 501	PL 95-620, Title IX, Sec. 902 (PIFUA)	Rulemaking shall be made in accordance with USC Title V, Sec. 555.	12/13-14/78 (c) 1/15/79 (c)	1, Washington, D.C. 1, Baltimore, MD
3.	Technical Assistance Projects-Schools Hospitals, Local Public Buildings	CS 507 CS 508	PL 95-619, Title III, Part 1, Sec. 302; Part 2, Sec. 311 (NECPA)	Final Rule within 90 days of enactment.	1/22/79 (c) 1/23-24/79 (c)	3, Chicago, Seattle Washington, D.C.
4.	Natural Gas for Essential Agricultural Uses	ERA 514	PL 95-621, Title IV Sec. 401(a) (NGPA)	Final Rule not later than 120 days after enactment. FERC has additional responsibility to hold hearings.	1/10/79(c)	1, Washington, D.C.
5.	PURPA-Electric Utilities Cost of Service Data	FERC	PL 95-617, Title I (PURPA)	N/A	(ANOPR) 12/4/78 (c) (NOPR) 3/15/79 (c) 3/22/79 (c) 3/26/79 (c)	1, Washington, D.C. 4, K.C. Seattle San Francisco New Orleans
6.	Natural Gas Policy Act Interim Regulations	FERC	PL 95-621, Title I, (NGPA)	NOPR within 45 days of enactment.	12/27-28/78 (c) 1/3-4/79 (c) 1/10-11/79 (c) 1/25/79 (c)	5, Washington, DC, New Orleans, San Francisco, New York

FERC and ERA information incomplete for total number of hearings.

* Tentative

D R A F T

DOE RULEMAKING CALENDAR OF NEA HEARINGS [§]
Page 2 of 5

	SUBJECT	ACTS NO.	LEGISLATIVE REF.	STATUTORY DEADLINE	HEARING DATES	HEARINGS, NUMBER & SITES
7.	Weatherization Assistance Program	CS 540 CS 541	PL 95-619, Title II, Part 2, Sec. 231 (NECPA)	NOPR within 60 days of enactment; final rule within 120 days of enactment.	3/12/79(c)	1, Washington, D.C.*
8a.	Power Plant and Industrial Fuel Use Act - New & Existing Facilities	ERA 500 ERA 502 ERA 503	PL 95-620, Title II, III, IV (PITUA)	NOPR within 120 days of enactment; final rule 4/6/79.	2/7/79 (c) 2/14/79 (c) 2/21/79 (c) 3/2-3/79 (c)	4, Boston, Salt Lake City, Tampa; Lexington, KY
8b.	Power Plant and Industrial Fuel Use Act - Emergency Uses	ERA 508 ERA 509 ERA 510	PL 95-620, Title IV, Sec. 404 (PITUA)	Final rule 270 days after enactment (ERA-510).	6/27/79* (T)	Number and sites to be determined
9.	Minimum Efficiency Standards for 9 Product Categories	CS 526 CS 527 CS 528 CS 529	PL 95-619, Title IV, Part 2, Sec. 422 (NECPA)	Advance NOPR 45 days after enactment; NOPR no earlier than 45 days after ANOPR; final rule no earlier than 60 days after NOPR.	1/29-2/8/79(c) (Informational meetings) 11/79* (T) (NOPR Hearing)	5, Boston, Atlanta, Chicago, Dallas, San Francisco 1, Washington, D.C.*
10.	Guidelines for State Energy Conservation Plans Program	CS 544 CS 545	PL 95-619, Title VI, Part 2, Sec. 621, 622 (NECPA)	N/A	2/14/79 (c)	1, Washington, DC

[§] FERC and ERA information incomplete for total number of hearings.

* Tentative.

DRAFT

Page 3 of 5

DOE RULEMAKING CALENDAR OF NEA HEARINGS

I T E M	SUBJECT	ACTS NO.	LEGISLATIVE REF.	STATUTORY DEADLINE	HEARING DATES	HEARINGS, NUMBER & SITES
11.	Decorative Gas Lighting Ban	ERA 536	PL 95-620, Title IV, Sec. 402(b) (PIFUA)	Final rule 180 days after enactment; rule-making shall be in accordance with USC, Title V, Sec 553	3/22/79 &)	1, Washington, D. C.
12.	Emergency Natural Gas Regulations	ERA 513	PL 95-621, Title III, Subtitle A (NECPA) PL 95-617, Title VI, Sec. 607 (FURPA)	N/A	5/79* (T)	1, Washington, D. C.*
13.	Residential Conservation Service through Utilities and Oil Dealers	CS 506 CS 538 CS 539	PL 95-619, Title II Part I, Sec. 212 (NECPA)	Advance NOPR within 45 days of enactment; NOPR is 60 days after ANOPR; final rule no earlier than 45 days after NOPR	4/2-4/79* (T) 4/7-11/79* (T) 4/24-26/79* (T) 4/30-5/2/79* (T) 5/7-9/79* (T) 5/14-16/79* (T)	7, Philadelphia, PA* New Orleans* Boston* Washington, D.C.* St. Louis* San Diego* Salt Lake City*
14.	NEA Demonstration of Solar Heating & Cooling Federal Buildings	CS 532 CS 533	PL 95-619, Title V, Part 2, Sec. 521-24 (NECPA)	N/A	4/17/79* (T)	1, Washington, D. C.*

FERC and ERA information incomplete for total number of hearings.

* Tentative.

D R A F T

Page 4 of 5

DOE RULEMAKING CALENDAR OF NEA HEARINGS

I T E M	SUBJECT	ACTS NO.	LEGISLATIVE REF.	STATUTORY DEADLINE	HEARING DATES	HEARINGS, NUMBER & SITES
15.	Grant Assistance to State Offices, ERA 520 Public Utility Commissions and Guideline Development for Innovative Utility Regulatory Projects	ERA 519 ERA 520 ERA 521	PL 95-617, Title I, Subtitle E (PURPA)	NOPI dates are 3/9/79 and 3/19/79; final rules on 6/29/79.	(519)5/8/79* 5/15/79*	2 Washington, D.C.* Denver*
					(520,5/9/79* 521)5/16/79*	2 Washington, D.C.* Denver*
16.	Federal Photovoltaic Utilization	CS 535 CS 536	PL 95-619, Title V, Part 4, Sec. 566 (NECPA)	N/A	6/12/79* (T)	1, Washington, D. C.*
17.	Proposed Targets Utilization of Recovered Materials	CS 557 CS 558	PL 95-619, Title IV, Part 4, Sec. 461 (NECPA)	Final rule within 1 year after enactment	7/79* (T)	3, sites to be determined
18.	Reporting Form for Industrial Energy Efficiency Programs	CS 511 CS 512	PL 95-619, Title VI Part 1, Sec. 601 (NECPA)	N/A	8/79* (T)	3, sites to be determined
19.	Small Hydro Loans and Regulations Feasibility Study	RA 500	PL 95-617, Title IV, Sec. 401 (PURPA)	N/A	6/79* (T)	2, Seattle* of New York*

FERC and ERA information incomplete for total number of hearings.

* Tentative.

D R A F T

DOE RULEMAKING CALENDAR OF NEA HEARINGS

Page 5 of 5

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24	SUBJECT	ACTS NO.	LEGISLATIVE REF.	STATUTORY DEADLINE	HEARING DATES	HEARINGS, NUMBER & SITES
20.	Minimum Efficiency Standards - 4 Product Categories CS 524	CS 522 CS 523	PL 95-619, Title IV, Part 2, Sec. 422 (NECPA)	Advance NOPR within one year after enactment; NOPR 45 days after ANOPR. Final rule no earlier than 60 days after NOPR but no later than two years from ANOPR	12/79* (T) (ANOPR Hearings)	3, Sites to be determined
21.	Hydro Construction BA 501 Loans Program for Projects Coats	BA 501	PL 95-617, Title IV, Sec. 402 and 403 (PUBPA)	N/A	3/80* (T)	3, San Francisco*; Dallas*; Albany*
22.	Authorization for 13 University Coal Research Labs	ER 500 ER 501	PL 95-87 Surface Mining and Control Act amended by Sec. 604 of PURFA	N/A	2/23/79 (c)	1, Washington, DC
23.	Alternate Fuel Rulemaking	FERC	PL 95-621, Title II NGPA		5/2/79* (T) 5/4/79* (T) 5/7/79* (T) 5/9/79* (T) 5/11/79* (T) 5/14/79* (T)	11, Kansas City*; Atlanta*; Denver*; Chicago*; Dallas*; Boston*; Seattle*; New York City*; Los Angeles*; Philadelphia*; Washington, DC*
24.	Agricultural Curtailments	FERC	PL 95-621, Title IV Sec. 401 (NGPA)		3/6/79 (c) 3/9/79 (c) 3/13-14/79 (c) 3/16/79 (c) 3/19/79 (c)	San Francisco Asarillo, TX Washington, DC Madison, WI Little Rock, AR

* FERC and NEA information incomplete for total number of hearings.

* Tentative.

TOTALS
CS 34
BA 8
ERA 13
FERC 26
ER 1
82

OFFICE OF CONSUMER AFFAIRS HEARINGS AGENDA
For Further Details, contact Kathy Sagos (202) 252-5877
U.S. DEPARTMENT OF ENERGY

PUBLIC MEETINGS & C H E D U L E
MONTH OF March 1979

*Denotes Tentative Site and Date.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1	2 1. Lexington, VT	3 1. Lexington
4	5	6 6.D.C. 4.S.F.	7	8	9 4. Amarillo, TX	10
11	12 3.D.C.	13 7.D.C. 4.D.C.*	14 9.D.C. 7.D.C.	15 5.K.C.	16 4. Madison, WI	17
11. Hartford						
18 11. Richmond Minneapolis Seattle	19 4. Little Rock, AR 5. Seattle	20 10.D.C.	21 8.D.C. 12.D.C.	22 2.D.C. 5. Cambridge 12.D.C.	23 18.D.C. 13.D.C.	24
25	26 5. New Orleans	27	28	29	30	31
11. New Orleans*						

DOE COMPREHENSIVE CALENDAR OF HEARINGS

(Information Compiled by NEA Hearings Task Force)

NEA REGULATORY HEARINGS

1. EBA 500, EBA 501, EBA 502, Fuel Use Act New and Existing Facilities: Lexington, VT 3/2-3/79
2. EBA 536, Decorative Gas Lighting Ban: Washington, DC 3/22/79
3. CS 540 & CS 541: Washington, DC 3/19/79
4. EBA 500, EBA 501, Gas Policy Act Agricultural Curtailments: San Francisco 3/6/79; Amarillo, TX 3/9/79; Little Rock, AR 3/19/79; Madison, WI 3/16/79
5. EBA, RUPA, Collection and Reporting of Cost of Service Information: Kansas City 3/15/79; Seattle 3/19/79; Cambridge 3/22/79; New Orleans 3/26/79

DOE-NEA HEARINGS

6. EBA, Incentive Prices for Newly Discovered Oil: Washington, DC 3/6/79
7. Washington, DC 3/6/79: Hearings on the Exemption of obligations on the First Purchase on Priced Control Crude Oil: Washington, DC 3/13-14
8. EBA, Octane Posting Reg.: Washington, DC 3/21/79
9. EBA, Petition for Sulfur Feedstock for Columbia LNG Co.: Washington, DC 3/14/79
10. EBA, Petition for Sulfur Feedstock for Columbia LNG Co.: Washington, DC 3/14/79
11. DOE/NEA Workshops for Low to Moderate Income Community Leaders: Hartford 3/11/79; Richmond, VA 3/19/79; Minneapolis 3/18/79; Seattle 3/18/79; New Orleans 3/25/79*
12. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
13. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
14. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
15. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
16. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
17. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
18. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
19. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
20. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
21. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
22. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
23. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
24. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
25. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
26. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
27. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
28. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
29. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
30. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
31. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
32. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
33. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
34. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
35. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
36. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
37. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
38. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
39. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
40. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
41. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
42. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
43. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
44. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
45. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
46. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
47. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
48. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
49. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
50. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
51. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
52. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
53. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
54. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
55. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
56. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
57. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
58. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
59. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
60. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
61. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
62. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
63. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
64. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
65. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
66. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
67. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
68. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
69. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
70. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
71. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
72. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
73. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
74. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
75. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
76. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
77. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
78. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
79. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
80. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
81. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
82. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
83. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
84. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
85. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
86. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
87. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
88. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
89. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
90. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
91. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
92. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
93. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
94. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
95. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
96. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
97. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
98. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
99. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79
100. DOE/NEA Project Allocation Regulations: Washington, DC 3/21/79

OFFICE OF CONSUMER AFFAIRS HEARINGS AGENCY
For Further Details, contact Kathy Sepp (202) 752-5872
U.S. DEPARTMENT OF COMMERCE

DMAT
MAR 22 1979

PUBLIC MEETINGS SCHEDULE

*Series Initiative Slim and Bulb

MONTH OF April 1979

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1 S.L.A.*	2 1. Phila.	3 1. Phila. 6. Seattle	4 1. Phila. 6. Seattle	5 6. Billings	6 6. St. Paul	7
8 S. Nashville*	9 1. New Orleans	10 1. New Orleans 6. Chicago	11 1. New Orleans 6. Chicago	12 6. D.C.	13	14
15	16	17 1. Boston 3. Denver* 2. D.C.*	18 1. Boston 3. Denver* 6. Missoula	19 1. Boston 3. S.F.* 4. R.T.C.* 5. Denver 5. Portland	20 3. S.F.*	21
22	23	24 1. D.C.	25 1. D.C. 3. D.C.*	26 3. D.C.* 1. D.C. 2. Kansas City 3. St. Paul 5. Detroit 5. Boston	27 1	28
29	30 1. St. Louis					

DOE COMPREHENSIVE CALENDAR OF HEARINGS
(Information Compiled by NEA Hearings Task Force)
NEA REGULATORY HEARINGS
1. CS 508, CS 530, CS 539, Residential Conservation
Service through Utilities and Oil Dealers:
1. Boston 4/16-18/79; New Orleans 4/19-21/79;
Boston 4/24-26/79; Washington, DC 4/24-26/79;
St. Louis 4/30-12/79
2. CS 532, CS 533, NEA Demonstration of Solar Heating
and Cooling Federal Buildings, Washington, DC
4/17/79*

NON-NEA HEARINGS

- DOE Alternative Fuel Demonstration Facilities:
Dinner 4/17-18/79; 3:30-4:30/79;
4/19-20/79*;
4. CS, Building Energy Performance Standards:
New York City 4/19/79* (can't in May)
5. Moderate Income Community Leaders: Los Angeles
4/17/79; Nashville 4/18/79; Denver 4/18/79*;
6/17/79; Seattle 4/19/79; St. Paul 4/20/79;
4/28/79; Detroit 4/28/79; San Francisco 4/28/79;
6. DOE, Draft Report, Petroleum Supply Alternatives
for Northern Tier and Inland States: Seattle
4/3-4/79; Billings, MT 4/5/79; St. Paul 4/6/79;
Chicago 4/10-11/79; Washington, DC 4/12/79;
Missoula 4/18/79

Mr. BEVILL. You had, I understand, last year, a group of solar people here in Washington at DOE expense just when our bill came up on the floor. You paid them to attend and really to lobby.

Mr. HUGHES. I am familiar with the incident. Those were not paid out of these funds. I am aware of the circumstances—

Mr. BEVILL. What funds were they paid from?

Mr. HUGHES. They were energy technology funds, as I recall it.

Mr. BEVILL. And how much energy technology funds do we have for this purpose?

Mr. MITCHELL. That is not in this request.

Mr. BEVILL. Whose request is it in?

Mr. MITCHELL. Energy technology funds are in Dr. Deutch's request.

Mr. BEVILL. So, actually, DOE is paying people to come to Washington to lobby in Congress. The Government is actually paying lobbyists.

Mr. HUGHES. That is not my intention.

Mr. BEVILL. That is what is happening, isn't it?

Mr. HUGHES. Well, it is not happening with these funds.

Mr. BEVILL. All right, back to the lawyers. How many lawyers does the Department of Energy have?

Mr. COLEMAN. You mean people?

Mr. BEVILL. You have lawyers stuck in this corner and that corner. Just to simplify it, how many do you have?

LEGAL STAFFING AT DOE

Mr. COLEMAN. I can't tell you how many may be in a program job, but as far as those who are working as lawyers—I would—you have got the ones in Washington and then you have the field operations counsel, like the lawyers that work at Oak Ridge or Sandia or some place like that. There are something over 400 lawyers in the Department of Energy holding positions as lawyers.

Mr. BEVILL. Yes. Will you please furnish the accurate number for the record? You have given me your best judgment?

Mr. COLEMAN. Yes.

Mr. BEVILL. That is, those actually performing legal work.

Mr. COLEMAN. There is a distinction to be made with respect to the field operations counsel, those at Oak Ridge and so forth. They are professionally responsible to the general counsel. In other words, on legal problems, they report to me. But those slots are not assigned to the general counsel's office; they are assigned to the head of that operation.

Mr. BEVILL. Your records will show how many people in the Department of Energy are working in legal matters. That isn't hard to get, is it?

Mr. COLEMAN. I assume that that information is available, but we will have to see.

Mr. BEVILL. All right. Furnish it for the record.

[The information follows:]

NUMBER OF ATTORNEYS PERFORMING LEGAL WORK

As of February 24, 1979, the Department of Energy had 706 lawyers performing legal work. This total includes 203 attorneys within the Federal Energy Regulatory Commission. The Federal Energy Regulatory Commission total includes 23 hearing examiners. It should also be noted that within the total of 706 lawyers, there are 41 patent attorneys.

Mr. BEVILL. Now, you want 50 more lawyers. For 200 years, the Department of Justice handled this type litigation. Why is DOE getting into this business, setting up another Department of Justice?

LITIGATION—DOE AND THE DEPARTMENT OF JUSTICE

Mr. COLEMAN. First of all, let me say that the Department of Justice still has a statutory responsibility for all of our litigation. We have entered into an agreement with the Justice Department, which was contemplated by the Department of Energy Organization Act, a specific provision. It is called a memorandum of understanding over the division of responsibility. But, the Department of Justice still has the control on whether they want us to handle a case or whether they want to handle it themselves.

If you are talking about the Government's standpoint, particularly in these cases that are very complex, there is a greater efficiency if the Department of Energy handled those, than if the Department of Energy lawyers prepare the case, draft the pleadings, prepare the drafts of the briefs and then have to sit down with the Justice Department lawyer and have to educate him so he can argue the case.

It is in the intent of eliminating that unnecessary duplication in those cases that the Attorney General makes the judgment that this is not a case of government-wide concern, but it is one that principally concerns the Department of Energy. It is a regulatory case that we have, under that agreement, which is called primary litigating responsibility.

It has been our judgment that whether we handle the case in court or whether the Justice Department does, we have to do about the same amount of work on those regulatory cases. We have to put together the facts, tend to the depositions, and draft the briefs, because these things are quite complex. We are the people that have the expertise that understand those regulations and a lawyer walking in off of the street from the Justice Department has quite a job to do.

Mr. BEVILL. The lawyers from the Justice Department work with many agencies which are just as technical as your department. Do you think the Government can save money by having a small Department of Justice in every agency?

If other agencies do what you are doing, we won't need a Department of Justice.

Mr. COLEMAN. In about half of our cases we have responsibility and about half they do, and they make the judgment as to which half and how they want to do it. Almost every independent agency has its own independent litigating authority.

This question is being reviewed in the OMB task force right now and I think it is most people's judgment that the proper balance lies somewhere in between, with the Justice Department having the primary supervisory role but the other department lawyers taking an active part in some of those cases which the Department of Justice

finds are the kind of cases that don't require them and should be handled more efficiently if the lawyers who put the case together in the first place went on and handled it.

Mr. MYERS. You said primary responsibility. Does this mean that when you go to court, you have to have Justice lawyers with you too?

Mr. COLEMAN. Ordinarily not. Ordinarily where we have primary responsibilities they basically wash their hands of it and they don't go along with us.

FUNDING OF LEGAL POSITIONS

Mr. BEVILL. Would you also break down for the record, how many general council positions are being funded from other accounts. For example, why did you require Southeastern Power Administration to pay for two positions?

Mr. COLEMAN. I will provide a table for the record to answer that question.

[The table follows:]

<i>Appropriation and subcommittee</i>	<i>Counsel and supporting staff positions</i>
Economic Regulatory Administration (Interior).....	98
Bonneville Power Administration (Energy and water).....	16
Southeastern Power Administration (Energy and water).....	2
Southwestern Power Administration (Energy and water).....	4
Western Area Power Administration (Energy and water).....	11
Federal Energy Regulatory Commission (Energy and water).....	238
Total.....	369

SOUTHEASTERN POWER ADMINISTRATION COUNSEL POSITIONS

The Southeastern Power Administration now pays for its two counsel positions in order to conform to the way the other power marketing administrations pay their counsel positions.

PROCUREMENT POSITIONS

Mr. BEVILL. Okay. The Power Marketing Administrators told us that the Headquarter's Office of Procurement and Contract Management Organization is planning to take over the PMA Procurement functions. Is that why you need additional procurement positions?

Mr. MITCHELL. That is not related to lawyers.

Mr. COLEMAN. We have a very small office of procurement lawyers. About a dozen or so in it.

Mr. BEVILL. What is being done on oil overcharges? Have read you are taking some actions. What specifically is being done?

Mr. COLEMAN. Well, in one major instance recently involving natural gas liquids overcharges the Justice Department decided we should handle the case. A suit was instituted against eight major oil companies and we are claiming something in excess of a billion dollars in overcharges. That case grew out of the special counsel audits of all of those companies. They concluded that an overcharge had been made and then my office presented that case to the Justice Department and the Justice Department thought it was a case that should be brought, directed us to bring it, and we brought it.

Now, in our view, what we are doing is in those large enforcement cases, that the special counsel is developing through these audits—that only started a year or so ago, so the cases are only now starting to

come. It is our intention to bring those directly in district court rather than to go through a long administrative proceeding before the Office of Hearings and Appeals, and then our statute says that the company has a right to appeal over to the Federal Energy Regulatory Commission after that, and then they can appeal to the court. If we went through that process we might be ten years.

Now, it is our intention to bring those cases, join as many defendants as you can where there is a common issue, bring them into District Court, and try to get through those quickly. I think it is a crying shame that we are about to get into another supply short fall as a result of the Iranian situation and we haven't even cleaned up the mess from last time.

Now, what we hope to do is to settle those cases, but you know from your own legal experience, if you are going to settle it you have to have a credible capability to go to court and pursue your point of view. We think that if the companies understand that we are serious about those cases and that we are going to bring them into court, we will be able to settle a number of them.

Now, the Office of Enforcement, which handles the cases other than the big companies, told me they had something like 2,200 open audits about a year ago. They now have gotten rid of a thousand of those through adoption of a small case policy where we decided those cases weren't meritorious or for policy reasons they shouldn't be brought. Now, that requires a legal review before you can decide not to bring one of those cases. They expect to resolve another 600 of those and to close them with some sort of a settlement in the next six months. That requires a heavy commitment of lawyers to make the judgement before they can settle a case.

Out of the other 600 they anticipate these probably will be 225 proposed remedial orders. In other words, an action against the company where they allege an overcharge within the next year.

Now, there is just not a way you can do that with our resources.

Mr. BEVILL. Could you furnish for the record a listing of the cases that have been filed, both administratively and in the Courts?

Mr. COLEMAN. Yes, I will submit a table for the record.

[The information follows:]

ADMINISTRATIVE LITIGATION

There are 105 administrative litigation cases pending before the Office of Hearings and Appeals.

A table depicting those cases is furnished for the record.

[The table follows:]

EXHIBIT B

TABLE ADEPARTMENT OF ENERGY DEFENSIVE LITIGATIONPETROLEUM PRICING AND ALLOCATION AND FOIA SUITSCIVIL DIVISION

TOTAL CASES PENDING AS OF FEBRUARY 16, 1979:	252
- PRIMARY LITIGATIVE RESPONSIBILITY WITH DEPARTMENT OF JUSTICE	73
- PRIMARY LITIGATIVE RESPONSIBILITY WITH DEPARTMENT OF ENERGY	137
- JOINTLY HANDLED LITIGATION:	41
- PRIMARY LITIGATIVE RESPONSIBILITY NOT YET DETERMINED:	1

TABLE A
DEPARTMENT OF ENERGY DEFENSIVE LITIGATION ^{*/}

<u>Name of Case</u>	<u>District Court & Civil Action No.</u>	<u>Primary Litigation Responsibility</u>	<u>Current Status</u>
<u>Aeropress Corp. v. Department of Energy</u>	CI 78-0476, W.D. La.	DOJ	P.I. entered against the government in discovery
<u>Amex Petroleum Corp. v. DOE & Schlesinger</u>	II-78-2034, S.D. Tex.	DOJ	Pending decision on motion to transfer
<u>Aminoil USA, Inc. v. DOE</u>	78-0161-WP, C.D. Calif.	DOE	
<u>Aminoil USA, Inc. v. DOE</u>	78-530, D. Del.	Joint	
<u>Aminoil USA, Inc. v. DOE</u>	II-78-1702, S.D. Tex.	DOE	Pending decision on motion to dismiss or transfer
<u>Amoco v. DOE</u>	78-463, D. Del.	Joint	
<u>ARCO v. FEA</u>	75-870-P, D. Mass.	DOJ	Pending decision on motion to dismiss
<u>ARCO v. DOE</u>	78-532, D. Del.	Joint	Case mooted. To be dismissed
<u>Ashland Oil Co. v. Shell Oil Co. and FEA</u>	II-77-1008, S.D. Tex.	DOE	Pending decision on motion to dismiss
<u>Ashland Oil Company of California v. Social and FEA</u>	76-2083, N.D. Calif.	DOE	

^{*/} Groups of related cases have been listed at the end of this table.

- 3 -

<u>Name of Case</u>	<u>District Court & Civil Action No.</u>	<u>Primary Litigation Responsibility</u>	<u>Current Status</u>
<u>Ashland Oil Co. v. Union Oil Co. Of California and PEA</u>	No. 9-38, TECA	DOE	
<u>- Atlantic Richfield Co. v. PEA</u>	2552-WAI, N.D. Calif.	Joint	Motion for Summary Judgment to be Supplemented
<u>Asfin, Inc. v. Mobil Oil Corp. & Schlesinger</u>	4-78-6, N.D. Tex.	DOE	
<u>Leonard E. Bulcher, Inc. v. PEA</u>	77-2975-P, D. Mass.	DOJ	Stayed pending further admin. action
<u>Bell v. PEA</u>	CV-176-188, S.D. Ga.	DOE	
<u>Herry Holding Co., Herry & Ewing Surprise Oil Co. v. DOE</u>	P-78-149-Civ., E.D. Calif.	DOE	
<u>Beukema's Petroleum Co. v. PEA</u>	G-75-460 CA., W.D. Mich.	DOJ	Answer filed, in discovery
<u>Beukema's Petroleum Co. v. PEA, et al.</u>	G75-594 CA., W.D. Mich.	DOJ	Answer filed, in discovery
<u>Beukema's Petroleum Co. v. PEA & Zarb</u>	G76-177 CA., W.D. Mich.	DOJ	Answer filed, in discovery
<u>Wolau Muko-Hash v. Tenneco and PEA</u>	1-75-107, D. Idaho	DOE	
<u>Bonray Oil Co. v. DOE</u>	77-1078-P, W.D. Okla.	DOJ	Appeal Pending
<u>Bradley-Zenith Inc. v. PEA</u>	76-429-C6, D. Kan.	DOE	
<u>Brantlenbury & Texaco Inc. v. DOE & Schlesinger</u>	78-1230, D. Kan.	DOE	

<u>Name of Case</u>	<u>District Court & Civil Action No.</u>	<u>Primary Litigation Responsibility</u>	<u>Current Status</u>
<u>Buck d/b/a Buck Exploration v. FEA</u>	Civ-77-0643-D, W.D. Okla.	DOJ	Pending decision on motion for reconsideration
<u>Buck's Butane & Propane Service Inc. v. DOE</u>	C-77-2660 WAI, N.D. Calif.	DOE	
<u>Buddist Rent-A-Car of Washington-Oregon v. Shell Oil Co. and DOE</u>	C75-2455, D. Wash.	DOE	
<u>California v. Zarb</u>	CV-75-854 WPC, C.D. Calif.	DOJ	Pending decision on Appeal
<u>Chestnut v. Schlesinger</u>	78-3, S.D. Tex.	DOE	
<u>Cities Service Co. v. DOE, et al.</u>	78-1145, D. Kan.	DOE	
<u>Cities Service v. DOE</u>	78-550, D. Del.	Joint	Motion to Dismiss or Transfer pending
<u>Cities Service v. DOE</u>	78-C-347-C, N.D. Okla.	DOJ	FOIA case - awaiting decision on motion for immediate disclosure of documents
<u>Citronelle-Mobile Gathering, Inc. v. Gulf & FEA</u>	No. 5-18, TECA	DOJ	TECA decision in favor of government. Pending decision on motion for reconsideration

- 5 -

<u>Name of Case</u>	<u>District Court & Civil Action No.</u>	<u>Primary Litigation Responsibility</u>	<u>Current Status</u>
<u>Citronella-Mobile Gathering, Inc. v. O'Leary, Allen and Kreps</u>	77-101-P, S.D. Ala.	DOJ	Motion to Dismiss pending. In discovery on counter- claim filed by U.S.A.
<u>Clark Oil, Crown Central v. DOE, et al., and Commonwealth Oil</u>	78-1468, D.D.C.	DOE	
<u>Clark Oil Refining Corp. v. DOE, et al</u>	78-1987, D.D.C	DOJ	Motion to stay filed by co-defendant, no decision. Status call held on 2/22/79
<u>Coastal States Gas Corp. v. FEA</u>	76-1173, D.D.C	DOJ	FOIA case: Pending decision on plaintiff's motion to reopen case
<u>Coastal States Gas Corporation, et al. v. DOE, et al.</u>	78-133, D. Del.	DOE	
<u>Coastal States Gas v. DOE</u>	4-79-249, S.D. Tex.	DOE	
<u>Coastal States Gas v. DOE</u>	78-549, D. Del.	Joint	Answer to be filed on February 26, 1979
<u>Colvin Oil Co. v. Gulf Oil Corporation and DOE</u>	77-791 SK, D. Ore.	DOE	
<u>Continental Oil Co. v. DOE</u>	Civ. 79-47, D. Del.	Joint	Answer due March 25, 1979
<u>Continental Oil Co. v. DOE</u>	3-78-321-D, N.D. Tex.	DOE	
<u>Continental Oil Co. v. FEA and O'Leary</u>	77-155, D. Del.	DOE	
<u>Cranston Oil Service Co. v. FEA</u>	77-0423, D. R.I.	DOE	

- 6 -

<u>Name of Case</u>	<u>District Court & Civil Action No.</u>	<u>Primary Litigation Responsibility</u>	<u>Current Status</u>
<u>Crown Central Petroleum v. DOE</u>	78-209J, D. Md.	DOE	
<u>Crystal Oil Co. v. DOE</u>	77-1456, D. Kan.	DOE	
<u>Cryстал Oil & Iva May v. DOE</u>	3-79-0059-P, M.D. Tex.	DOE	
<u>Davis, et al. v. DOE</u>	77-1456, D. Kan.	DOJ	Stayed pending decision in Oklahoma Ass'n of Energy Consumers and Producers v. PEA
<u>Davison Oil Co., Inc. v. Schlesinger, et al.</u>	77-597-T, S.D. Ala.	DOJ	FOIA case; Plaintiff's motion for summary judgment denied 8/78
<u>De Martin Truck Lines, Inc. v. Schlesinger</u>	P-78-92-Civ., E.D. Calif.	DOJ	Stayed pending outcome of rehearing for exception relief
<u>Hub S. Domsroy, d/b/a Fort Davidson Oil Co. v. Rhodes Oil Co. and Schlesinger</u>	S-76-82C, E.D. Mo.	Joint	Trial has occurred no relief sought against DOE
<u>Dome Petroleum, Amoco v. Schlesinger</u>	79-0139, D.D.C.	DOE	
<u>Frank Impuls Co. v. PEA</u>	77-0018, D. R.I.	DOE	

<u>Name of Case</u>	<u>District Court & Civil Action No.</u>	<u>Primary Litigation Responsibility</u>	<u>Current Status</u>
<u>Richard W. Dyke v. Gulf Oil Corp. and DOE</u>	77-10 SK, D. Ore.	DOE	
<u>Eastern Airlines, Inc. v. Atlantic Richfield Co. & FEA</u>	74-1207-Civ., S.D. Fla.	DOE	
<u>Monroe Oil Co. v. O'Leary</u>	77-0191, D. R.I.	DOJ	Answer filed. In discovery
<u>Energy Reserves Group, Inc. and Suburban Propane Gas Corp. v. FEA and O'Leary</u>	77-1146, D. Kan.	DOE	
<u>Evanson v. Union Oil Co. and FEA</u>	4-75-Civ 671, D. Minn.	Joint	In discovery, Union Oil and DOE have filed extensive interrogatories
<u>Exxon v. DOE, et al.</u>	3-78-1302-F, N.D. Tex.	DOJ	Answer and counter-claim filed. Interrogatories filed by Exxon on Feb. 10, 1979
<u>Exxon Corp. v. DOE, et al.</u>	78-0531, D. D.C.	DOE	
<u>Exxon Corp. v. DOE, et al.</u>	CA3-78-0420-D, N.D. Tex.	DOE	
<u>Exxon Corp. and Sun Oil v. DOE, et al.</u>	78-461, D. Del.	Joint	Pending decision on motion to dismiss or transfer
<u>Exxon Corp. v. Schlesinger, et al.</u>	3-78-0244-C, N.D. Tex.	DOE	
<u>Exxon Corp. v. U.S.</u>	78-1035, D.D.C.	DOE	
<u>Vernon E. Falconer v. Exxon, et al.</u>	TX-75-226-CA, E.D. Tex.	DOE	

- 8 -

<u>Name of Case</u>	<u>District Court & Civil Action No.</u>	<u>Primary Litigation Responsibility</u>	<u>Current Status</u>
<u>Farland v. Goldstein</u>	75-57-C2, D. Kan.	DOE	
<u>Farland Service Corp., Inc. v. DOE, et al.</u>	CV-78-J-136, D. Neb.	DOJ	Settlement negotiations in progress
<u>Florida Gas Exploration Co., et al. v. DOE, et al.</u>	11-78-417, S.D. Tex.	DOE	
<u>Florida Power Corp. v. Granlund, et al.</u>	11-77-0742, M.D. Fla.	DOJ	FOIA count pending
<u>Florida Power and Light Co. v. Belcher Oil Co., et al.</u>	77-5251, S.D. Fla.	DOJ	Trial has been held
<u>Florida Power & Light Co. v. Schlesinger, et al.</u>	77-4644, S.D. Fla.	DOJ	FOIA count stayed pending administrative appeal
<u>Ponding Systems Refining Corp., et al. v. DOE</u>	B-78-149, S.D. Tex.	DOE	
<u>Gas del Oro v. Superb Propane, et al.</u>	76-6-16, S.D. Tex.	DOJ	FOIA case: Answer filed
<u>Gas del Oro, Inc., et al. v. DOE, et al.</u>	H-78-451, S.D. Tex.	DOJ	FOIA case: Answer filed
<u>Gasco, Inc. v. DOE, et al.</u>	78-0393, D. D.C.	DOJ	FOIA case: court has denied plaintiffs' request for a preliminary injunction
<u>General Crude Oil Co. v. FEA</u>	76-11-1103, S.D. Tex.	DOE	
<u>Guilty Oil Company v. DOE & Schlesinger, et al.</u>	77-4533, C.D. Calif.	Joint	Part of the case was decided adverse to government in discovery on balance of litigation

- 9 -

<u>Name of Case</u>	<u>District Court & Civil Action No.</u>	<u>Primary Litigation Responsibility</u>	<u>Current Status</u>
<u>Getty Oil Co. v. DOE, Schlesinger & Goldstein</u>	77-434, D. Del.	Joint	In discovery. Motion to compel is pending.
<u>Ginsbury, Feldman & Bress v. PEA</u>	76-0027, D. D.C.	DOJ	FOIA case.
<u>Good Hope Industries Inc., et al. v. PEA and West Coast Oil Co.</u>	75-2740-G and 75-2741-G, D. Mass.	DOJ	Case pending in bankruptcy court.
<u>H.P. Goodrich Co. v. DOE</u>	78-125A, N.D. Ohio	DOE	
<u>Gray Operating Co. v. DOE</u>	CIV 79-65-D, W.D. Okla.	DOJ	Answer due March 5, 1979
<u>Grigsby v. PEA and O'Leary</u>	No. 5-28, TECA	DOJ	Grigsby has petitioned for cert. Gov't has filed an opposition.
<u>Gulf v. PEA & Mid-Michigan Truck Service</u>	76-121-CA, W.D. Mich.	DOJ	Stayed pending agency action.
<u>Gulf Oil Corp. v. DOE, et al</u>	78-515, D. Del.	Joint	Pending decision on Motion to dismiss or transfer.
<u>Gulf Oil Corp. v. LaSala and PEA</u>	76-1972, E.D. Pa.	DOE	
<u>Gulf (Stuart Haulter & Hall) v. DOE</u>	78-1513, D. Kan.	DOE	
<u>Hawkins v. DOE</u>	TCA 77-0909, N.D. Fla.	DOJ	FOIA case; answer filed.
<u>Husbat Supply Co., Inc. v. Mobil Oil Corp. & PEA</u>	CY-LV-76-162 ROP, D. Nev.	DOJ	Answer filed in discovery.

