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ALASKA FEDERAL CIVILIAN ENERGY  
EFFICIENCY SWAP ACT

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BEFORE THE

SUBCOMMITTEE ON ENERGY AND POWER

OF THE

COMMITTEE ON

INTERSTATE AND FOREIGN COMMERCE

HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

SECOND SESSION

ON

H.R. 5393 and S. 1784

BILLS TO IMPROVE THE ELECTRIC GENERATION EFFICIENCY  
OF JOINT FEDERAL-CIVILIAN POOLING PRACTICES IN ALASKA,  
AND FOR OTHER PURPOSES

NOVEMBER 17, 1980

Serial No. 96-220

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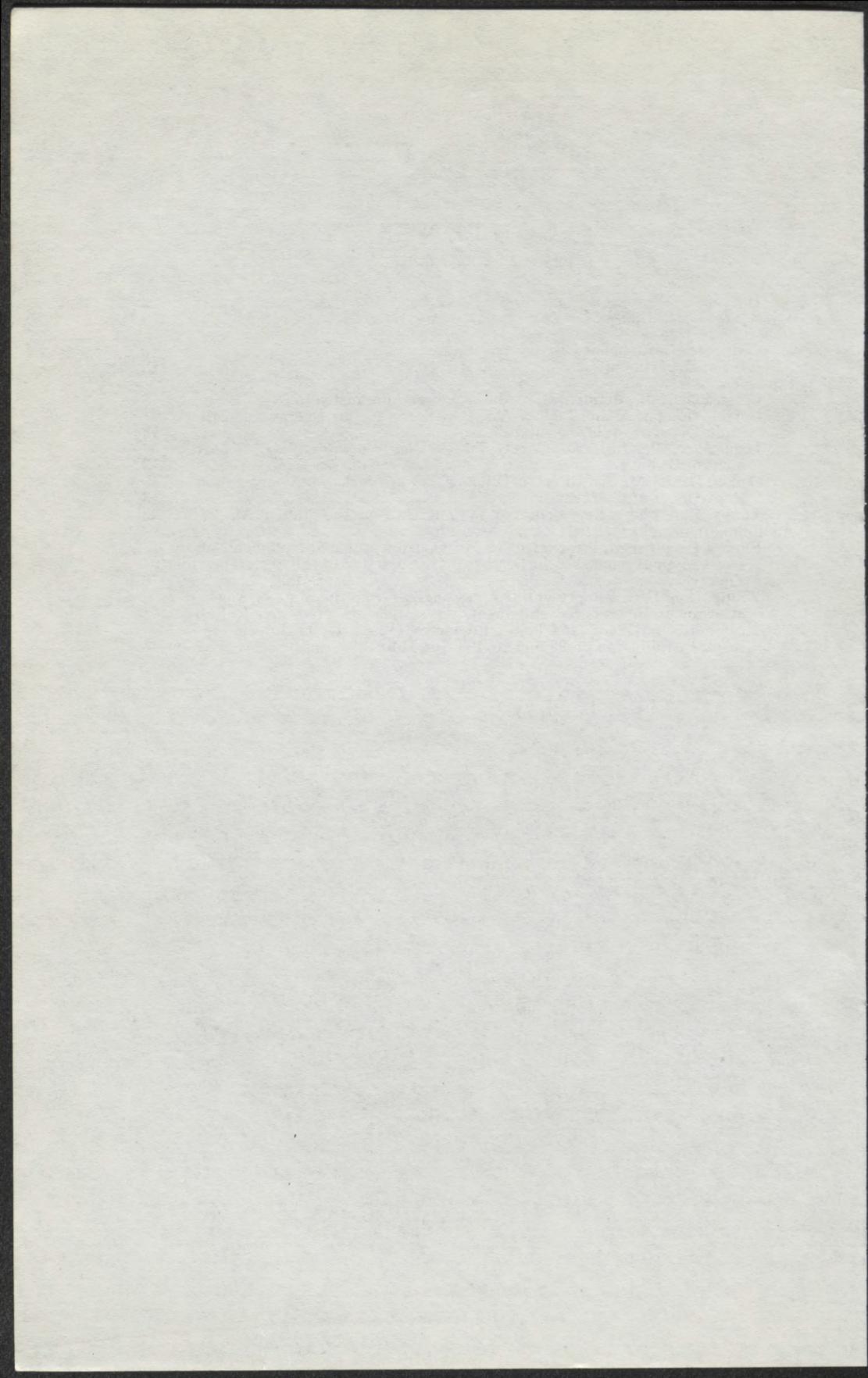
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S. 1784 and H.R. 5393  
**ALASKA FEDERAL CIVILIAN ENERGY  
EFFICIENCY SWAP ACT**