- 10 -

<u>Name of Case</u>	<u>District Court & Civil Action No.</u>	<u>Primary Litigation Responsibility</u>	<u>Current Status</u>
<u>Hurbst Supply Co. & Gasco Gasoline Inc. v. FEA & Zarb</u>	76-2186, D.D.C.	DOJ	Summary Judgment for DOE. Plaintiff has filed an appeal
<u>Home Gas Service, Inc. v. DOE</u>	C-78-678, N.D. Ohio	DOJ	Answer filed, in discovery
<u>Hunt Oil Co. v. DOE</u>	3-78-0325-D, N.D. Tex.	DOE	
<u>Ray L. Hunt v. DOE & Schlesinger</u>	CA3-78-1487 F, N.D. Tex.	DOE	
<u>Husky Oil Co. v. DOE and Schlesinger</u>	C-77-190, C.D. Wyo.	DOE	
<u>I.U. International Oil and Gas, Inc. v. DOE</u>	78-125C, E.D. Okla.	Joint	Pending Decision on plaintiff's motion to dismiss
<u>In The Matter of Rose Mines, Inc., Bankrupt, Gene Howard, Trustee and Savings Bank, et al.</u>	876-137-8, W.D. La.	DOE	
<u>Independent Refiners Ass'n of America v. DOE</u>	78-1437, D. D.C.	DOE	
<u>Jay Oil Co. v. DOE</u>	78-2803, W.D. Ark.	DOJ	Plaintiff's motion to compel discovery and DOE motion for protective order pending
<u>E. Lyle Johnson v. DOE</u>	Civ. 78-0936-E, W.D. Okla.	DOJ	Answer filed, case in discovery

- 11 -

<u>Name of Case</u>	<u>District Court & Civil Action No.</u>	<u>Primary Litigation Responsibility</u>	<u>Current Status</u>
<u>Robert P. Johnson and Phillips Petroleum Co. v. DOE, et al.</u>	78-1140, D. Kan.	DOE	
<u>Jones, Steubar Oil Corp., et al. v. DOE</u>	78-1235, D. Kan.	DOE	
<u>K & W Petroleum, Inc., et al. v. Tosco Corp. et al.</u>	C-77-292, E.D. Wash.	DOJ	In discovery
<u>Kentucky West Virginia Gas Co. v. FEA</u>	75-79, E.D. Ky.	DOJ	Pending decision on Court's motion for summary judgment
<u>Krenik Distributors, Inc., et al. v. Union Oil, et al.</u>	78-4-T, W.D. Wash.	DOE	
<u>Laketon Asphalt Refining, Inc. v. FEA</u>	EV 77-39, S.D. Ind.	DOE	
<u>Lakuton Asphalt Refining, Inc. v. FEA and Zarb</u>	EV 76-169 C, S.D. Ind.	DOJ	Summary Judgment for DOE, pending plaintiff's deci- sion to appeal
<u>Larkin, Duly, Hoffman and Lindgren, Ltd. v. FEA</u>	4-76-317, D. Minn.	DOJ	FOIA case, Pending deci- sion on motion for sum- mary judgment
<u>Richard Levy v. DOE, et al.</u>	78-827-A, E.D. Va.	DOE	
<u>Will Lewis Ent. v. DOE</u>	79-2004-B, E.D. Ill.	DOE	
<u>Linden's Propane, Inc. v. FEA</u>	C77-156, N.D. Ohio	DOJ	Pending decision on cross motions for summary judy- ment

<u>Name of Case</u>	<u>District Court & Civil Action No.</u>	<u>Primary Litigation Responsibility</u>	<u>Current Status</u>
<u>Luke Brothers, Inc. v. FEA</u>	75-334-C, E.D. Okla.	DOE	
<u>M.A.P. Oil Company, Inc. d/b/a Amendt Oil Company v. Texaco, Inc.</u>	C-77-0518 WAI, N.D. Calif.	DOE	
<u>Major Oil Corp. v. Flying Diamond Oil Co. & FEA</u>	C-77-2092, D. Utah	DOJ	Litigation pending between two private parties. DOE is not taking an active role
<u>Marathon Oil Co. v. FEA</u>	C74-316, N.D. Ohio	DOJ	On remand to district court. In discovery. Gov- ernment answered interroga- tories on 10/2/78
<u>Marathon Oil Co. v. FEA and O'Leary</u>	C77-232, N.D. Ohio	Joint	Pending decision on motion for summary judgment
<u>Marino Petroleum Co. v. Champlin Petroleum Co., et al. and FEA</u>	75-974c(1), E.D. Mo.	DOE	
<u>Marquette Fuels, Inc. v. Administrator FEA</u>	76-C-2788, N.D. Ill.	DOJ	Gov't's motion for sum- mary judgment entered. Plaintiff has noticed appeal
<u>McClure d/b/a McClure Oil Co. v. DOE</u>	77-1077 T, W.D. Okla.	DOJ	Motion for Summary Judg- ment pending
<u>McCulloch v. FEA and Hidrogas (3 cases)</u>	75-99-P., 75-202, & CV75-576, C.D. Calif.	DOE	
<u>McCulloch Gas Processing v. DOE</u>	C78-147, D. Wyoming	DOE	

- 13 -

<u>Name of Case</u>	<u>District Court & Civil Action No.</u>	<u>Primary Litigation Responsibility</u>	<u>Current Status</u>
<u>Charles W. McNair, et al. v. DOE & Sun Mark Industries</u>	78-2032, W.D. Ark.	DOE	
<u>Mul-Burn Servicoenter #6 Corp. v. Tartan Oil Corp. & Wincor Petrol Corp. v. Amoco Oil & DOE</u>	78-C-107, E.D. N.Y.	DOE	
<u>Mid-Continent, Inc. v. Zarb</u>	J-75C-66, E.D. Ark.	DOE	
<u>Mobil Oil Co. v. DOE</u>	79-CV-11, M.D. N.Y.	Not yet assigned	
<u>Mobil Oil Co. v. DOE</u>	78-471, D. Del.	Joint	Pending decision on motion to dismiss or transfer
<u>Mobil Oil Corp. v. Dominion Oil and FEA</u>	75-0056-CIV-3, E.D. N.Car.	DOE	
<u>Mobil Oil Corp. v. FEA and Zarb</u>	B-76-273-CA, E.D. Tex.	Joint	District Court ruled against Gov't on 1/31/79. Appeal to be filed.
<u>Mobil Oil Corp. v. Schlesinger, et al.</u>	78-1070, D. Kan.	DOE	
<u>O.B. Mobley, Jr. v. DOE</u>	CI-781073, W.D. La.	DOE	
<u>Beverly C. Moore, Jr. v. DOE</u>	79-31-A, E.D. Va.	DOE	
<u>Mountain Fuel Supply Co. v. United States Department of Energy, et al.</u>	C78-0198, D. Utah	DOJ	In discovery
<u>Muskeyon Development Co. v. DOE</u>	78-10098, E.D. Mich.	DOJ	Stayed pending developments in related case; Energy Reserves Group Inc. v. FEA
<u>Naph-Sol Refining Co. v. Citicor Service Oil Co. & Schlesinger</u>	G76-451, W.D. Mich.	DOE	

- 14 -

<u>Name of Case</u>	<u>District Court & Civil Action No.</u>	<u>Primary Litigation Responsibility</u>	<u>Current Status</u>
<u>Naph-Sul Refining Co. v. Cities Service Oil Co. & DOE</u>	G-78-85, W.D. Mich.	DOE	Pending Decision on Appeal
<u>NEPCO v. FEA</u>	75 CIV 6011, (CSH), S.D. N.Y.	DOJ	Stayed pending administra- tive action
<u>New England Power Co. v. Constal States Marketing, Inc.</u>	H-77-1913, S.D. Tex.	Joint	Plaintiff's Motion for P.I. denied - in discovery
<u>Northern Natural Gas Co. v. DOE, et al.</u>	CIV 78-464, D. Del.	Joint	Awaiting decision on cross motions for summary judgment
<u>ONC Corp. v. FEA and O'Leary</u>	4-77-132, N.D. Tex.	DOJ	Post trial briefs sub- mitted Feb. 16, 1979
<u>Oklahoma Association of Energy Consumers and Producers v. FEA</u>	76-366-C, E.D. Okla.	DOJ	
<u>Oklahoma Association of Energy Consumers and Producers v. FEA</u>	77-C-108, N.D. Okla.	DOE	
<u>C.V. Olsen & Olsen City Fuel v. DOE</u>	C 76-1818, W.D. Wash.	DOE	
<u>Olympian Oil Co., Inc. v. FEA, et al.</u>	77-2196 WAI, N.D. Calif.	Joint	Answer filed case on discovery
<u>Olympian Oil Co., Inc. & Bassett Oil & Equip. Co., Inc., et al. v. Schlusinger & DOE, et al.</u>	C-77-2196 WAI, N.D. Calif.	Joint	Answer filed case on discovery
<u>Otto Shinn, Inc. v. Tallman Oil Co. and FEA</u>	AJ-76-60, D. No. Dak.	DOE	
<u>Kenneth D. Owen d/b/a Truck Towne Station v. Atlantic Richfield Co.</u>	CV78-1909, C.D. Calif.	DOE	

- 15 -

<u>Name of Case</u>	<u>District Court & Civil Action No.</u>	<u>Primary Litigation Responsibility</u>	<u>Current Status</u>
<u>Pacific Refining Co. and Coastal States Gas Co. v. DOE</u>	78-60, D. Del.	DOE	
<u>Ota C. Puavoy and Sun Oil Co. (Del.) v. DOE and Schlesinger</u>	78-1410, D. Kan.	DOE	
<u>Pennzoil v. DOE</u>	78-335, D. Del.	DOE	
<u>Pennzoil Co. v. DOE</u>	CA3-78-0598-P, N.D. Tex.	DOE	
<u>Pester Refining Co. v. University Oil Co. v. FEA and American Petrofina Co. of Texas</u>	78-2018, D. Idaho	DOJ	Answer filed, in discovery
<u>Petroleum Hight., Inc. v. DOE</u>	78-1509, D. Kan.	DOE	
<u>Phillips Petroleum Co. v. DOE</u>	78-371, D. Del.	Joint	
<u>Placid Oil Co. v. FEA, et al.</u>	3-77-1057, N.D. Tex.	DOJ	Stayed pending developments in related case: Energy Reserves Grouping v. FEA Pending decision on motion for summary judgment Remanded to DOE
<u>Plaquemines Oil Sales Corp. v. FEA</u>	77-458, E.D. La.	DOJ	
<u>Ponzo Fuel v. Federal Energy Commission</u>	78-0048, D. N.J.	DOJ	On appeal to Third Circuit. Case dismissed below
<u>Powerline Oil Co. v. FEA</u>	CV 77-1711-LTL, C.D. Calif.	DOE	
<u>Prosper Energy Corp. v. DOE</u>	3-78-0631-P,	DOJ	Answer filed, in discovery
<u>Ramm's Oil Co., Inc. v. Tosco Corp., et al.</u>	C77-604, W.D. Wash.	DOJ	Answer filed, in discovery
<u>Rickelson, et al. v. DOE</u>	78-20-C, E.D. Okla.	DOE	

- 16 -

<u>Name of Case</u>	<u>District Court & Civil Action No.</u>	<u>Primary Litigation Responsibility</u>	<u>Current Status</u>
<u>Rock Island Corp. v. PEA and O'Leary</u>	IP 77-82-C, S.D. Ind.	DOE	
<u>Rock Island Refining Corp. v. PEA</u>	IP 77-431-C, S.D. Ind.	DOE	
<u>Romaco, Inc. v. Schlesinger</u>	78-156-N, N.D. Ala.	DOJ	Settlement negotiations in progress
<u>Ross v. Zarb</u>	C75-402S, W.D. Wash.	DOJ	Pending decision on motion for summary judgment
<u>Ross Production Co., et al. v. PEA, O'Leary and Koch Oil Co.</u>	CI 77-0368, W.D. La.	DOJ	Pending decision on cross motions for summary judgment
<u>S.O.S. Gasoline Enterprises, Inc. v. Getty</u>	78C-684, E.D. N.Y.	DOE	
<u>Sabre Refining, Inc. v. James R. Schlesinger</u>	P-78-22-CIV, E.D. Calif.	DOE	
<u>Sauder v. PEA and O'Leary</u>	77-1117, D. Kan.	Joint	Motion for summary judgment to be argued on 3/10/79
<u>Schultz Gas v. DOE</u>	78C-4789, N.D. Ill.	DOJ	Decision pending on motion for P.I.
<u>Sharber, et al. v. PEA</u>	77-233-C, E.D. Okla.	DOE	
<u>Shell Oil Co. v. DOE, Schlesinger and Curtis Carlson</u>	CA3-78-1045-C, N.D. Tex.	DOE	
<u>Shell Oil Co. v. DOE</u>	78-319, D. Del.	Joint	Pending decision on motion to dismiss or transfer
<u>W.E. Shridur Co. v. DOE</u>	CI-77-969, S.D. Ohio	DOJ	Answer filed in discovery

- 16a -

<u>Name of Case</u>	<u>District Court & Civil Action No.</u>	<u>Primary Litigation Responsibility</u>	<u>Current Status</u>
<u>Sierra Petroleum Co., Inc. v. PEA</u>	77-1087, D. Kan.	DOE	
<u>Skelly Oil Company v. PEA</u>	No. 10-14, TECA	DOJ	Pending decision on appeal
<u>Julian E. Skinner d/b/a Lake Region Gas Co. v. DOE</u>	C-78-0066-P(5), W.D. Ky.	DOE	

- 17 -

<u>Name of Case</u>	<u>District Court & Civil Action No.</u>	<u>Primary Litigation Responsibility</u>	<u>Current Status</u>
<u>Murt C. Smith v. DOE</u>	C78-625, N.D. Ohio	DOE	
<u>Sound Refining v. Schlesinger, et al.</u>	79-0297, D.D.C.	DOJ	Answer due in mid-March
<u>Southland Oil Co. v. PEA and Smith</u>	77-0213, D.D.C.	DOJ	On appeal to TECA by plaintiffs.
<u>Southland Royalty Co. v. PEA</u>	4-77-179, N.D. Tex.	DOE	
<u>Southwestern Exploration Consultants, Inc. v. DOE</u>	CTV 78-0772-E, W.D. Okla.	DOJ	Answer filed.
<u>Joe K. Staley Oil Co., Inc. v. DOE and Schlesinger</u>	C-78-284, E.D. Wash.	DOJ	Answer has been filed.
<u>Standard Oil Co. v. PEA</u>	75-179, N.D. Ohio	DOE	
<u>Joseph Steitz and Lewis DeNicola v. USA</u>	78-C-1813, E.D. N.Y.	DOJ	Answer filed, in discovery
<u>Stulbar Oil Corporation, Inc. v. DOE</u>	78-1176, D. Kan.	DOE	
<u>Still v. Sun Oil Co. of Pennsylvania, Inc. et al.</u>	4-77-110, N.D. Tex.	DOE	
<u>Sun Oil Co. v. PEA and Onkey</u>	75-H-1458, S.D. Tex.	DOE	
<u>Super Drive-Inns, Inc. v. The Secretary of DOE</u>	78-3251-NA-CV, M.D. Tenn.	DOE	
<u>Taunton Municipal Lighting Plant v. Qirnay Oil</u>	76-4096-C, D. Mass.	DOE	
<u>Taylor Oil Co. v. DOE, Schlesinger, Metzger and Treamor</u>	78-1369, D.D.C.	DOJ	Answer filed, in discovery

- 18 -

<u>Name of Case</u>	<u>Primary Litigation Responsibility</u>	<u>Current Status</u>
<u>Tenneco Oil Co. v. DOE</u>	DOE	
<u>Tenneco Oil Co. v. FEA and Smith</u>	Joint	Motions for Summary Judgment pending.
<u>Tenneco Oil Co. v. O'Leary</u>	DOE	
<u>Tuxaco, Inc. v. DOE and Schlesinger</u>	DOE	
<u>Tuxaco, Inc. v. DOE, Schlesinger and Treamor</u>	DOE	
<u>Tuxaco, Inc., Mobil Oil Corp. and Exxon v. DOE, CORCO, et al.</u>	DOE	
<u>Texas Asphalt & Refining Co. v. FEA</u>	DOE	
<u>Texas Eastman Co. v. FEA and Frank Zarb</u>	DOJ	Case remanded to DOE pending agency action.
<u>Thayer Oil Co. v. Schlesinger</u>	DOE	
<u>Trante Enterprises, Inc. v. Mobil Oil and Schlesinger</u>	DOE	
<u>Twin-City Barge & Towing & Ventech Engineers, Inc. d/b/a Twin-Tech Oil Co. v. Schlesinger</u>	DOE	
<u>U.S. Transport Co., Inc. v. U.S. of A. & Bardin</u>	DOE	
<u>U.S. Transport Co., Inc. v. U.S. of A. & Bardin</u>	DOE	

- 19 -

<u>Name of Case</u>	<u>District Court & Civil Action No.</u>	<u>Primary Litigation Responsibility</u>	<u>Current Status</u>
<u>U.S. Transport Co., Inc. v. U.S. of A. & Bardin</u>	C78-1017A, N.D. Ga.	DOE#	
<u>U.S. Transport Co., Inc. v. U.S. of A. & Bardin</u>	C78-1018A, N.D. Ga.	DOE	
<u>U.S. Transport Co., Inc. v. U.S. of A. & Bardin</u>	C78-1019A, N.D. Ga.	DOE	
<u>The Union Oil Co. of California v. DOE, et al.</u>	78-1487-IH, C.D. Calif.	DOE	
<u>Von-Puel, Inc. v. DOE</u>	78-5603, S.D. Fla.	DOE	
<u>V-1 Oil Company v. DOE</u>	Civ 78-4029, D. Idaho	DOJ	Court denied gov't motion to dismiss. Pending decision on gov't's motion for reconsideration.
<u>Guaranty M. Maito & Amoco Products Co. v. DOE & Schlesinger</u>	78-1357, D. Kan.	DOE	
<u>Western Crude Oil, Inc. v. Dept. of Energy</u>	78-10-436, D. Colo.	Joint	Answer filed; case in discovery.
<u>Western Mountain Oil, Inc. v. Gulf Oil Corp. & Schlesinger</u>	77-0233 BRT, D. Nev.	DOE	
<u>Lee G. Metherhill, Jr. v. DOE</u>	78-2137, D. Kan.	DOE	
<u>William Thermon v. DOE</u>	C78-176, N.D. Ohio	DOE	

- 20 -

<u>Name of Case</u>	<u>District Court & Civil Action No.</u>	<u>Primary Litigation Responsibility</u>	<u>Current Status</u>
<u>Young Refining Corp. v. U.S. Dept. of Interior & U.S. Dept. of Energy</u>	78-1470, D.D.C.	DOE	
<u>Zbinden Oil Co. v. Tosco Corp.</u>	C77-688, W.D. Wash.	DOJ	Answer filed, in discovery.
<u>COST PASSTHROUGH CASES</u>			
<u>Amurda House v. DOE</u>	77-407, D. Del.	Joint	TECA ruled against gov't in Dec. 1978. Pending decision on motion for reconsideration.
<u>Amoco Oil Co. v. O'Leary</u>	77-168, N.D. Ohio	Joint	
<u>Atlantic Richfield Co. v. FEA</u>	C-77-187, N.D. Ohio	Joint	
<u>Coastal States Gas. v. FEA</u>	77-144, D. Del.	Joint	
<u>Continental Oil v. FEA</u>	77-155, D. Del.	Joint	
<u>Exxon Corp. v. FEA</u>	C77-406, N.D. Ohio	Joint	
<u>Gulf Oil Corp. v. FEA</u>	C-77-82, N.D. Ohio	Joint	
<u>Mobil Oil Corp. v. FEA</u>	C-76-1344, N.D. Ohio	Joint	
<u>Pennzoil Co. v. FEA</u>	77-131, D. Del.	Joint	
<u>Phillips Petroleum v. FEA</u>	77-90, D. Del.	Joint	
<u>Shell Oil Co. v. FEA</u>	77-92, N.D. Ohio	Joint	

- 21 -

<u>Name of Case</u>	<u>District Court & Civil Action No.</u>	<u>Primary Litigation Responsibility</u>	<u>Current Status</u>
<u>Standard Oil Co. v. Zarb</u>	C76-1279, N.D. Ohio	Joint	
<u>Sun Oil Co. v. Zarb</u>	C76-1288, N.D. Ohio	Joint	
<u>Tenneco Oil v. PEA</u>	77-130, D. Del.	Joint	
<u>Texaco v. Zarb</u>	77-11, N.D. Ohio	Joint	
<u>NGL CASES</u>			
<u>Burmah Oil and Gas Co. v. PEA</u>	76-8-460, S.D. Tex.	DOE	
<u>Dorchester Gas Processing Co. v. PEA</u>	2-75-134, N.D. Tex.	DOE	
<u>Exxon v. PEA and Zarb</u>	3-76-0569G, N.D. Tex.	DOE	
<u>Exxon Corp. v. PEA</u>	3-75-0836D, N.D. Tex.	DOE	
<u>Phillips Petroleum Co. v. PEA</u>	CA-2-76-74, N.D. Tex.	DOE	
<u>Texas Oil & Gas Corp. v. Schlesinger</u>	3-77-1540C, N.D. Tex.	DOE	
<u>SNG CASES</u>			
<u>Algonquin Gas Transmission Co. & Algonquin SNG v. PEA & Zarb</u>	76-3697-M, D. Mass.	DOE	
<u>Associated Gas Distributors v. PEA & Zarb</u>	76-4484-M, D. Mass.	DOE	

Name of Case

District Court &
Civil Action No.

Primary Litigation
Responsibility

Current Status

Celanese Corp. v. FEA and No.
Ill. Gas Co.

76-C-1116, N.D. Ill.;
75-2086, D.C.

DOE

Celanese Corp. v. FEA and
Consumers Power Co.

75-2221, D.D.C.;
5-7200, E.D. Mich.

DOE

Consumers Power v. FEA

5-7200, E.D. Mich.

DOE

Dow Chemical Co. v. FEA

5-72-93, E.D. Mich.

DOE

Lowell Light and Power Board v. FEA

5-72030, E.D. Mich.

DOE

Michigan Public Service Comm'n v. FEA

5-72171, E.D. Mich.

DOE

Northern Illinois Gas v. FEA

75-C-3813, N.D. Ill.

DOE

Owens-Illinois, Inc. v. FEA

5-72104, E.D. Mich.

DOE

TRANSACTION CASES

Consolidated States Gas v. FEA and O'Leary

W-77-626, S.D. Tex.

DOE

Exxon Corp. v. White, et al.

3-77-1158, N.D. Tex.

DOE

General Crude Oil Co. v. FEA, et al.

77-1253, N.D. Tex.

DOE

Gulf Oil Corp. v. O'Leary

77-3113, E.D. Pa.

DOE

Mobil Oil Corp. v. DOE

3-77-1466D, N.D. Tex.

DOE

Quincy Oil v. FEA

76-4096-C, D. Mass.

DOE

TABLE BDEPARTMENT OF ENERGY AFFIRMATIVE LITIGATIONPETROLEUM PRICING AND ALLOCATIONCIVIL DIVISION

TOTAL CASES PENDING AS OF FEBRUARY 16, 1979:	24
- PRIMARY LITIGATIVE RESPONSIBILITY WITH DEPARTMENT OF JUSTICE:	10
- PRIMARY LITIGATIVE RESPONSIBILITY WITH DEPARTMENT OF ENERGY:	11
- JOINTLY HANDLED LITIGATION:	0
- PRIMARY LITIGATIVE RESPONSIBILITY NOT YET DETERMINED:	3

TABLE B

DOE COMPLIANCE ACTION REFERRALS TO DOJ*

NAME	DESCRIPTION OF VIOLATION	DATE OF DOE REFERRAL	DATE OF DOJ ACTION ON REFERRAL	PRIMARY	CURRENT STATUS
U.S. v. Zenith Oil Co. (D. Minn.)	Emergency Petroleum Allocation Act of 1973 (EPAA)	July 13, 1978	Civil Action filed 10/21/78	DOJ	Answer filed
U.S. v. Arizona Fuel Co. (D. Ariz.)	Willful Violation of entitlements program regulations and FEA Orders.	8/17/77 for civil	8/26/77 referred to U.S. Atty.	DOJ	Civil Action filed 9/5/77. Pending on cross-motion for summary judgment.
U.S. v. Howard Oil (E.D. N.Y.)	EPAA overcharges	June, 1978	Civil Action filed Sept., 1978	DOJ	Pending in discovery.
U.S. v. Richard Sciors (W.D. Calif.)	Overcharges; EPAA	3/31/77	Referred to U.S. Atty. 5/2/77 for criminal	DOJ	Defendants sentenced to 3 years in jail, \$10,000 fine and 5 years probation.
U.S. v. Tire City Inc. (D. Minn.)	\$19,000 overcharges. EPAA	12/17/76 for civil	1/11/77 to U.S. Atty. for Civil	DOJ	Default Judgment entered; defendant insolvent.
U.S. v. B & D Oil	overcharges; EPAA: 12 C.F.R. 212.93	11/3/78 for civil	Pending in DOJ	Undetermined	Pending in DOJ
Schlesinger v. Knowles (E.D. Mich.)	Subpoena Enforcement.	n/a	Referred to U.S. Atty. directly from DOE.	DOJ	Complaint filed; action pending.

* These referrals do not include those defensive cases, such as challenges to remedial orders, in which we file counterclaims, usually at the request or suggestion of DOE. In that sense, such counterclaims may be regarded as referrals. This table also does not include cases which have been referred for possible criminal action and on which the Criminal Division has not reached a final determination whether to proceed. These cases appear in the table provided by the Criminal Division.

NAME	DESCRIPTION OF VIOLATION	DATE OF DOE REFERRAL	DATE OF DOJ ACTION ON REFERRAL	PRIMARY	CURRENT STATUS
U.S. v. Brandt Oil Co.	EPAA; 12 C.F.R. §212.73	6/6/78		Undetermined	Pending in DOJ
U.S. v. Village Green Texaco	EPAA; 10 C.F.R. §212	10/29/78	Pending in DOJ	Undetermined	Pending in DOJ
U.S. v. Exxon Corp. (D.D.C.)	Emergency Petroleum Allocation Act of 1973	1/1/78	Civil Action filed 1/1/78	DOE	Defendants' Motions to Transfer Pending.
U.S. v. Atlantic Richfield (D.D.C.)	"		Civil Action filed 1/4/79	"	"
U.S. v. Cities Service Co. (D.D.C.)	"	"	"	"	"
U.S. v. Gulf Oil Corp. (D.D.C.)	"	"	1/4/79	"	"
U.S. v. Mobil Oil Corp. (D.D.C.)	"	"	"	"	"
U.S. v. Phillips Petroleum Co. (D.D.C.)	"	"	"	"	"
U.S. v. Shell Oil Co. (D.D.C.)	"	"	"	"	"
U.S. v. Standard Oil Co. of Indiana (D.D.C.)	"	"	"	"	"
U.S. v. Texaco, Inc. (D.D.C.)	"	"	"	"	"
U.S. v. Guorami Mobil (N.D. Calif.)	"	"	Criminal prosecution declined 4/8/78	DOJ	Pending in DOE

NAME	DESCRIPTION OF VIOLATION	DATE OF DOE REFERRAL	DATE OF DOJ ACTION ON REFERRAL	PRIMARY	CURRENT STATUS
J. Kennedy Mansfield v. John M. Iannones (D.D.C.)	Subpoena enforcement	8/78	8/78	DOJ	Pending on Appeal.
U.S. v. Standard Oil of California et al. (N.D. Cal.)	12 C.F.R. Part 213	4/24/78	Civil Action filed 5/25/78	DOE	Pending on cross- motions for summary judgment.
U.S. v. Sun Oil Co. (D.D.C.)	12 C.F.R. Part 213	4/24/78	Civil Action filed 5/25/78	DOE	Pending on cross- motions for summary judgment.
Schlesinger v. M.D. Fritzsche (S.D. Ohio)	Special Report Order enforcement.	n/a	Referred directly to U.S. Atty.	DOJ	Defendant agreed to comply.
U.S. v. Blease Oil Co. (D. N.D.)	10 C.F.R. §212.93(a); 6 C.F.R. §150.359(c)	8/21/79	Referred to U.S. Atty. for civil 8/29/78	DOJ	Pending in U.S. Atty's office.

Mr. BEVILL. Now, my next question, what happens to the money? They get caught, they have to pay back some money. What happens to it?

Mr. COLEMAN. The effort is to return those funds to the consumers who were overcharged. That is not possible to determine in all cases because if the problem involved crude oil, in other words, they tried to sell old oil as new oil let's say. You can't determine that because of the entitlements program we have that spreads the impact of price differences in crude oil to the four winds, in effect.

So, one option is to put that money into the Treasury, and that is what has been done with it so far, but you have to set up a procedure so if someone claims they can prove they are entitled to it they have a chance. The statute doesn't let us wipe out third party claims on the grounds we don't believe anyone can prove it.

Mr. BEVILL. So no one makes any extra profit as a result of your efforts. You return the money to the person who can prove that they bought the gas. Either they get it or it goes to the Treasury?

Mr. COLEMAN. In a settlement you may have to make judgements and compromises and you may agree to return a part of this to a jobber.

If the refiner made an overcharge, that jobber certainly paid the higher price. He may have passed it on to the consumers at that time so the question is, is he entitled to it? So you may end with a compromise.

FINES AND CUSTOMER COSTS

Mr. MYERS. The only thing on this issue that concerns me, and I am not trying to defend the oil companies, but suppose the court does assess a fine. The next year, they are going to charge more so they can recover the fines and pay their stockholders. The consumer, the poor person who has to buy the gas to get to work, ultimately has to pay the bill. Then you put the money into the Treasury and we then find ways to spend it.

Mr. COLEMAN. There is no right under our regulations to pass fines or penalties or things you pay back so it is just a question that whether in the marketplace they may be able to recover it. My own judgement would be that these collection of overcharges will be taken out of their hide.

If they were right at the margin of profitable operations I would suggest that they probably wouldn't have a great motive to increase their prices to try to cover it, but their earnings have been quite handsome.

Mr. MYERS. Yes, and probably they are going to continue to be, but ultimately the consumer has to pay.

Mr. COLEMAN. We may be faced more with this in the future. The Congress requires us to maintain price control on oil. If we don't try to enforce those regulations, it will be a joke.

Mr. MYERS. Don't misinterpret what I said. I am not suggesting that you don't, but the fines that you place on the industry are ultimately paid by the consumer.

Mr. COLEMAN. The fines aren't that heavy. The real big dollars are in the amount that they overcharge.

Mr. BEVILL. Are there criminal violations?

Mr. COLEMAN. Yes. One component from this personnel increase that we think is necessary is the crude oil reseller investigation that is going on in Houston right now. When you have two prices of oil, \$5 and \$12, if a fellow can figure out a way to sell \$5 oil for \$12 oil it is a pretty good business and a number of them tried that. So there is a major combined investigation between the Department of Energy and the Justice Department and a Grand Jury. There were substantial indictments returned the other day and there have been several guilty pleas and that required auditors and lawyers and investigators, plus the lawyers in the Justice Department. I would say that department-wide we have about 100 people working on that.

DEREGULATION AND LITIGATION

Mr. MYERS. From your testimony this morning, if the President should suggest deregulation, and if the Congress should go along with deregulation, it would put you out of business.

Mr. COLEMAN. Well, that would be prospective. It would certainly reduce the burden in the future but it won't for a year or two.

BUDGET INCREASES AND SAVINGS

Mr. MYERS. I have some general comments here. First, the President has been talking about a lean budget. Yet we look at your budget with an increase of \$56 million dollars over last year—a 22 percent increase—that hardly fits the definition of a lean budget does it?

Mr. MITCHELL Well, those are individual increases, Mr. Myers, for specific purposes. For example, in the in-house energy management program we have a mandate to reduce the energy consumption in the department by 20 percent. That program represents a substantial payback. But to realize the reduction in DOE energy consumption requires an increase from \$25 to \$41 million in this budget.

Mr. MYERS. What about the payback?

Mr. MITCHELL. They generally are very short.

Mr. MYERS. Well, would you provide details for the record?

Mr. MITCHELL. Yes, sir.

[The information follows:]

IN-HOUSE ENERGY MANAGEMENT SAVINGS

Since the program's inception late in FY 1977, approximately \$16.7 million has been invested in retrofit projects for DOE facilities. These projects, when completed, will save 400,000 equivalent barrels of oil and \$5.9 million annually. As a result of appropriations being available late in the fiscal year, only \$4.2 million in construction has been completed to date and has already resulted in a savings of 105,000 equivalent barrels of oil with an estimated cost avoidance to the Department of more than \$1 million.

When we use the term payback period, it means the amount of time it takes the costs avoided through a particular project to equal the amount of money invested in the energy saving modification. It is an analytical tool to help determine which projects to select in order to have the most effective program.

FIELD INVESTIGATIONS

Mr. MYERS. You have requested 700 new full field security investigation. What is that?

Mr. MITCHELL. Well, there are two kinds of investigations. One is an F.B.I. investigation depending on the nature of the classified material that is going to be available to that person.

Mr. MYERS. Do you pay the F.B.I.?

Mr. MITCHELL. Yes, sir.

Mr. MYERS. What is the average cost? I interrupted. Will you finish?

Mr. MITCHELL. Yes, sir; and the other is that the former Civil Service Commission does full field investigations for us also and we pay them and I can tell you what those costs are.

We have an increase in the security investigation cost this year.

Mr. MYERS. You had an unobligated carry-over of 178 million dollars in the 1979 estimate. How close was your estimate on that?

Mr. MITCHELL. The \$172.8 million Congressional reduction was based upon an early FY 1978 identification of unobligated FY 1978 and prior year funds resulting from deferrals and anticipated program underruns. The actual unobligated balance for the related programs was \$373 million. Of this balance, \$172.8 million was used to offset the impact of the general reduction on FY 1979 and the balance of \$200.2 million is being used for approved FY 1978 programs.

FORRESTAL MOVE

Mr. MYERS. How is the move into the Forrestal Building progressing? Have you got the Department of Defense out of there yet?

Mr. HEFFELFINGER. No, sir. We still share the building with the Department of Defense. As of the fifth of March, we had 1,402 people from the Department housed in the Forrestal and our plan is that, by the first of April 1980, we will have all of the people of the Department that can occupy Forrestal there, 4,891.

Mr. MYERS. What happened to the computer they had in the basement?

Mr. HEFFELFINGER. That was the Military District of Washington's computer. They have moved their computer out of the basement.

Mr. MYERS. They physically removed the computer out of the basement and put it some place else?

Mr. HEFFELFINGER. Yes, the programs which were on the computer have been transferred into the Pentagon computer while the hardware components have been shipped elsewhere for DOD use.

Mr. MYERS. You estimated that to move the computer would cost something like two million dollars. Is that still a fair estimate?

Mr. HEFFELFINGER. I don't know for sure. But I believe that is a little high.

Mr. MYERS. Well, DOE has to pay for it, as I recall.

Mr. HEFFELFINGER. It was roughly \$700,000 to move out the Department of Defense computer and another \$700,000 of program funds to move our equipment in.

Mr. MYERS. What will go into that site in the basement there where the Military District of Washington computer is located?

Mr. HEFFELFINGER. I don't know specifically what DOE plans to put into that facility.

Mr. MYERS. Would you provide it for the record then?

Mr. HEFFELFINGER. Yes, I will.

[The information follows:]

COMPUTER SPACE IN THE FORRESTAL BUILDING

The computers of the Energy Information Administration (EIA) will be located in the basement. This complex consists of two IBM 370-168's, one IBM 370-158, and ancillary equipment. These computers provide all energy information data processed by the Department and particularly support the energy information and regulatory functions.

Mr. MYERS. By 1980, do you expect to have full use of the building?

Mr. HEFFELFINGER. Yes, sir. That is our plan.

Mr. MYERS. How much additional money, over the 17 million dollars, will you need? You may provide that for the record.

Mr. HEFFELFINGER. I will do so for the record. We do not plan to go over that amount.

[The information follows:]

FUNDS FOR DOE MOVE INTO FORRESTAL BUILDING

We will be able to complete the move to the Forrestal Building, as outlined in the original prospectus, within the \$17 million appropriated. You may remember, however, that the original prospectus specifically did not include costs associated with moving major computer components. Since that time the decision was made to move the computers of the Energy Information Administration (EIA) to Forrestal. \$0.7 million of reprogrammed funds was approved by your subcommittee in FY 1978 to move the Department of Defense computer out of the building, and less than \$0.5 million of program funds from the Energy Information Administration will be used to relocate their computer into the Forrestal Building.

Mr. BEVILL. Can you do without the supplemental that we have for the Departmental Administration account?

Mr. MITCHELL. No, sir, we could not. We have a large number of support activities in there. In the area of support services, for example, we have already stopped many of our support services simply because we didn't have funds in '79 to pay for it. That supplemental is very critical to us in continuing operations in '79.

Mr. BEVILL. All right. With the funds that have been committed as of this date, what would be the impact of no further funding?

Mr. MITCHELL. Well, the supplemental covers such a tremendous amount, sir. May I provide it for the record?

Mr. BEVILL. For the Departmental Administration, what would be the impact?

[The informations follows:]

IMPACT IF THE FY 1979 SUPPLEMENTAL BUDGET REQUEST IS NOT APPROVED

Without these additional funds, we will be unable to provide the basic services required to support the Department's programmatic activities. Examples of such services would be:

- no air conditioning for people working weekends or other than normal duty hours;
- major cut backs in the level of custodial services;
- deferment of computer time-sharing support;
- elimination of major stock supplies;
- elimination of training EEO, handicapped, executive development, and project management;
- delay or defer printing of publications relating to the National Energy Act and basic Departmental orders and procedures; and
- reduced communications between Departmental organizations due to cuts in mail delivery, telephone hookups, and facsimile transmission services.

Mr. BEVILL. Do any of you see any reason that this committee should put a limitation in the 1980 appropriations bill that none of the funds may be used for lobbying or words to that effect?

Mr. COLEMAN. Mr. Chairman, I believe the law already speaks to that.

Mr. BEVILL. Well, maybe so, but I understand that you paid people to come to Washington to meet on solar energy, just before the bill came up on the floor. Maybe it wasn't actual lobbying but it was surely close to it. So, actually it wouldn't hurt you then?

Mr. COLEMAN. Not at all, sir.

Mr. BEVILL. Mr. Mitchell? Mr. Hughes?

Mr. MITCHELL. No, sir.

Mr. HUGHES. Absolutely no problem as far as the funds that Mr. Myers and you and I talked about.

Mr. BEVILL. So, it will be some other folks that go into a state of shock.

Do you know of any reason why we should not put a limitation prohibiting the use of any funds for the payment of intervenors?

Mr. HUGHES. I think I know some reasons, Mr. Chairman.

Mr. BEVILL. Well, would you like to point them out?

Mr. HUGHES. We had taken the approach that, in some circumstances, it would be appropriate to do this and some of the statute seems to require it. We were in the process of drafting regulations, which would set forth the framework for doing that. We are feeling a little like "lucky Pierre" in this because there are people interested in the Congress and we are trying to work with them also.

Mr. MYERS. I don't know why you can't use depositions. It is a lot cheaper than paying travel costs.

Mr. HUGHES. That is an approach. I think it would be argued by some, including some in the Congress, that it is a less effective approach than personal appearance.

Mr. MYERS. It is judgment, I guess.

Mr. BEVILL. We have over a thousand people before this committee each year. For and against, we hear both sides. If we are going to pay people to come to Washington and talk about solar energy, why shouldn't we pay those thousand people?

Mr. HUGHES. I don't think that we have any statute that authorizes us to pay people to come before you and talk about solar energy.

Mr. BEVILL. That was someone else in the Department that did that?

Mr. HUGHES. No, I am familiar with the incident, because I have discussed it with committee people and staff people before, but I can assure you that none of the funds that I have been talking have been used or would be used for that purpose. It is essentially illegal.

Mr. BEVILL. Well, why should we provide any money then?

Mr. HUGHES. In the interest of clarity, let me say that we define intervenor funding as the financing of technicians, lawyers or other experts to do analytical work and presentations as a part of a formal rulemakings or regulatory processes.

The importance of securing a full range of views in the regulatory and adjudicatory processes has long been recognized so that the interests and problems of everyone affected can be taken into account. In practice however, this result has proved difficult to achieve. Affected people have not been able to take part fully in rulemaking proceedings

because of their inability to hire experts or attorneys to effectively analyze and present their viewpoint. Many DOE regulations are so complex—legally, economically, and technically—that lay people are unable to pinpoint without such expert assistance those portions of a draft regulation which might result in severe hardship. The elderly and the poor, for example, use less energy but proportionately more of their income goes to energy costs; at the same time they are the least able to represent themselves or to affect administrative actions which bear directly on them. In these circumstances vital views and facts may not be adequately presented. When this is the case, the regulatory process may produce a faulty or inequitable result; delays may result from subjecting department decisions to judicial review; the inaccessibility of the decision-making process increases public dissatisfaction and frustration; and the Department is unable to meet fully its statutory mandate to provide for, encourage and assist public participation in the development of energy policies and programs.

CONSOLIDATION AND STAFFING REQUIREMENTS

Mr. BEVILL. Except for a few areas, staffing for DOE's staff offices is much higher than it was for DOE's predecessor agencies. How do you explain these increases in the light of the efficiencies expected for consolidation?

Mr. HEFFELFINGER. Comparing DOE staffing with the staffing of DOE predecessor agencies cannot be accomplished with accuracy because of the unavailability of staffing allocations in some of the predecessor agencies. In addition, the functions of the components of the agencies coming into the Department do not necessarily directly coincide with the functions of the components of the newly established DOE organization. Despite these shortcomings, we have tried to assemble some information for management and operating purposes. Before discussing the comparative numbers, let me emphasize that the staffing levels referred to in DOE tables for October 1, 1977, reflect encumbered and committed positions only. They are, therefore, not comparable to authorized levels reflected in the budget for fiscal year 1979 and fiscal year 1980. I would like to point out also that the predecessor agencies staffing was low because they were directed to refrain from filling vacancies to enable DOE to use the vacancies to staff the new department as required.

The fiscal year 1978 staffing distribution more accurately reflects true DOE organization requirements since the distribution was based on a Department review of overall staffing requirements and an effort was made to redeploy positions as necessary to accomplish program priorities and to provide balanced support for the program organizations.

While most of the DOE staff organizations have fewer positions than existed in predecessor agencies—Administration, Controller, Policy and Evaluation, and Intergovernmental and Institutional Relations, some have remained relatively constant—Inspector General and International Affairs, and some, such as General Counsel, Procurement and Contracts Management, and Equal Opportunity have increased because of very specific programmatic requirements. The decreases resulted largely because of economies realized through the consolidation of common functions and improved operating procedures.

The staff offices part of Management and Support for fiscal year 1979 reflects a net decline in authorized strength of 185 positions from the fiscal year 1978 level. The budget also reflects a net reduction of another 45 positions in fiscal year 1980. With few exceptions, every organization will experience a reduction or remain constant between fiscal year 1978 and fiscal year 1980. This is due primarily to distribution of the 391 position cut mandated during fiscal year 1979, over half of which was applied to Headquarters central staff organizations. In addition, other reductions were made during the budget process in both fiscal year 1979 and fiscal year 1980 in recognition of Congressional concern about Departmental staff levels and to redeploy positions to meet critical new requirements stemming primarily from implementation of the National Energy Act.

Staff offices which have experienced employment increases since DOE's establishment are General Counsel with rapidly growing workloads in regulatory enforcement and Equal Opportunity in recognition of workload due to Title VI of the Civil Rights Act of 1964 and increased Hispanic and Federal Women's program workloads and EEO complaints due to our increased employment base. The slight increase in Procurement and Contracts Management in fiscal year 1980 is attributable to NEA requirements.

Overall the Department has made concerted, and we believe a successful, effort to reduce the number of positions allocated to staff organizations consistent with effective management of DOE programs. Our actions were in response to our own desire to redeploy positions to priority program activities as well as the indicated desire of OMB and the Congressional committees.

DOE COSTS UNDER ENERGY AND WATER DEVELOPMENT SUBCOMMITTEE

Mr. BEVILL. Provide tables showing employment and costs for all DOE employees funded from the Energy and Water Development appropriation for fiscal years 1979 and 1980.

Mr. MITCHELL. Tables showing employment and costs for all DOE employees funded from the Energy and Water Development appropriation follow.

[The tables follow:]

FY 1979
PERSONNEL SUMMARY
ENERGY AND WATER DEVELOPMENT APPROPRIATION
(Dollars in Thousands)

Energy and Water Development	FTP		Other Authorization End of Year	FTP Base Salaries		Other Personal Services	Benefits		Travel		Total
	Authorization End of Year	Staff Years		BA	1/ BA		BA	BA	BA	BA	
Energy Research	172	164	6	\$ 4,016		\$ 195	\$ 424	\$ 351	\$ 4,986		\$ 4,986
Conservation and Solar Applications	76	74	1	1,634		75	188	112	2,009		2,009
Energy Technology	1,128	1,145	44	30,568		1,484	3,314	1,974	37,340		37,340
Resource Applications	215	225	3	5,912		358	675	322	7,267		7,267
Environment	396	390	24	10,634		550	1,088	541	12,813		12,813
Defense	2,024	2,030	70	43,223		5,884	4,990	3,018	57,115		57,115
Intergovernmental and Institutional Relations (direct-funded)	228	227	42	4,691		929	522	50	6,192		6,192
Federal Energy Regulatory Commission	1,800	1,557	47	38,150		347	3,683	1,400	43,580		43,580
Power Marketing Administrations	4,451	4,382	503	87,086		8,796	24,708	6,745	127,335		127,335
Richland-Washington Power Supply	2	2	-	39		7	16	33	95		95
Geothermal Resource Development Fund	9	9	-	227		19	26	12	284		284
Management and Support	4,611	4,573	367	113,668		6,220	12,093	4,910	136,891		136,891

1/ includes pay raise

NOTE: \$760,000 is provided for the effect of the October 1978 pay raise for security investigations.

FY 1980
PERSONNEL SUMMARY
ENERGY AND WATER DEVELOPMENT APPROPRIATION
(Dollars in Thousands)

Energy and Water Development	FTP		Other Authorization End of Year	FTP Base Salaries BA	Other Personal Services BA	Benefits		Travel		Total BA
	Authorization End of Year	Staff Years				BA	BA	BA	BA	
Energy Research	167	171	6	\$ 5,723	\$ 343	\$ 679	\$ 380	\$ 7,125		
Conservation and Solar Applications	77	76	2	2,305	151	274	130	2,860		
Energy Technology	1,125	1,134	44	33,862	1,998	3,966	2,229	42,055		
Resource Applications	213	214	3	6,757	336	802	344	8,239		
Environment	399	399	24	12,766	844	1,445	583	15,638		
Defense	1,985	2,005	70	48,335	6,440	6,132	3,201	64,108		
Intergovernmental and Institutional Relations (direct-funded)	220	228	42	4,456	928	495	55	5,934		
Federal Energy Regulatory Commission	1,800	1,753	47	41,040	420	3,936	2,500	47,896		
Power Marketing Administrations	4,451	4,437	503	88,811	9,443	24,711	7,722	130,687		
Richland-Washington Power Supply	2	2	-	41	7	48	16	112		
Geothermal Resource Development Fund	8	8	-	233	16	27	12	288		
Management and Support	4,449	4,581	367	126,674	7,491	14,825	5,312	154,302		

NOTE: \$3 million is provided for the minority economic impact program.

ANTICIPATED GROWTH IN AVERAGE TRAVEL COSTS PER STAFF YEAR
IN THE MANAGEMENT AND SUPPORT PROGRAM

Mr. BEVILL. Why does the staff year cost for travel increase from \$1,074 to \$1,160 in 1980?

Mr. MITCHELL. A comparison of the estimated annual staff year travel cost averages for fiscal years 1979 and 1980 in the Management and Support program, of \$1,074 and \$1,160 respectively, reflects an 8 percent increase in anticipation of carrier rate increases. Recent developments in fuel supply and pricing trends may aggravate carrier rate inflation and exceed the conservative inflation factor of 8 percent used by the Department. Progressively larger portions of the Management and Support travel budget will cover expenses for particularly travel-intensive programmatic activities, including grant and contract administration, NEA-mandated public hearings, project management, and decentralization of R&D program management responsibilities. However, growth in these categories of staff travel will be offset through reductions in symposia, advisory board, training, and related types of administrative travel.

ASSESSMENT OF MANPOWER REQUIREMENTS

Mr. BEVIL. What workload factors or other data is used in assessing manpower requirements? For example, how did you determine that the General Counsel needs 361 positions? Provide a brief justification for the staffing levels for each organization funded in the Departmental Administration account.

Mr. HEFFELFINGER. Workload, of course, is the prime determinant of the distribution of manpower. Another significant factor is the duration of the requirement. Among the workload factors considered are number, value and type of contracts, legal caseloads, actions processed and other pertinent measurable quantities of work. Workload indicators are requested in our budget reviews and form a part of special reviews of manpower requirements. An example of the use of a workload factor to determine manpower level was the increase of 40 positions authorized for General Counsel in May, 1978. A considerable amount of weight was given to the trends and projection of caseloads. However, given the fact that the department has limited resources, all of the demands for manpower cannot be met. This means that workload must be considered along with many other factors such as the relative priority of programs or activities, opportunities for organization and system improvements and alternative means of accomplishing the work. The Secretary, Deputy Secretary, and Under Secretary have to determine where the limited resources can be used most effectively. The decisions reflect Department, Administration and Congressional input.

I will provide a table showing the allocations for Departmental Administration organizations for fiscal year 1978 through fiscal year 1980 in an overall context which will show that most organizations are declining.

[The information follows:]

DEPARTMENT OF ENERGY
DEPARTMENTAL ADMINISTRATION STAFFING CHANGES

	FY 1978 Auth.	391 Reduction	NEA	Other	FY 1979 Auth.	NEA	Other	FY 1980 Auth.
Secretary/Executive								
Secretariat	91	-6	-	-	85	-	-	85
General Counsel	339	-29	+29	+22	361	-	-	361
Inspector General	120	-10	-	-10	100	-	-	100
Equal Opportunity	20	-1	-	+16	35	-	-	35
Board of Contract Appeals	5	-	-	-	5	-	-	5
Administration	752	-75	+1	-3	675	-	-	675
Procurement & Contracts								
Management	225	-15	-	+8	218	+4	-	222
Controller	335	-24	-	-6	305	-	-6	299
International Affairs	143	-12	-	-	131	-	-	131
Policy and Evaluation	224	-20	-	-14	190	-	-14	176
Intergov't and Insti.								
Relations	331	-30	-	-9	292	-	-29	263
Power Marketing Admin.								
Coordination	12	-	-	+3	15	-	-	15
Subtotal Headquarters	2,597	-222	+30	+7	2,412	+4	-49	2,367
Operations Offices	1,861	-55	-	+10	1,816	-	-10	1,806
Regional Counsels	100	-	-	+19	119	-	-	119
Regional Representatives	273	-10	-	+1	264	-	-107	157
Subtotal Field	2,234	-65	-	+30	2,199	-	-117	2,082
Total Mgmt. and Support	4,831	-287	+30	+37	4,611	+4	-166	4,449
Technical Info. Center	208	-	-	-5	203	-	-	203
Albuquerque Oper. Ofc.	17	-	-	-	17	-	-	17
Oak Ridge Oper. Ofc.	8	-	-	-	8	-	-8	-
Total IR Field (Direct Funded)	233	-	-	-5	228	+4	-8	220
GRAND TOTAL DEPARTMENTAL ADMINISTRATION	5,064	-287	+30	+32	4,839	+4	-174	4,669

Mr. HEFFELFINGER. During the transition from fiscal year 1978 to fiscal year 1979 the two major impact actions on staffing were the need to reduce administration and support by 391 positions and the requirement to redeploy positions to initiate implementation of the National Energy Act. During the course of deliberations leading to a distribution of the 391 decrease, Department officials considered program and workload trends; the distribution of administrative and overhead staff; degree of organization maturity; opportunities for organization economies; opportunities for system, productivity and personnel management improvements; and the expressed views of the Administration and Congress.

The NEA which was passed in October 1978 placed a heavy new workload on the elements of the Department of Energy. Prior to passage of the NEA, organizations conducted evaluations of the workload to be assumed, identified positions to be redeployed from lower priority activity to NEA initiatives, and estimated additional staffing requirements. These requirements to implement NEA programs were reviewed at the Departmental level and by the Office of Management and Budget during the normal budget process.

In addition to the impact of the 391 reduction and the NEA requirements, other staffing changes since the end of fiscal year 1978 and through fiscal year 1980 include internal adjustments to reflect functional transfers, redeployments to meet new requirements in programmatic areas, and general manpower economies.

As discussed previously, increases are required in General Counsel and Regional Counsel for heavy regulatory workloads, in Equal Opportunity for workloads resulting from Title VI of the Civil Rights Act of 1964 and an increased employment base, and in Procurement for implementation of NEA. The increase in Power Marketing Coordination is to cover increased workload required to coordinate and assist rate-making activities of the five Power Administrations and to perform functions associated with Water Resources Council activities.

Functional transfers both within the Department to better align staff with programs and to other agencies have impacted some organizations in fiscal year 1979. Internal transfers are usually offsetting; however, overhead positions supporting the EEO contract compliance functions were transferred from Administration and several Operations Offices to the Department of Labor. Decentralization actions primarily in Energy Technology areas, have resulted in some additions in the Operations Offices in fiscal year 1979. The staffing reduction in fiscal year 1980 reflects an effort to reduce the Federal workforce in such direct activities as guard services. Other reductions made during the budget process to effect further manpower economies and redeployments to programmatic areas occurred in the Headquarters Management and Support organizations of Inspector General, Controller's office, Policy and Evaluation, and Intergovernmental and Institutional Relations.

The apparent large reduction in fiscal year 1980 in Regional Representatives staffing is a combination of factors. While these offices will, in fact, suffer a net reduction of 57 positions, the remaining difference of 50 positions reflects a redeployment to increased conservation activities in the Regions, primarily to the State Energy Management and Planning function, which are now budgeted entirely by the program.

Manpower economies effected in the direct funded IR functions at the Technical Information Center result from elimination of support to the Nuclear Regulatory Commission and Federal guard services provided by Oak Ridge Operations Office. Security services will be obtained instead on a contractual basis.

Manpower distribution is under continuing review within the Department in concert with the review of programs through the normal budgetary process. In addition special studies and reviews are conducted of the entire Department or specific elements of the Department. Currently, we are in the latter stages of a comprehensive manpower review to evaluate the existing distribution of manpower, assess manpower in project management, relate the distribution of manpower to program priorities and to assess progress toward decentralized project management. This review should assist in identifying manpower requirements versus allocations throughout the Department for staffing planning purposes and in the initiation of plans to redirect some manpower resources.

INSPECTOR GENERAL REPORT

Mr. BEVILL. Provide a copy of the recent Inspector General report covering employee abuse of DOE telephone services.

Mr. HEFFELFINGER. We have a copy of the report as well as a letter from Deputy Secretary O'Leary to Congressman Dingell detailing the Department's response to the report.

[The information follows:]



Department of Energy
Washington, D.C. 20545

December 11, 1978

ACTION MEMORANDUM

TO: The Secretary
The Deputy Secretary

FROM: The Inspector General

SUBJECT: Long Distance Telephone Calls

Summary

It appears that hundreds of thousands of dollars are now being wasted each year by the Department of Energy (DOE) on unnecessary telephone charges. The Department has not been enforcing policies under which long distance business calls are supposed to be made through the Federal Telecommunications System (FTS) rather than through commercial channels. DOE has also not been billing people for numerous personal long distance calls made from DOE offices through commercial channels.

Discussion

Departmental long distance calls are supposed to be made through the FTS. The FTS consists of leased lines for which DOE makes a fixed annual payment based on forecasts of phone call volume. Additional charges are not assessed for individual calls unless they exceed the forecasted volume.

An Inspector General team has just completed an extensive series of spot checks into long distance calls made not through FTS but through commercial channels by various DOE offices here in the Washington area. In Fiscal Year 1978, these headquarters offices alone made 74,000 long distance calls through commercial channels and paid phone companies approximately \$278,000 for these calls. We found that the bulk of these calls were either business calls which should have been made through FTS or else personal calls for which most people had not been billed. In other words, a large portion of this \$278,000 was simply wasted money.

To illustrate the nature of the abuses which have occurred, I will now cite some examples of the type of calls we came across during our spot-checks:

- A 28 minute call and a 38 minute call went from the Federal Building to two phone booths located across the street from each other in Crystal Bay, Nevada. A gentlemen who answered a call our office made to one of the booths said his name was Paul and that he is a sidewalk artist who uses the phone booth to place and receive his phone calls.
- A Germantown employee made an 83 minute personal call to Herndon, Virginia. The following week he made a 100 minute personal call to the same number. A week later he made an 87 minute personal call to the same number.
- The son of a DOE employee working in the Forrestal Building made a 129 minute personal call from the employee's home in Falls Church, Virginia, to Key Largo, Florida. The father told us the son was an unpaid consultant to the father and that the son had assumed that his unpaid government service entitled him to charge personal calls to the government.
- An unidentified person in the Federal Building made a 112 minute call to a private residence in Philadelphia.
- During a two week period, a 20 Massachusetts employee made 32 personal phone calls to New Jersey.
- On one day, a Germantown employee made two personal calls to a friend in Mt. Airy, Maryland -- one lasted 17 minutes, and the other went on for 93 minutes. The next day, the same employee made a 72 minute personal call to her Mt. Airy friend. The day following this, she made two personal calls to the same friend, one of 38 minutes duration, and the other lasting 60 minutes. On the following day, she talked to the same friend over the phone for 119 minutes.
- An employee working at 600 E Street made a 56 minute personal call to Atlanta on one day, and a 60 minute call to the same number the following day.

- A Germantown employee made 48 calls to his home in Dale City, Virginia, during a six week period. He said that 99 percent of the calls were business calls, made to obtain data from files he left at home.
- A person working at Forrestal made a \$435 conference call. Two days later he made a \$696 conference call.
- During a two and one-half hour period, an individual working at Germantown made 40 personal calls to the same number in St. Louis, Missouri. During another three day period the same individual made 32 personal calls to another St. Louis number.

We are going to obtain the records for commercially charged long distance calls made from the approximately 200 DOE field locations around the country, and we will let you know what we learn.

Recommendations

For now, we recommend that the Director of Administration be asked to move speedily to devise and see to the enforcement of a system of rules and controls which will put an end to this waste of money. We suggest that in developing this system consideration be given to requiring supervisors to approve all commercial long distance calls and to ensuring that all DOE employees are fully apprised of the limitations and Departmental restrictions on the use of DOE phones for personal purposes.

We also recommend that the people who have made personal calls all be billed for them.

We recommend further that the more egregious personal phone callers be charged annual leave for the time spent on their calls.

Our telephone call survey was conducted by my valued colleague, Jane Singletary, who was ably assisted by Richard Schlimme and John Sullivan.

J. K. Mansfield
J. K. Mansfield

March 2, 1979

Dear Mr. Chairman:

Thank you for the opportunity to put the Inspector General's letter concerning misuse of long distance calls for non-Governmental purposes at the Department of Energy (DOE) in proper perspective. The figure of \$278,000 referred to in the Inspector General's letter of December 11, 1978, represents the total FY 1978 cost for commercial long distance calls of the DOE Headquarters complex. Of this amount, approximately 47 percent were calls that could not be placed via the Federal Telecommunications System (FTS); e.g., overseas calls, incoming collect calls.

Since the DOE has been formed, a system has been in place whereby toll bills are sent to the cognizant organizations' administrative officer for review and certification by the organization that the calls are of an official nature. However, during FY 1978 approximately 21 percent of the total toll bills were not processed for certification because of the large number of relocations and personnel moves that were occurring as a result of the merging of different organizations into DOE. As a result of this continuing process, which now covers all telephone bills, we have recovered costs resulting from personal phone calls. For example, in FY 1978 a total of 740 calls were rebilled to callers and 66 checks were received from individuals making personal calls. These actions resulted in collections of approximately \$1900. We have also referred one bill amounting to \$3000 to appropriate authorities for full investigation and action. Also, we have made numerous attempts to instruct employees on the proper use of DOE telephones:

- o Employees are briefed on the use and restrictions of DOE telephones, including FTS and commercial services.
- o The Headquarters telephone directory contains explicit instructions and prohibitions on the use of DOE telephones. On future issuances of Headquarters directories, we plan to highlight these instructions and prohibitions on the front cover.
- o Telephone workshops involving major field offices have been conducted annually since 1973. The purpose of these workshops is to emphasize the management, operation, use, and restrictions of the DOE telephone system.
- o As a result of the Inspector General's report, a DOE-wide announcement has been issued which restates the DOE policies and restrictions and cautions employees regarding usage of DOE telephones.

The Director of Administration has asked the Inspector General for the specifics in the cases cited so that a determination can be made whether there were, in fact, certifications of business purposes in these instances. These details will also help us to determine if the procedures currently in place need further strengthening and whether we need to take further action on billing offenders and charging callers annual leave for the time spent on any personal calls. After receipt and evaluation of the requested information, we will advise you further of actions taken.

Sincerely,

10/ John F. O'Leary
John F. O'Leary
Deputy Secretary

Honorable John D. Dingell
Chairman, Subcommittee on Energy and Power
Committee on Interstate and Foreign Commerce
House of Representatives
Washington, D.C. 20515

Mr. BEVILL. Why have communication costs increased from \$10,428,000 funded in 1978 to \$17,386,000 requested in 1980?

Mr. MITCHELL. The fiscal year 1978 estimate was developed prior to the formation of DOE and was based upon estimates from predecessor agencies. Functional adjustments were required in fiscal year 1979 based upon actual operating costs and in addition, the Department is seeking supplemental fiscal year 1979 funding. Also certain funds that were budgeted in the program support budget in fiscal year 1978 have been shifted to the program outlay budgets in fiscal year 1980.

The adjusted fiscal year 1978 figure for DOE communication costs is \$17,143,000. The fiscal year 1980 request represents a \$243,000 increase primarily for increased rates of commercial telephone and the Federal Telecommunications System usage charge.

Mr. BEVILL. Why have rents and utilities increased from \$13,677,000 funded in 1978 to \$18,662,000 requested in 1980?

Mr. MITCHELL. Since the fiscal year 1978 budget was prepared prior to DOE's existence, the functional split of support services funding was reallocated to meet existing priorities. Also since the fiscal year 1978 figure for rents and utilities includes certain costs that were originally budgeted in the program support budget but are now budgeted directly in the program outlay budgets, the fiscal year 1978 figure must be adjusted to obtain comparability. Also, additional funding for this area is being sought in a fiscal year 1979 supplemental.

In fiscal year 1980 we will be able to effect a net savings of roughly \$1,141,000 through consolidation of our facilities principally in the Washington Metropolitan area.

Mr. BEVILL. Provide a breakdown of the major elements in the \$18,662,000 requested for rents and utilities.

Mr. MITCHELL. The fiscal year 1980 request for rents and utilities is \$18,662,000. Through the consolidation of our facilities in fiscal year 1980, principally in the Washington Metropolitan area, we will be able to effect a net saving of roughly \$1,141,000 over fiscal year 1978. The breakdown of the figures is represented in this table. I will supply for the record.

[The table follows:]

Fiscal year 1980

	<i>Thousands</i>
Standard level user charge headquarters.....	\$11,653
Standard level user charge field.....	4,007
Rental of copiers.....	1,400
Rental of word processing equipment.....	1,000
Rental of computer/telecommunications equipment.....	300
Rental of other equipment.....	262
Rental of space.....	200
Total.....	18,862

Mr. BEVILL. Why have printing and reproduction costs increased from \$3,657,000 funded in 1978 to \$6,625,000 requested in 1980?

Mr. MITCHELL. Since the fiscal year 1978 budget for printing and reproduction costs were prepared prior to DOE's existence, the functional split of support services funding was reallocated to meet existing priorities. Also, since the fiscal year 1978 figure for printing and reproduction includes certain costs that were originally budgeted in the program support budget, but are now budgeted directly in the program

outlay budgets, the fiscal year 1978 figure must be adjusted to obtain comparability. A supplemental amount has been requested for this area in fiscal year 1979.

The \$143,000 increase in fiscal year 1980 over fiscal year 1978 reflects known cost increases for printing contracts and services.

Mr. BEVILL. Provide a breakdown and justification for the \$35,335,000 requested for other services comparing fiscal year 1978, 1979 and 1980 levels.

Mr. MITCHELL. The \$35,335,000 for other services breaks down into services provided to the department by other government agencies and by private contractors.

The \$4,111,000 increase from fiscal year 1978 to fiscal year 1979 was needed to cover \$411,000 of inflation costs and \$3,500,000 for management support contracts. The increase of \$1,351,000 from fiscal year 1979 to fiscal year 1980 was to cover certain inflation costs that cannot be offset by the economies realized in consolidating the department. Specifically, these breakdowns are provided in this table and I'll supply them for the record.

[The table follows:]

[In thousands of dollars; fiscal years]

Category	1978	1979	1980
Management studies.....	5,716	9,216	9,600
Computer operations support.....	4,212	4,320	4,500
Computer timesharing.....	2,995	3,072	3,200
Contract audits.....	2,621	2,688	2,800
Maintenance of buildings and grounds.....	1,966	2,016	2,100
Guard service.....	1,966	2,016	2,100
Graphics contracts.....	1,872	1,920	2,000
Employee training.....	1,310	1,344	1,400
Equipment repairs and maintenance.....	1,030	1,056	1,100
Patent fees.....	842	864	900
Field services.....	1,872	1,920	2,000
Other services.....	3,471	3,552	3,635
Total.....	29,873	33,984	35,335

LOANS TO MINORITY BUSINESS ENTERPRISES

Mr. BEVILL. Explain the purpose of the \$3,000,000 requested for loans to minority business enterprises.

Mr. HEFFELFINGER. First, we should make it clear that the \$3,000,000 will not necessarily all be directed to loans. The law does require that at least 50 percent of the appropriated amount shall be loans. The funds not dedicated to loans will be used to carry out a research program to determine the impact of energy policy on minorities; develop a national clearing house to disseminate information on the aspects of energy programs to minority business enterprises, minority educational institutions and other appropriate minority organizations; and programs to assist minority business enterprises in the commercial application of energy related technologies.

The purpose of the loans is to assist minority enterprises to bid for and obtain contracts in the research, development, demonstration, and other activities of the Department of Energy. The loans would cover up to 75 percent of the costs a minority business might incur in preparing a bid for an Energy contract.

Mr. BEVILL. How will these loans be coordinated with other minority assistance programs?

Mr. HEFFELFINGER. In preparation to establish the Office of Minority Economic Impact, we have looked at other minority assistance programs in the Department in order to determine how this new activity can be coordinated with their efforts. We fully expect that the American Indian program within Intergovernmental and Institutional Relations and the small and disadvantaged business program within the Directorate of Procurement will work closely with the Office of Minority Economic Impact to assure effective coordination and integration of activities. Since the Office is still in the formative stages, no formal coordinative procedures have been arranged.

Mr. BEVILL. Provide copies of the studies or analyses showing the need for expected benefits and method of administering the minority loan program.

Mr. HEFFELFINGER. No study or analysis of the need for or expected benefits of the minority loan program has been made by the Department. Section 641 of the National Energy Policy and Conservation Act authorizes the Office of Minority Economic Impact and sets out the duties and responsibilities of the Office as well as the outline of the loan program. The loans will be administered in accordance with the authorizing act and regulations to be issued by the Department.

IN-HOUSE ENERGY MANAGEMENT RETROFIT PROJECTS

Mr. BEVILL. Provide a priority listing for the projects identified in Project 80-DA-1 including the retrofit projects identified on pages 274-278.

Mr. HEFFELFINGER. We have a listing of our retrofit projects listed in priority order.

[The information follows:]

FY 1980 CONSTRUCTION LINE ITEM

"Modifications for Energy Management, Various Locations"

Proposed Project Priority List

Line Item Summary Data for Retrofit Projects:

Number of Projects = 90
Total Estimate Cost = \$19,700,000
Average Savings to Investment Ratio = 4.97
Average Discounted Payback Period = 4.21 years
Annual Energy Savings = 2,197.1 Billion Btus
Annual Dollar Savings = \$4,849,800
Average Energy Savings per Dollar Invested = 115,000 Btu/\$

Proposed Projects for FY 80 Line Item "Modifications
for Energy Management, Various Locations"

Project Site	Project Title	Total Cost \$1000	Life Cycle Savings to Investment Ratio	Payback Period (Years)	Energy Savings Billion Btus	1000 Btus Saved Per Investment Dollar
Kansas City Plant, MO	Install efficient chiller control system	120.0	68.2	.2	196.2	1,635
Paducah Gaseous Diffusion Plant, KY	Tank insulation using plastic balls	22.8	26.0	.2	35.0	1,535
Lawrence Berkeley Laboratory, CA	Power factor improvements, building 88	17.0	5.4	3.2	19.6	1,153
Sandia Laboratories, Albuquerque, NM	Shutdown and heat recovery, building 894	28.0	31.1	.5	6.7	239
Sandia Laboratories, Albuquerque, NM	HVAC demand control modifications, building 800	4.0	21.5	.7	1.0	250
Portsmouth Gaseous Diffusion Plant, OH	Collect and return steam condensate	26.8	12.0	1.1	12.0	448
Albuquerque Operations Office, NM	Install automatic off-hour temperature setback	19.0	23.9	.7	3.3	174
Paducah Gaseous Diffusion Plant, KY	Install automatic off-hour temperature setback	119.0	12.0	1.1	44.9	377
Sandia Laboratories, Albuquerque, NM	Install primary chilled water loop	52.0	19.5	.9	12.2	235
Lawrence Berkeley Laboratory, CA	Power factor improvements, building 62	4.0	8.8	1.9	1.6	400
Sandia Laboratories, Albuquerque, NM	Convert dual duct HVAC to demand control	64.0	17.4	1.0	13.2	206
Oak Ridge National Laboratory, TN	Chiller control unit, building 7900	15.3	9.9	1.4	5.1	333
Sandia Laboratories, Albuquerque, NM	Modify chiller controls for optimization	9.0	14.1	.9	1.6	178
Brookhaven National Laboratory, NY	Convert central steam facility to alternate liquid fuel	1500.0	8.3	1.6	476.0	317
Stanford Linear Accelerator Center, CA	Heating shut-off timers gas heated buildings	20.4	14.6	1.6	4.7	230

Proposed Projects for FY 80 Line Item "Modifications
for Energy Management, Various Locations" (continued)

Project Site	Project Title	Total Cost \$1000	Life Cycle Savings to Investment Ratio	Payback Period (Years)	Energy Savings Billion Btus	1000 Btus Saved Per Investment Dollar
Sandia Laboratories, Albuquerque, NM	Desiccant dryer system, building 894	6.3	14.6	1.1	1.1	175
Oak Ridge Gaseous Diffusion Plant, TN	Insulate walls and roof, building K711	17.0	10.1	1.4	4.2	247
Sandia Laboratories, Albuquerque, NM	Convert dual duct to demand control, 806	17.0	14.5	1.2	2.9	171
Oak Ridge Y-12 Plant, TN	Convert HVAC to demand reset, building 9215	160.0	5.9	2.4	41.6	260
Stanford Linear Accelerator Center, CA	Automatic shut-off valves, campus building	166.0	10.8	2.1	30.3	183
Oak Ridge National Laboratory, TN	Aquatic Laboratory, energy conservation modifications	128.2	6.9	2.0	28.2	220
Argonne National Laboratory, IL	Install automatic off-hour temperature setback	30.5	7.7	1.6	5.6	184
Oak Ridge National Laboratory, TN	Chiller control unit for optimization	27.3	6.4	2.2	5.8	212
Rocky Flats Plant, Golden, CO	Reduce cafeteria air change rate	8.3	8.4	1.9	1.3	157
Stanford Linear Accelerator Center, CA	Package boiler for plating shop	81.2	8.4	2.3	13.2	163
Savannah River Plant, SC	Install automatic off-hour lighting and air conditioning shutdown	158.0	6.2	2.3	26.0	165
Richland Operations Office, WA	Energy monitoring and control system	800.0	4.0	5.2	177.5	222
Idaho National Engineering Laboratory, ID	System modifications to reduce ventilation air, Advanced Test Reactor	50.0	4.2	4.2	10.4	208
Feed Materials Production Center, OH	Install small coal fired boiler	377.0	4.1	3.4	65.8	175
Oak Ridge National Laboratory, TN	Modify ducts, building 45005	43.0	4.7	3.0	6.9	160

Proposed Projects for FY 80 Line Item "Modifications
for Energy Management, Various Locations" (continued)

Project Site	Project Title	Total Cost \$1000	Life Cycle Savings to Investment Ratio	Payback Period (Years)	Energy Savings Billion Btus	1000 Btus Saved Per Investment Dollar
Argonne National Laboratory, ID	Replace incandescent with fluorescent lighting	91.0	1.9	6.8	20.1	221
Idaho National Engineering Laboratory, ID	Boiler water treatment system to efficiency	58.0	7.0	2.2	6.3	109
Paducah Gaseous Diffusion Plant, KY	Install off-hour lighting level cutback	61.0	5.7	2.5	6.3	103
Morgantown Energy Technology Center, WV	Automatic HVAC controls, site wide	37.7	7.1	2.8	3.3	88
Los Alamos Scientific Laboratory, NM	Waste heat recovery and pump modifications	104.0	7.1	2.0	4.8	46
Oak Ridge Y-12 Plant, TN	Tower water modifications, buildings 9202 & 9203	107.0	3.5	4.2	13.5	126
Savannah River Plant, SC	River water pump modifications	1200.0	4.2	3.5	129.4	108
Savannah River Plant, SC	Modify air handling unit controls	154.0	3.7	4.0	18.0	117
Pinellas Plant, FL	Modify chillers for increased efficiency	482.0	7.0	2.1	14.9	31
Oak Ridge Gaseous Diffusion Plant, TN	Reduce air flow, building K1420	48.9	3.4	4.1	5.1	104
Oak Ridge Gaseous Diffusion Plant, TN	Insulate attic, building K1003	23.0	3.4	4.2	2.4	104
Sandia Laboratories, Albuquerque, NM	Replace steam absorption with electric	300.0	5.4	3.2	19.8	66
Oak Ridge Gaseous Diffusion Plant, TN	Insulate walls and roof, buildings K1031 & K1410	44.0	3.5	4.1	4.3	98
Mound Laboratory, Dayton, OH	Energy conservation, plant services	268.0	5.7	3.6	17.6	65
Paducah Gaseous Diffusion Plant, KY	Insulate condensate lines	71.7	4.2	3.6	5.6	78
Princeton Plasma Physics Laboratory, NJ	Heat exchanger for winter cooling, C-site	119.0	3.6	3.6	8.9	75
Princeton Plasma Physics Laboratory, NJ	Expand energy monitoring and control system	345.0	3.2	5.8	32.1	93

Proposed Projects for FY 80 Line Item "Modifications
for Energy Management, Various Locations" (continued)

Project Site	Project Title	Total Cost \$1000	Life Cycle Savings to Investment Ratio	Payback Period (Years)	Energy Savings Per Billion Btus	1000 Btus Saved Per Investment Dollar
Hanford Engineering Development Laboratory, WA	Feedwater economizers for boilers 3, 5 & 6	475.0	3.6	5.0	38.8	82
Lawrence Livermore Laboratory, CA	Energy monitoring and control system	1100.0	3.7	4.8	83.5	76
Kansas City Plant, MO	Return condensate to boilers	275.0	3.3	5.1	21.5	78
Lawrence Livermore Laboratory, CA	Insulate steam condensate return lines	132.0	3.9	5.2	9.2	70
Pantex Plant, Amarillo, TX	Install local boilers to reduce steam consumption	435.6	1.9	5.1	39.6	91
Sandia Laboratories, Albuquerque, NM	Convert to electric centrifugal chiller	484.0	3.9	4.5	29.9	62
Lawrence Berkeley Laboratory, CA	Energy monitoring and control system	1100.0	4.7	4.5	55.3	50
Idaho National Engineering Laboratory, ID	Insulate #5 fuel oil storage tanks	146.3	3.9	4.4	8.0	55
Pinellas Plant, FL	Convert HVAC to variable air volume, manufacturing building	82.5	4.2	3.8	3.6	44
Oak Ridge National Laboratory, TN	Cyclotron process waste heat utilization	42.9	2.8	5.3	3.1	72
Paducah Gaseous Diffusion Plant, KY	Install high pressure sodium lighting	114.0	2.5	4.1	7.3	64
Argonne National Laboratory, IL	Variable volume, automatic setback and heat recovery	396.9	3.3	4.9	23.7	60
Sandia Laboratories, Livermore, CA	Economizer cycle, convert to demand and temperature setback	48.4	4.8	3.5	1.3	27
Fermi National Accelerator Laboratory, IL	M6 beamline convert to cryogenic magnets	555.5	3.3	3.7	25.6	46
Sandia Laboratories, Albuquerque, NM	Convert HVAC to demand control, building 804	7.0	4.0	4.2	.3	43
Richland Operations Office, WA	Insulate walls and ceilings, various buildings	478.4	4.0	6.3	26.0	54
Argonne National Laboratory, IL	Return air, heat recovery and temperature setback	76.5	3.0	5.8	4.9	64

Proposed Projects for FY 80 Line Item "Modifications
for Energy Management, Various Locations" (continued)

Project Site	Project Title	Total Cost \$1000	Life Cycle Savings to Investment Ratio	Payback Period (Years)	Energy Savings Billion Btus	1000 Btus Saved Per Investment Dollar
Los Alamos Scientific Laboratory, NM	Heat recovery, automatic setback and demand control	226.6	3.5	5.1	12.1	53
Argonne National Laboratory, IL	Direct cooling of condensing water	261.9	3.4	5.0	13.4	51
Idaho National Engineering Laboratory, ID	Conservation modifications to chemical plant	50.0	3.8	5.4	2.4	48
Sandia Laboratories, Albuquerque, NM	Convert chillers from electric to steam	139.7	3.4	5.3	7.0	50
Brookhaven National Laboratory, NY	Install economizer to preheat feed water	777.7	3.0	6.6	47.3	61
Pantex Plant, Amarillo, TX	Insulate various buildings	217.9	2.7	5.1	12.4	57
Rocky Flats Plant, Golden, CO	Convert mechanical power supply to electric	38.5	3.5	4.1	1.5	39
Energy Technology Engineering Center, CA	Energy monitoring and control system	318.0	4.5	4.5	9.7	31
University of Rochester Biomedical Laboratory, NY	Storm window insulation, O-Wing	32.0	3.1	5.0	-1.6	50
Energy Technology Engineering Center, CA	Install HVAC fresh air intake dampers	11.0	4.2	3.9	.3	27
Argonne National Laboratory, IL	Replace incandescent with fluorescent lighting	455.0	2.5	4.6	23.8	52
Los Alamos Scientific Laboratory, NM	Run-around heat recovery loop for HVAC	88.0	3.2	5.6	4.4	50
Morgantown Energy Technology Center, WV	Exhaust air heat recovery, buildings 3, 4 & 6	66.3	3.3	5.7	3.2	48
Idaho National Engineering Laboratory, ID	Air curtains for vehicle doors	27.8	2.7	5.1	1.4	50
Los Alamos Scientific Laboratory, NM	Steam power plant burner modifications	319.0	3.1	5.8	15.4	48
Mound Laboratory, Dayton, OH	Energy monitoring and control system	990.0	3.5	4.2	32.4	33
Sandia Laboratories, Livermore, CA	Install high pressure sodium lighting	79.0	3.1	5.2	3.5	44

Proposed Projects for FY 80 Line Item "Modifications
for Energy Management, Various Locations" (continued)

Project Site	Project Title	Total Cost \$1000	Life Cycle Savings to Investment Ratio	Payback Period (Years)	Energy Savings Billion Btus	1000 Btus Saved Per Investment Dollar
Princeton Plasma Physics Laboratory, NJ	Energy monitoring and control system	93.5	2.6	5.1	4.6	49
Lawrence Livermore Laboratory, CA	Convert HVAC to variable air volume systems	325.0	3.1	6.8	16.4	50
Bartlesville Energy Technology Center, OK	Electrically driven air cooled chillers	195.0	3.3	6.4	8.2	42
Kansas City Plant, MO	Insulate fuel oil storage tanks	45.0	2.3	7.8	2.6	58
Sandia Laboratories, Livermore, CA	Energy monitoring and control system	330.0	2.5	3.5	9.4	28
Inhalation Toxicology Research Institute, NM	Ventilation exhaust air heat recovery	368.8	3.6	5.1	10.0	27
Argonne National Laboratory, ID	Replace translucent siding	10.1	2.9	6.1	.4	40
Idaho National Engineering Laboratory, ID	Exhaust waste heat recovery, CP604	85.0	3.0	7.4	3.5	41
Argonne National Laboratory, IL	Install light load chiller	52.0	2.0	7.1	2.4	46
Various Locations	Process metering	541.8	-	-	-	-

ENERGY-SAVING PROJECTS

Mr. BEVILL. Also provide a priority listing for the projects listed on page 267.