MONDAY, NOVEMBER 17, 1980

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON ENERGY AND POWER,  
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 10 a.m., in room 2123, Rayburn House Office Building, Hon. John D. Dingell, chairman, presiding.

Mr. DINGELL. The subcommittee comes to order.

The subcommittee begins today consideration of the Alaska Federal Civil Energy Efficiency Swap Act. This bill seeks to increase sales of electric power between Federal facilities and utilities in the State of Alaska. Sales of power generated at Federal installations are said to offer opportunities for saving oil by reducing oil-fired generation with increased coal-fired generation at these installations, and sales by utilities to Federal facilities are said to offer opportunities for achieving economic benefits for utilities and/or these Federal facilities in Alaska.

The excess coal-fired generation is located at certain Federal military installations. The Department of Defense has not used this excess generating capacity for sale to utilities because its authority to do so is said to be limited to emergency situations. Section 4 of this bill would provide the Defense Department with the authority to make such sales.

Section 5 requires that Federal facilities endeavor to purchase electric power from utilities. I am anxious to gather from today's witnesses the full implications of this section, including the estimated costs to the Federal Government, the benefits to the citizens from Alaska, and the need for such a provision.

It is well known that we are in the twilight of the 96th Congress and that the remaining days provide a most limited opportunity for consideration of this bill. Nevertheless, we intend to pursue this matter and establish the necessary information so the committee can proceed.

Without objection, the text of H.R. 5393 and S. 1784 and any agency reports thereon will be printed at this point in the record.

[Testimony resumes on p. 13.]

[The text of H.R. 5393 and S. 1784 and agency reports on S. 1784 follow:]





1           (2) The term "federally generated electrical  
2 power" means any electricity specifically generated for  
3 consumption by a Federal facility, including facilities of  
4 the Department of the Interior, the Department of  
5 Commerce, and the Department of Defense; and

6           (3) The term "Secretary" means the Secretary of  
7 any of the Departments of the United States of Amer-  
8 ica, including but not limited to, the Department of the  
9 Interior, the Department of Commerce, and the De-  
10 partment of Defense.

11       SEC. 4. Notwithstanding any other provisions of law,  
12 the Secretary concerned or his designee may sell or contract  
13 to sell surplus federally generated electrical power produced  
14 in Alaska, particularly electrical energy produced at coal-  
15 fired powerplants, without regard to availability of power  
16 from other local sources if such action will result in reduced  
17 electrical costs to Federal or civilian consumers, and in the  
18 case of coal-fired powerplants will result in reduced consump-  
19 tion of oil and natural gas. Said energy will be priced at not  
20 greater than one-half the difference between the incremental  
21 cost of coal and the oil and/or gas it is designed to replace.

22       SEC. 5. Notwithstanding any other provision of law, the  
23 Secretary concerned shall whenever practicable and consist-  
24 ent with the mandate of a Federal facility in Alaska endeavor  
25 to purchase civilian-generated electrical power when the pur-

1 chase of such power will result in a savings to civilian con-  
2 sumers and will not increase the cost to Federal consumers  
3 or will result in a savings to Federal consumers without in-  
4 creasing costs to civilian consumers.

5       SEC. 6. The provisions of this Act shall apply only to  
6 surplus power. Nothing in this Act shall be construed as re-  
7 quiring the Federal Government to design or build future  
8 powerplants for Federal facilities in order to accommodate  
9 the needs of civilian consumers.