Mr. HEFFELFINGER. The five line items in the In-House Energy Management Program are listed in priority order.

[The information referred to follows:]

Proposed Project Priority List

<u>Project Site</u>	<u>Project Title</u>	<u>Total Cost \$1000</u>	<u>Life Cycle Savings to Investment Ratio</u>	<u>Payback Period (Years)</u>	<u>Energy Savings Billion Btus</u>	<u>1000 Btus Saved Per Investment Dollar</u>
Various Locations (Identified on Attachment 1)	FY 80 Modifications for energy management, various locations	19,700	4.9	4.2	2197	115
Portsmouth Gaseous Diffusion Plant, Piketon, Ohio	Process waste heat utilization	4,200	2.7	5.4	474	113
Argonne National Laboratory, Argonne, Illinois	Automated energy management system	4,500	3.9	4.9	330	73
Pantex Plant, Amarillo, Texas	Automated energy management system	4,000	3.0	6.0	162	41
Argonne National Laboratory, Argonne, Illinois	Conversion to Boiler #5 to high sulfur coal	5,000	5.6	4.5	0	0

MANAGEMENT AND SUPPORT BENEFITS

Mr. BEVILL. Why does the request for salary benefits increase from 10 to 11 percent between 1979 and 1980?

Mr. MITCHELL. Personnel benefits were budgeted at 10 percent in the fiscal year 1979 Congressional budget. Early in fiscal year 1979 an analysis of personnel benefits, as a function of personal services, indicated the Department-wide experience was running close to 11 percent. The primary reason for the increase is that a greater proportion of DOE employees are subject to the retirement system in DOE as compared to ERDA on which the figures were based. Also, DOE, as a "competitive agency" under the Civil Service system, must make payments to the Labor Department under the Federal Employees Compensation Act. ERDA, as an "excepted agency", was not required to make these payments.

MANAGEMENT AND SUPPORT POSITIONS

Mr. BEVILL. The budget shows a decrease from 4,611 positions in 1979 to 4,449 in 1980. What assumptions have you made in calculating full year employment costs for the reduction of 162 positions?

Mr. MITCHELL. Although there is a decrease of 162 positions in end year employment in 1980, staff years will remain about the same. The 1980 average salary is \$27,652 which includes \$213 for two extra days pay. The 1980 average salary also includes a small increase attributable to normal within grade increases.

MANAGEMENT AND SUPPORT AVERAGE SALARY

Mr. BEVILL. What is the average cost per staff year for full-time permanent employees in 1980 compared to 1979?

Mr. MITCHELL. The 1979 projected average salary is \$26,235. In 1980 the average salary is estimated to be \$27,652 which includes \$213 for two extra days pay. Excluding the \$213 for a comparable basis, the 1980 average salary is \$27,439, an increase attributable to normal within grade increases.

Mr. BEVILL. Provide a breakdown of the 1979 and 1980 estimates for salaries and expenses showing end year strength, staff years, and base salaries for full-time personnel for the various offices included in the Management and Support account. Also provide a breakdown of the other than full-time positions and costs, benefits, and travel in 1979 and 1980 for these same offices.

Mr. MITCHELL. A breakdown of the 1979 and 1980 estimates for personnel and related expenses follows.

[The information follows:]

FY 1979
MANAGEMENT AND SUPPORT PERSONNEL SUMMARY
(Dollars in Thousands)

	FTP Authorization End of Year	Staff Years	Other Authorization End of Year	Salaries BA	Other Personal Services BA	Benefits BA	Travel BA	Total Operating Expenses BA
HEADQUARTERS								
Office of the Secretary	85	86	4	\$ 1,930	\$ 81	\$ 205	\$ 108	\$ 2,324
General Counsel	361	338	10	8,241	427	882	221	9,771
Inspector General	100	94	1	2,988	154	320	192	3,654
Equal Opportunity	35	31	7	511	25	55	40	631
Board of Contract Appeals	5	5	1	187	11	20	4	222
Administration	675	697	69	15,139	784	1,580	715	18,218
Procurement	218	217	21	5,419	280	580	192	6,471
Controller	305	300	18	7,248	558	794	207	8,807
International Affairs	131	130	14	3,999	603	500	306	5,408
Policy and Evaluation	190	194	8	5,633	292	603	205	6,733
Intergovernmental and Institutional Relations	292	294	17	7,893	409	845	351	9,498
Subtotal Headquarters	2,397	2,386	170	59,188	3,624	6,384	2,541	71,737
Subtotal Operations Offices	1,816	1,802	171	46,484	2,356	4,868	1,858	55,566
Subtotal Regional Counsels	119	109	-	2,405	123	257	156	2,941
Subtotal Regional Representatives	264	261	26	5,209	116	543	335	6,203
Power Marketing Coordination	15	15	-	382	1	41	20	444
GRAND TOTAL	4,611	4,573	367	\$113,668	\$ 6,220	\$ 12,093	\$ 4,910	\$136,891

FY 1980
MANAGEMENT AND SUPPORT PERSONNEL SUMMARY
(Dollars in Thousands)

	FTP Authorization End of Year	Staff Years	Other Authorization End of Year	Salaries BA	Other Personal Services BA	Benefits BA	Travel BA	Loans BA	Total Operating Expenses BA
HEADQUARTERS									
Office of the Secretary	85	85	4	\$ 2,357	\$ 129	\$ 280	\$ 118	\$ -	\$ 2,884
General Counsel	361	361	10	11,091	610	1,317	238	-	13,256
Inspector General	100	100	1	3,357	184	399	208	-	4,148
Equal Opportunity	35	35	7	1,107	61	131	43	-	1,342
Board of Contract Appeals	5	5	1	187	10	22	5	-	224
Administration	675	675	69	15,883	873	1,835	773	3,000	22,364
Procurement	222	221	21	6,517	359	774	208	-	7,858
Controller	299	304	18	7,959	438	945	224	-	9,566
International Affairs	131	131	14	4,170	850	495	330	-	5,845
Policy and Evaluation	176	187	8	5,652	311	671	220	-	6,854
Intergovernmental and Institutional Relations	263	286	17	8,262	455	981	380	-	10,078
Subtotal Headquarters	2,352	2,390	170	66,542	4,280	7,850	2,747	3,000	84,419
Subtotal Operations Offices	1,806	1,814	171	50,651	2,710	5,849	2,012	-	61,222
Subtotal Regional Counsels	119	119	-	3,347	186	399	168	-	4,100
Subtotal Regional Representatives	157	243	26	5,698	314	676	363	-	7,051
Power Marketing Coordination	15	15	-	436	1	51	22	-	510
GRAND TOTAL	4,449	4,581	367	\$126,674	\$ 7,491	\$ 14,825	\$ 5,312	\$ 3,000	\$157,302

Mr. BEVILL. Provide a breakdown of funds requested for other personal services.

Mr. MITCHELL. A breakdown of funds requested for other personal services follows:

[The information follows:]

Fiscal year 1980—Management and Support, Other Personal Services

<i>Headquarters</i>	<i>BA (in thousands)</i>
Office of the Secretary.....	\$129
General Counsel.....	610
Inspector General.....	184
Equal Opportunity.....	61
Board of Contract Appeals.....	10
Administration.....	873
Procurement.....	359
Controller.....	438
International Affairs.....	850
Policy and Evaluation.....	311
Intergovernmental and Institutional Relations.....	455
Subtotal Headquarters.....	4,280
Subtotal Operations Offices.....	2,710
Subtotal Regional Councils.....	186
Subtotal Regional Representatives.....	314
Power marketing coordination.....	1
Grand total.....	7,491

MISCELLANEOUS REVENUES

Mr. BEVILL. Why do other miscellaneous revenues decrease from \$17.8 million in 1979 to \$13.2 million in 1980?

Mr. MITCHELL. A recent review of the 1979 comparability numbers revealed a misclassification of estimated revenues related to the sales, consumption, and recovery of SS Materials. The correct 1979 other miscellaneous revenue is \$11.4 million instead of \$17.8 million, resulting in an increase of \$1.7 million from 1979 to 1980. This increase results from an increase of \$2.3 million in the revenues from the leasing of uranium bearing lands, offset by other miscellaneous activity decreases amounting to \$.6 million. We have a corrected table for the other miscellaneous revenues.

[The table follows:]

FISCAL YEAR 1980 DEPARTMENT OF ENERGY BUDGET—CORRECTED COMPARABILITY TABLE FOR OTHER MISCELLANEOUS REVENUES

[In thousands of dollars; fiscal years]

	1979 estimate	1980 estimate
Sale of source and special nuclear (SS) materials.....	\$18,425	9,676
Charges for SS materials consumed.....	\$9,885	8,307
Revenues from lease of materials and interest from deferred sales of material.....	2,340	2,326
Charges for recovery of SS materials.....	\$6,359	9,075
Sale of other special products.....	240	450
Sale of steam.....	36,615	39,480
Revenue from research hospitals.....	40	40
Revenue from services—Washington Public Power Supply System.....	4,200	475
Other miscellaneous revenue.....	\$11,446	13,155
Total, other revenue.....	89,550	82,984

¹ Corrected items.

COMPUTER INVENTORY

Mr. BEVILL. Please provide for the record an inventory of major computing systems acquired and installed in the Department of Energy through the end of Fiscal Year 1978. Include an identification of each system, its location, date installed, and the capital investment incurred.

Mr. HEFFELFINGER. The following table delineates the Department of Energy Capital Investment in ADP Systems over \$400,000 as of September 30, 1978.

[The information follows:]

DEPARTMENT OF ENERGY
CAPITAL INVESTMENT IN ADP SYSTEMS
OVER \$400,000
AS OF SEPTEMBER 30, 1978

Notes:

1. Detailed data is provided only for those contractors/organizations having at least one computer system with a capital investment (or purchase price) of \$400,000 or more. Capital Investment Costs for those contractors/organizations not having a system costing \$400,000 or more are grouped into the "Other Installations" for each applicable Field Office or cognizant DOE organization (e.g., BPA, HQS).
2. The column "Capital Investment" contains either the purchase price paid for the computer systems on hand as of September 30, 1978, or the total current cost (less accumulated credits) to purchase equipment on lease. Also, because of equipment reutilization, it cannot be assumed that the ADP unit having the equipment as of September 30, 1978, necessarily was the ADP unit which funded its purchase.
3. This report is based upon computer generated data from the ADP Inventory master file as of September 30, 1978, and data from the Office of ADP Management--for several Government leased systems which had not yet reported a purchase price equivalent.
4. Capital Investment for ADP equipment at the Energy Research Centers is included in the "Other Installations" category for the cognizant Field Offices.

Field Office and ADP Unit	Unit/ System Number	System Designation	Date Installed	Capital Investment (Thousands)	Management Classification
ALBUQUERQUE Amarillo	0001-61	DPI Solar	May 1972	\$ 722	Special
	-06	IBM 360/65	Jan 1973	3,635	General
		Other ADPE at Amarillo		<u>1,528</u>	
		Total		<u>5,885</u>	
Monsanto/ Mound Facility	0021-01	IBM 360/50	Apr 1970	\$ 2,169	General
	-02	IBM 360/50	Dec 1973	1,662	General
	-03	IBM 360/65	Aug 1978	1,497	General
		Other ADPE at Monsanto		<u>2,252</u>	
		Total		<u>7,580</u>	
Bendix/ Kansas City	0031-01	IBM 3033	Jul 1978	\$10,481 1/	General
	-02	CDC CYBER 74	Oct 1977	3,353	General
	-03	CDC 1784	Apr 1973	604	General
	0032-02	CDC 1700	Jul 1970	446	Special
		Other ADPE at Bendix/Kansas City		<u>7,098</u>	
		Total		<u>21,982</u>	
Los Alamos	0125-06	DEQ FDP-10	Nov 1976	\$ 693	Special
	0150-01	IBM 360/50	Jul 1972	1,119	General
	0180-01	SEL 810A	Jan 1967	1,001	Special
	-02	SEL 840	Jul 1970	959	Special
	0200-01	SDS 930	Apr 1965	439	Special
	0220-02	CDC 6600	Oct 1967	13,685	General
	-10	CDC 6600	Jun 1968	9,352	General
	-13	CDC 7600	Mar 1970	7,308	General
	-14	CDC 7600	Aug 1970	6,605	General
	-21	CDC 7600	Dec 1973	7,957	General
	-23	CDC CYBER 73	Dec 1974	1,246	General
	-24	CDC CYBER 73	Nov 1974	2,247	General
	0220-26	CDC 7600	Oct 1974	4,819	General
	-27	CRY CRAY-1	Oct 1976	7,500 2/	General
		Other ADPE at Los Alamos		<u>16,846</u>	
		Total		<u>81,776</u>	
GE-Pinellas	0251-03	BOW 6620	Apr 1976	\$ 1,677	General
		Other ADPE at GE-Pinellas		<u>1,296</u>	
		Total		<u>2,973</u>	
Rockwell/ Rocky Flats	0261-05	IBM 360/65	Oct 1973	\$ 3,302	General
	0262-23	SEL 840MP	Feb 1971	420	Special
		Other ADPE at Rockwell		<u>3,832</u>	
		Total		<u>7,554</u>	

1/ As of the end of FY 78, the IBM 3033 CPU was being acquired under a deferred purchase payment plan.

2/ As of the end of FY 78 this equipment was Government leased with a purchase option.

<u>Field Office and ADP Unit</u>	<u>Unit/ System Number</u>	<u>System Designation</u>	<u>Date Installed</u>	<u>Capital Investment (Thousands)</u>	<u>Management Classification</u>
ALBUQUERQUE - continued					
Sandia-	0271-01	CDC 6600	Jan 1970	\$ 5,434	General
Livermore	-02	CDC 6600	Jan 1975	3,077	General
	0272-01	SDS 930	Aug 1967	595	Special
		Other ADPE at SLL		2,140	
		Total		11,246	
Sandia-	0281-26	UNI 1108	Oct 1968	\$ 4,794	General
Albuquerque	-38	CDC 6600	Nov 1968	8,100	General
	-39	DEQ PDP-10	May 1970	1,162	General
	-44	CDC 6600	Jan 1970	6,258	General
	-48	CDC 7600	Dec 1975	9,099	General
	-51	CDC 6600	Sep 1972	4,248	General
	-57	CDC 6400	Jan 1973	1,673	General
	0282-27	EMR 6130	Nov 1968	423	Special
	-51	SIGMA 5	Mar 1971	696	Special
	0284-37	AGS 875	Nov 1976	866	Special
		Other ADPE at SLA		17,303	
		Total		54,622 ^{1/}	
ALO-MIS	0392-02	IBM 360/50	Aug 1973	\$ 1,477	General
		Other ADPE at ALO		362	
		Total		1,839	
Other AL Installations				\$ 382	
Grand Totals for Albuquerque					
Computer Systems over \$400K:					
Number - 40					
Capital Investment				\$ 142,800	
Total Capital Investment				195,839	

^{1/} Does not include a CYBER 76 System (replacing one of the 6600's) undergoing acceptance testing at the end of FY 1978.

<u>Field Office and ADP Unit</u>	<u>Unit/ System Number</u>	<u>System Designation</u>	<u>Date Installed</u>	<u>Capital Investment (Thousands)</u>	<u>Management Classification</u>
CHICAGO					
Brookhaven	0501-01	CDC 7600 1/	Jan 1975	\$12,009	General
National	0503-01	DEQ PDP-10	Jul 1969	717	General
Laboratory	-04	XDS SIGMA 7	Aug 1967	969	Special
	-13	XDS SIGMA 7	Sep 1967	685	Special
	-21	DEQ PDP-11	Mar 1974	696	Special
	0505-01	IBM 360/30	Oct 1967	698	General
	0506-03	DEQ PDP-10	Feb 1970	1,347	Special
	-04	DEQ PDP-10	May 1971	482	Special
		Other ADPE at Brookhaven		4,591	
		Total		22,194	
Argonne					
National	0601-A8	IBM 360/40	Nov 1973	\$ 810	Special
Laboratory	-08	CDC 924	May 1963	643	Special
	-23	CDC 160A	Mar 1963	577	Special
	-35	IBM 360/30	Aug 1967	673	General
	-39	XDS SIGMA 7	Nov 1967	594	Special
	-49	IBM 370/195 2/	Jan 1973	16,506	General
	-70	XDS SIGMA 5	Nov 1969	850	Special
	0602-03	SEL 840MP	Jul 1970	481	Special
	-04	XDS SIGMA 5	Jul 1970	886	Special
		Other ADPE at Argonne		22,020	
		Total		36,162 3/	
FERMILAB					
	0610-01	XDS 530	Feb 1970	\$ 1,526	Special
	-10	DEQ PDP-10	Jun 1971	1,428	Special
	-16	CDC 6600 4/	Oct 1973	9,013	Special
		Other ADPE at FERMILAB		1,842	
		Total		13,809	
University of Illinois					
	0702-02	DEQ PDP-10	Aug 1977	\$ 474	Special
		Other ADPE at Univ. of Ill.		362	
		Total		836	
University of Michigan					
	0703-05	DEQ PDP-10	Oct 1969	\$ 445	General
		Other ADPE at Univ. of Mich.		587	
		Total		1,032	
Purdue Research Foundation					
	0708-01	IBM 360/44	Aug 1972	\$ 1,132	Special
		Other ADPE at Purdue		26	
		Total		1,158	

1/ Includes 1 CDC 7600 and 2 CDC 6600's.

2/ Includes 1 IBM 370/195 and 1 IBM 360/75

3/ Does not include 1 IBM 3033 system undergoing acceptance testing at the end of FY 78.

4/ Includes 2 CDC 6600's and 1 CDC 6400.

<u>Field Office and ADP Unit</u>	<u>Unit/ System Number</u>	<u>System Designation</u>	<u>Date Installed</u>	<u>Capital Investment (Thousands)</u>	<u>Management Classification</u>
CHICAGO - continued					
KMS Fusion, Inc. 1/	0735-01	IRM 3031 Other ADPE at KMS Fusion, Inc. Total	Sep 1978	\$ 1,426 188 1,614	General
Mass. Inst. of Tech.	1003-03 -05 -11	DEQ PDP-10 IRM 360/65 DEQ PDP-11 Other ADPE at MIT Total	Jun 1970 Oct 1967 Jul 1974	\$ 966 1,222 472 474 3,134	Special General Special
New York Univ.	1004-01	CDC 6600 Other ADPE at NYU Total	Apr 1966	\$ 4,857 51 4,908	General
Yale Univ.	1008-01 1019-01	DEQ PDP-6 IRM 360/44 Other ADPE at Yale Total	Jun 1966 Feb 1968	\$ 694 606 878 2,178	Special General
Univ. of Penn.	1009-06	IRM 360/65 Other ADPE at Penn. Total	Apr 1969	\$ 576 438 1,014	General
Plasma Physics Lab. Princeton	1012-D1 -GP -US	DEQ PDP-10 CDC Dual CYBER 72 DEQ PDP-10 Other ADPE at PPL Total	Jan 1975 Jul 1978 Jul 1975	\$ 1,200 2,400 627 1,266 5,493	Special General General

1/ As of the end of FY 1978, this site was under the ADP inventory of the Chicago Operations Office. Beginning in FY 1979, this site will report through the Nevada Operations Office.

<u>Field Office and ADP Unit</u>	<u>Unit/ System Number</u>	<u>System Designation</u>	<u>Date Installed</u>	<u>Capital Investment (Thousands)</u>	<u>Management Classification</u>
CHICAGO- continued					
Harvard University	1014-02	SDS SIGMA 7 Other ADPE at Harvard Total	Aug 1968	\$ 778 253 1,031	General
Univ. of Minn.	1056-01	CDC 3100 Other ADPE at Univ. of Minn. Total	Oct 1977	\$ 779 193 972	Special
Other CH Installations				\$ 7,622	
Grand Totals for Chicago Computer Systems over \$400K:					
Number - 36					
Capital Investment				\$ 60,098	
Total Capital Investment				103,157	

<u>Field Office and ADP Unit</u>	<u>Unit/ System Number</u>	<u>System Designation</u>	<u>Date Installed</u>	<u>Capital Investment (Thousands)</u>	<u>Management Classification</u>
GRAND JUNCTION					
Bendix Field	0800-01	CDC 3100	Jun 1969	\$ 831	General
Eng.		Other ADPE at Bendix		706	
		Total		1,537	

Grand Totals for Grand Junction

Computer Systems over \$400K:

Number - 1

Capital Investments

\$ 831

Total Capital Investment

1,537

<u>Field Office and ADP Unit</u>	<u>Unit/ System Number</u>	<u>System Designation</u>	<u>Date Installed</u>	<u>Capital Investment (Thousands)</u>	<u>Management Classification</u>
IDAHO					
EG&G Idaho,	0870-05	MOD IV35	Dec 1977	\$ 404	Special
Inc.	0880-05	IBM 360/75	Mar 1969	7,297	General
	-10	CDC CYBER 76	Aug 1976	8,820	General
	0881-03	RED RC 70	Aug 1970	702	Special
		Other ADPE at EG&G		3,927	
		Total		21,150	
Other ID Installations				\$ 1,634	
Grand Totals for Idaho					
Computer Systems over \$400K:					
	Number - 4				
	Capital Investment			\$ 17,223	
	Total Capital Investment			22,784	

<u>Field Office and ADP Unit</u>	<u>Unit/ System Number</u>	<u>System Designation</u>	<u>Date Installed</u>	<u>Capital Investment (Thousands)</u>	<u>Management Classification</u>
NEVADA EG&G	0914-04	DEQ PDP-10 Other ADPE at EG&G Total	Mar 1970	\$ 2,577 3,673 6,250	Special
CSC	0939-01	CDC 6400 Other ADPE at CSC Total	Jun 1970	\$ 3,858 262 4,120	General
Other NV Installations				\$ 1,367	
Grand Totals for Nevada Computer Systems over \$400K: Number - 2					
Capital Investment				\$ 6,435	
Total Capital Investment				11,737	

<u>Field Office and ADP Unit</u>	<u>Unit/ System Number</u>	<u>System Designation</u>	<u>Date Installed</u>	<u>Capital Investment (Thousands)</u>	<u>Management Classification</u>
OAK RIDGE					
Goodyear	1302-01	IBM 1410	Jun 1962	\$ 821	General
Atomic Corp.	-04	DEQ PDP-10	Sep 1975	885	General
		Other ADPE at Goodyear		<u>2,342</u>	
		Total		4,048	
University of Maryland	1315-01	DEQ PDP-10	Feb 1968	\$ 430	Special
	1316-01	IBM 360/44	Jan 1969	632	Special
		Other ADPE at Univ. of Maryland		<u>0</u>	
		Total		1,062	
Air Research	1320-02	IBM 360/30	Oct 1973	\$ 850	General
		Other ADPE at Air Research		<u>75</u>	
		Total		925	
Union Carbide ORGDP	1401-05	IBM 360/195 1/	Feb 1973	\$11,993	General
	1405-04	IBM 1800	May 1969	859	Special
		Other ADPE at ORGDP		<u>3,619</u>	
		Total		16,471	
Union Carbide Y-12	1402-02	IBM 360/50	Aug 1973	\$ 1,499	General
	-09	CDC 3300	May 1968	1,588	General
		Other ADPE at Y-12		<u>4,630</u>	
		Total		7,717	
Oak Ridge National Lab.	1403-01	IBM 360/75	Mar 1966	\$ 3,778	General
	-03	IBM 360/91	Mar 1969	6,913	General
	-04	DEQ PDP-10	Jan 1977	1,598	General
	1459-04	SEL 810B	Apr 1973	2,007	Special
	1468-06	DEQ PDP-10	Nov 1976	482	Special
	1479-05	CDC 3200	Jul 1970	443	Special
		Other ADPE at ORNL		<u>6,626</u>	
		Total		21,847	
Other OR Installations				\$ 3,368	
Grand Totals for Oak Ridge					
Computer Systems over \$400K:					
Number - 15					
Capital Investment				\$ 34,778	
Total Capital Investment				55,438	

1/ Includes 1 IBM 370/195 and 1 IBM 370/155.

<u>Field Office and ADP Unit</u>	<u>Unit/ System Number</u>	<u>System Designation</u>	<u>Date Installed</u>	<u>Capital Investment (Thousands)</u>	<u>Management Classification</u>
PITTSBURGH					
Bettis	1501-06	CDC 7600 1/	Apr 1971	\$16,400	General
		Other ADPE at Bettis		2,426	
		Total		18,826	
Grand Totals for Pittsburgh					
Computer Systems over \$400K:					
Number - 1				\$16,400	
Capital Investment				2,426	
Total Capital Investment				18,826	

1/ Includes 1 CDC 7600, 2 CDC 6600's and 1 DEC PDP-10.

<u>Field Office and ADF Unit</u>	<u>Unit/ System Number</u>	<u>System Designation</u>	<u>Date Installed</u>	<u>Capital Investment (Thousands)</u>	<u>Management Classification</u>
RICHLAND					
Boeing	1602-01	UNI 1100	Jul 1977	\$ 9,250	General
Computer	-03	CDC CYBER 74	Apr 1973	3,999	General
Services-		Other ADPE at Boeing		2,904	
RL		Total		16,153	
Other RL Installations				\$ 8,881	
Grand Totals for Richland					
Computer Systems over \$400K:					
Number - 2					
Capital Investment				\$13,249	
Total Capital Investment				25,034	

Field Office and ADP Unit	Unit/ System Number	System Designation	Date Installed	Capital Investment (Thousands)	Management Classification
SAN FRANCISCO					
Lawrence	1701-A7	MOD IV 25	Jun 1976	\$ 703	Special
Berkeley	-02	IBM 7094II	Sep 1964	2,465	Special
Lab.	-03	IBM 7044	Feb 1964	691	Special
	-04	CDC 7600 1/	Jul 1971	14,610	General
		Other ADPE at LBL		4,878	
		Total		23,347	
Lawrence	1702-04	IBM 1401	Jan 1975	\$ 486	General
Livermore	1703-D8	DEC PDP 1170	Mar 1978	553	Special
Lab.	-06	CDC STAR 100 2/	Dec 1974	46,404	General
	-18	CDC 6600	Oct 1964	6,812	General
	-33	ASI 6130	Dec 1969	407	Special
		Other ADPE at LLL		10,310	
		Total		64,972	
National	1705-01	CRY CRY-1 3/	May 1978	\$16,148	General
MFE	-02	DEQ PDP-10	Sep 1975	538	General
Computer	-03	DEQ PDP-10	Nov 1975	474	General
Center	-04	DEQ PDP-10	Sep 1975	524	General
	-05	DEQ PDP-10	Dec 1975	524	General
	-06	DEQ PDP-10	Dec 1975	464	General
		Other ADPE at NMFECC		0	
		Total		18,672	
Stanford	1722-01	IBM 360/91 4/	Oct 1968	\$16,167	General
Linear	1723-02	SDS 9300	Jul 1965	571	Special
Accelerator	-14	SDS SIGMA 5	Jan 1971	604	Special
Center	-21	MOD IV 35	Mar 1978	475	Special
		Other ADPE at SLAC		2,177	
		Total		19,994	
General	1731-06	DEQ PDP-10	Sep 1976	\$ 849	General
Atomic	-07	MOD IV 20	Oct 1976	552	General
		Other ADPE at General Atomic		237	
		Total		1,638	

1/ Includes 1 CDC 7600, 1 CDC 6600 and 1 CDC 6400.

2/ Includes 2 CDC STAR's and 3 owned CDC 7600's and 1 leased CDC 7600.

3/ Includes 1 CDC 7600, 1 CDC 6400 and 1 leased CRY CRAY-1 with a purchase option of about \$7,500K.

4/ Includes 2 IBM 370/168's and 1 IBM 360/91.

<u>Field Office and ADP Unit</u>	<u>Unit/ System Number</u>	<u>System Designation</u>	<u>Date Installed</u>	<u>Capital Investment (Thousands)</u>	<u>Management Classification</u>
--------------------------------------	------------------------------------	-------------------------------	---------------------------	---	--------------------------------------

SAN FRANCISCO-
continued

Other SAN Installations

\$ 2,849

Grand Totals for San Francisco

Computer Systems over \$400K:

Number - 21

Capital Investment

\$ 111,021

Total Capital Investment

131,471

<u>Field Office and ADP Unit</u>	<u>Unit/ System Number</u>	<u>System Designation</u>	<u>Date Installed</u>	<u>Capital Investment (Thousands)</u>	<u>Management Classification</u>
SAVANNAH RIVER					
Du Pont	1801-02	IBM 360/30	Oct 1965	\$ 447	General
	-03	IBM 360/195 1/	Sep 1972	12,530	General
		Other ADPE at Du Pont		6,167	
		Total		19,144	
Other SR Installations				\$ 173	
Grand Totals for Savannah River					
Computer Systems over \$400K:					
Number - 2					
Capital Investment				\$12,977	
Total Capital Investment				19,317	

1/ Includes 1 IBM 360/195 and 1 IBM 370/158.

<u>Field Office and ADP Unit</u>	<u>Unit/ System Number</u>	<u>System Designation</u>	<u>Date Installed</u>	<u>Capital Investment (Thousands)</u>	<u>Management Classification</u>
SCHENECTADY					
Knolls Atomic	1901-02	CDC 6600	May 1966	\$ 2,752	General
Power Lab.	-03	CDC 6600	Nov 1967	3,155	General
	-04	CDC 7600	Dec 1970	7,472	General
	-05	DEQ PDP-10	Jan 1971	1,096	General
		Other ADPE at Knolls		1,406	
		Total		15,881	

Grand Totals for Schenectady
Computer Systems over \$400K:

Number - 4

Capital Investment

Total Capital Investment

\$14,475

15,881

<u>Field Office and ADP Unit</u>	<u>Unit/ System Number</u>	<u>System Designation</u>	<u>Date Installed</u>	<u>Capital Investment (Thousands)</u>	<u>Management Classification</u>
BONNEVILLE	2000-05	CDC 6400	Jun 1968	\$ 6,295	General
POWER	2025-25	DEQ FDP-10	Mar 1974	2,243	Special
ADMINISTRATION	2026-26	GEL PAC 4010	Mar 1974	1,005	Special
	2027-27	SEL 8500	Dec 1975	1,616	Special
		Other ADPE at BPA		<u>1,656</u>	
		Total		12,815	

Grand Totals for Bonneville Power Administration

Computer Systems over \$400K:

Number - 4

Capital Investment

\$ 11,159

Total Capital Investment

12,815

<u>Field Office and ADP Unit</u>	<u>Unit/ System Number</u>	<u>System Designation</u>	<u>Date Installed</u>	<u>Capital Investment (Thousands)</u>	<u>Management Classification</u>
HEADQUARTERS					
Environmental Measurements Lab.	1021-01	IBM 360/30 Other ADPE at EML Total	Apr 1966	\$ 491 178 669	General
Technical Information Center	9001-01	DEQ PDP-10 Other ADPE at TIC Total	Jun 1969	\$1,739 354 2,093	General
CSIM Computer Center	9977-02 -03	IBM 360/50 IBM 370/165 Other ADPE at CSIM	Mar 1968 Jun 1971	\$ 1,843 7,453 881 10,177	General General
Energy Infor- mation Adm.	9980-01 -02	IBM 370/168 IBM 370/158 Other ADPE at EIA	Jun 1975 Aug 1974	\$11,800 1/ 1,400 2/ 0 13,200	3/ 3/
Other Headquarters Installations				\$ 26	
Grand Totals for Headquarters					
Computer Systems over \$400K:					
Number - 6					
Capital Investment				\$24,726	
Total Capital Investment				26,165	

1/ Includes 2 IBM 370/168's which as of the end of FY 78 were Government-leased with purchase option.

2/ Leased with purchase option.

3/ General, although incorrectly classified as special in the ADP Inventory master file as of September 30, 1978.

SUMMARY OF COMPUTER SYSTEMS OVER \$400K

<u>OFFICE</u>	<u>NUMBER</u>	<u>CAPITAL INVESTMENT (THOUSANDS)</u>	<u>TOTAL CAPITAL INVESTMENT (THOUSANDS)</u>
AL	40	\$ 142,800	\$ 195,839
CH	36	60,098	103,157
GJ	1	831	1,537
ID	4	17,223	22,784
NV	2	6,435	11,737
OR	15	34,778	55,438
PNR	1	16,400	18,826
RL	2	13,249	25,034
SF	21	111,021	131,471
SR	2	12,977	19,317
SNR	4	14,475	15,881
BPA	4	11,159	12,815
HQS	<u>6</u>	<u>24,726</u>	<u>26,165</u>
	138	<u>\$466,172</u>	<u>\$640,001</u>

Total Number of
Computer Systems 2,398
CPU's 2,987

COMPUTER REQUIREMENTS

Mr. BEVILL. Please provide for the record a summary of major computer requirements for FY 1978, FY 1979, and FY 1980. The summary should be broken down by capital and operating expenses and should include budget authority, obligations and outlays.

Mr. HEFFELFINGER. The following table summarizes the Major Computer Requirements contained in the Department of Energy's FY 1980 Budget.

[The table follows:]

March 9, 1979

U. S. DEPARTMENT OF ENERGY
Summary of Major Computer Requirements - FY 1980 Congressional Budget
 (Dollars in Thousands)

Computer Equipment - Capital Acquisition

Appropriation/Major Category/Subcategory	Page Number	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request	
		B/A	Obs.	B/A	Obs.	B/A-Obs.	B/O
<u>Atomic Energy Defense Activities</u>							
<u>Atomic Energy Defense Activities</u>							
Naval Reactor Development	2	\$1,905	\$1,905	\$2,105	\$2,105	\$ 0	\$ 320
Weapons Activities	3,4	9,640	6,885	9,447	9,400	8,355	6,150
Materials Production	7	2,710	2,710	400	400	960	400
Subtotal Atomic Energy Defense Activities		14,255	11,500	8,405	11,905	7,250	6,870
<u>General Science and Research</u>							
<u>Basic Sciences</u>							
High Energy Physics	8	12,536	12,536	333	0	12,203	1,000
Nuclear Physics	10	0	0	0	0	500	485
Subtotal General Science and Research		12,536	12,536	333	0	12,203	1,485
<u>Energy Supply Research and Development</u>							
<u>Nuclear</u>							
Commercial Waste Management	11	0	0	0	0	500	0
Breeder	12	985	10,333	1,700	2,100	0	797
<u>Magnetic Fusion</u>							
Confinement Systems; Development and Technology; and Applied Plasma Physics	13-14	1,230	3,099	5,992	503	1,316	800

U. S. DEPARTMENT OF ENERGY
Summary of Major Computer Requirements - FY 1980 Congressional Budget
(Dollars in Thousands)

Computer Equipment - Capital Acquisition

Appropriation/Major Category/Subcategory	Page Number	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request	
		B/A	Obs.	B/A	Obs.	B/A	Obs.
<u>Environment</u>							
Environmental Research and Development	16	\$ 0	\$ 0	\$ 530	\$ 0	\$ 74	\$ 0
<u>Basic Research</u>							
Basic Energy Sciences	17	795	673	13	505	670	0
Subtotal Energy Supply Research and Development		3,010	14,105	13,362	2,708	3,108	7,758
<u>Uranium Enrichment</u>							
Energy Production, Demonstration and Distribution							
Uranium Enrichment Activities	18	1,200	1,200	1,370	0	0	0
<u>Energy Information Administration</u>							
<u>Energy Information</u>							
Energy Applied Analysis; Collection, Production and Dissemination; Data Validation; and Data Information Services	19	0	0	0	0	0	500
<u>Departmental Administration</u>							
<u>Policy and Management</u>							
Management and Support	20	220	220	220	0	0	0
Intergovernmental and Institutional Relations	21	667	31	0	0	1,331	1,362
Subtotal Departmental Administration		887	251	220	0	1,331	1,362
TOTAL MAJOR COMPUTER REQUIREMENTS - CAPITAL ACQUISITIONS		\$31,688	\$39,592	\$28,707	\$11,113	\$16,344	\$10,550

U. S. DEPARTMENT OF ENERGY
Summary of Major Computer Requirements - FY 1980 Congressional Budget
(Dollars in Thousands)

Computer Equipment - Operating Expenses

Appropriation/Major Category/Subcategory	Page Number	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request	
		B/A	Obs.	B/A	Obs.	B/A	Obs.
<u>Atomic Energy Defense Activities</u>							
<u>Atomic Energy Defense Activities</u>							
Atomic Energy Defense Activities	1	\$ 503	\$ 503	\$ 485	\$ 485	\$ 485	\$ 454
Inertial Confinement Fusion	5,6	5,520	5,520	11,333	11,333	11,333	20,392
Weapons Activities		6,023	6,023	11,818	11,818	20,846	20,846
Subtotal Atomic Energy Defense Activities							
<u>General Science and Research</u>							
<u>Basic Sciences</u>							
High Energy Physics	9	0	0	0	0	1,200	1,200
<u>Energy Supply Research and Development</u>							
<u>Nuclear</u>							
Breeder	12	200	200	336	336	472	472
<u>Magnetic Fusion</u>							
Confinement Systems; Development and Technology; and Applied Plasma Physics	15	1,300	1,300	3,393	3,393	6,650	6,650
<u>Basic Research</u>							
Basic Energy Sciences	17	0	0	0	0	425	425
Subtotal Energy Supply Research and Development		1,500	1,500	3,729	3,729	7,547	7,547

U. S. DEPARTMENT OF ENERGY
Summary of Major Computer Requirements - FY 1980 Congressional Budget
(Dollars in Thousands)

Computer Equipment - Operating Expenses

Appropriation/Major Category/Subcategory	Page Number	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request	
		B/A	Obs.	B/A	Obs.	B/A-Obs.	B/O
<u>Uranium Enrichment</u>							
Energy Production, Demonstration and Distribution							
Uranium Enrichment Activities	18	\$ 138	\$ 138	\$ 0	\$ 0	\$ 0	\$ 0
<u>Energy Information Administration</u>							
<u>Energy Information</u>							
Energy Applied Analysis; Collection, Production and Dissemination; Data Validation; and Data Information Services	19	6,257	6,257	6,078	6,078	5,448	5,448
TOTAL MAJOR COMPUTER REQUIREMENTS - OPERATING EXPENSES ^{1/}		\$13,918	\$13,918	\$21,625	\$21,625	\$35,041	\$35,041

^{1/} In addition to the above, major computer requirements for the Bonneville Power Administration are presented separately on page 22. The BPA amounts are not included above as these computer items will be acquired from the BPA fund.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST
MAJOR COMPUTER REQUIREMENTS

Atomic Energy Defense Activities
Atomic Energy Defense Activities
Inertial Confinement Fusion

(Dollars in Thousands)

Operating Expenses	Installation Date	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request	
		B/A	O/ba.	B/O	O/ba.	B/A	O/ba.
KMS Fusion, Inc.							
IBM 370/155 System	5/75	\$ 463	\$ 463	\$ 463	\$ 0	\$ 0	\$ 0
IBM 3031 System ^{1/}	9/78	40	40	40	485	454	454
Total Operating Expenses		\$ 503	\$ 503	\$ 503	\$ 485	\$ 454	\$ 454

^{1/} Lease to ownership.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST
MAJOR COMPUTER REQUIREMENTS
Atomic Energy Defense Activities
Atomic Energy Defense Activities
Naval Reactors Development

(Dollars in Thousands)

Installation Date	FY 1978 Actual			FY 1979 Estimate			FY 1980 Request		
	B/A	Obs.	B/O	B/A	Obs.	B/O	B/A	Obs.	B/O
<u>Capital Equipment - Computer Acquisition</u>									
<u>Bettis Atomic Power Laboratory</u>									
Advanced Disk Drives	10/78	\$ 0	\$ 0	\$ 0	\$ 750	\$ 750	\$ 0	\$ 0	\$ 0
Advanced Tape System	8/78	230	230	230	0	0	0	0	0
Hybrid Computer System	6/78 & 6/79	495	495	495	955	955	0	0	0
Subtotal Bettis		725	725	725	1,705	1,705	0	0	0
<u>Knolls Atomic Power Laboratory</u>									
High Capacity Line Printer	7/78	225	225	225	0	0	0	0	0
Computer Output Microfilm	7/78	225	225	225	0	0	0	0	0
Disk System Replacement	8/78	730	730	730	0	0	0	0	0
Computer Aided Design and Drafting System	3/79	0	0	0	400	400	80	0	320
Subtotal Knolls		1,180	1,180	1,180	400	400	80	0	320
Total Capital Equipment		\$1,905	\$1,905	\$1,905	\$2,105	\$2,105	\$1,785	\$ 0	\$ 320

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST
MAJOR COMPUTER REQUIREMENTS

Atomic Energy Defense Activities
Atomic Energy Defense Activities
Weapons Activities

(Dollars in Thousands)

Capital Equipment - Computer Acquisition	Installation Date	FY 1978 Actual			FY 1979 Estimate			FY 1980 Request	
		B/A	Obs.	B/O	B/A	Obs.	B/O	B/A	B/O
<u>Lawrence Livermore Laboratory</u>									
Supplemental memory		\$ 0	\$ 0	\$ 235	\$ 0	\$ 0	\$ 89	\$ 0	\$ 0
OCTOPUS support improvements		0	0	216	0	0	254	0	0
CDC STAR (101) enhancement	3/79	2,500	0	0	0	2,500	1/	2,500	0
CDC STAR (102) enhancement	12/79	0	0	0	0	3,000	0	0	3,000
Peripheral upgrade	10/78	0	0	0	0	1,500	0	0	0
Data processing computer	1/78	250	250	247	0	1,500	1,500	0	0
Subtotal LLL		2,750	250	698	4,500	7,000	4,346	0	3,000
<u>Los Alamos Scientific Laboratory</u>									
Mass storage system	3/77 - 8/78	2,790	2,790	2,461	0	0	493	0	0
Computer facility integration		0	0	476	0	0	362	0	0
Microfilm recorder	1/77 - 6/78	0	290	0	0	400	0	0	0
Peripheral equipment	3/79	1,100	1,100	59	0	0	1,041	1,400	1,400
Subtotal LASL	9/78 - 9/80	3,890	4,180	2,996	400	400	2,296	1,400	1,400
<u>Sandia Laboratories</u>									
High precision microfilm recorder, SLA		\$ 0	\$ 0	\$ 422	\$ 0	\$ 0	\$ 130	0	0
Extended core storage, SLA		0	0	265	0	0	13	0	0
CYBER 76, SLA	9/78	2,000	2,000	2,000	0	0	0	0	0
Mass storage, SLA	9/80	0	0	0	0	0	0	3,500	0
Mass storage, SLL	9/80	0	0	0	0	0	0	1,100	0
CDC 6400 core storage, SLA		0	0	4	0	0	0	0	0
Signal processing equipment, SLL		0	0	250	0	0	0	0	0
Scanner digitizer, SLA		0	0	230	0	0	18	0	0
Subtotal SL		2,000	2,000	3,171	0	0	18	4,600	0

1/ FY 1978 carryover.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST
MAJOR COMPUTER REQUIREMENTS
Atomic Energy Defense Activities
Atomic Energy Defense Activities
Weapons Activities

	Installation Date	(Dollars in Thousands)										FY 1980 Request			
		FY 1978 Actual		B/O		FY 1979 Estimate				B/O					
		B/A	Obs.	B/A	Obs.	B/A	Obs.	B/A	Obs.	B/A	B/O	B/A	B/O		
Capital Equipment - Computer Acquisition															
Nevada Operations Office Peripheral storage	11/77	\$ 0	\$ 455	\$ 448	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Bendix Plant															
CDC CYBER 170 equipment	8/79	0	0	1,724	0	0	0	500	0	39	0	0	500	0	500
Peripheral enhancement		0	0	3	500	0	500	0	0	0	0	1,250	1,250	0	1,250
General purpose computer memory	6/80	0	0	0	0	0	0	0	0	0	0	0	1,250	0	1,250
Subtotal Bendix Plant		0	0	1,727	500	39	500	500	39	1,250	1,250	1,750			
Pinellas Plant Computer upgrade	8/79	0	0	0	500	500	500	500	500	0	0	0	0	0	0
Savannah River Tritium facilities computer replacement		0	0	407	0	0	0	0	13	0	0	0	0	0	0
Albuquerque Operations Office Computer enhancement	8/79	1,000	0	0	0	1,000	1,000	1,000	1,000	0	0	0	0	0	0
Total Capital Equipment		\$9,640	\$6,885	\$9,447	\$5,900	\$9,400	\$8,355	\$7,250	\$6,150						

1/ FY 1978 carryover.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST
MAJOR COMPUTER REQUIREMENTS

Atomic Energy Defense Activities
Atomic Energy Defense Activities
Weapons Activities
(Dollars in thousands)

Operating Expenses	Installation Date	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request	
		B/A	Obs.	B/O	Obs.	B/A	B/O
<u>Lawrence Livermore Laboratory 1/</u>							
Class IV computer	3/76	\$1,980	\$1,980	\$1,980	\$1,980	\$ 0	\$ 0
Administrative computer 2/	3/79	4/	4/	120	120	500	500
Class VI computer	7/79	5/	4/	2,180	2,180	3,660	3,660
Support processor	7/80	0	0	0	0	0	200
Peripheral equipment	10/79	0	0	0	0	450	450
Communication processors	7/80	0	0	0	0	180	180
Subtotal LL		1,980	1,980	4,280	4,280	4,970	4,970
<u>Los Alamos Scientific Laboratory 1/</u>							
CRAY-1 computer	3/76	2,850	2,850	3,200	3,200	3,300	3,300
Peripheral equipment	7/78-5/80	180	180	700	700	1,000	1,000
Distributed processors	8/78-1/80	0	0	60	60	700	700
Class VI computer	8/79	0	0	5/	5/	2,600	2,600
Administrative computer	3/80	0	0	0	0	100	100
Subtotal LASL		3,030	3,030	3,960	3,960	7,700	7,700
<u>Sandia Laboratories 1/</u>							
Engineering computer, SLA 2/	1/79	4/	4/	523	523	1,920	1,920
Scientific computer, SLL	7/79	0	0	500	500	2,500	2,500
Subtotal Sandia		0	0	1,023	1,023	4,420	4,420
<u>Bendix Plant</u>							
General purpose computer 3/	6/78	510	510	1,970	1,970	1,702	1,702

See page 6 for explanation of footnotes.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST
MAJOR COMPUTER REQUIREMENTS

Atomic Energy Defense Activities
Atomic Energy Defense Activities
Weapons Activities
(Dollars in Thousands)

Operating Expenses - Continued	Installation Date	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request	
		B/A	Obs.	B/A	Obs.	B/A	B/O
Rocky Flats Plant							
General purpose computer 3/	9/79	\$ 0	\$ 0	\$ 0	\$ 100	\$ 100	\$1,500
Mound Facility							
General purpose computer 3/	9/80	0	0	0	0	0	100
Total Operating Expenses		\$5,520	\$5,520	\$5,520	\$11,333	\$11,333	\$20,392

- 1/ Total lease costs are shown for each equipment line. Lease costs incurred by the weapons program at these laboratories represents approximately 70 percent of the total lease costs shown.
- 2/ 100% lease credits for approximately 2 years.
- 3/ Lease to ownership.
- 4/ Identified for acquisition in the FY 1978 budget with operating funds.
- 5/ Identified for acquisition in the FY 1979 budget with operating funds.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST
MAJOR COMPUTER REQUIREMENTS

Atomic Energy Defense Activities
Atomic Energy Defense Activities
Materials Production
(Dollars in Thousands)

Capital Equipment - Computer Acquisition	Installation Date	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request	
		B/A	Obs.	B/A	Obs.	B/A	B/O
Richland							
Integrated reactor information system	8/78	\$350	\$350	\$ 0	\$ 0	\$ 0	\$ 0
Savannah River							
Additional on-line storage	3/80	0	0	0	400	0	400
Direct access storage		0	0	320	0	0	0
Upgrade J70/158 computer system	9/78-3/79	1,635	1,635	675	0	960	0
Magnetic tape drives	3/78	225	225	0	0	0	0
Terminals	6/78	500	500	0	0	0	0
Subtotal Savannah River		2,360	2,360	1,720	400	960	400
Total Capital Equipment		\$2,710	\$2,710	\$2,070	\$400	\$ 0	\$400

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST
MAJOR COMPUTER REQUIREMENTS

General Science and Research

Basic Sciences

High Energy Physics

(Dollars in Thousands)

Installation Date	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request	
	B/A	Obs.	B/A	B/O	B/A	B/O
Capital Equipment - Computer Acquisition						
<u>FERTILAB</u>						
Central Computer Facility	1/79	\$12,000	\$60	\$ 0	\$11,940	\$ 0
<u>Brookhaven National Laboratory</u>						
Alternating Gradient Synchrotron						
On-line Data Facility (OLDF)	4/78	276	273	0	3	0
Upgrade		0	0	0	0	0
Mass Storage Facility	4/80	0	0	0	1,000	1,000
Subtotal BNL		276	273	0	3	1,000
<u>Stanford Linear Accelerator Center</u>						
End Station Computer	9/78	260	0	0	260	0
Total Capital Equipment		\$12,536	\$ 333	\$ 0	\$12,203	\$1,000

Department of Energy
 FY 1980 CONGRESSIONAL BUDGET REQUEST
 MAJOR COMPUTER REQUIREMENTS
 General Science and Research
 Basic Sciences
 High Energy Physics

(Dollars in Thousands)

Operating Expenses	Installation Date	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request	
		B/A	Obs.	B/A	Obs.	B/A	B/O
<u>Stanford Linear Accelerator Center</u>							
Central Computer Facility	5/80	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,200	\$ 1,200
Total Operating Expenses		\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,200	\$ 1,200

Department of Energy
 FY 1980 CONGRESSIONAL BUDGET REQUEST
 MAJOR COMPUTER REQUIREMENTS
 General Science and Research
 Basic Sciences
 Nuclear Physics

Installation Date	(Dollars in Thousands)				FY 1979 Estimate		FY 1980 Request	
	FY 1978 Actual	B/O	B/A	Obs.	B/A	B/O	B/A	B/O
Capital Equipment - Computer Acquisition								
Los Alamos Scientific Laboratory								
LANP Data Analysis System	9/80	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500	\$ 485
Total Capital Equipment		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500	\$ 485

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST
MAJOR COMPUTER REQUIREMENTS

Energy Supply Research and Development
Nuclear
Commercial Waste Management
(Dollars in Thousands)

Installation Date	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request	
	B/A	Obs.	B/A	Obs.	B/A	B/O

Capital Equipment -
Computer Acquisition

Salt Test Facility
Data Collection and Monitoring
System
Total Capital Equipment

1/81	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500	\$ 0
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500	\$ 0

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST
MAJOR COMPUTER REQUIREMENTS

Energy Supply Research and Development
Nuclear
Breeder

(Dollars in Thousands)

	Installation Date	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request	
		B/A	Obs.	B/A	Obs.	B/A	B/O
Capital Equipment - Computer Acquisition							
Argonne National Laboratory							
Large computer system	9/78 & 5/79	\$ 0	10,333 ^{1/}	\$ 0	\$ 0	\$ 0	\$ 0
Idaho National Engineering Laboratory							
Mass storage	1/79	0	0	0	800	800	0
Main memory	3/79	0	0	0	900	303	0
Subtotal INEL		0	0	0	1,700	1,103	0
Richland							
Data collection system		0	0	304	0	0	0
Nuclear materials control data system		0	0	307	0	78	0
Subtotal Richland		0	0	611	0	78	0
Hanford Engineering Development Laboratory- FFTF							
Process Instr. & Control Sep. Computer	Early 1979-81	985	0	0	0	400 ^{2/}	200
Total Capital Equipment		985	10,333	6,827	1,700	2,100	5,698
Operating Expenses							
Idaho National Engineering Laboratory							
Hybrid computer ^{3/}	3/77	200	200	200	200	200	200
CYBER system upgrade	Mid 1979	0	0	0	136	136	272
Total Operating Expenses		\$200	\$200	\$200	\$336	\$336	\$472

^{1/} FY 1977 carryover.

^{2/} FY 1978 carryover.

^{3/} Lease to ownership.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST
MAJOR COMPUTER REQUIREMENTS

Energy Supply Research and Development
Magnetic Fusion
Confinement Systems; Development and Technology; Applied Plasma Physics
(Dollars in Thousands)

Capital Equipment - Computer Acquisition General Atomic	Installation Date	FY 1978		FY 1979		FY 1980 Request	
		B/A	Actual Obs.	B/O	B/A	Estimate Obs.	B/O
Data Acquisition and Control		\$ 0	\$ 0	\$ 735	\$ 0	\$ 0	\$ 0
Princeton Plasma Physics Laboratory							
PLT/PPX Data Acquisition System							
Upgrade	Early 1979	0	0	0	503	503	0
Class III Computer	4/78	0	160 1/	2,150	0	0	0
Subtotal PPPL		0	160	2,150	503	503	0
Los Alamos Scientific Laboratory							
TSTA Control Computer		0	0	224	0	0	0
Lawrence Livermore Laboratory - National							
HFE Computer Center		0	0	270	0	0	0
File Manager Memory		0	0	150	0	0	0
Microfiche System		0	349 1/	349	0	0	0
Disk System	9/78						
Automatic Tape System and		530	530	0	0	0	0
High Performance Disk	Early 1979	0	1,360 2/	1,077	0	0	0
Class VI Peripherals	6/78	0	1,360 2/	1,077	0	0	0
Subtotal LL		530	2,739	1,846	0	0	0

1/ FY 1977 carryover.
2/ Includes FY 1977 carryover of \$1,320.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST
MAJOR COMPUTER REQUIREMENTS

Energy Supply Research and Development
Magnetic Fusion
Confinement Systems; Development and Technology; Applied Plasma Physics
(Dollars in Thousands)

	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request	
	B/A	Obs.	B/A	Obs.	B/A	B/O
Capital Equipment - Computer Acquisition - continued						
Oak Ridge National Laboratory						
PDP-10 General Facility	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
USC Upgrade	0	0	0	0	0	0
Data Acquisition and Processing System 1/	700	700	0	0	0	0
Time-sharing System 1/	0	0	0	0	800	800
Subtotal ORNL	700	700	1,037	0	800	800
Total Capital Equipment	\$1,230	\$3,099	\$5,992	\$503	\$800	\$800

1/ These computer requirements are part of the NFE landlord responsibilities at ORNL. The FY 1978 requirement was previously identified under the Basic Energy Sciences Program.

Department of Energy FY 1980 CONGRESSIONAL BUDGET REQUEST MAJOR COMPUTER REQUIREMENTS									
Energy Supply Research and Development Magnetic Fusion Confinement Systems; Development and Technology; Applied Plasma Physics									
Installation Date	(Dollars in Thousands)								
	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request				
	B/A	Obs.	B/A	Obs.	B/A	Obs.	B/A	Obs.	B/O
Operating Expenses									
Lawrence Livermore Laboratory - National MFE Computer Center									
Class VI Computer System									
Oak Ridge National Laboratory									
Large Scale Computer System ^{1/}									
Total Operating Expenses									
	\$1,300	\$1,300	\$1,230	\$3,093	\$3,093	\$3,050	\$3,050	\$3,050	\$3,050
4/78									
Late 1979									
	0	0	0	300	300	3,600	3,600	3,600	3,600
	\$1,300	\$1,300	\$1,230	\$3,393	\$3,393	\$6,650	\$6,650	\$6,650	\$6,650

^{1/} This computer requirement is part of the MFE landlord responsibility at ORNL and was previously identified under the Basic Energy Sciences Program. The cost of this general purpose computer will be charged to user programs on a percentage of usage basis.

Department of Energy
 FY 1980 CONGRESSIONAL BUDGET REQUEST
 MAJOR COMPUTER REQUIREMENTS
 Energy Supply Research and Development
 Environment
 Environmental Research and Development

Installation Date	(Dollars in Thousands)				FY 1979 Estimate		FY 1980 Request	
	FY 1978 Actual	B/O	B/O	Obs.	B/A	B/O	B/A	B/O
Capital Equipment - Computer Acquisition								
Nevada								
Aerial Measuring System (AMS) Computer System								
University of Rochester								
Real-Time Remote-Batch Minicomputer								
Total Capital Equipment								

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST
MAJOR COMPUTER REQUIREMENTS

Energy Supply Research and Development
Basic Research
Basic Energy Sciences
(Dollars in Thousands)

	Installation Date	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request	
		B/A	Obs.	B/A	Obs.	B/A	B/O
Capital Equipment - Computer Acquisition							
Brookhaven National Laboratory							
Central Data Processing System Enhancements - Phase I	7/78	\$395	\$395	\$ 0	\$ 0	\$395	\$ 0
- Phase II	8/79	0	0	505	505	110	0
Subtotal BNL		395	395	0	505	505	0
New York University							395
Minicomputer	6/78	400	278	13	0	165	0
Total Capital Equipment		795	673	13	505	670	0
Operating Expenses							495
Ames Laboratory							
Central Computer System 1/ 2/	4/80	0	0	0	0	0	425
Total Operating Expenses		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 425

1/ The cost of this general purpose computer will be charged to user programs on a percentage of usage basis.

2/ Lease to ownership.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST
MAJOR COMPUTER REQUIREMENTS

Uranium Enrichment
Energy Production, Demonstration and Distribution
Uranium Enrichment Activities
(Dollars in Thousands)

Installation Date	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request	
	B/A	Obs.	B/O	Obs.	B/A	B/O
Capital Equipment - Computer Acquisition						
Oak Ridge Gaseous Diffusion Plant						
Mass storage, IBM 360/195	\$ 0	\$ 0	\$ 268	\$ 0	\$ 0	\$ 0
Memory for IBM 360/195	1,200	1,200	1,102	0	0	0
Total Capital Equipment	1,200	1,200	1,370	0	0	0
Operating Expenses						
Oak Ridge Gaseous Diffusion Plant						
Memory for IBM 360/195	138	138	138	0	0	0
Total Operating Expenses	\$138	\$138	\$138	\$ 0	\$ 0	\$ 0

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST
MAJOR COMPUTER REQUIREMENTS

Energy Information Administration
Energy Information
Production and Dissemination; Data Validation; and Data Information Services
(Dollars in Thousands)

Capital Equipment - Computer Acquisition	Installation Date	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request	
		B/A	Obs.	B/A	Obs.	B/A	B/O
Energy Information Administration Headquarters							
Peripheral Upgrade	10/79						
Total Capital Equipment		\$0	\$0	\$0	\$0	\$500	\$500
		0	0	0	0	500	500

Operating Expenses

Energy Information Administration Headquarters							
IBM 370/168 MP System ^{1/}	10/77	5,346	5,346	5,346	5,167 ^{1/}	5,167 ^{1/}	0
IBM 370/158 System	8/74	911	911	911	911	911	0
Class IV CPU's	10/79	0	0	0	0	0	2,232
Class IV System New							
Peripherals ^{3/}	10/79	0	0	0	0	0	1,250
Continuing Peripheral Lease ^{3/}	10/77	2/	2/	2/	2/	2/	1,966
Total Operating Expenses		\$6,257	\$6,257	\$6,257	\$6,078	\$6,078	\$5,448

^{1/} Included in this amount is payment under a lease to ownership plan for the IBM 370/168 MP CPU's.

^{2/} Included in FY 1978 and FY 1979 under the IBM 370/168 MP System lease.

^{3/} Lease to ownership.

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST
MAJOR COMPUTER REQUIREMENTS

Departmental Administration
Policy and Management
Management and Support
(Dollars in Thousands)

	Installation Date	FY 1978 Actual		FY 1979 Estimate		FY 1980 Request	
		B/A	Obs.	B/A	Obs.	B/A	B/O
Capital Equipment - Computer Acquisition <u>Administrative Computer Center,</u> <u>Germantown, ND</u>							
Additional memory for IBM 370/165	2/78	\$220	\$220	\$0	\$0	\$0	\$0
Total Capital Equipment		\$220	\$220	\$0	\$0	\$0	\$0

Department of Energy
FY 1980 CONGRESSIONAL BUDGET REQUEST
MAJOR COMPUTER REQUIREMENTS

Departmental Administration
Policy and Management
Intergovernmental and Institutional Relations
(Dollars in Thousands)

Capital Equipment - Computer Acquisition	Technical Information Services Technical Information Center	Installation Date	FY 1978 Actual		B/O	FY 1979 Estimate		FY 1980 Request	
			B/A	Obs.		B/A	Obs.	B/A	B/O
Data base compilation system Replacement of 1st CPU Replacement of 2nd CPU	Total Capital Equipment	8/79	\$ 0	\$31 1/	\$ 0	\$ 0	\$664 1/	\$ 0	\$ 0
		8/79	667	0	0	0	667 2/	0	0
			\$667	\$31	\$ 0	\$ 0	\$1,331	\$ 0	\$ 0

1/ FY 1977 carryover.

2/ FY 1978 carryover.

Department of Energy
 FY 1980 CONGRESSIONAL BUDGET REQUEST
 MAJOR COMPUTER REQUIREMENTS
 Bonneville Power Administration
 Power Marketing -- Bonneville Power Administration
 (Dollars in Thousands)

Installation Date	FY 1978 Actual		FY 1979 Estimate		FY 1980 Estimate	
	B/A	Obs.	B/A	Obs.	B/A	B/O
Bonneville Power Administration Revolving Fund						
Bonneville Power Administration						
6/79	\$ 0	\$ 0	\$ 0	\$ 44	\$ 44	\$ 132
CPU Replacement - Lease						
Total BPA Revolving Fund	\$ 0	\$ 0	\$ 0	\$ 44	\$ 44	\$ 132

COMPUTER ACQUISITIONS—FISCAL YEAR 1980

Mr. BEVILL. Please provide for the record a brief justification for each new major item of computer equipment in Fiscal Year 1980 that falls under the purview of this Subcommittee.

Mr. HEFFELFINGER. Yes, sir.

[The information follows:]

FY 1980 Department of Energy

Computer Equipment

a. Peripheral Equipment, Los Alamos Scientific Laboratory - \$1,400K (Capital)

This action proposes the purchase of new 1980 items and prior-year leased items where the economic analysis indicates purchase to be the most cost effective method of acquisition. Items included are (1) a high performance graphics system, (2) network integration equipment, and (3) upgrading of input/output devices to allow replacement of obsolete peripherals.

b. Mass Storage, Sandia Laboratories, Albuquerque - \$3,500K (Capital)

This proposed purchase will provide a mass storage system serving the Laboratory's scientific computer network. The benefits are improved user response time and reduction of tape errors. The saturation of the existing mass storage is seriously affecting large hydrocode modeling as well as interactive graphics and timesharing users requiring fast response times. Due to the mass store saturation, increased tape usage has resulted in a significant increase in tape errors leading to manpower inefficiencies and increased costs for rerunning jobs.

c. Mass Storage, Sandia Laboratories, Livermore, \$1,100K (Capital)

This proposed purchase will provide on-line mass storage to support large data volumes which characterize increasingly complex scientific codes. The benefits relate to the ability to have fast access to large amounts of data while costing less per unit of storage than disk and yet providing more reliability and faster access than tape.

d. General Purpose Computer Memory, Bendix-Kansas City Plant - \$1,250K (Capital)

Additional CPU memory, disk units, and tape units are proposed for purchase to expand the total capacity of the computer system installed in FY 1978. The memory is a minimum unit of expansion which is necessary to meet a growing interactive workload. The disk units will provide needed capacity, speed, system throughput, and ensure adequate reliability by replacing older units reaching the end of their life expectancy. The tape units will replace six remaining old drives and thus complete the conversion to high density drives started with the installation of the new computer.

e. Support Processor, Lawrence Livermore Laboratory - \$200K
(Operating)

This item proposes the lease of support processors that can run user programs and utilities in close interactive "support" of the physics modeling codes running on the large-scale computers. The support processors offer improved user interface with the computer and offload small-scale simulations and pre- and post-processing from the large scientific computers thereby making more time available for the execution of large physics modeling codes.

f. Peripheral Equipment, Lawrence Livermore Laboratory - \$450K
(Operating)

This proposed lease will replace 32 tape drives of early 1960 technology that have increasingly become sources of maintenance and operational problems. High density, more reliable tape drives are essential for processing very large jobs such as nuclear explosive codes for permanent data storage and transportation media. The new equipment will become part of the shared storage hierarchy and will be available to all computers in the network including those added in later years.

g. Communication Processors, Lawrence Livermore Laboratory - \$160K (Operating)

This proposed lease will increase communications capability between the user and the central computing sites supporting both a growth in users and increased central site capability. Communications components being acquired are: (1) two concentrators for attaching user control minicomputers to the network, (2) expansion of television monitor display stations, (3) a concentrator for keyboard terminals, and (4) high capacity shared communication trunks. By 1980, there will be over 400 functional units of various types which will require intercommunication to the network. This request will serve that growth.

h. Administrative Computer, Los Alamos Scientific Laboratory - \$100K (Operating)

This action proposes the replacement of an older computer by leasing a medium-scale computer, compatible with the network operating system, to perform administrative data processing and process relatively small scientific programs. Acquiring this type of computer with adequate memory will give much needed additional processing capacity for running those class of jobs while freeing the larger computers for processing more complex problems.

i. General Purpose Computer, Mound Facility - \$100K (Operating)

This request is for the acquisition of a computer system to replace the existing IBM 360/50 and 360/65 computer systems. The present workload will saturate these computer systems in FY 1980. Additionally,

the projected workload growth in the early 1980's necessitates increasing the computational capacity and capability. The existing systems cannot meet this increased requirement of manufacturing support, testing control, scheduling, cost control, scientific computation, graphics, data base management, and timesharing. This acquisition is also necessary because the reliability of these older systems is poor and their operating systems are no longer supported by the manufacturer.

- j. Mass Storage Facility, Brookhaven National Laboratory - \$1,000K (Capital)

This proposed purchase is to provide a tape library mass storage system at the Laboratory which is currently experiencing a growing shortage of on-line permanent file space. This shortage could have an adverse programmatic effect on all Laboratory research activities that rely heavily on information storage, retrieval of significant amounts of data from large repositories, and data management.

- k. Central Computer Facility, Stanford Linear Accelerator Center - \$1,200K (Operating)

This request is for the acquisition of a leased computer system as an addition to the site's central computing facility. Computing at SLAC has been continually evolving towards a greater integration and support of on-line computer reduction and analysis of experimental data. This growing shift towards on-line/interactive computing and the increased computing demand once the Position-Electron-Project (PEP) experimental program becomes operational dictate that increased capacity be obtained via the acquisition of an additional computing system for integration into the site's central computing facility.

- l. The Clinton P. Anderson Meson Physics Facility Data Analysis System, Los Alamos Scientific Laboratory - \$500K (Capital)

This data analysis computer system is the highest priority need at LAMPF. The computer system, which will serve all LAMPF users, is a special purpose, dedicated system designed specifically for analysis of experimental data generated at LAMPF. The system will provide data analysis capability to match LAMPF's high throughput capabilities (a dozen or more experiments are executed simultaneously in the course of regularly scheduled operation) and thus will enhance overall facility productivity. The total estimated purchase cost of the computer system is \$825,000. Of that amount, \$500,000 is included in the FY 1980 request, and \$325,000 will be requested in FY 1981.

- m. Data Collection and Monitoring System, Salt Test Facility - \$500K (Capital)

This proposed purchase is for a minicomputer system to monitor the progress of experiments and analyze large volumes of data generated by hundreds of instruments placed in bore holes deep in the ground as part of

the terminal isolation R&D program. The success or failure of the Salt Test Facility cannot be determined without the use of this data collection and monitoring system.

n. Timesharing System, Oak Ridge National Laboratory - \$800K / /
(Capital)

The existing PDP-10 computer system at ORNL primarily functions as a scientific and engineering, problem-solving, interactive tool. It is also used for program development, testing, and for submitting jobs to the larger mainframe computers. This system is expected to become heavily oversubscribed in FY 1980 and projections indicate that an unacceptable degradation in response time will occur. This acquisition is to upgrade the existing timesharing computer system by purchasing an additional CPU, memory, and disks.

o. Central Computer System, Ames Laboratory - \$425K (Operating)

The acquisition of a general purpose computing system is required to meet DOE programmatic needs at Ames Laboratory. In the past, the Laboratory has been dependent upon the Iowa State University computer center for most of its batch processing work and the Lawrence Berkeley Laboratory for running complex scientific codes. The Iowa State University computer center cannot accommodate the workload projected for the future and is not configured to support interactive processing which is badly needed by the Laboratory. The Laboratory plans to acquire a computer with moderate capacity and continue to run its extremely complex scientific codes on a resource sharing basis at other DOE sites.

COMPUTER POLICY

Mr. BEVILL. Capital fund requirements for acquisition of computers have decreased since FY 1978 at the same time that operating fund requirements have steadily risen. Does this represent a significant change in acquisition strategy by DOE?

Mr. HEFFELFINGER. Prior to the formation of the Department of Energy in October 1977, computer acquisitions were conducted primarily by the Energy Research and Development Administration, Federal Energy Administration, and Federal Power Commission. While both FEA and FPC obtained most of their computer capabilities through use of operating funds, ERDA followed a policy for many years that major computers be purchased. DOE's policy is that each acquisition must be examined on a case-by-case basis to determine that it will meet programmatic requirements, that a lease vs. purchase economic analysis identifies the most cost-effective alternative for acquisition, and that the type and amount of funds requested can be accommodated when weighed on a priority basis against competing programmatic requirements. In addition, a new acquisition strategy has emerged which permits the acquisition of title to computers by completing a time payment plan over a period of years, usually 3 to 5. This is variously referred to as "lease-to-ownership," "alternate purchase plan," "deferred purchase plan," "100% credit accrual," "installment plan," etc. It is designed to accommodate the use of operating funds for each year prior to the final year of the plan. At the end of each fiscal year of the plan, the contract may be cancelled with no penalty to the Government, in which case, the operating funds spent represent lease costs expended without accrual of purchase option credits. If the plan is carried to completion, the Government owns the equipment and carries the equipment as capital assets on the books. This type of plan has the advantage of leveling cash flow while maintaining budget flexibility between lease and ownership alternatives. It represents an additional management alternative to be examined, but the final decision on acquisition strategy is made based on programmatic needs and economic analysis of alternatives. In FY 1979 and FY 1980, this type of plan accounts for \$8.6 million and \$10 million respectively out of \$21.6 million and \$35 million in operating funds.

Mr. BEVILL. Provide a short discussion of the Department of Energy's technical and economic rationale for requesting continuation of leases for three CRAY-1 computers installed at the Lawrence Livermore Laboratory's Computer Center, the Lawrence Livermore Laboratory's National Center, and the Los Alamos Scientific Computer Magnetic Fusion Energy Computing Center's Central Computing Facility.

Mr. HEFFELFINGER. The CRAY-1 computers, manufactured by CRAY Research, Inc., are state-of-the-art, large-scale supercomputers utilizing advanced technology. It is DOE's policy that any such system be thoroughly tested and evaluated prior to purchase. Such evaluations are for the purpose of ensuring that the system will operate as advertised, will operate reliably over time, is properly configured for maximum efficiency, and is capable of meeting the programmatic workload for which it was acquired.

Both the CRAY-1 computers at the Lawrence Livermore Laboratory are still undergoing test and evaluation having been installed in May 1978 at the National Magnetic Fusion Energy Computer Center and January 1979 at the Lawrence Livermore Laboratory Computer Center. Accordingly, purchase of these computers is not recommended in FY 1980. Current DOE plans call for purchase of both systems in FY 1981. The lease vs. purchase breakeven points computed at the time of the contract award were July 1981 and February 1982, respectively. In the interim, 60% of the monthly lease charges, up to a maximum of 75% of the purchase price, are being credited toward eventual purchase.

The CRAY-1 computer at the Los Alamos Scientific Laboratory Computing Center was installed in October 1976. Its lease vs. purchase breakeven point is July 1979. However, 60% of the monthly lease charges up to a maximum of 75% of the purchase price will continue to be credited towards its eventual purchase until January 1981 at which time accrual of credit stops. Although the Los Alamos CRAY-1 computer was a candidate for purchase in FY 1980, a programmatic decision was made to continue leasing through FY 1980 based on the fact that lease credits would continue to accrue into FY 1981 and Atomic Energy Defense Activities capital programmatic funds were severely constrained. If a subsequent decision is made to purchase the Los Alamos CRAY-1 computer in FY 1980, capital funds in the approximate amount of \$4,500,000 and operating funds in the amount of \$825,000 would be required, assuming a January 1980 date for conversion to purchase.

INVENTORIES

Mr. BEVILL. Provide for the record a breakdown of common use stores inventories for 1979 and 1980, by location and type of inventory. Show beginning and year-end balances, turnover data and proposed distribution if the \$9.3 million increase requested for 1980 is not approved.

Mr. MITCHELL. Yes, sir.

[The material follows:]

COMMON USE STORES

[BUDGET AUTHORITY AMOUNTS IN THOUSANDS]

	FY 1979				FY 1980				PROPOSED DIST. IF 1980 INCREASE NOT APPROVED
	BEGINNING BALANCE	ENDING BALANCE	ISSUANCES	TURNOVER	BEGINNING BALANCE	ENDING BALANCE	ISSUANCES	TURNOVER	
Albuquerque Operations Office ...	\$ 23,546	\$ 25,365	\$ 33,274	1.3	\$ 25,365	\$ 26,655	\$ 37,139	2.5	\$ 760
Ames Laboratory	600	600	515	.9	600	621	540	.9	10
Argonne National Laboratory	12,966	12,875	6,190	.5	12,875	13,290	6,103	.5	-183
Brookhaven National Laboratory ..	3,003	2,993	7,400	2.5	2,993	3,144	7,600	2.5	29
Chicago Operations Office	12,324	12,334	7,050	.6	12,334	12,892	8,650	.7	-1,572
FFTF	15,967	17,241	2,692	.2	17,241	17,806	3,582	.2	1,588
Grand Junction Office	-	-	-	-	-	1	-	-	-
Headquarters	2	193	-	-	193	2,075	-	-	-
Idaho Operations Office	8,560	8,060	10,798	1.3	8,060	8,494	11,391	1.4	242
Lawrence Berkeley Laboratory	2,172	2,339	5,200	2.3	2,339	2,493	5,900	2.4	70
Lawrence Livermore Laboratory ...	9,782	10,934	20,000	1.9	10,934	11,434	22,000	2.0	329
Los Alamos Scientific Laboratory	8,353	9,348	14,375	1.6	9,348	9,753	15,900	1.7	280
Nevada Operations Office	11,330	12,330	16,130	1.4	12,330	13,067	21,816	1.7	370
Oak Ridge National Laboratory ...	4,949	6,399	7,205	1.3	6,399	7,160	8,041	1.2	553
Oak Ridge Operations Office	57,921	61,532	51,324	.9	61,532	66,267	57,719	.9	2,931
Pittsburgh Naval Reactors Office	1,670	1,670	3,370	2.0	1,670	1,785	3,240	1.9	-
Richland Operations Office	12,829	12,696	22,668	1.8	12,696	13,261	24,703	1.9	381
San Francisco Operations Office ..	6,410	5,050	7,300	1.3	5,050	5,293	8,000	1.5	-545
Savannah River Operations Office	23,915	23,915	25,877	1.1	23,915	29,577	27,284	1.0	4,753
Schenectady Naval Reactors Office	1,372	1,350	2,900	2.1	1,350	1,436	2,950	2.1	4
Southwestern Power Administration	1,336	1,336	-	-	1,336	-	-	-	-
Total Common Use Stores	\$ 219,007	\$ 228,580	\$ 244,268	1.0	\$ 228,580	\$ 247,840	\$ 272,558	1.1	\$ 10,000

Mr. BEVILL. Provide for the record a breakdown of all other inventories by location and type of inventory, including those inventories distributed to programs, showing beginning and year-end balances, turnover data and proposed increases or decreases in 1980.

Mr. MITCHELL. Yes, sir.

[The information follows:]

SPECIAL PROCESS SPARES
[BUDGET AUTHORITY AMOUNTS IN THOUSANDS]

	FY 1979				FY 1980				INCREASE OR DECREASE
	BEGINNING BALANCE	ENDING BALANCE	ISSUANCES	TURNOVER	BEGINNING BALANCE	ENDING BALANCE	ISSUANCES	TURNOVER	
Argonne National Laboratory	\$ -18	\$ -12	\$ -	-	\$ -	\$ -12	\$ 538	-	\$ 544
Brookhaven National Laboratory	760	1,275	-	-	1,275	2,105	-	-	315
Chicago Operations Office	4,392	5,482	-	-	5,482	5,702	-	-	-870
FFTF	11,742	13,741	300	.02	13,741	14,153	300	.02	-1,587
Idaho Operations Office	4,522	8,791	224	.03	8,791	10,350	251	.03	-2,710
Los Alamos Scientific Laboratory ..	3,171	3,851	1,766	.5	3,851	5,265	2,093	.5	734
Nevada Operations Office	-	-	-	-	-	21	-	-	21
Oak Ridge Operations Office	4,210	8,510	4,196	.7	8,510	13,210	4,947	.5	400
Pittsburgh Naval Reactors Office ..	7,478	8,129	142	.02	8,129	8,325	142	.02	-455
Richland Operations Office	2,499	2,508	223	.09	2,508	3,029	243	.09	512
San Francisco Operations Office ..	26	26	-	-	26	2,126	-	-	2,100
Savannah River Operations Office ..	7,196	7,647	3,510	.5	7,647	8,097	3,680	.5	-1
Schenectady Naval Reactors Office ..	10,499	10,611	900	.08	10,611	12,585	1,100	.09	1,862
Total Other Special Materials ...	\$ 56,477	\$ 70,559	\$ 11,261	.2	\$ 70,559	\$ 85,506	\$ 12,756	.2	\$ 865

FUEL FABRICATION
[BUDGET AUTHORITY AMOUNTS IN THOUSANDS]

	FY 1979				FY 1980			
	BEGINNING BALANCE	ENDING BALANCE	ISSUANCES	TURNOVER	BEGINNING BALANCE	ENDING BALANCE	ISSUANCES	TURNOVER
Ames Laboratory	\$ 182	\$ 182	\$ -	-	\$ 182	\$ 182	\$ -	-
Argonne National Laboratory	10,884	9,690	1,467	.1	9,690	9,135	1,210	.1
Brookhaven National Laboratory ..	5,513	7,313	371	.06	7,313	7,313	537	.07
FFTF	94,321	94,615	-	-	94,615	94,615	6,368	.07
Idaho Operations Office	12,705	15,205	3,000	.2	15,205	17,205	2,900	.2
Oak Ridge National Laboratory ...	4,665	4,665	1,154	.2	4,665	4,805	1,268	.3
Pittsburgh Naval Reactors Office	430	430	-	-	430	430	-	-
Total Fuel Fabrication	\$ 128,700	\$ 132,100	\$ 5,992	.05	\$ 132,100	\$ 133,665	\$ 12,283	.09
								\$ -1,815

Ames Laboratory

Argonne National Laboratory

Brookhaven National Laboratory ..