96TH CONGRESS  
2D SESSION

# S. 1784

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 29, 1980

Referred jointly to the Committees on Interior and Insular Affairs and  
Interstate and Foreign Commerce

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## AN ACT

To improve the electric generating efficiency of joint Federal-civilian pooling practices in Alaska, and for other purposes.

1        *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*  
3 That this Act shall be referred to as the "Alaska Federal-  
4 Civilian Energy Efficiency Swap Act of 1980".

5        SEC. 2. FINDINGS AND PURPOSES.—(a) Congress finds  
6 and declares the following:

7            (1) Federal and civilian electrical power generat-  
8            ing capacity are often duplicative in Alaska.

9            (2) The appropriate sharing of electricity produced  
10           in coal-fired powerplants could reduce electrical costs  
11           in Alaska to both Federal and civilian consumers.

1           (3) The severe nature of Arctic and sub-Arctic  
2 winters in Alaska creates uniquely high electrical  
3 power demands in Alaska during the winter months.

4           (4) As a result of, among other things, unique  
5 weather-related difficulties, Alaska electric power rates  
6 are the highest in the Nation.

7           (b) It is therefore declared to be the purpose of Congress  
8 in the Act—

9           (1) to improve the electrical generating efficiency  
10 of joint Federal-civilian sharing practices in Alaska;

11           (2) to increase the use of coal-fired, electrical gen-  
12 erating powerplants in Alaska; and

13           (3) to lower the cost of electricity to civilian and  
14 Federal users in Alaska.

15       SEC. 3. DEFINITIONS.—As used in this Act, unless the  
16 context otherwise requires—

17           (1) the term “civilian generated electrical power”  
18 means any electricity specifically generated for con-  
19 sumption by consumers who are not part of a federally  
20 owned facility;

21           (2) the term “surplus federally generated electric  
22 power” or “surplus power” means any electricity gen-  
23 erated by on-line federally owned coal-fired plant  
24 equipment operating at optimum efficiency in excess of  
25 electricity specifically generated for consumption by a

1 Federal facility, but does not mean electricity that  
2 could be generated by reserve or standby equipment in  
3 excess of normal operating needs; and

4 (3) the term "Secretary" means the Secretary of  
5 any of the departments of the United States of Amer-  
6 ica including but not limited to the Department of the  
7 Interior, the Department of Commerce, and the De-  
8 partment of Defense.

9 SEC. 4. Notwithstanding any other provisions of law,  
10 the Secretary concerned or his designee may sell or contract  
11 to sell surplus federally generated electrical power produced  
12 in Alaska without regard to availability of power from other  
13 local sources if such action will result in reduced electrical  
14 costs to Federal or civilian consumers and will result in re-  
15 duced consumption of oil and natural gas. Such surplus  
16 power will be priced at not greater than the incremental cost  
17 of producing the surplus power by coal generation including  
18 appropriate charges for incremental fuel and operation and  
19 maintenance costs, plus one-half the difference between the  
20 costs of producing the electric power by coal generation and  
21 by the oil or gas generation being displaced.

22 SEC. 5. Notwithstanding any other provision of law, the  
23 Secretary concerned shall whenever practicable and consist-  
24 ent with the mandate of a Federal facility in Alaska endeavor  
25 to purchase civilian-generated electrical power when the pur-

1 chase of such power will result in a savings to civilian con-  
2 sumers and will not increase the cost to Federal consumers  
3 or will result in a savings to Federal consumers without in-  
4 creasing costs to civilian consumers.

5       SEC. 6. The provisions of this Act shall apply only to  
6 surplus power. Nothing in this Act shall be construed as re-  
7 quiring the Federal Government to design or build future  
8 powerplants for Federal facilities or to employ reserve or  
9 standby equipment in order to accommodate the needs of ci-  
10 vilian consumers.

Passed the Senate September 25 (legislative day, June  
12), 1980.

Attest:

J. S. KIMMITT,

*Secretary.*



**GENERAL COUNSEL OF THE  
UNITED STATES DEPARTMENT OF COMMERCE**  
Washington, D.C. 20230

NOV 24 1980

Honorable Harley Staggers  
Chairman, Committee on Interstate  
and Foreign Commerce  
House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

This is in response to your request for the views of the Department of Commerce on S. 1784, as passed by the Senate

"To improve the electric generating efficiency of joint Federal-civilian pooling practices in Alaska, and for other purposes."

The Department of Commerce has no objection to the enactment of S. 1784. The bill would authorize the Secretaries of all departments of the United States to sell surplus Federally-generated electric power produced in Alaska without regard to availability of power from local sources, if such action will result in reduced electrical costs to Federal or civilian consumers and, in the case of coal-fired powerplants, will result in reduced consumption of oil and natural gas.

The bill also would require each Secretary, whenever practicable and consistent with the mandate of the applicable Federal facility in Alaska, to purchase civilian-generated electrical power when the purchase of that power will result in a savings to civilian consumers and will not increase the cost to Federal consumers, or will result in a savings to Federal consumers without increasing costs to civilian consumers. The bill specifies that its provisions apply only to surplus power and do not require the Federal Government to build additional powerplants to accommodate the needs of civilian consumers.

Joint pooling practices should be facilitated where diversion of Federally-generated power does not interfere with the operations of Federal agencies, especially with military operations. However, we do not believe that civilian users should be encouraged to rely solely on surplus Federal generating capacity where it might exist. Electricity generated with surplus capacity is subject to emergency curtailment when generating equipment used for primary supply breaks down. Private generating capacity should be encouraged. The bill would not appear to encourage sole reliance on surplus Federal generating capacity.

The Department owns little electrical generating capacity in Alaska. The only capacity we own is on St. Paul and St. George, the two inhabited islands of the Pribilof Islands. The National Marine Fisheries Service (NMFS) of the National Oceanic and Atmospheric Administration of the Department operates a seal skin processing plant on St. Paul and is statutorily required to care for the Aleut natives of the Islands. The generating capacity owned by the Department on the Island is as follows:

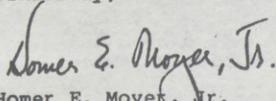
St. Paul	St. George
6 150 KW Generators	3 125 KV Generators
2 350 KVA Generators	1 375 KVA Generator*
	* (Not yet in operation)

The generators burn arctic diesel fuel. We are the sole supplier of electrical power to the islands' private residences and to city, community, and government buildings including schools and hospitals. We presently sell the electric power generated for \$.14 kwh to residential customers and \$.18 to commercial users. It should be noted that in this special case it is not practical to encourage the Aleut natives to provide their own electrical generating capacity.

We have one technical drafting comment. The term "surplus federally generated electrical power" is technically an incorrect term. While it is possible to have surplus generating capacity, it is impossible to have surplus electricity.

We have been advised by the Office of Management and Budget that they have no objection to the submission of our letter to the Congress from the standpoint of the Administration's program.

Sincerely,



Homer E. Moyek, Jr.  
General Counsel



United States Department of the Interior

OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20240

October 22, 1980

Honorable Harley O. Staggers  
Chairman, Committee on  
Interstate and Foreign Commerce  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

Your Committee has requested the views of this Department on S. 1784, an Act "to improve the electrical generating efficiency of joint Federal-civilian pooling practices in Alaska, and for other purposes."

We defer to the Department of Energy as to the need for and advisability of the Act's enactment, but we have identified a problem with this legislation as drafted.

S. 1784 authorizes Federal and civilian exchanges of surplus electricity in Alaska. It seeks to improve electrical generating efficiency, increase the use of coal-fired electrical generating plants, and lower the cost of electricity to civilian and Federal users in Alaska.

Section 4 provides that, "Notwithstanding any other provisions of law," the Secretary may sell or contract to sell surplus federally generated electrical energy. It is not clear whether this language is intended to exempt such actions from the requirements of the National Environmental Policy Act of 1969 (42 U.S.C. 4321 *et seq.*), and the Endangered Species Act (16 U.S.C. 1531 *et seq.*). Normally, this Department does not favor exemptions for either Act, but if such exemptions are intended, they should be made explicit. The language needs to be reexamined and clarified.