FFTF

Idaho Operations Office

Oak Ridge National Laboratory ...

Pittsburgh Naval Reactors Office

Total Fuel Fabrication

SPECIAL REACTOR MATERIALS
[BUDGET AUTHORITY AMOUNTS IN THOUSANDS]

	FY 1979				FY 1980			
	BEGINNING BALANCE	ENDING BALANCE	ISSUANCES	TURNOVER	BEGINNING BALANCE	ENDING BALANCE	ISSUANCES	TURNOVER
Albuquerque Operations Office	\$ 28,093	\$ 36,286	\$ 8,435	.3	\$ 36,286	\$ 61,692	\$ 12,203	.2
Argonne National Laboratory	40	40	-	-	40	40	-	-
Chicago Operations Office	105	105	-	-	105	105	-	-
Headquarters	123	123	-	-	123	123	-	-
Idaho Operations Office	100	100	-	-	100	100	-	-
Lawrence Livermore Laboratory	103	116	96	.9	116	136	103	.8
Oak Ridge National Laboratory	1,308	1,308	75	.1	1,308	1,233	75	.1
Pittsburgh Naval Reactors Office ..	22,418	22,418	-	-	22,418	22,402	-	-
Richland Operations Office	8,100	10,347	2,198	.2	10,347	14,347	2,522	.2
Savannah River Operations Office ..	99,639	117,038	9,284	.1	117,038	132,788	5,235	.04
Schenectady Naval Reactors Office ..	64	83	21	.3	83	76	19	.2
Total Special Reactor Materials ..	\$ 160,093	\$ 187,964	\$ 20,109	.1	\$ 187,964	\$ 233,042	\$ 20,157	.1
								\$ 17,207

INCREASE OR
DECREASE

OTHER SPECIAL MATERIALS

[BUDGET AUTHORITY AMOUNTS IN THOUSANDS]

	FY 1979				FY 1980				INCREASE OR DECREASE
	BEGINNING BALANCE	ENDING BALANCE	ISSUANCES	TURNOVER	BEGINNING BALANCE	ENDING BALANCE	ISSUANCES	TURNOVER	
Albuquerque Operations Office	\$ 4,933	\$ 5,392	\$ 950	.2	\$ 5,392	\$ 5,531	\$ 850	.2	\$ -320
Ames Laboratory	-204	-204	-	-	-204	-204	-	-	-
Argonne National Laboratory	-547	-547	-	-	-547	-547	-	-	-
Brookhaven National Laboratory	-471	-292	-	-	-292	-292	-	-	-179
Chicago Operations Office	-1,304	-1,271	-	-	-1,271	-1,271	-	-	-33
FFTF	40	40	-	-	40	40	-	-	-
Grand Junction Office	16	21	-	-	21	21	-	-	-5
Headquarters	224	224	-	-	224	224	-	-	-
Idaho Operations Office	184	205	-	-	205	205	-	-	-21
Lawrence Berkeley Laboratory	790	803	-	-	803	803	-	-	-13
Lawrence Livermore Laboratory	1,752	1,808	-	-	1,808	1,808	-	-	-36
Los Alamos Scientific Laboratory ..	1,960	2,051	150	.1	2,051	2,266	150	.1	124
Nevada Operations Office	9	9	-	-	9	9	-	-	-
Oak Ridge National Laboratory	10,391	10,598	2,055	.2	10,598	10,798	2,061	.2	-7
Oak Ridge Operations Office	1,825	1,883	-	-	1,883	1,883	-	-	-58
Pittsburgh Energy Technology Center	3	3	-	-	3	3	-	-	-
Pittsburgh Naval Reactors Office ..	190	190	-	-	190	190	-	-	-
Richland Operations Office	164	166	-	-	166	166	-	-	-2
San Francisco Operations Office ...	1,361	1,385	-	-	1,385	1,385	-	-	-24
Savannah River Operations Office ..	325	325	-	-	325	325	-	-	-
Schenectady Naval Reactors Office ..	143	139	-	-	139	139	-	-	4
Total Other Special Materials ...	\$ 21,784	\$ 22,928	\$ 3,155	.1	\$ 22,928	\$ 23,482	\$ 3,061	.1	\$ -590

Mr. BEVILL. Provide for the record the proposed distribution of inventories by program and location if requested 1980 increases are not approved.

Mr. MITCHELL. A number of programs did not request an increase in inventories in 1980. They are Special Materials Production, Inertial Confinement Fusion, Naval Reactor Development, Magnetic Fusion, Basic Energy Sciences, High Energy Physics, Nuclear Physics, and the other special materials covered under Policy and Management. I will provide for the record a proposed distribution for the remainder of the programs.

[The information follows:]

DISTRIBUTION IF FY 1979 LEVEL
APPROVED FOR FY 1980

[BUDGET AUTHORITY AMOUNTS IN THOUSANDS]

	FY 1980		
	BEGINNING BALANCE	CHANGE	ENDING BALANCE
Weapons Activities			
Special Process Spares			
Los Alamos Scientific Laboratory	\$ 301	\$ -	\$ 301
Oak Ridge National Laboratory	5	-	5
Total Special Process Spares	<u>306</u>	<u>-</u>	<u>306</u>
Special Reactor Materials			
Albuquerque Operations Office	36,286	8,193	44,479
Argonne National Laboratory	40	-	40
Chicago Operations Office	105	-	105
Headquarters	123	-	123
Idaho Operations Office	38	-	38
Lawrence Livermore Laboratory	104	13	117
Oak Ridge National Laboratory	1,278	-	1,278
Schenectady Naval Reactors Office	34	-1	33
Total Special Reactor Materials	<u>38,008</u>	<u>8,205</u>	<u>46,213</u>
Other Special Materials			
Albuquerque Operations Office	4,081	209	4,290
Argonne National Laboratory	2	-	2
Chicago Operations Office	-2,531	-	-2,531
Lawrence Livermore Laboratory	1,559	-	1,559
Los Alamos Scientific Laboratory	1,820	86	1,906
Richland Operations Office	-72	-	-72
Total Other Special Materials	<u>4,859</u>	<u>295</u>	<u>5,154</u>
Total Weapons Activities	<u>\$ 43,173</u>	<u>\$ 8,500</u>	<u>\$ 51,673</u>

DISTRIBUTION IF FY 1979 LEVEL
APPROVED FOR FY 1980

[BUDGET AUTHORITY AMOUNTS IN THOUSANDS]

	FY 1980		
	BEGINNING BALANCE	CHANGE	ENDING BALANCE
Breeder Reactor			
Special Process Spares			
Argonne National Laboratory	\$ -4	\$ -	\$ -4
Fast Flux Test Facility	13,741	412	14,153
Idaho Operations Office	146	30	176
Pittsburgh Naval Reactors Office	2,384	-142	2,242
San Francisco Operations Office	-273	1,657	1,384
Total Special Process Spares	15,994	1,957	17,951
Fuel Fabrication			
Argonne National Laboratory	8,771	-912	7,859
Brookhaven National Laboratory	3,421	-	3,421
Fast Flux Test Facility	94,615	-	94,615
Oak Ridge National Laboratory	227	140	367
Total Fuel Fabrication	107,034	-772	106,262
Total Breeder Reactor	\$ 123,028	\$ 1,185	\$124,213

DISTRIBUTION IF FY 1979 LEVEL
APPROVED FOR FY 1980

[BUDGET AUTHORITY AMOUNTS IN THOUSANDS]

	FY 1980		
	BEGINNING		ENDING
	BALANCE	CHANGE	BALANCE
Space & Terrestrial Applications			
Other Special Materials			
Albuquerque Operations Office	\$ 308	\$ -	\$ 308
Ames Laboratory.....	2	-	2
Argonne National Laboratory.....	2	-	2
Brookhaven National Laboratory	4	-	4
Chicago Operations Office	77	-	77
Headquarters	38	-	38
Lawrence Berkeley Laboratory	6	-	6
Lawrence Livermore Laboratory	78	-	78
Los Alamos Scientific Laboratory	50	-	50
Oak Ridge National Laboratory	2,341	180	2,521
Richland Operations Office	2	-	2
Savannah River Operations Office	8	-	8
Total Space & Terrestrial Applications	<u>\$ 2,916</u>	<u>\$ 180</u>	<u>\$ 3,096</u>

DISTRIBUTION IF FY 1979 LEVEL
APPROVED FOR FY 1980

[BUDGET AUTHORITY AMOUNTS IN THOUSANDS]

	FY 1980		
	<u>BEGINNING</u>		<u>ENDING</u>
	<u>BALANCE</u>	<u>CHANGE</u>	<u>BALANCE</u>
Life Sciences Research and Biomedical Applications			
Isotopes			
Albuquerque Operations Office	\$ 3,635	\$ 500	\$ 4,135
Argonne National Laboratory.....	15	-	15
Brookhaven National Laboratory	114	-	114
Chicago Operations Office	6	-	6
Idaho Operations Office	110	-	110
Nevada Operations Office	167	-	167
Oak Ridge National Laboratory	2,282	230	2,512
Richland Operations Office	58	-	58
Schenectady Naval Reactors Office	<u>18</u>	<u>-</u>	<u>18</u>
Total Life Sciences Research and Biomedical Applications	<u>\$ 6,405</u>	<u>\$ 730</u>	<u>\$ 7,135</u>

DISTRIBUTION IF FY 1979 LEVEL
APPROVED IN FY 1980

[BUDGET AUTHORITY AMOUNTS IN THOUSANDS]

	FY 1980		
	<u>BEGINNING</u> <u>BALANCE</u>	<u>CHANGE</u>	<u>ENDING</u> <u>BALANCE</u>
Uranium Enrichment			
Special Process Spares			
Oak Ridge Operations Office	\$ 8,505	\$ 4,300	\$ 12,805
Total Uranium Enrichment	<u>\$ 8,505</u>	<u>\$ 4,300</u>	<u>\$ 12,805</u>

Mr. BEVILL. Provide a breakdown of the coal stockpiles at the principal facilities showing 1979 and 1980 inventories at requested levels, turnover data, and average days of supply related to average and high-use periods.

Mr. MITCHELL. Our principal facilities utilizing coal are Savannah River Operations Office, Oak Ridge National Laboratory and Oak Ridge Operations Office. I will provide for the record a breakdown of the coal stockpiles at these locations. The average days of supply at Savannah River are 84 days for 1979 and 111 days for 1980. This is for average use periods since their usage is fairly steady throughout the year. At Oak Ridge National Laboratory the days of supply in 1980 are 350 days average use and 300 days high use. For Oak Ridge Operations Office the days of supply for 1979 are 321 average use and 185 days high use and for 1980, 348 days average use and 199 days high use.

[The information follows:]

COAL STOCKPILE BREAKDOWN
(DOLLAR AMOUNTS IN THOUSANDS)

	FY 1979			FY 1980		
	BEGINNING BALANCE	ENDING BALANCE	ISSUANCES TURNOVER	BEGINNING BALANCE	ENDING BALANCE	ISSUANCES TURNOVER
Savannah River Operations Office						
Tons	160,000	120,000	518,000	120,000	174,550	570,000
Dollar Values	4,800	4,800		4,800	9,075	
						3.9
Oak Ridge National Laboratory						
Tons	-	20,000	-	20,000	30,000	20,000
Dollar Values	-	600		600	1,025	
						.8
Oak Ridge Operations Office						
Tons	228,000	215,000	290,000	215,000	236,000	295,000
Dollar Values	5,828	6,368		6,368	8,068	
						1.3
Total						
Tons	388,000	355,000	808,000	355,000	440,550	885,000
Dollar Values	10,628	11,768		11,768	18,168	
						2.2

Mr. BEVILL. So if there is no further business, our next meeting is on April 2.

This committee will now stand adjourned until 10:00 April 2.

TUESDAY, FEBRUARY 13, 1979.

**FISCAL YEAR 1979 REPROGRAMING—PROGRAM
DIRECTION**

WITNESSES

JOHN F. O'LEARY, DEPUTY SECRETARY

WILLIAM S. HEFFELFINGER, DIRECTOR OF ADMINISTRATION

C. N. MITCHELL, ACTING CONTROLLER

Mr. BEVILL. The committee will come to order.

Mr. Secretary, we are pleased to have you before us. Is this your first formal appearance before us?

Mr. O'LEARY. Mr. Chairman, I think that this is in fact the first formal appearance that I have made before this committee.

Mr. BEVILL. I know you have met with us and talked to us informally. We are pleased to have you with us, and since it is your first formal appearance, we would like to have a biographical sketch for the record.

We would appreciate it if you would furnish one.

Mr. O'LEARY. I don't have one, but I will see that one is up here this afternoon.

[The information follows:]

**Department
of Energy****Information**

Office of Public Affairs
Washington, D.C. 20461

JOHN F. O'LEARY

John F. O'Leary is Deputy Secretary of the Department of Energy. He assumed that position on the creation of the Department in October 1977, having served since February of the same year as Administrator of the Federal Energy Administration. FEA became a component of the new Department.

Mr. O'Leary served as Administrator of the New Mexico Energy Resources Board from November 1975 until his appointment at the FEA. He had previously been technical director of energy resources and the environment division of the MITRE Corporation, a systems analysis firm, and a private consultant on energy matters to government agencies and other organizations, including the MITRE Corporation.

From 1972 to 1974, Mr. O'Leary was Director of Licensing for the Atomic Energy Commission. He was self-employed as an energy consultant to firms in the petroleum, natural gas, and coal industries from 1970 to 1972.

O'Leary served as Director of the Bureau of Mines from 1968 to 1970, and in 1967 and 1968 as Chief of the Bureau of Natural Gas of the Federal Power Commission. He served as Deputy Assistant Secretary for Mineral Resources in the Department of the Interior from 1962 to 1967.

Between 1952 and 1962, Mr. O'Leary was an economist in the office of the Assistant Secretary of the Interior for Natural Resources. In the latter part of that period he was a senior staff economist in that office.

Mr. O'Leary was born June 23, 1926, and received an A.B. in economics from the George Washington University in 1950.

January 1978

Mr. BEVILL. If you will briefly summarize your statement, and then we will proceed with questions.

Mr. O'LEARY. Mr. Chairman, I will submit a relatively brief statement for the record and just say a few words in opening it up.

Mr. BEVILL. That will be fine. We will insert your statement and copies of the pertinent correspondence in the record at this point.

[The information follows:]

STATEMENT OF
JOHN F. O'LEARY
DEPUTY SECRETARY
DEPARTMENT OF ENERGY
BEFORE
THE SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES
FEBRUARY 13, 1979

Mr. Chairman, Members of the Subcommittee:

I appreciate the opportunity to appear before you to discuss the proposed FY 1979 reprogramming of \$22.7 million to correct a substantial funding shortage in the Department's personal services and benefits. Of the total amount, about \$21.1 million is under the purview of this Subcommittee. This reprogramming action would increase the amount appropriated for program administration from \$292.5 million to \$313.6 million.

CONTRIBUTING FACTORS

While there are many factors contributing to this shortage, they center around the fact that the FY 1979 budget requests were prepared on the basis of estimates from the individual agencies which were combined into the Department of Energy on October 1, 1977. This situation, coupled with the problems inherent in the formulation of a new Department, frankly led to several errors in preparing the FY 1979 budget submittal.

FULL-TIME PERMANENT SALARY SHORTAGES

One of the two significant problems causing the overall shortage is the fact that the average salary estimates by the previously separate agencies used to formulate the FY 1979 budget was \$1,000 below the current estimated average salary of \$26,500 per full-time permanent staff year. It should be stressed that this in no way indicates an actual increase in average salary, but rather simply represents an underestimate of the FY 1979 budget. Actual average salary for the program direction and management support personnel of the Department only has increased from \$26,050 early in FY 1978 to our current estimate of \$26,500. This underestimation of average salary results in an overall shortage of \$8.5 million, of which about \$7.1 million is under the jurisdiction of this Subcommittee.

The second major problem relates to the fact that certain activities of the Economic Regulatory Administration (ERA) were included within the FY 1979 budget in several mission categories other than the Regulatory mission. Inadvertently, funding for about 330 staff years associated with ERA activities funded in the mission categories other than Regulation never were included in the program direction and management support account or anywhere else in the budget.

Based on our erroneous assumption that this funding was included in the Department's FY 1979 request, the Public Works Subcommittee transferred \$8.8 million of our request to the Interior and Related Agencies Subcommittee

ERA appropriation. However, since these funds were not in the request in the first place, the net result was an \$8.8 million shortfall in the personal services funding.

Finally, a minor increase of 27 staff years from the number included in the FY 1979 request results in \$700,000 of the overall shortage. This is the result of a shift in hiring patterns with a lower beginning strength and higher end strength than estimated in the budget.

OTHER PERSONAL SERVICES

Other personal services includes expenses for salaries of other than full-time permanent positions, premium pay, terminal leave, and equalization payments. The FY 1979 budget request underestimated our actual needs due to a lack of DOE operating experience at the time of formulation. When the FY 1979 budget was formulated, we assumed that requirements in this account would be about 5.8 percent of full-time permanent salaries. However, FY 1978 actual experience indicates that other personal services requirements approximate 6.2 percent of full-time permanent salaries. The resultant shortage is \$2.5 million.

With regard to premium pay, the FY 1978 DOE rate was 2 percent of total personnel compensation. The requested increase would provide for a factor of about 1.8 percent in FY 1979. It should be noted that other large Departments and agencies, such as Agriculture, Defense, Treasury,

Transportation, Interior, and Health, Education and Welfare, experience a premium pay factor of about 2.5 percent of total personnel compensation.

Another contributing factor to the shortage in other personal services is the fact that the FY 1979 budget estimate anticipated the utilization of 720 other than full-time position staff years assuming an average salary of \$12,500. A revised average salary of \$14,400, based on an analysis of FY 1978 actual data, allows for only 556 staff years. That staff year utilization will significantly reduce our level of temporary and part-time employees and summer employment of high school and college students.

PERSONNEL BENEFITS

The \$2.1 million increase requested in this reprogramming for personnel benefits represents a standard factor of 10 percent of the personal services funding I have just discussed. Approximately \$2.0 million of that amount is under the jurisdiction by this Subcommittee.

SOURCE OF FUNDING

The source of the \$21.1 million request before this Subcommittee is unobligated balances from prior years associated with uranium enrichment cascade power. The underrun in FY 1978 was the result of both emergency and negotiated cutbacks in power purchases. Current estimates of the demand for enrichment services indicate that the underrun and accompanying production loss will not impact on the Department's ability to meet its contractual obligations to enrichment customers.

SUMMARY

It is critical to resolve this issue now so that we can be assured of the funding necessary to utilize fully our authorized staffing levels during the remainder of the fiscal year. Given the fact that we are nearing the halfway point in FY 1979, massive adjustments to the Department's workforce would have to be made if the funds identified for reprogramming are not available. Use of either a reduction-in-force or furlough would involve over half of the workforce funded from this account to save the \$21.1 million involved in this reprogramming.

We are eager to resolve this issue to our mutual satisfaction and are here to answer any questions that the Committee may have.

DEPARTMENT OF ENERGY
FY 1979
REPROGRAMMING REQUEST FOR PERSONAL SERVICES
AND BENEFITS
HOUSE APPROPRIATIONS SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT
(BUDGET AUTHORITY IN MILLIONS)

	APPROPRIATION	PROPOSED	INCREASE
ENERGY AND WATER DEVELOPMENT			
PERSONAL SERVICES	\$180.9	\$197.5	\$ 16.6
OTHER COMPENSATION	11.5	14.0	2.5
BENEFITS	19.4	21.4	2.0
OTHER	<u>80.7</u>	<u>80.7</u>	-
SUBTOTAL	\$292.5	\$313.6	\$ 21.1
INTERIOR AND RELATED AGENCIES . .	\$ 30.5	\$ 32.1	\$ 1.6
TOTAL	<u>\$323.0</u>	<u>\$345.7</u>	<u>\$ 22.7</u>

EXHIBIT 1



Department of Energy
Washington, D.C. 20545

January 15, 1979

Honorable Tom Beville
Chairman
Subcommittee on Public Works
House of Representatives
Washington, D.C. 20515

Dear Mr. Beville:

The FY 1979 budget to Congress included \$251 million for Program Direction and Management Support salaries and benefits. A small Congressional reduction coupled with a transfer of almost \$10 million to the Economic Regulatory Administration reduced Program Direction and Management Support availability to approximately \$240.2 million.

We have completed a detailed review of Program Direction and Management Support requirements and have identified an urgent need for additional funding of \$22.7 million for employee salaries and benefits. This proposal to reprogram these additional funds will enable the Department to fully utilize its authorized manpower resources. Without the additional funding, a Department-wide reduction-in-force of significant magnitude would have to be implemented immediately. We consider the impact of such action to be unacceptable. The portion of this shortage for the activities under the auspices of the Public Works Subcommittee is about \$21.1 million.

Briefly, the shortage resulted from uncertainties experienced during the consolidation of the constituent agency budgets into the FY 1979 DOE request. Contributing factors included the use of an inadequate average salary estimate when the budget was formulated, and the inadvertent exclusion of funding for 330 staff years associated with ERA activities.

The enclosed background information provides details regarding the shortage by appropriation, including further explanation of the factors contributing to the funding shortage.

An analysis of the Department's current allocation of positions compared to Committee recommendations is being provided under separate correspondence.

Similar letters are being sent to Senators J. Bennett Johnston, Jr. and Robert C. Byrd and Representative Sidney R. Yates.

Honorable Tom Beville

We will be pleased to discuss this action with you and answer any questions you may have. Due to the significance of the adverse action required, we ask that you favorably consider this proposal as soon as possible.

Sincerely,

131

C. N. Mitchell
Acting Controller

Enclosure

cc: Honorable John T. Myers
House of Representatives

FUNDING JUSTIFICATION

PROPOSED FY 1979 REPROGRAMMING
PROGRAM DIRECTION AND MANAGEMENT SUPPORT
Operating Expenses

The FY 1979 Program Direction and Management Support budget to the Congress was planned to provide 8,451 full-time permanent (FTP) staff years, funding for other than full-time permanent employment, and related personal services and benefits expenses. Congressional changes resulted in a salaries and benefits availability of \$240.2 million for the Management and Support program.

The number of staff years and the amount of personal services and FTP funding required have been reevaluated. Based on the actual beginning manpower level and revised estimates for FTP average salary and other personal services expenses, additional funding of \$22.7 million is required. That increase provides for \$18.1 million for FTP base salaries, \$2.5 million for other personal services, and \$2.1 million for personnel benefits. The revised estimated FTP staff years is 8,478. Using a staff utilization factor of 80% and a projected average salary of \$26,500, the revised salary and benefits requirement now totals \$262.9 million for FY 1979.

Current personal services and benefits funding availability of \$240.2 million will support only 7,796 full-time permanent staff years, 655 less than budgeted for the fiscal year. Without additional funds the Department will be required to immediately institute reductions-in-force of up to 1,000 employees to live within its available resources. Reductions-in-force of this magnitude would have a devastating effect on the Department's ability to plan and manage its programs--especially the technology programs involving very large expenditures of contract dollars and requiring program planning and contract management efforts to protect the Government's interests.

The shortage of FTP base salaries is primarily due to an underestimation of average salary and staff years. The FY 1979 budget, as requested, does not support the required level of positions for the following reasons:

1. The FY 1979 budget was prepared by the component agencies for DOE without considering the initial funding impacts normally associated with the creation of a new large Federal department. The estimated average salary projections calculated by the component agencies were not only lower than current projections, but were even lower than the actual at the time the budget was prepared. An effective average salary of \$24,465, rather than the stated \$25,500, was used in the budget compared to a projected average salary estimate of \$26,500 and an October 1, 1977 actual of \$26,050.

-2-

A contributing factor to the underestimation of average salary was an inconsistency in the treatment of positions and funding for the Economic Regulatory Administration (ERA). All ERA positions and staff years were reflected in the Regulatory program, but the funding for about 330 FTP staff years (\$8.8 million) was included in Program Direction and Management Support. The net effect of this was to provide a budget which in fact supported 330 staff years less in total than originally projected (18,969 staff years versus 19,299 shown in the budget). When the Appropriations Committees pulled all ERA costs into one appropriation, the \$8.8 million for FTP staff year base salaries was removed from Program Direction and Management Support, resulting in a shortfall in that program. The estimated funding shortfall as a result of this situation amounts to approximately \$17.2 million.

2. The DOE FY 1979 Congressional budget indicated a requirement for funding to support 8,451 staff years based on a beginning strength of 8,652 and an ending strength of 8,261. The actual beginning strength for FY 1979 was 8,503 and the estimated ending strength is 8,376, reflecting the budgeted decrease of 391 positions offset by some adjustments in year-end strength within the Department. Funding is required, therefore, for 8,478 staff years. The impact of the 27 additional FTP staff years is about \$0.7 million.

The impact of the total shortage on each appropriation is summarized below:

Appropriation	(Budget Authority in Thousands)			
	FTP Base Salaries	Other Personal Services	Personnel Benefits	Total Shortage
Fossil Energy Research & Development - Operating Expenses	\$ 672	\$ 0	\$ 67	\$ 739
Energy Conservation	693	0	69	762
Energy Production, Demonstration & Distribution	<u>131</u>	<u>0</u>	<u>13</u>	<u>144</u>
Interior Appropriations Total	\$ 1,496	\$ 0	\$ 149	\$ 1,645
Energy, Science & Defense Activities - Operating Expenses	\$16,578	\$ 2,526	\$ 1,951	\$21,055
All Appropriations	<u>\$18,074</u>	<u>\$ 2,526</u>	<u>\$ 2,100</u>	<u>\$22,700</u>

The following tables and explanations provide further detail on the FY 1979 funding shortage by appropriation and program.

-3-

	(Dollars in Thousands)		
	Present B/A	Proposed B/A	Change B/A
<u>Appropriation/Program</u>			
Fossil Energy Research and Development-Operating Expenses			
<u>Program Increasing</u>			
Program Administration	\$ 9,006	\$ 9,745	\$ 739
<u>Program Decreasing</u>			
Advanced Research and Supporting Technology	\$ 57,826	\$ 57,087	\$ (739)
<u>Reduction Impact</u>			

The reduction in Advanced Research and Supporting Technology will have a minimal impact on the program. This is a multi-directed activity serving as the central advanced research and program coordination activity for all Fossil Energy programs. Funds appropriated for the AR&ST Activity are used to a large extent to support advanced research and development at DOE's Energy Technology Centers and National Laboratories and to a lesser extent work at Universities and Industrial laboratories.

The requested reprogramming of \$739,000 is required to support the existing authorized staff within the Fossil Energy headquarters and does not represent a request for additional staffing. Disapproval of the reprogramming request will require a reduction of full-time permanent positions in the headquarters staff. Approval of the reprogramming request will permit retention of the existing headquarters staffing level and provide for the essential program oversight activities within the Fossil Energy program.

-4-

(Operating Expenses in Thousands)

<u>Appropriation/Program</u>	<u>Present</u> <u>B/A</u>	<u>Proposed</u> <u>B/A</u>	<u>Change</u> <u>B/A</u>
Energy Conservation			
Program Increasing			
Program Administration	\$ 9,151	\$ 9,913	\$ 762
Program Decreasing			
Electric Hybrid Vehicles	\$ 37,500	\$ 37,188	\$ (312)
Heat Engine Highway Systems	46,300	45,896	(404)
Other Transportation	11,900	11,854	(46)

Reduction Impact

The proposed reprogramming action would principally impact the transportation program activities related to highway vehicle systems efforts which involve stretchout of hydrogen work and public awareness activities related to the electric and hybrid vehicle program.

-5-

	(Dollars in Thousands)		
	Present B/A	Proposed B/A	Change B/A
<u>Appropriation/Program</u>			
Energy Production, Demonstration and Distribution			
Program Increasing			
Program Administration	\$ 6,606	\$ 6,750	\$ 144
Program Decreasing			
Solar Commercialization	\$ 2,713	\$ 2,569	\$ (144)
Reduction Impact			

The proposed solar applications reprogramming action would result in a reduced level of effort for ongoing contract support activities related to the overall program.

-6-

(Dollars in Thousands)

Appropriation/Program	Present		Proposed		Change	
	B/A	B/O	B/A	B/O	B/A	B/O
Energy, Science and Defense Activities- Operating Expenses						
Program Increasing						
Program Administration						
FTP Base Salaries	\$180,875	\$180,875	\$197,453	\$197,453	\$ 16,578	\$ 16,578
Other Personnel Services	11,475	11,475	14,001	14,001	2,526	2,526
Benefits	19,465	19,465	21,416	21,416	1,951	1,951
Travel	10,266	10,266	10,266	10,266	0	0
Contractual Services & Supplies	70,500	110,804	70,500	110,804	0	0
TOTAL	\$292,581	\$332,885	\$313,636	\$353,940	\$ 21,055	\$ 21,055
Program Decreasing						
Uranium Enrichment Activities-						
FY 1978 Unobligated Balances	\$199,930		\$178,875		\$(21,055)	

Reduction Impact

The source of financing for this action is FY 1978 unobligated balances resulting from an underrun in Uranium Enrichment-Cascade Power costs. This underrun was the result of both emergency and negotiated cutbacks in FY 1978 power purchases which were identified to the Congress during FY 1978. Current estimates of the demand for enrichment services indicate that the underrun and accompanying production loss will not impact on the Department's ability to meet its contractual obligations to enrichment customers.



JAN 16 1979

Department of Energy
Washington, D.C. 20585

Honorable Tom Beville
Chairman, Subcommittee on Public Works
Committee on Appropriations
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

In my September 26, 1978, letter I advised you that I would provide you with a FY 1979 distribution of DOE personnel positions and an analysis of the differences between the Appropriation Committee table and the DOE distribution of these positions.

We have completed our manpower allocation actions for FY 79. Enclosed for your Subcommittee's use is a table which compares the DOE FY 79 allocation levels to the Appropriation Committee table, identifies allocation differences and provides a rationale for the differences. If you have any questions on the enclosed table, please let us know and we will be happy to discuss them with you.

Sincerely,

A handwritten signature in dark ink, appearing to read "John F. O'Leary".

John F. O'Leary
Deputy Secretary

Enclosure

DOE FY 79 MANPOWER ALLOCATIONS VS.
HOUSE PUBLIC WORKS SUBCOMMITTEE TARGET LEVELS

January 11, 1979

FTP POSITIONS

Organization	FY 79 FTP Allocation	Public Works Subcommittee Target Level	Difference		RATIONALE FOR DIFFERENCES
			DOE vs.	Target	
Office of the Secretary/ Executive Secretariat (OSE/XS)	85	55	+30		The Committee's target staffing level was based on late February 1978 staffing data when authorized levels were approximately 48 positions. The Committee allowed an increase of 7 positions. Authorization increases since the Committee's review include transfer of Special Assignment Staff positions to OSE/XS (17) (these were key management staff, and assistants and secretarial support to those staff members who had always been part of OSE/XS but whose assignment of record was in the Special Assignment Staff (AD) (For example, the Special Assistant to the Secretary and the Director, OSE were included in this group of positions); allocation of positions for key DOE principals (2); the departmental correspondence control program (4), and establishment of a management support staff for the Secretary, Deputy Secretary, and Under Secretary (20). OSE/XS was allocated a reduction of 6 positions as a part of the departmental reduction of 391 administrative and overhead positions.
Inspector General (IG)	100	119	-19		The IG FY 79 allocation was reduced by 10 positions as IG's portion of the departmental reduction of 391 administrative and overhead positions. The allocation was further reduced by 9 during review of FY 80 budget.
General Counsel (GC)	361	270	+91		The House target staffing level of 270 positions is 16 positions less than the original GC allocation of 286. The remainder of the difference is due to additional increases authorized to GC to provide relief in areas such as Compliance Litigation, Enforcement and Special Investigations. Large backlogs and heavy

DOE FY 79 MANPOWER ALLOCATIONS VS.
HOUSE PUBLIC WORKS SUBCOMMITTEE TARGET LEVELS

FTP POSITIONS

Organization	FY 79 FTP Allocation	Public Works Subcommittee Target Level	Difference		RATIONALE FOR DIFFERENCES
			DOE vs.	Target	
General Counsel (GC)					workloads in the regulatory programs necessitated these increases in GC staff. A particular problem was the need to assign sufficient legal staff to implement the recommendations of the Sporkin Report for improving the overall regulatory process. In arriving at the present FY 79 allocation the GC portion of the departmental administrative and overhead position reduction was -29 positions.
Office of Equal Opportunity (EO)	35	33		+2	When the Committee reviewed the DOE allocations, the EO allocation included 20 positions for the Federal EEO program and 13 contract compliance positions. This base was considered an interim one pending a departmental review of EO Federal Program staffing requirements. Changes since the review transferred one contract compliance position to a field location and increased the Federal Program base by +14 positions: recognition of increased workload due to Title VI of the Civil Rights Act of 1964 (+6); increased Hispanic and Federal Women's program workloads due to an increased employment base (+3); increased workloads in processing EEO complaints (+4); and an allocation of one clerical and a deputy position in the Director's office (+2). Twelve contract compliance positions were transferred to the Department of Labor in October 1978.
Administration (AD)	675	750		-75	The difference in allocation levels results from a 75 position reduction which was AD's portion of the departmental 391 position reduction of administrative and overhead positions. Other transfer actions to and from AD had no net effect on the difference.

DOE FY 79 MANPOWER ALLOCATIONS VS.
HOUSE APPROPRIATION COMMITTEE TARGET LEVELS

FTP POSITIONS

Organization	FY 79 FTP Allocation	Public Works Subcommittee Target Level	Difference		RATIONALE FOR DIFFERENCES
			DOE vs. Target	Target	
Intergovernmental and Institutional Relations (IR)	292	300	-8		The IR portion of the departmental 391 administrative and overhead position reduction was -30 positions (from an FY 78 level of 331). The current allocation is based on application of that reduction and review of the FY 79 levels as part of the FY 80 budget review.
International Affairs (IA)	131	123	+8		The House target level reduced IA by 15 positions (138 to 123). This reduction is almost equal to the 12 position reduction assessed to IA as its portion of the departmental administrative and overhead position reduction. However, IA's FY 78 manpower allocation had been increased above the level identified in February to provide added support for certain IA programs, especially international energy intelligence and international energy policy and nuclear non-proliferation.
Policy and Evaluation (PE)	190	198	-8		The PE portion of the departmental administrative and overhead position reduction was -20 positions (from an FY 78 level of 223). PE's FY 79 level was further reduced as a result of the FY 80 budget review and a transfer of the Office of Nuclear Policy and 6 positions to ER.
Controller (CR)	305	332	-27		The CR portion of the departmental 391 administrative and overhead position was -24 positions. The remaining difference is the result of the FY 80 budget review.
Procurement and Contracts Management (PR)	218	220	-2		No significant difference

DOE FY 79 MANPOWER ALLOCATIONS VS.
HOUSE PUBLIC WORKS SUBCOMMITTEE TARGET LEVELS

Organization	FY 79 FTP Allocation	FTP POSITIONS		RATIONALE FOR DIFFERENCES
		Public Works Subcommittee Target Level	Difference DOE vs. Target	
Committees and Boards (CB)	5	5	0	
Conservation and Solar Applications (CS)	95	105	-10	The difference of 10 positions (95 vs. 105) is due to a distribution of positions to other CS programmatic areas, primarily those impacted by the enactment of the National Energy Act.
Resource Applications (RA)	160	160	0	
Energy Technology (ET)	675	785	-110	The Committee target level was established when the total ET authorization was approximately 1,110 positions. Of this total approximately 70% are under the purview of the Public Works Subcommittee. The difference of -110 positions is derived from three areas. 1. The Committee added 48 positions in program areas such as Fuel Cycle R&D (+17); Breeder Reactor (+16) and Hydroelectric (+11) while reducing the number of positions in the Office of the Assistant Secretary and his staff (-9). It was determined that ET, due to its size and inherited position structure, could adequately achieve its programmatic responsibilities without allocating ET additional positions.

DOE FY 79 MANPOWER ALLOCATIONS VS.
HOUSE PUBLIC WORKS SUBCOMMITTEE TARGET LEVELS

Organization	FY 79 FTP Allocation	FTP POSITIONS		RATIONALE FOR DIFFERENCES
		Public Works Subcommittee Target Level	Difference DOE vs. Target	
Energy Technology				2. Since 10/1/77, 32 positions related to programs under Public Works jurisdiction have been transferred to the field to implement a decision to decentralize certain project management responsibilities by transferring these functions and required positions to designated operations offices. 3. The balance of the difference is due to miscellaneous adjustments reflecting the correction of position assignments made upon DOE's establishment and organizational transfers of functions (e.g., Special Materials Production, Solar Satellite Power Systems, and Hydroelectric programs) crosswalk adjustments, the transferring of positions to other Headquarters organizations and applying part of the total ET administrative and overhead reduction of 70 positions.
Environment (EV)	302	296	+6	EV was assessed a -2 position reduction as its portion of the departmental reduction of 391 administrative and overhead positions. Additionally, two positions were reassigned to other DOE organizations. The difference between the Committee's target level and the DOE 79 allocation level is due to the net addition of 10 positions for NEA-related workloads.
Energy Research (ER)	172	129	+43	The House authorization target includes 74 positions for outlay programs in Basic Energy Sciences (53); High Energy Physics (13); Nuclear Physics (6); and Advanced Technology and Assessment (4). OER's internal authorization matches the Committee's guidance with the exception that one position has been added to Advanced

DOE FY 79 MANPOWER ALLOCATIONS VS.
HOUSE PUBLIC WORKS SUBCOMMITTEE TARGET LEVELS

Organization	FY 79 FTP Allocation	FTP POSITIONS		RATIONALE FOR DIFFERENCES
		Public Works Subcommittee Target Level	Difference DOE vs. Target	
Energy Research (ER) (cont'd)				Technology and Assessment for a total of 75 positions. The difference between the House Appropriations Target level of 129 and the current DOE authorization level of 172 (+43) was allocated for the scientific and technical staff required to support the Director of Energy Research in his role as science advisor to the Secretary. This level also includes 6 positions for the Office of Nuclear Policy transferred from ER. It was determined that these positions were essential for ER to fulfill its cross-cutting advisory and coordination responsibilities.
Defense Programs (DP)	348	332	+16	The DP authorization was adjusted by -2 administrative and overhead positions as a part of the departmental 391 reduction. The increase of 6 positions for Laser Fusion provided in the Committee's report were not allocated since DP did not identify this as being a priority requirement and the level of program was deemed adequate at 29 positions. The difference of +16 positions results from the transfer of the HQe positions for the Special Materials Production program from ET to DP.
Regional Offices	500	427	+73	The differences in Regional Office allocations are derived from several actions identified below: At the time the Committee reviewed regional manpower allocations the total allocation was 427 positions

DOE FY 79 MANPOWER ALLOCATIONS VS.
HOUSE PUBLIC WORKS SUBCOMMITTEE TARGET LEVELS

FTP POSITIONS			RATIONALE FOR DIFFERENCES
Organization	FY 79 FTP Allocation	Public Works Subcommittee Target Level	
		Difference DOE vs. Target	
Regional Representatives	(264)	(277)	(-13)
			(352 Regional Representatives; 75 Regional Counsels). Subsequent to the Committee's review, the following corrections and adjustments effecting Regional manpower levels were made:
			o Regional Representatives:
			+7 positions - base adjustments (+6 commitments existing as of 10/1/77 and +1 crosswalk correction).
			+19 positions - transfer from the San Francisco Operations Office; implementation of mutual support agreements between the Operations Office and Region IX.
			-9 positions - transfer of coal conversion positions to ERA
			-10 positions - Regional portion of the departmental 391 administrative and overhead position reduction
			-20 positions - additional reduction resulting from the FY 80 budget review.
			-13 positions - Net reduction
Regions/Conservation positions	(117)	(75)	(+42)
			o Regional Conservation positions:
			+42 positions - increase for NEA workloads

DOE FY 79 MANPOWER ALLOCATIONS VS.
HOUSE PUBLIC WORKS SUBCOMMITTEE TARGET LEVELS

FTP POSITIONS			RATIONALE FOR DIFFERENCES	
Organization	FY 79 FTP Allocation	Public Works Subcommittee Target Level	Difference DOE vs. Target	
Regional Counsels	(119)	(75)	(+44)	o Regional Counsels: +15 positions - base adjustments (commitments existing as of 10/1/77) +25 positions - allocation of vacancies to support increased regulatory workloads +4 positions - transfer from ERA to support regional civil enforcement and special investigations functions. ----- +44 positions - Net Increase
Other Special Purpose Offices	364	373	-9	Application of reductions as a part of the departmental reductions of 391 administrative and overhead positions.
TOTAL	5,013	5,012	+1	

PERSONAL SERVICES AND BENEFITS SHORTAGE

Mr. O'LEARY. We find as we take a look at fiscal year 1979 that we are shy by \$22.7 million of the funds necessary to continue to handle the personnel services and benefits of the department.

This has come about because of a variety of errors in the past, the most important of which was the error with regard to underestimation of average salary, which added up to a total of \$8.5 million of the \$22.7 million.

We were off by \$1,000, Mr. Chairman, in our estimate from the reality. What happened in the 1979 budget was that we were, during most of the formative stages, in transition between the several independent agencies that finally became the department, and the department itself.

The submissions by and large were developed by these agencies on a case-by-case basis and there was very little, to tell you the truth, of an overall appraisal of the 1979 budget, particularly at this level of detail.

The consequence was that we are simply shy, short the necessary funds to continue to handle the necessary personnel and the associated benefits to keep the department running.

The consequences of not obtaining this reprogramming, Mr. Chairman, are very severe. We are well into the fiscal year now. The deeper we get into the fiscal year, the tougher it cuts.

We have taken a look at it statistically on a worst case basis, and it would appear to us that we might have to cut something approaching 50 percent of the overall Washington staff; that is to say, the total of around 7,700 people that are in the Washington metropolitan area, unless we have a fairly rapid resolution of this matter.

I am sure that the committee will give careful attention to our request.

Mr. Chairman, I think that very briefly summarizes the terrible straits that we find ourselves in. I would be more than pleased to answer any questions.

I have with me Dean Mitchell, the Acting Controller, and Bill Heffelfinger, who is the Director of Administration, personnel on the one hand and money on the other.

I think that they can help us with any problems that the committee may have.

Mr. BEVILL. We are delighted to have you gentlemen with us.

REGIONAL COUNSEL

Mr. BEVILL. DOE has allocated nearly 300 positions to organizations in excess of the levels provided in the Committee's report. Please explain why you need 44 additional positions for regional counsels.

Mr. O'LEARY. The increase of 44 positions to Regional Counsels is due to two factors. The first is due to an allocation base adjustment of 15 positions made to honor commitments for hiring prior to activation of the department. This adjustment increased the Regional Counsel base number of 75 to 90 positions.

The second factor is that the increased regulatory workloads which impacted the Headquarters General Counsel staffing also affected the workload in the ten regions and therefore the staffing allocations for

the Regional Counsels. As shown in earlier tables provided to the committee, regional counsel staffing was increased by 25 positions to perform compliance litigation functions in the field. An additional four positions were transferred from the Economic Regulatory Administration to the regional counsel to perform special investigations and enforcement functions.

CONSERVATION STAFFING

Mr. BEVILL. Why are 42 additional conservation positions required?

Mr. O'LEARY. The increase of 42 conservation positions is to accommodate the increased workload resulting from the passage of the National Energy Act. The NEA impact in the regions is concentrated in two areas. The first is the fact that the schools, hospitals, local government buildings and public care institutions program is a grants program defined in Title III, NECPA. The applications for grants for energy audits or other conservation measures will be received in the regions.

The second area concerns the weatherization assistance program monitoring which will be performed in the regions. This program had its funding tripled by NEA and additional positions were required at the level to fulfill these program responsibilities.

OFFICE OF THE SECRETARY

Mr. BEVILL. The committee report gave the Office of the Secretary 55 positions. The DOE allocations were 85. So you added 30 there, didn't you?

Mr. O'LEARY. Yes, we did.

Mr. BEVILL. Have those 30 already been hired?

Mr. O'LEARY. Mr. Chairman, let me go through the arithmetic on that 30, if I may. There was a time lapse between the time that the committee looked at these numbers and the actual commitments that had been made by the department. That accounts for a total of 17 out of 30.

In addition to that, two key DOE principals, two Deputy Under Secretaries, were not on board at the time of that count, thus an additional two, taking it to 19.

The department's Correspondence Control System was obviously failing, we were able to note, in the first couple of months of the department's existence. We added four people there simply to increase our capacity to handle, among others, congressional mail. That takes us to 23.

The management and support staff of the Secretary, Deputy Secretary and Under Secretary had not been counted in the staff count, for a total of 18. Then we made a general reduction of administrative and overhead positions, which is a minus six.

That brings us to the difference that is really 35 on our count, Mr. Chairman, from the initial count of the committee staff.

Mr. BEVILL. Well, Mr. Secretary, you know this subcommittee supports you and the U.S. Department of Energy. We had this committee room filled with people just over one little move, just moving your personnel.

We have been supporting you all along. But you know we deal with several agencies of the government. I want this to be constructive criticism. I am going to ask you at this point, did you or your staff at any time check with this committee before adding these additional people?

Mr. O'LEARY. No, Mr. Chairman. These changes were made in the very early days of the department. It was before we were aware of the committee's interest in this matter. There was no consultation with the staff over these changes.

Mr. BEVILL. Do you mean you didn't know that this subcommittee has oversight responsibility?

Mr. O'LEARY. No, we were quite aware of that, Mr. Chairman, but the numerical layoff of the department's personnel strength occurred at a point later in time than the changes from, I believe it was the October 1977 strength that are reflected in that 50-man figure.

Incidentally, Mr. Chairman, the current strength is not the full 85, but is really at the moment 65.

Mr. BEVILL. So actually you are ten above the level provided by the Committee?

Mr. O'LEARY. Ten above the target set by the committee.

Mr. BEVILL. The key to it is that your staff has not contacted this committee.

Would you put yourself for a minute in our position? Our responsibility is to oversee the agencies that we fund. We fund the Appalachian Regional Commission, TVA, Bureau of Reclamation, Corps of Engineers, and others.

Do you know DOE is the only agency that does not consult us about changing something that we have set out in our appropriation, the only one?

PREVIOUS CORRESPONDENCE

Mr. O'LEARY. Mr. Chairman, may I refer to my letter of January 16 to you in which I refer to an earlier letter of September 26, in which I advised you that I would provide you with a fiscal year 1979 distribution of DOE personnel.

On January 16 we completed that distribution and transmitted for your information the full and completely up-to-date breakdown of personnel changes.

Mr. BEVILL. That was really, Mr. Secretary, closing the gate after the horse was out, wasn't it? You had already hired those people when you wrote that letter?

Mr. O'LEARY. We had made allocations and some of the people had been hired.

Mr. BEVILL. That is the point I am making, Mr. Chairman. Talking about letters, Secretary Schlesinger wrote us on August 14, 1978. Listen to this. He says:

"In recognition of the potential efficiencies flowing from the consolidation of a number of agencies into DOE, our fiscal year 1979 reduces the number of federal positions in the department by 391."

He goes on to point out how this personnel reduction is consistent with effective management of this more efficient work force. That was August 14, 1978.

Then we responded. My letter to the Secretary August 16, 1978 states, "The tables provided in our report are intended to establish a base line reflecting the maximum number of positions intended by the committee for the various programs and staff organizations based on the data available for our review."

In other words, you can reduce personnel. You don't have to consult us about that. You can consolidate. But if you are going to add personnel beyond our appropriation level, your department should get our agreement. You should at least consult us.

Mr. O'LEARY. Mr. Chairman, on September 26, do you have our letter of that date?

Mr. BEVILL. We have it, I am sure.

Mr. O'Leary. On September 26, in the spirit of that very same consultation that you are discussing, I wrote you saying, "I am sending a draft planning document reflecting the proposed fiscal 1979 distribution of DOE positions. Actual allocations within DOE will depend on the specific ceiling allowed, of course, by OMB."

I think at that time—which of course was five days before the beginning of the fiscal year—we had given you our best estimate of the manning tables for the department.

There have been, I believe, some changes that are reflected in the January 16 submission from those, but I think they follow very closely the breakdowns that we have provided in my letter of September 26, 1978.

GENERAL COUNSEL

Mr. BEVILL. All right. Take the general counsel. Our committee report provided 270 positions for the general counsel, 270. But the Department of Energy, we are now informed, has added 91 more positions.

What would be the explanation for that?

Mr. O'LEARY. Mr. Chairman, to begin with, as of the date of this account there was a discrepancy between our count and the committee staff's count. Our number was 292. Your number was 270. That would account for 22 of the differential.

In addition to that, we have had a heavy drive on for compliance of the old FEA activities during the course of the past year. This is the Office of Special Counsel. We added 30 attorneys to support that litigation work.

Mr. BEVILL. On those 30, did your department contact this committee? We set a level in the committee's report as to what you were authorized. Did you notify us that you were changing our figures?

Mr. O'LEARY. Mr. Chairman, once again I would assume that our September 26, 1978 letter provided that notification.

Mr. BEVILL. Well, in that letter, you were not sure what OMB was going to do. When did OMB make a decision?

Mr. O'LEARY. Mr. Chairman, in that letter we provided our proposed staffing tables, may I provide a copy of that for you?

Mr. BEVILL. All right.

[The information follows:]



Department of Energy
Washington, D.C. 20585

SEP 26 1979

Honorable Tom Bevill
Chairman
Appropriations Subcommittee
on Public Works
House of Representatives
Washington, D.C. 20515

Dear Mr. Bevill:

In accordance with my discussion with Mr. Greer of the Subcommittee staff, I am sending a draft planning document reflecting the proposed FY 1979 distribution of DOE personnel positions. Actual allocations within DOE will depend on the specific ceiling allowed by OMB.

This material reflects our intent to seek an increase of 323 positions for the Federal Energy Regulatory Commission (FERC) and 171 positions for the Western Area Power Administration (WAPA), both of which are included in pending legislation; and a proposed increase of 265 positions for EIA Data Validation activities and new activities associated with the NEA. These requests are currently being advanced to OMB. Following OMB action, we will provide you with a final version of this distribution including the associated salary dollars.

Also reflected is a decrease of 391 positions which has been applied largely against the Headquarters central staff and support organizations. Where reductions are applied against program organizations or field offices, they are to be taken in activities analogous to the central staff and support offices. The Assistant Secretaries are presently assessing their priorities and requirements to determine the detailed distribution of these numbers within their organizations. In any event, as we noted above, both overall distribution and any further detailed distribution is subject to change depending on the specific ceiling allowed by OMB for FY 1979.

Aside from the areas mentioned above, there is close comparability between the Appropriations Committee table and the draft distribution. Significant differences are discussed below. A more detailed analysis of differences will accompany the final table when it is supplied.

A number of organizations, especially in the staff and support areas, are provided levels below those in the Committee table. This is based on our assessment that it is possible, through economies and efficiencies of the reorganization, to perform these functions effectively at the lower level. In a number of cases in which the level on the attached table are above those on the Committee table, the difference results from a change in the FY 1978 base. Specifically, the data provided the Committee in the Spring did not necessarily represent our final determination of the requirements of these organizations to support current workloads. Thus, while most of these organizations are reduced in FY 1979, starting from a higher FY 1978 base results in a level above Committee level. In other cases, the levels are higher due to NEA and data validation requirements. These are clearly identified in the table. Some other differences and special circumstances surrounding the DOE levels are shown in the footnotes to the table.

The Department's allocation of its FY 1979 manpower no doubt will require some realignment of the funding levels cited in the report. Following OMB action we will provide a final distribution of both manpower and associated salary dollars as well as a comprehensive analysis of differences between that distribution and the Committee table. In the meantime, if you have questions on the attached material, please let me know.

Sincerely,



John F. O'Leary
Deputy Secretary

Attachment

DRAFT

DEPARTMENT OF ENERGY
FY 1979 MANPOWER CEILING SUMMARY
DRAFT -- SEPT., 1978

	FY 1978 Authorization FTP	FTP Additions		FTP Reductions	Total FTP	Appropriations Committee	
		Uncontrollable	New Work			Target Level	
HQ Mgmt. and Support Organ.	2,594	-	-	-222	2,372	2,405	
HQ Program Organization	5,467	-	+265 ^{1/}	- 93	5,639	5,502	
Fed. Energy Reg. Comm.	1,361	+323	-	0	1,684	1,726	
Operations Offices	3,881	-	-	- 55	3,826	3,853	
Regional Offices	457	-	-	- 10	447	427	
Power Administrations	4,316	+171	-	-	4,487	4,487 ^{2/}	
Energy Research & Mining R&D Centers	1,148	-	-	0	1,148	1,155	
Other Special Purpose Offices	756	-	-	-11	745	756	
TOTAL DOE	19,980	+494	+265	-391	20,348	20,311 ^{2/}	
OVERAUTHORIZATION	-258				-258		
ONR ALLOWANCE	19,722				20,090 ^{1/}		

^{1/} Includes 200 NEA positions and 65 EIA Data Validation positions.

^{2/} Includes +171 positions for MAFPA per the Conference Report, Public Works for Water and Power Development and Energy Research Appropriation Bill, Fiscal Year 1979.

DRAFT

DRAFT

DEPARTMENT OF ENERGY
FY 1979 MANPOWER CEILING SUMMARY
DRAFT -- SEPT., 1978

Page 2

	FY 1978 Authorisation FTP	FTP Additions Uncontrollable	New Work	FTP Reductions	Total FTP	Appropriations Committee Target Level
Office of the Secretary	85	-	-	- 6	79	55
Inspector General	120	-	-	-10	110	119
General Counsel	340	-	-	-29	311	270
Equal Opportunity	31	-	-	- 1	30	33
Administration	756	-	-	-75	681	750
Intergovernmental & Instit. Relations	331	-	-	-30	301	300
International Affairs	143	-	-	-12	131	123
Policy and Evaluation	223	-	-	-20	203	198
Controller	335	-	-	-24	311	332
Procurement & Contracts Management	225	-	-	-15	210	220
Committees and Boards	5	-	-	0	5	5
TOTAL	2,594	-	-	-222	2,172	2,405

DRAFT

DEPARTMENT OF ENERGY
FY 1979 MANPOWER CEILING SUMMARY
DRAFT -- SEPT., 1978

Page 3

	FY 1978 Authorization FTP	FTP Additions		FTP Reductions	Total FTP	Appropriations Committee Target Level
		Uncontrollable	New Work			
Federal Energy Regulatory Comm.	1,361	+323	-	0	1,684	1,726
Economic Regulatory Administration	1,900	-	-	- 3	1,897	1,893
Energy Info. Administration	698	-	+112 1/	0	810	698
Hearings and Appeals	98	-	+ 25	0	123	98
Conservation & Solar Applications	405	-	+ 98	-12	491	404
Resource Applications	513	-	-	- 4	509	513
Energy Technology	1,070	-	-	-70 2/	1,000	1,139
Environment	296	-	+ 30	- 2	324	296
Office of Energy Research	161	-	0	0 3/	161	129
Defense Programs	326	-	-	- 2	324	332
TOTALS	6,828	+323	+265	-91	7,323	7,228

1/ Includes 65 positions for Data Validation and 47 NEA positions.

2/ All of the reduction to be applied to non-programmatic activities.

3/ -12 PIMS reduction; 412 positions for new programs, program growth and increased emphasis.

3533

DRAFT

DRAFT

DEPARTMENT OF ENERGY
FY 1979 MANPOWER CEILING SUMMARY
DRAFT -- SEPT., 1978

Page 4

	FY 1978 Authorization FTP	FTP Additions Uncontrollable	New Work	FTP Reductions	Total FTP	Appropriations Committee Target Level
Albuquerque	1,390	-	-	-20	1,370	1,383
Chicago	443	-	-	- 5	438	437
Idaho	369	-	-	0	369	368
Nevada	253	-	-	-15	238	253
Oak Ridge	641	-	-	- 5	636	639
Richland	263	-	-	0	263	254
San Francisco	291	-	-	- 5	286	288
Savannah River	231	-	-	- 5	226	231
TOTAL	3,881	-	-	-55	3,826	3,853

3534

DRAFT

DRAFT

DEPARTMENT OF ENERGY
FY 1979 WARPOWER CEILING SUMMARY
DRAFT -- SEPT., 1978

Page 5

	FY 1978 Authorization FTP	FTP Additions Uncontrollable	New Work	FTP Reductions	Total FTP	Appropriations Committee Target Level
Regional Offices	457	-	-	-10	447	427
Power Administrations	(4,316)	(+171)	-	0	(4,487)	(4,487) ^{1/}
Alaska Power Admin.	38	-	-	0	38	38
Bonneville Power Admin.	3,083	-	-	0	3,083	3,083
S. Eastern Power Admin.	39	-	-	0	39	39
S. Western Power Admin.	165	-	-	0	165	165
Western Area Power Admin.	991	+171	-	0	1,162	1,162
Grand Junction	96	-	-	-2	94	96
Environmental Meas. Lab.	104	-	-	0	104	104
Pittsburgh Naval Reactors	90	-	-	-2	88	90
Schenectady Naval Reactors	75	-	-	-2	73	75
Clinch River Breeder Reactor	45	-	-	-1	44	45
Fast Flux Test Fac. Project Office	67	-	-	-2	65	67
Technical Info. Center	208	-	-	0	208	208
Energy Res. & Mining R&D Centers	1,148	-	-	0	1,148	1,155
Naval Petroleum & Oil Shale Res.	71	-	-	-2	69	71
TOTAL	6,677	+171	-	-21	6,827	6,825 ^{1/}

^{1/} Includes +171 positions for WAPA per the Conference Report, Public Works for Water and Power Development and Energy Research Appropriation Bill, Fiscal Year 1979.

DK

Mr. BEVILL. Did you state that you planned to add 91 positions for general counsel?

Mr. O'LEARY. I am not sure, Mr. Chairman. Let's have a look at that. Mr. Chairman, in contrast to the 270 of the subcommittee target, we at that time were estimating a total of 311.

Mr. BEVILL. But now you are allocating 361.

Mr. O'LEARY. If I may go through the rest of the changes, Mr. Chairman.

Mr. BEVILL. All right.

Mr. O'LEARY. In addition to the 22 that reflected really a change in the base, we added 30 for compliance litigation and 22 for special investigations and enforcement that was allied.

That is a total of 52 positions for the very, very heavy drive that we have made for enforcement, Mr. Chairman.

Seventeen was a technical crosswalk correction, the conversion of the nine law clerk positions determined to be full-time permanents rather than other than full-time permanents. That is 17, Mr. Chairman.

Finally, 29 positions for the National Energy Act and compliance workloads made during the fiscal year 1980 budget review. That was a last minute add-on.

Then there was a downward adjustment, Mr. Chairman, of 29. That is just coincidental, I might say. It doesn't relate to the other 29 add-on of sharing the administrative cut that we made of 391 positions.

Mr. BEVILL. Well, Mr. Secretary, this is still 50 additional people over and above what you showed in the September 26 letter?

Mr. O'LEARY. This is from the September numbers we advised you on, a total of 50 precisely.

Mr. BEVILL. Fifty more than we know anything about.

Mr. O'LEARY. Yes, Mr. Chairman.

Mr. BEVILL. Now, you see the position that puts us in. We are responsible for oversight. But, we know nothing about this.

Mr. O'LEARY. Mr. Chairman, I might point out that the strength as of today is 311, or I should say as of 30 December, and we did under our letter of January 16 advise you, I believe, of the full 361.

Mr. BEVILL. Well, that was when you wanted more money, wasn't it, to pay them?

Mr. O'LEARY. No, Mr. Chairman.

Mr. BEVILL. Are you talking about four weeks ago?

Mr. O'LEARY. I am referring to our letter of January 16, 1979, which provided our fiscal year 1979 allocations.

Mr. BEVILL. That is part of the reprogramming you are requesting?

Mr. O'LEARY. No. That was a further addition to my letter of September 26, in which I advised you that I would provide you with the fiscal 1979 distribution of DOE personnel.

Mr. BEVILL. But you had already hired them, hadn't you?

Mr. O'LEARY. At that time and today we are not above the 311 level that was indicated in our September 26, 1978 document.

Mr. BEVILL. I believe that you will agree, your department is not informing us of these personnel matters to the point that we can carry out our oversight responsibility.

Mr. O'LEARY. Mr. Chairman, I think that I would be more than pleased to work out an arrangement with staff, staff to staff, in which we could on a more timely basis inform the committee of the changes that are going forward within the department.

CHANGES IN LEGAL WORKLOAD

May I say a couple of words in that context? Since formulating the fiscal year 1979 budget, we had two really major changes affecting the legal requirements of the department.

The first was, of course, the necessary emphasis upon cleaning up that backlog, that five-year backlog of compliance cases. That necessitated, as we took the audits on to completion and found we were in court on a very, very broad range of cases, significantly augmenting the litigating staff.

At the same time we found we were involved in criminal investigations. A year and a half ago we had something like two people for the whole department looking at criminal violations of the oil pricing regulations. Today there are over 100.

You probably heard about the crude reseller cases in Houston that are approaching the dimensions of a scandal, the daisy chain operations that have received so much publicity.

It has been necessary, Mr. Chairman, to enhance significantly the legal staff so we have a capacity to deal with that. We have that changed circumstance.

The second major change was the passage of NEA. When that came upon us, we were confronted with statutory deadlines that required the development of regulations, deep analysis of the law so that we could do that appropriately.

We simply had to add legal staff, as well as staff at other tiers within the department, in order to meet the mandate that was placed on us by Congress in the NEA.

Those two account for all or virtually all of the changes in the legal staff that we have laid out before you.

Mr. BEVILL. Mr. Secretary, I commend your initiatives in that area, in making sure that any company who is ripping off the public, pays the money back.

I commend you for it. That is good. But let us get back to the matter we have been talking about.

OVERSIGHT RESPONSIBILITY

We are responsible for oversight. We didn't know that you were adding all these people. It appears to us that after you get way out on a limb, after you have already hired many of the people, you then come to us and say, "If we don't have more money, there is going to be a disaster."

Mr. O'LEARY. Mr. Chairman, I think that I would like to separate these two problems. If we had found ourselves today, and for the fiscal year, in absolute coincidence with the manning recommendation targets of the committee, we would still find ourselves in a significant deficit position.

I don't think in fact that it would have changed. We would still require the same \$22.7 million. This funding is not intended to increase the overall staffing of the department, but rather to rearrange departmental staffing within our authorized ceiling.

These are not net additions. What we have done here is taken from one area and put into another to reinforce other areas in consonance with the Secretary's promise to the President that he would maintain the functions of the department without significant additions to the staff.

Mr. BEVILL. But you did not bother to clear it with the people who are responsible for appropriating your funds.

Mr. O'LEARY. Mr. Chairman, I want to say again that this is not a matter of discourtesy, intentional discourtesy. It is a matter of some of the organizational difficulties of starting a new department.

I again intend after this discussion to ask my staff to sit down with your staff and see if we can work out a way in which we can find ourselves a year from now not in disharmony on this point.

Mr. BEVILL. Mr. Secretary, thank you, because I think that is the solution to it. I have no reason to believe it is intentional. I hope that we don't get in this position again.

Some of us don't agree with every figure in our report, but we accept them. The report reflects a committee decision. The conference report represents frequently a compromise with the Senate. But once those levels are agreed to in the Congress, we don't want them ignored. Those figures are binding unless we agree to change them.

Mr. O'LEARY. I note your point, Mr. Chairman.

Mr. BEVILL. So we would appreciate your cooperation.

Now, we realize that you have a new department and that you have many headaches. You represent a very important department—we support you.

We want to work with you and we are going to work with you. But don't put us in a position where you have acted without our agreement and then tell us that unless we pay for what you have decided, there is going to be a disaster.

I hope we don't get in that position anymore.

Mr. O'LEARY. Mr. Chairman, just in my own defense, may I say I have been with staff on this point no less than three times over the last four months. So, there has been perhaps not adequate consultation, but there certainly has been some consultation.

Mr. BEVILL. Let me make just one simple point. When you decide to change our figures, this committee's or the Congress' figures, do it with our consent and don't just do it and then later come in and tell us about it—that we must pay for it or else.

UNITED STATES NUCLEAR TECHNOLOGY

Now let me shift to something else just for a moment here. In last night's Evening Star there was an article that I thought was rather interesting. The title is "Why Did The World Throw U.S. Atomic Technology Out The Window?"

Now, this is a matter which has been of considerable concern to us. Maybe you can enlighten us.

It looks like a letter that I wrote to the President after touring six countries in Europe and meeting with the International Atomic Energy Commission and the others in Europe about our position, the position of the United States. It looks like a rephrasing of my letter.

I would like your comments on it. We are the most advanced nation on earth. But after I returned from my trip, I said, you know, Mr. President, your nonproliferation program is almost like talking about motherhood.

Everybody is for it. The European countries are for nonproliferation, but they quickly let you know that they are not going to slow down nuclear development. They are going to move forward.

This is what is happening. I don't think anyone can deny we are losing the leadership of the world in the field of nuclear energy. I am quoting from the article:

"Time flies, and so does America's nuclear leadership. When other nations spend billions on energy investments for tomorrow, they don't want yesterday's technology—or even today's, if strings are attached." I won't read all of this, just one more quote at the end.

"So here is another riddle. What do you call a nuclear policy that ignores the needs of much of the world and of the U.S. as well?" It says, "We call it a failure."

BREEDER REACTOR PROJECTS

We are talking about the breeder project that the majority of the Congress has supported. The fast breeder reactor, which makes more fuel, plutonium, than it uses.

The Super Phoenix in France will be the world's first large-scale fast breeder station operating commercially. I am quoting again, "Alone or in combinations, West Germany, the Benelux countries, Italy, the U.K., Japan and India are working on breeder projects. The Soviet Union is building big breeders and is counting on such reactors for much of its future energy needs."

The article notes how few countries now are asking us to build their nuclear plants. Of course, that is understandable. When I was in Spain, the Spanish energy officials told me that they were buying their next nuclear power plant from West Germany or Russia.

I think the United States built one or two for them. But they made it clear that they were going to go elsewhere for their new plants.

All of this ought to tell us something. I would appreciate it if you would comment. Maybe you can make us feel better.

Mr. O'LEARY. Mr. Chairman, I am not going to make you feel better, unfortunately. I have not read the article, and I cannot address it, but I would like to respond, if I may, with some observations with regard to what is happening in this country.

ESTIMATED NUCLEAR ENERGY CAPACITY

In the early seventies, the Atomic Energy Commission was projecting that we would have some 1200 gigawatts installed capacity, nuclear, by the year 2000.

In April of last year, when the President put forward the national energy plan, that had gone down to one-third, to 380,000 megawatts as the estimate. I think an honest figure today is something under 200,000 megawatts.

In other words, we have gone from 1200 down to 200 megawatts in the space of half a dozen years. I believe that that represents a massive failure of policy on the part of the United States, a lack of understanding of what we have been dealing with in this area, a lack of sufficient foresight to see the problems that this particular technology would be subjected to with regard to the back end of the fuel cycle.

WASTE DISPOSAL

Only now, almost a generation late, are we beginning to move to handle the disposal problem associated with, let alone commercial reactors, the military program. It has been with us since the forties.

We who have had an opportunity over the last 20 years or thereabouts, to examine fossil and nuclear technology and have concluded that for many parts of the country nuclear technology is far preferable from the standpoint of the environmental impacts, health and safety impacts, and the impacts on consumers, economics, over the long term.

To see this country going to the point where that technology is simply denied us, we are at the point now where the utility industry would not touch it with a ten-foot pole, almost literally.

There are only one or two companies in the United States that will continue to build nuclear plants.

Mr. BEVILL. Why?

Mr. O'LEARY. Because it is so difficult. It takes 12 years to go through the process to get a plant on line because we have been moribund in our attitudes. The enormous uncertainty has caused delay after delay.

Mr. BEVILL. The his address to Congress, the President made that very point. Other countries are building nuclear plants in five years and it takes us ten to 12.

Mr. O'LEARY. That is right, and at the end of that period there is no assurance that you can run the plant. Recently, I had a briefing provided by GE, one of the major vendors of light water reactors, in which they put the scenarios together of the corporate decision that goes to choosing between nuclear, coal and much oil-fired turbines and the timing is about as follows:

For 1990 load you have to decide today that you want a nuclear plant. If you go coal-fired, you can wait about four years, 1982. That gives you an adequate time window.

However, you might not want to make the decision now. And why wouldn't you? Because your Public Service Commission may not be giving you enough in the way of rates, you might have great load uncertainties, you question the impact of conservation.

What sort of pricing will the new plant be allowed, will there be a strict incremental pricing rule or not? Will you have a depression or not? At any rate, if you don't want to make the decision, then you can postpone it for 1980 load until 1986 or 1987 and buy turbines.

More and more the utility industry is finding it impossible to order nuclear because a company is literally betting on its financial security for that reason.

If it made a mistake with regard to load, which is five years off and involves a tough estimating problem, or the ability to run the plant when it is built and it has perhaps half its capital base tied up—and this has happened to a half dozen companies—it may get to the point where the companies are actually bankrupted.

Two companies came close to that in the United States because of these uncertainties.

OIL-FIRED POWER PLANTS

Mr. BEVILL. Before you leave that, what percentage of the electric utility plants are using oil?

Mr. O'LEARY. 20 percent. On the Eastern Seaboard there is an enormous percentage of nuclear energy and an absolute hostility to it.

What we ought to be doing on the Eastern Seaboard is explain to the customers that their oil alone costs what they would pay for a fully amortized nuclear plant to generate electricity.

They are going to pay more once this Iranian situation is fully digested in the economic system. The price for oil is just bound to go up. We are penalizing the consumers in this country and penalizing them where it really hurts—in the pocketbook.

We are penalizing the balance of payments position of the United States by the same token. Meanwhile, we are not building nuclear plants.

COAL-FIRED POWER PLANTS

With regard to the second option, coal-fired plants, Mr. Chairman, the picture is better, but not much better.

There is an enormous hostility to the mining, transport and burning of coal. It is reflected in the mining rules we find in states. We find some states are simply unwilling to permit mining because the past history has been so unhappy with it and the societal impacts are perceived to be so severe and the transportation system is inadequate to take care of the amounts of coal we should be burning in this country, and the air quality rules are becoming so different relative to the burning of coal relative to the technology we have available today.

This is forcing our utility industries more and more toward the oil alternatives. I think it is something that should sadden all of us.

Mr. BEVILL. You referred to hostility to nuclear plants, hostility to digging coal. Whose hostility?

Mr. O'LEARY. We find, Mr. Chairman, in, for example, the Seabrook demonstrations, the demonstrations that took place in Washington yesterday, in the nuclear arena that there is a segment of our population that is violently opposed to nuclear energy.

It is now spreading out of the commercial reactor phase to the weapons phase. More and more you hear reactor activity and weapons activity being lumped together as both being undesirable. For hostility to coal we simply have to look at the animosity in some of the western coal being incorporated into their tax laws.

In Montana, where taxes are 30 percent on extraction, and the other restrictions placed upon the reduction, and through the state implementation plans on the use of coal to see this unwillingness to confront the fact that if we are going to do well as an energy intensive nation, we are going to have to use these two fuels, coal and nuclear.

Mr. BEVILL. That is what it boils down to. All we have right now to substitute for foreign oil, which is going higher and higher, is coal and nuclear.

I wish we could go on, but we need to get back to the reprogramming. Congressman Myers.

Mr. MYERS. Thank you, Mr. Chairman.

Mr. Secretary, I think most of the people in this country would agree with your assessment of where we are today and the problems associated with producing the energy that the country is going to need.

It seems to me, however that it is a self-indictment. The statements that you made, considering the mission of the department, and that of the AEC and the NRC, and all the agencies charged by the Congress with responsibility of delivering the needed energy for the future, seem somewhat a self-indictment.

BASIS FOR REPROGRAMMING REQUEST

Now, you ask for additional people who would probably, from the justification you presented, add more frustration, more roadblocks and more delays in the process.

As I review the background of your request, it seems like it is almost a series of miscalculations, omissions, mistakes.

If you were sitting on this side, wouldn't you be somewhat alarmed? If I were Mr. Mitchell, your controller, I would be seriously concerned with how this came about.

Mr. O'LEARY. I would be very much concerned if this were a year from now. If you want to bring it under one umbrella, this is a start-up problem. We brought together half a dozen fairly large and another half a dozen smaller chunks of activity and put them together into the department. It is a wonder worse didn't happen.

With regard to your first point, Mr. Myers, to a degree what I have said is a self-indictment of the agencies that now make up the Department of Energy. It is an indictment that goes beyond that, I think.

Mr. MYERS. I don't think it is entirely your fault.

Mr. O'LEARY. I don't think that government alone created this. I think it has had a lot of help. The media has certainly helped in this in calling attention to some of the downsides of some of these energy sources, misunderstanding on the part of the public, the general attitude of people, that "Gee, I would like to continue to do what I want to do without the discipline of being forced into this narrow track of coal and nuclear." So there are a lot of people at fault here.

I think the fact of the matter is that this country is now going to have to work its way out of this. If this Department of Energy can't do it, then I don't know what can.

So, I think that what I have to say to you with regard to this point is that maybe you will turn out to be very disappointed with us a year or two from now, but we have to have the try.

LEGAL STAFFING

Mr. MYERS. I hate to say this, but I am already there. I hope you will be around to make me happy. In a couple of the examples, you referred to the necessity for additional legal assistance.

Are these going to be ongoing, permanent?

Mr. O'LEARY. Yes, it is temporary, Mr. Myers, in this sense: I have made an arrangement with the regulatory staff that they will have completed the large refinery audits by the end of this year.

I think that they are going to accomplish that maybe by swinging over by four or five months. At any rate, when I started into this business, it looked like a ten-year job, and we are cutting it down to about two or two and a half years.

It means that the audit side of this is going to phase out and an enormous amount of litigation is going to be moving forward into the courts. We will need more lawyers and less auditors, except for the fact that auditors back up the lawyers in the next few years.

This will be driven by the amount of litigation the majors want to bring, and they are bringing a great deal of litigation against us now.

You may have noticed we made a major chunk in that armor this

week. We made a global settlement with Kerr McGee, and maybe that will be an indication in the future that the majors will want to settle with us.

If not, we will have to have the capacity to go at their pace in the courts. Otherwise, they will grind us down. Right now we are at \$2.2 billion in these NOPVs against the majors, and that effort will be lost.

FUNDING SOURCE

Mr. MYERS. What happened in the enrichment program to create the surplus here that you want to reprogram?

Mr. O'LEARY. The surplus in the uranium enrichment program resulted from negotiated and emergency reductions in power purchases at our three gaseous diffusion enrichment plants. The emergency cut-backs were necessitated by last year's coal strike. Current estimates of demand for enrichment service indicate that the underrun and resulting production loss will not impact on the Department's ability to meet its contractual obligations, which again emphasizes the point I have just made with regard to the fall-off in deployment rate for nuclear power.

Mr. MYERS. Last year we had tremendous strain on the producers of nuclear power. It seems like this would be the year that you would have to rebuild some of those reserves, some of the inventories.

Mr. O'LEARY. You are thinking of the coal strike period. That was a period of six weeks.

Mr. MYERS. There was a period of several weeks where coal stocks were being replenished. I come from a coal area. It took about two weeks to deliver coal, even after the end of the strike.

Mr. O'LEARY. Yes, but the interesting thing was that stocks were really building in the last three or four weeks of that strike. We were bringing in enough coal from the west to take the pressure off.

But the point that you are making is, didn't you have a great demand for uranium? The answer is that you had a very happy availability of nuclear plants during that period of time, but there were only 55 plants on line at the time of that strike.

It might have been 56 in that order. We did bring on additional plants.

What has been happening is that utilities have been dropping systematically their plans for plants or extending the time of service. The local utility here, for example, Potomac Electric Power Company, over about that time frame dropped two nuclear plants—Douglas Points 1 and 2—just wiped them out.

That, of course, has been in the order books for us and once the plant disappeared from the planning horizon of the local utility it came out of the order books.

Mr. MYERS. We can get into that a little later in the hearings. I want to get specific here very briefly.

FISCAL YEAR AVAILABILITY

Counting the 1979 pay raise supplemental, how much money did you have available in the account for salaries and expenses in the Policy Management and Support?

Mr. MITCHELL. The appropriation, sir, was \$211,815,000 and the pay raise supplemental was \$12,892,000.

Mr. MYERS. How did I get different figures? I have different figures for that. I have total appropriations of \$240,200,000 for last year.

Mr. MITCHELL. You are also including the appropriations under the Subcommittee on Interior and Related Agencies.

Mr. MYERS. Interior and everything else that you have available. Is that figure right? \$240,200,000 is available in this account. We have to see the whole picture.

Mr. MITCHELL. Yes, sir. The \$240.2 million is correct for all appropriations.

Mr. MYERS. The pay raise supplemental was \$14.4 million. Wasn't it?

Mr. MITCHELL. That is correct.

Mr. MYERS. Which would make available \$254,600,000.

Mr. MITCHELL. Yes, sir. \$240.2 million plus \$14.4 million.

Mr. MYERS. How much of that was actually spent up until the first quarter, up to December?

Mr. MITCHELL. Actual costs through December 31, 1978, were \$67,502,000.

Mr. MYERS. If you annualize that through the four quarters that would be \$270 million, wouldn't it?

Mr. MITCHELL. That is correct.

Mr. MYERS. If my calculations are correct, that would show a shortfall of \$15,400,000 instead of the \$22.7 million you are requesting. Where is the difference? Am I correct that the shortfall would be \$15.4 million?

Mr. MITCHELL. Yes, sir, based on a pure mathematical projection, but there are other factors to consider.

Mr. MYERS. What accounts for the difference?

FIRST QUARTER EXPERIENCE

Mr. O'LEARY. I am advised that the first quarter was simply not typical. I think Mr. Heffelfinger can expand on that point.

Mr. HEFFELFINGER. As I looked at the manpower figures for the first quarter, it was not a typical quarter. We had a Presidential hiring freeze on at the time, which allowed us only to hire one for every two vacancies that occurred.

Mr. O'LEARY. That was for the entire quarter.

Mr. HEFFELFINGER. It began on October 30, 1978. Our use of temporary appointees during that quarter was very conservative, and we plan to use more. We have some reimbursable detail billings that will occur later in the year.

Mr. MYERS. You have reimbursables?

Mr. HEFFELFINGER. Yes, we have some billings for reimbursables that will occur later in the year.

Mr. MYERS. We are talking about personnel now.

Mr. HEFFELFINGER. Yes.

Mr. MYERS. What would that be?

Mr. HEFFELFINGER. A reimbursable detail is where we would detail an employee to another department or to another function for which they would reimburse us in our account for that.

Mr. MYERS. That would reduce the requirement if you are reimbursed. I am talking about the \$15.4 million. That would reduce that.

Mr. HEFFELFINGER. We also have employees, more employees detailed from other agencies, where we must reimburse the other agency and these billings will come later in the fiscal year. I cannot talk to the dollar figures. I can tell you from a personnel impact the first quarter was not typical because of the freeze. Also, our start-up, we were in an increasing mode because of the vacancies that were in existence at that time, and the first quarters from a personnel standpoint was not typical.

Mr. MYERS. You planned to go down from 8499 to 8376. That is a reduction of 123 year-end.

Mr. HEFFELFINGER. Yes, but our on-board head counts were substantially lower than that, and we were in an increased hire position.

Mr. MYERS. I wish you would amplify for the record, as to the difference between the \$15.4 shortfall indicated by your experienced costs and the \$22.7 in your request. What is the funding in the reprogramming from the Interior subcommittee?

Mr. MITCHELL. The funding request is \$1.6 million.

Mr. MYERS. If you reduce the \$15.4 by \$1.6 million you need about half of what you are requesting.

Mr. O'LEARY. Mr. Myers, I think we have to recall the point that we were under a freeze in this first quarter and well below what we should have been. We have a certain amount of work to do this year and we are going to require a number of man-years to get that work done.

We are simply going to have to peak up and get some attrition to get us down to the ceilings at the end of the year.

Mr. MYERS. So tell us what you had on board at the end of the last fiscal year and what you had at the end of the first quarter.

Mr. O'LEARY. And the profile at the end of the year, if we may include that.

FEDERAL EMPLOYEES

Mr. MYERS. I am a little concerned here. The President's policy is to reduce the total number of employees in the Executive Branch. It doesn't seem to apply to the Department of Energy.

Mr. O'LEARY. It has, Mr. Chairman. I would like Mr. Heffelfinger to review that very briefly for you.

Mr. HEFFELFINGER. In the material we provided for the record, the number of positions that we have been allotted by OMB and the President have gone down, but we are working a backfill and the number of people actually on board has gone up to the reduced number of what the department had when it came together.

So, we are hiring, but we are hiring because we are not up to that ceiling to start with, and it is a reduced ceiling. We are also backfilling positions, and we were not even allowed to backfill during the freeze. So we had vacancies occurring we could not hire to have a reduced overall ceiling of the department.

Mr. MYERS. In your response to the chairman a moment ago, it was not clear how many additional people you will hire, if this reprogramming were approved, nor how many you have on board. You cited some figures, but I could not follow you in the justification.

At this point in the record, will you tell us how many people you have on board? You are going to have to find some money or fire them. Would you show in the record at this point just exactly how many of the increases have been filled?

Mr. O'LEARY. The reprogramming request is based on a requirement for 8,478 staff-years, an increase of only 27 over the previously budgeted amount. As of December 30, 1978, the actual onboard in the program direction and management support account is 8,544.

The program direction and management support account is quite dynamic. Within the account, some organizations are increasing while others, reflective of the 391 position reduction, are declining. The net effect is the slight increase of 27 staff years over the original FY 1979 budget. The bulk of the reprogramming is necessary to correct problems in budget preparation and to pay the people already onboard, only 3 percent of the reprogramming request is for additional staff-years.

Mr. MYERS. What is the impact if the reprogramming is not approved?

Mr. O'LEARY. If the reprogramming of funds is not approved, massive adjustments to the Department's work force will be required. To save the full \$21.1 million would require a reduction-in-force or furlough of over half (about 4000 positions) of the work force funded from this account because of the short time remaining in the Fiscal Year.

Reductions-in-force of this magnitude would have a devastating effect on the Department's ability to plan and manage its programs—especially the technology programs involving very large expenditures of contract dollars and requiring program planning and contract management efforts to protect the government's interests.

Mr. MYERS. I still don't understand your figures. Unless I am miscalculating, considering the money you had available and what you spent the first quarter your request is too high. You say you were short people the first quarter, but your ceiling is going down, so you ought to spend less money in the next three quarters.

You actually spent \$67,500,000.

Mr. MITCHELL. Yes, sir.

Mr. MYERS. That was before annualizing it.

Mr. MITCHELL. The logic of the pure mathematics are accurate. If you add the sum of the appropriated amounts, \$240.2 million; the reprogramming request, \$22.7 million; and the pay raise supplemental request, \$14.4 million, you derive a revised availability of \$277.3 million. Annualizing the first quarter accrual costs of \$67.5 million by applying a factor of four results in an assumed requirement of \$270 million.

There are a number of other factors, however, that one needs to consider in estimating the revised requirements. As previously indicated, the Department was under a freeze on full-time permanent positions. In keeping with the spirit of the freeze, other than full-time permanent positions were closely controlled so as not to give the appearance of trying to bypass the hiring limitations. The hiring restrictions also had the effect of holding to a minimum the costs associated with permanent changes of station normally experienced in a unrestricted hiring environment.

Additionally, as a matter of historical experience, reimbursable detail billings from other agencies don't get paid until later in the Fiscal Year. The same is true of equalization payments.

A major contributing factor of the apparent \$7.3 million discrepancy is seasonal employment. An estimated \$3.5 million has been earmarked for the Department's summer employment program. Adding to that amount would be the FICA and other benefits that accrue to summer employment of high school and college students.

When all of the above factors are considered, one can reasonably assume that our original estimated requirements still are valid. We are confident they are as accurate as can be projected at this time.

Mr. BEVILL. Mrs. Boggs?

Mrs. BOGGS. Thank you, Mr. Chairman.

Gentlemen, it is so nice to see you.

I must say, Mr. O'Leary, that I could never doubt your feeling of courtesy for the committee. The manner in which you have handled several delicate problems in my home State of Louisiana has been very admirable in that regard, and I want to thank you very much.

Mr. O'LEARY. Thank you, Mrs. Boggs.

INFORMING THE SUBCOMMITTEE

Mrs. Boggs. I don't think this is just a matter of courtesy. We really should be informed of the magnitude of your problems. Having the information we should then be able to do our own evaluation and recommend some actions.

In the 1979 conference report on the DOE appropriations these words were included:

"The reports of both the House and the Senate express a serious concern of the committee's own appropriation with the department's staffing allocations for its full-time permanent personnel.

"Data supplied to the committees reflect large increases for departmental staff activities over comparable activities in the Department of Energy predecessor organizations, and a shifting of technical and program management positions to staff and overhead positions."

That same conference report went on to say, "The conferees were in agreement with the employment tables for full-time permanent positions for fiscal year 1979 as shown in the committee's reports."

Apparently what you have done is to change from the committee reports and change fairly dramatically in some instances, particularly in the office of counsel. In addition to the 91 for your investigatory and regulatory situations, I notice that you want more funding for regional counsel as well. As I calculate that totals 135 new positions for counsel. At the same time, you had the concerns of the committee, both the House and Senate committees, reflected in our reports.

Do you really think that you have reflected the committee's concerns in your staffing allocations?

Mr. O'LEARY. We have had, beginning with my letter of September 26, an exchange of views on this matter and I think that it has, from our standpoint, been adequate and I propose to ask my staff to work with your staff and find out ways in which we can improve this exchange of information so that we can avoid any friction between the department and your committee on this point.

I am sure that we can accomplish that, Mrs. Boggs. I don't like to hide behind start-up, but you understand, again, that I am new in my relationship to your committee and have not had the benefit of a discussion of the nature that we have had here today, for example, and you may be sure that I will take this discussion to heart and you will see results of that reflected in the way the staffs work together over the next few months.

Mrs. Boggs. Well I hope so. Because in our search for knowledge and for some type of action that would relieve the dependence of the United States on foreign sources of energy, we have looked at all DOE programs and funded some of them significantly over the recommendations of the administration, particularly in the field of solar energy.

We were very interested in solar, hydroelectric, biomass and other energy fields and we wanted to provide adequate support to see if these programs could move ahead effectively. In so doing, we commented on the allocations you had made in your personnel and expressed some concerns.

Now these committee concerns don't seem to be reflected in your manpower allocations. Would you address yourself to that?

Mr. O'LEARY. Mrs. Boggs, we are, of course, partners in pursuing these technologies that will provide the necessary energy for this country. In addition to your responsibility of oversight, we have a responsibility to manage these projects effectively, economically and efficiently.

I tell you, I really believe that we have to have a certain amount of flexibility so far as personnel decisions are concerned in order to assure that we do in fact manage these programs effectively.

PERSONNEL CHANGES

I can see, for example, significant changes in personnel requirements that do not reflect dollars. There are start-up periods, for example, in another area right now where we are at a critical point on some of the fossil energy work that the department is pursuing.

I think we have allocated in the last few months some 44 positions that might have been counted as overhead in Washington to the field into a project management mode because we discovered that the old AEC and ERDA mode of project management was leading to chronic overruns and to underachievement of project goals, cost overruns on the one hand and less than optimal progress on the other.

So we are significantly strengthening, enhancing, our project management system.

Now that is just one example of the application of knowledge as we go along to the discharge of our functions for management of these very complex and very important programs.

Mrs. BOGGS. That is very heartening.

Mr. O'LEARY. I think the thing that has been lacking is the timely discussion of these matters with committee staff. As I have indicated, I will now undertake to be sure that there will be timely discussion and see if I can repair the difficulty that has been created by our inattention to that over the last year.

Mrs. BOGGS. That is very heartening testimony because just on the face of it, from the figures presented to us, it looked as though you were

taking technical and management positions away from the programs and putting them into headquarters staff.

Mr. O'LEARY. I mentioned at one point, made a glancing reference to a reduction of 391 positions. That was the 29 in the Office of General Counsel and 6 in the Office of the Secretary included in the 391. They are all overhead positions.

We have been taking, quite intentionally, overhead positions away and putting them into project management.

Now a lot of this, Mrs. Boggs, I believe, is semantics. We, for example, have had a discussion with Committee staff with regard to the energy research allocation of personnel. I believe they were concerned that we were taking people from, for example, the nuclear program and putting them into overhead.

In fact, the people that have gone into energy research have performed a cost-cutting function that has paid off handsomely in the form of the strategy paper that we developed earlier last year for the fission program and a little bit ahead of that for the fusion program.

I think the result of the cost-cutting work in Energy Research over that period of time was only possible with these additional resources and has enormously strengthened the shape of the research program that we have both in fusion and in fission.

I would be more than pleased, Mrs. Boggs, to provide you with the two papers, the final products that came out of those two reviews.

Mrs. Boggs. Thank you very much.

We would like them at this point in the record. Could we be supplied with the accurate figures at this point in the record, also?

Mr. O'LEARY. Surely, I will be more than happy to do it.

[The information was provided for committee files.]

INTERNATIONAL AFFAIRS STAFFING

Mrs. BOGGS. I was also interested in Mr. Beville's comment on the atomic energy program. We are having difficulties with our agreements overseas, yet you have a plus-8 in personnel in international affairs.

Can you tell me what those additional 8 persons are going to be doing?

Mr. O'LEARY. I hope someone can, Mrs. Boggs.

The increase of 8 is to man the emergency international intelligence function that has been brought into being as a result of the Iranian crisis, Mrs. Boggs. We felt that there was the possibility of having that blow up into what it ultimately turned into, that is, a complete stoppage. We wanted to have the best advice that we could on a real time basis for the Secretary so that we in turn could advise the President rapidly as to the appropriate response of the United States.

Mr. MYERS. You can buy a newspaper to do that.

Mr. O'LEARY. We are about two days ahead of the newspapers and that turned out to be quite important. Sometimes we are a day or two behind the newspapers, but in this particular one we are in good shape.

ENVIRONMENT STAFFING

Mrs. BOGGS. Could you explain what the additional positions in the environmental field are going to do?

Mr. O'LEARY. Environment was assessed a reduction of 2 positions as its portion of the overall reduction of 391 positions. Additionally, 2 positions were reassigned to another DOE organization. The difference between the target level and the net addition of 10 positions is for NEA-related workload.

So it is 10 up for NEA and 2 out to ER and 2 dismissed from the department as a result of a general reduction of 391.

Mrs. BOGGS. That would bear out your earlier contention that some of these positions really are not being added on, that they are reduced from the overall total; is that correct?

Mr. O'LEARY. That is correct.

Mrs. BOGGS. Thank you very much.

Mr. O'LEARY. May I amplify that?

I don't believe that there is any difference between the committee-suggested allocation total and the departmental total. If there is a difference, it is negligible. Mrs. Boggs. Perhaps at this point we could have a little table that shows that with precision, shows that difference.

Mrs. BOGGS. Thank you. I would appreciate that very much.

Fiscal year 1979 full-time permanent positions, Energy and Water Development Subcommittee

Committee allocation	13,493
DOE allocation	13,485

Mr. DIXON. What is the number of mid-level and senior level positions held by Blacks and Hispanics within the Department of Energy, and what percentage of all individuals within these grades does this represent? Additionally, how do these figures compare with those of agencies that were consolidated into the Department for the year 1977.

Mr. O'LEARY. We will provide for the record a table answering these questions.

[The information follows:]

BLACK AND HISPANIC EMPLOYMENT

	FY 1977						As of 12-30-1978													
	ERDA			FEA			FPC			DOE										
	Total	Black No. %	Hispanics No. %	Total	Black No. %	Hispanics No. %	Total	Black No. %	Hispanics No. %	Total	Black No. %	Hispanics No. %								
Senior Level GS-16 & Above*	500	5	1.0	3	0.6	72	2	2.8	1	1.4	46	0	-	0	-	662	12	1.8	7	1.1
Mid- Level GS-13-15	3,190	101	3.2	56	1.8	1,117	41	3.7	20	1.8	398	18	4.5	4	1.0	6,179	204	3.3	89	1.4
Total	3,690	106	2.9	59	1.6	1,189	43	3.6	21	1.8	444	18	4.1	4	0.9	6,841	216	3.2	96	1.4

NOTES

* Supergrade, Executive & Statutory

This does not include personnel who transferred from the Department of the Interior and other agencies.

REPROGRAMMING VERSUS SUPPLEMENTAL

Mr. BEVILL. Mr. Secretary, given the size of the request and the large increases in positions above the levels provided in the 1979 appropriation, why wouldn't a supplemental budget request be more appropriate than a reprogramming?

Mr. O'LEARY. I think it would be totally appropriate, barring the element of certainty, Mr. Chairman. We are getting closer and closer to the point where we have to make a massive reduction in force in the event that something should happen to the supplemental on the way to the Speaker's desk.

I personally think that it may be that the supplemental is the appropriate route, particularly if the committee can indicate to us that, should the supplemental fail for one reason or another, they would then take a very careful and sympathetic look at a reprogramming in order to accomplish the same objective.

I think the only difference is one of certainty. It seems to me that you can in a more timely fashion with greater certainty achieve the objective here, assuming you share the objective, with a reprogramming than you can with a supplemental.

DEPARTMENTAL FLEXIBILITY

Mr. BEVILL. You mentioned there to Mrs. Boggs that you certainly have to have flexibility with your employees. Now we understand that. We are not fussing about that. Actually, I don't know of a single instance where you or your staff have requested reprogramming or whatever that you didn't get. I don't know of a single instance.

Mr. O'LEARY. I hope this is not the first, Mr. Chairman.

Mr. BEVILL. Do you know of any?

Mr. O'LEARY. I don't know.

Mr. BEVILL. So you have the flexibility, so we just need your cooperation. That is really what it boils down to. I am confident from what you have said here today that we are going to have it and we won't get in this position anymore. If you are going to change our figures, get our permission first, get it cleared with us. That is all we are asking.

Mr. O'LEARY. Mr. Chairman, again I want to make a distinction between the basic requirement for this reprogramming and the discussion that we have had with regard to personnel allocation. I will make the same point again. We are really not adding people as a result of this reprogramming over and above the aggregate of the committee's recommended targets. This is a rearrangement of those people.

But even if we were completely consistent with the committee's targets, we would still have the requirement, I am told by my associates here, for virtually the full amount of the reprogramming now being requested.

AVERAGE SALARIES

Mr. BEVILL. What has caused the large increase in average salaries in DOE over those in its predecessor agencies?

Mr. O'LEARY. There has not been any large increase in average salary in DOE over the average in the predecessor agencies. The average salary for the program direction and management support personnel of the Department is projected to increase from \$26,050 early

in FY 1978 to our current estimate of \$26,500 for FY 1979, excluding the October 1978 pay raise. The FY 1979 budget was prepared by the component agencies of DOE. The estimated average salary projections calculated by the component agencies were not only lower than current projections, but were even lower than the actual at the time the budget was prepared. The actual average salary in October 1977, (the beginning of FY 78) was \$26,050 vs. the \$25,500 shown in the budget as the FY 79 projection.

ECONOMIC REGULATORY ADMINISTRATION STAFFING

Mr. BEVILL. How could DOE and OMB overlook an item as large as \$8,800,000 in the budget submittal?

Mr. O'LEARY. Certain activities of the Economic Regulatory Administration were included within the FY 1979 budget in several mission categories other than the Regulatory mission. Inadvertently, funding for about 330 staff-years associated with ERA activities funded in the mission categories other than Regulation never were included in the program direction and management support account or anywhere else in the budget.

Based on our erroneous assumption that this funding was included in the Department's FY 1979 request, the Public Works Subcommittee transferred \$8.8 million of our request to the Interior and Related Agencies Subcommittee ERA appropriation. However, since these funds were not in the request in the first place, the net result was an \$8.8 million shortfall in the personal services funding.

The oversight can only be explained by the fact that the FY 1979 budget requests were prepared on the basis of estimates from the individual agencies which were combined into the Department of Energy, coupled with the problems inherent in the formulation of a new Department.

Mr. BEVILL. Why aren't the additional counsel requirements funded in the Economic Regulatory Administration?

Mr. O'LEARY. The additional General Counsel positions are funded from the Program Direction and Management Support account to be consistent with our operating plan for all DOE legal services to be provided from a central General Counsel office. This included the Headquarters General Counsel positions as well as their field counterparts.

CONSERVATION POSITIONS

Mr. BEVILL. Why aren't the additional conservation positions funded in the conservation program?

Mr. O'LEARY. The additional positions required for Conservation activities in FY 1979 are for functions to be performed at regional offices. They are included in the Program Direction and Management Support personal services account to be consistent with the treatment of all other regional offices positions during formulation and execution of the FY 1979 budget. However, in the FY 1980 budget formulation and execution, these positions will be funded by the Conservation program.

OTHER PERSONAL SERVICES

Mr. BEVILL. Please explain the need for an increase of \$2,526,000 for overtime, part-time, and other services.

Mr. O'LEARY. The reprogramming request of \$2,526,000 for other personnel services is a consequence of inadequate estimates in the Department's FY 1979 budget request. That request was developed without actual operating experience and assumed other personnel services requirements to be approximately 5.8 percent of full-time permanent salaries. The amended estimate of about \$2.5 million is based on Department-wide actual FY 1978 experience and is calculated as 6.2 percent of the revised full-time permanent base salary requirements of nearly \$224.7 million.

Other personnel services is a diverse category of expenses. Included are expenses for the base salaries of other than full-time permanent positions, premium pay, terminal leave, equalization payments, and reimbursements to other Federal agencies for loaned personnel. In developing the reprogramming request, full consideration was given to congressional concern in constraining these expenses. Although some expenses are relatively inflexible, the request reflects a downward trend in FY 1979 as compared to FY 1978. The revised estimate, therefore, represents a critical requirement which, if not met, would adversely impact the Department's ability to maintain a sufficient level of other than full-time permanent positions employment, premium pay, and other compensation in support of program accomplishment.

ENERGY RESEARCH CENTER STAFFING

Mr. BEVILL. Please explain the need for funds to convert part-time employees from the Energy Research Centers to full-time employees.

Mr. O'LEARY. Section 702(a) of the DOE Organization Act required that DOE convert the full-time temporary employees transferred to DOE from ERDA's Energy Research Centers, to permanent employment status at the option of the employees. In fact, 222 employees opted to convert and were converted. This action had no funding impact on the Program Direction and Management Support account since all of the 222 positions are funded in the Fossil Energy Research and Development Program Account.

URANIUM ENRICHMENT UNDERRUN

Mr. BEVILL. How much did you underrun in uranium enrichment?

Mr. O'LEARY. Uranium enrichment obligations underran a total of \$208.2 million in FY 1978.

Mr. BEVILL. Did you report to the Committee that you had negotiated a reduction in power? When and how?

Mr. O'LEARY. The Committee was informed of a negotiated power reduction with TVA in a letter to Chairman Bevill dated January 30, 1978. In addition, the Committee was informed of emergency power cutbacks resulting from last year's coal strike in testimony presented by William R. Voigt on March 8, 1978.

CONSOLIDATION OF STAFF OFFICES AND FIELD ACTIVITIES

Mr. BEVILL. What progress has been made in consolidating your staff offices and field activities? Where are the efficiencies we expected when DOE was created?

Mr. O'LEARY. All staff offices inherited by DOE have been integrated into the DOE organizational structure. The DOE management, staff, and support offices are now structured and staffed to provide appropriate services as required to carry out the Department's programs. For the most part such support services are provided in the Headquarters by central components thereby obviating the need for staff capabilities in the various program organizations in such areas as procurement, legal, financial management, personnel management, etc. In addition, a number of support arrangements have been effected among our field components whereby some organizations provide services to other DOE entities in their geographical areas. Through such arrangements, significant organization, management, and resource efficiencies have been achieved.

The consolidation of the energy-related agencies has resulted in an initial reduction of 391 positions in management and support functions as was previously related to you. Because of the consolidated field arrangements and in recognition of the workload trends in field organizations another 94 positions are forecast for savings in FY 80. We have a program for continuous systematic review of your staffing requirements to assure proper utilization and appropriate allocation of our resources. Our efforts are directed toward accommodating increased workload requirements resulting primarily from NEA and the need to improve management and control of major projects within authorized employment levels. As presently constituted, our FY 1980 budget will result in further reductions in the DOE Federal workforce. Overall, DOE's FY 1980 budget provided for 19,038 full-time permanent positions or compared to 19,596 for FY 1978, a reduction of 558 positions.

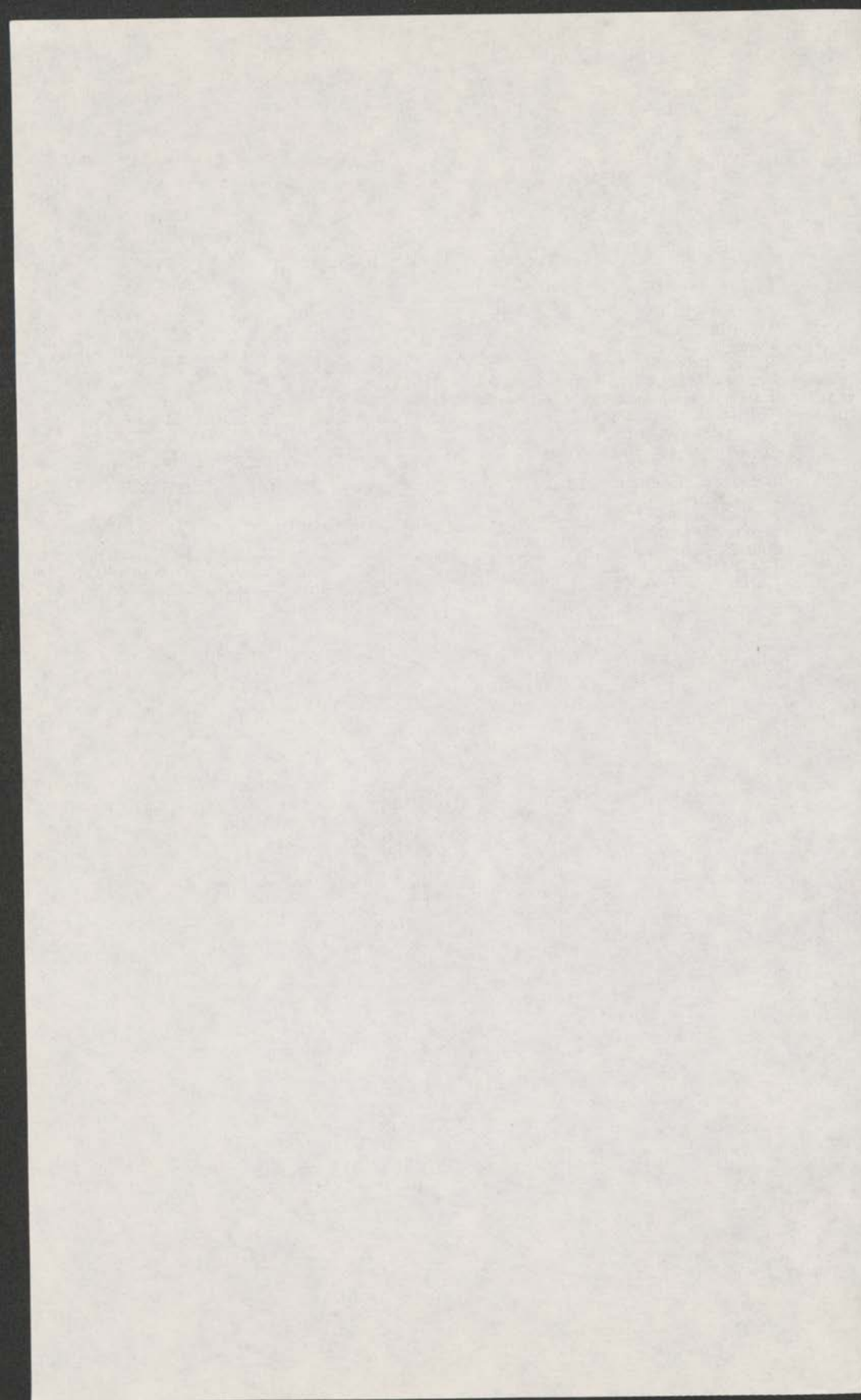
Mr. BEVILL. Are there any other questions?

Thank you, each of you, for coming.

The subcommittee stands adjourned.

WITNESSES

	Page
Alvin L. Alm.....	3240
Lynn R. Coleman.....	3240
Robert J. Cross.....	2739
Charles B. Curtis.....	3069
James B. Hammett.....	2739
William S. Heffelfinger.....	3240, 3499
P. Samuel Hughes.....	3240
William G. McDonald.....	3069
George S. McIsaac.....	2739
Robert L. McPhail.....	2739
C. N. Mitchell.....	3240, 3499
Sterling Munro.....	2739
Daniel M. Ogden.....	2739
John F. O'Leary.....	3499
Don S. Smith.....	3069
Harry F. Wright.....	2739



INDEX

Power Marketing Activities:	Page
Assistant Secretary for Resource Applications.....	2739
Administration independence.....	3066
Allocation of power to customers.....	3060
Budget request format.....	3057, 3062
Fiscal year 1980 budget overview.....	2892
Impact of reorganization on labor negotiations.....	2999
Independence of power marketing administrations.....	2998
Investment repayment.....	3059
Oil displacement program.....	2061
Power management.....	2892
Power marketing staff.....	3002
Power production.....	3001, 3002
Power rates.....	2893
Power repayment status.....	2893
Rate change provisions in contracts.....	3058
Rate structure.....	3003
Recovery of construction costs in rates.....	3057
Revolving fund.....	3004
Role of FERC and ERA in rate cases.....	3060
Transfer from Department of Interior.....	3067
Uniform pricing policy.....	3060
Administrator, Western Area Power Administration Statement.....	2895
Additional staffing.....	3001
Auburn Dam.....	3068
Audits.....	3050
Budget detail.....	3041
Budget request.....	2921
Colorado River basin construction.....	3049
Construction.....	3039, 3050
Contract obligations.....	2920
Cost of purchased power.....	3037
Cost of purchase power and wheeling.....	3049
Data processing.....	3039
Emergency fund.....	3050
Headquarters.....	2919, 3000
Intersee capability.....	3041
Litigation.....	3056
New Melones project.....	3037, 3062
Office space requirements.....	3035
Oil conservation program.....	2921, 3025
OMB adjustments.....	3035
Operation and maintenance.....	3038, 3029
Planning.....	3035
Project power rates.....	2920
Repayment status.....	3038
Replacement computer.....	3049
Research and development.....	3050
Transfers from Department of Interior.....	
Transmission system rehabilitation.....	2919
Administrator, Southwestern Power Administration statement.....	2921
Budget.....	3029
Budget request.....	2930
Construction activity.....	2931, 3031
Construction projects.....	3034
Contract effort.....	3030
Manpower.....	2930

Power Marketing Activities—Continued

Administrator, Southwestern Power Administration statement—Con.	Page
Pending litigation	3034
Power distribution in Louisiana	3061
Project schedule	3032
Purchase power	3030
Rate actions since March 1978	2997
Rate increases	2929
Repayment posture	2929
Reservoir conditions	3030
Revenues	3031
Administrator, Southeastern Power Administration statement	2930
Biographical data	2930
Budget request	2941
Construction projects	3029
Current program	2942
Litigation	3029
Manpower	2941
Power allocation	3029
Purchase power and wheeling	3027
Repayment status	2942, 3027
Revenue	2941
Administrator, Alaska Power Administration statement	2942
Budget reduction	3006
Budget request	2954
Eklutna power production	3005
General investigations and planning	2954, 3006
Impact of Alaska Lands Act on hydro projects	3058
Maintenance vehicle	3006
Oil and gas conservation	3004
Operation and maintenance	2954
Revenues and repayment	3005
Sales and revenues	2954
Surplus power	3004
Administrator, Bonneville Power Administration statement	2955
ADP operations	3010
Budget	2993
Budget increases	3007
Borrowing	2994
Changing role	2994
City of Portland law suit	3016
Construction program	3009, 3011
Construction projects	3021
Energy allocation	3016
EPRI participation	3009
Fish loss migration	3015
Improved management	2993
Increased capacity on existing lines	3065
Increased operating	3009
Increased rates for California	3063
Interest costs	3008
Interest rates	3017
Litigation	3026
New rates	2995
Pacific Northwest-Southwest interties	3013
Peaking deficits	3013
Power demands	3017
Power supply	2993
Rainfall	3065
Rates	3013
Rate increases	2994
Rate increase procedures	2996
Regional legislation	3016
Repayment status	3017
Research and development	2994
Role EIS	3014
Wheeling rates	3014
WPPSS net billing increase	3008
WPPSS oversite	3011

Federal Energy Regulatory Commission:		Page
Chairman, Federal Energy Regulatory Commission statement.....		3069
Budget:		
Additional personnel requests.....	3181,	
	3184,	3209
Budget changes.....		3216
Budget outlays oil regulation.....		3239
Common support agreement.....		3219
Object class statement.....		3218
Outside contracts.....		3217
Outside contracts budget.....		3218
Reprogramming of funds.....	3186,	3193
Resources for intrastate regulation.....		3194
Resources for wholesale electric rate regulation.....		3201
Staffing and support cost allocations.....		3219
Staffing difficulties.....	3185,	3186
Cases:		
Alabama Power Co. case.....		3205
Alaska gas project.....		3234
Escondido project.....	3200,	3205
Sabine River authority.....		3197
Trans-Alaska pipeline system.....		3235
United Gas pipeline curtailment.....		3197
Dam Safety:		
Inspection.....	3223,	3238
Program.....		3222
Relation to other agencies.....		3223
Hydro regulation:		
Hydroelectric projects licensing.....		3237
Hydropower resources assessment.....		3238
Potential hydropower development.....		3220
Water resource analysis programs.....		3221
Management:		
Administrative improvements.....		3210
Administrative proposals.....		3212
Affirmative action program.....		3198
Delegations of authority.....		3206
Delegation of authority to States.....		3227
EEOC actions.....		3198
Electric rate case backlogs.....		3202
Future requirements.....		3233
Nondocketed work.....		3213
Objectives.....		3180
Paperwork burden.....		3207
Reduction of rules and regulations.....		3208
Regulatory burden reduced.....		3181
Regulatory reform.....		3206
Staff morale problems.....		3204
Women's programs.....		3199
Women's program goals.....		3200
Women's programs improvements.....		3199
Women's promotions.....		3199
National Energy Act:		
Commingle of gas supplies.....		
Energy bill hearings.....	3183,	3184
First sale interpretation.....		3229
Natural Gas Policy Act impact.....		3194
Natural Gas Policy Act implementation.....		3225
New responsibilities.....	3182,	3183
Pipeline production.....		3228
Policy statement on interstate gas sales.....		3196
Price of natural gas.....	3232,	3233
Public Utility Regulatory Policies Act implementation.....		3226
Natural gas:		
Availability of.....		3233
Supply.....		3209

Federal Energy Regulatory Commission—Continued

Chairman, Federal Energy Regulatory Commission statement—Continued

	Page
Public participation:	
Intervenor program.....	3195
Office of public participation.....	3202
Qualified intervenor.....	3203
Regulation:	
Cost of.....	3233
Electric utility overcharges.....	3236
Fees and collections.....	3214
Legislative proposals.....	3212, 3216
Refunds to customers.....	3214
Relationships to States:	
State regulatory agencies.....	3193
State regulatory authority.....	3196
State regulatory burdens.....	3195

Departmental Administration:

Controller.....	3240
Statement.....	3240
Assistant Secretary for Intergovernmental and Institutional Relations.....	3240
Statement.....	3331
Assistant Secretary for Policy and Evaluation.....	3240
Statement.....	3339
Director, Office of Administration.....	3240
General Counsel.....	3240
Statement.....	3345
Administration litigation.....	3368-3395
Anticipated growth in average travel costs per staff year in the management and support program.....	3405
Assessment of manpower requirements.....	3405-3408
Avoiding duplication.....	3341, 3342
Budget increases and savings.....	3397
Business and industry communications.....	3354
Communication costs.....	3414, 3415
Computer acquisitions—fiscal year 1980.....	3477
Computer inventory.....	3430
Computer policy.....	3482, 3483
Computer requirements.....	3450
Consolidation and staffing requirements.....	3401, 3402
Consumer affairs.....	3355, 3356
Cost of work for others.....	3330
Court costs.....	3352
Data services from Energy Information Administration.....	3342, 3343
Departmental administration.....	3329
Deregulation and litigation.....	3397
DOE costs under Energy and Water Development Subcommittee.....	3402
Energy-saving projects.....	3424
Environmental litigation.....	3348
Explanation of increase.....	3340, 3341
Field investigations.....	3397, 3398
Fines and customer costs.....	3396, 3397
Forrestal move.....	3398, 3399
Computer space in the Forrestal Building.....	3398, 3399
Funds for DOE move into Forrestal Building.....	3398, 3399
Funding of legal positions.....	3367
Funding request detail.....	3344
General Counsel.....	3345, 3346
General Counsel justification.....	3351
Indian Affairs.....	3338
In-House Energy Management.....	3330
In-House Energy Management retrofit projects.....	3416
In-House Energy Management savings.....	3397
Inspector General report.....	3408
Intergovernmental Affairs.....	3337, 3338
Intergovernmental and Institutional Relations staffing.....	3339
International Affairs.....	3330

Departmental Administration—Continued

General Counsel—Continued

	Page
Intervenor funding	3348-3350
Inventories	3331, 3483-3499
Labor affairs	3354
Legal basis of public meetings	3356-3365
Legal staffing at DOE	3365, 3366
Number of attorneys performing legal work	3365, 3366
Litigation activities	3347, 3348
Litigation and NEA	3353
Litigation assistance	3366, 3367
Litigation—DOE and the Department of Justice	3415, 3416
Loans to minority business enterprises	3341
Major analyses and studies	3329
Management and support	3426
Management and support average salary	3426
Management and support benefits	3429
Management and support, other personal services—fiscal year 1980	3426
Management and support positions	3354, 3355
Manpower assessment	3330, 3429
Miscellaneous revenues	3347, 3348
NEA and litigation	3343, 3344
Nuclear program policy	3330, 3337, 3338, 3339
Outreach activities	3330
Plant engineering and design	3329, 3330
Policy analysis and systems studies	3339, 3340
Policy and evaluation	3367
Procurement positions	3343
Program evaluation activities	3342
Program strategies	3351, 3352
Public meeting participation—fiscal year 1979	3351
Solar domestic policy review	3351
Nuclear waste management meeting	3352
NEP II public meetings	3352
NEA rulemaking hearings	3353
Public participation support	3330
Security investigations	3346, 3347
Staffing	3344, 3345
Staffing required	3401, 3402
Staffing requirements and consolidation	3399-3401
Supplemental budget request	3399-3401
Impact if the fiscal year 1979 supplemental budget request is not approved	3399-3401

Related Matters—Fiscal Year 1979 Reprogramming:

Deputy Secretary, DOE	3499
Biography	3499
Statement	3501
Average salaries	3552, 3553
Basis for reprogramming request	3542
Breeder reactor projects	3539
Changes in legal workload	3537
Coal-fired powerplants	3541
Conservation positions	3553
Conservation staffing	3526
Consolidation of staff offices and field activities	3554, 3555
Departmental flexibility	3552
Economic Regulatory Administration staffing	3553
Energy Research Center staffing	3554
Environment staffing	3549, 3550
Estimated nuclear energy capacity	3539
Federal employees	3545-3547
First quarter experience	3544, 3545
Fiscal year availability	3543, 3544
Funding source	3543
General Counsel	3528-3536

Related Matters—Fiscal Year 1979 Reprograming—Continued

Deputy Secretary, DOE—Continued		Page
Informing the subcommittee.....	3547, 3548	
International Affairs staffing.....	3549	
Legal staffing.....	3542, 3543	
Office of the secretary.....	3526, 3527	
Oil-fired powerplants.....	3540, 3541	
Other personal services.....	3553, 3554	
Oversight responsibility.....	3537, 3538	
Personal services and benefits shortage.....	3525	
Personnel changes.....	3548, 3549	
Previous correspondence.....	3527, 3528	
Regional Counsel.....	3525, 3526	
Reprogramming versus supplemental.....	3552	
U.S. nuclear technology.....	3538, 3539	
Uranium enrichment underrun.....	3554	
Waste disposal.....	3539, 3540	