The Office of Management and Budget has advised that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

Joan M. Davenport  
Assistant SECRETARY

Mr. DINGELL. The first witness this morning was to have been our colleague from Alaska, the Honorable Don Young. Inasmuch as he is not here I think it best at this time to proceed with the testimony of Mr. Daniel M. Ogden, Jr., Director, Office of Power Marketing Coordination, Department of Energy. We thank you for your assistance. We will recognize you first, Mr. Ogden, and then your associates in such order as you desire.

**STATEMENT OF DANIEL M. OGDEN, JR., DIRECTOR, OFFICE OF POWER MARKETING COORDINATION, DEPARTMENT OF ENERGY, ACCOMPANIED BY ROBERT J. CROSS, ADMINISTRATOR, ALASKA POWER ADMINISTRATION; PETER LEQUERIQUE, DEPUTY ARMY POWER PROCUREMENT OFFICER, DEPARTMENT OF DEFENSE; AND JOSEPH GORRELL, ACTING DEPUTY ASSISTANT SECRETARY FOR ENERGY AND MINERALS, DEPARTMENT OF THE INTERIOR**

Mr. OGDEN. Mr. Chairman and members of the committee, I am Daniel M. Ogden, Jr., Director of the Office of Power Marketing Coordination of the Department of Energy. I am pleased to have the opportunity to discuss with you our views on S. 1784, the Alaska Federal Civilian Energy Efficiency Swap Act of 1980, as passed earlier this year by the U.S. Senate.

With me today is Mr. Robert J. Cross, Administrator, Alaska Power Administration. Mr. Cross is directly familiar with the opportunities for advantageous electric energy exchanges in Alaska and will be happy to answer any questions the committee may have.

Also accompanying me, at your specific request, is a representative of the Department of Defense who is familiar with the legislation and its impact on Federal installations in Alaska, Mr. Peter Lequerique, Deputy Army Power Procurement Officer.

Mr. Joseph Gorrell of the Department of the Interior is here with me. The General Services Administration is only marginally affected by this legislation.

Mr. Chairman, the Department of Energy supports S. 1784 as passed by the Senate earlier this year. We would suggest, however, an amendment in two places to clarify the intent of the opening phrase in both sections 4 and 5. We suggest that the committee strike the words "Notwithstanding any other provisions of law" in both and insert in its place in section 4: "Notwith standing the provisions of 10 U.S.C. section 2481 (1976)."

That provision limits the authority of the Defense Department to sell power except for emergency provisions.

In section 5 we would suggest, "Notwithstanding the provisions of the Federal Property and Administrative Services Act of 1949, as amended 140 U.S.C. section 471 et seq."

Those two provisions would clarify the intention.

There was not an intention to affect other acts such as the environmental law, civil rights law, and similar legislation.

Mr. DINGELL. Legislation relating to minority business opportunities, et cetera.

Mr. OGDEN. There is no intention to affect those.

Mr. DINGELL. So if we limit it, as you have indicated, with appropriate language in the committee report there is a certainty we will not have done so.

Mr. OGDEN. Very well. That is correct, sir.

Mr. DINGELL. Very well. Your counsel is well taken.

Mr. OGDEN. As requested in your letter to Secretary Duncan dated October 30, 1980, we have coordinated our testimony with the Department of Defense and the Department of the Interior, and have addressed the set of 18 detailed questions posed by the October 30 letter. Responses to the questions are appended to my statement.

Mr. DINGELL. Without objection, they will be inserted in the record at the appropriate place. [See p. 15.]

Mr. OGDEN. The bill has two main provisions. Section 4 would permit the sale of surplus electrical energy from federally owned power plants in Alaska to neighboring utilities where that is cost effective and fuel efficient.

Section 5 would encourage Federal installations in Alaska to purchase power from local utilities instead of operating separate systems where such purchases are found to be sensible and cost effective.

Section 4 is of interest primarily to the Department of Defense and electric consumers in the Fairbanks, Alaska area. Surplus energy available from coal-fired steam electric plants owned by DOD would allow area utilities to reduce production from their oil-fired generators.

DOD has not been selling surplus energy available from the coal-fired steamplants on the grounds that it lacks specific authority for such sales, except in case of emergency. This legislation would give them that authority. It prescribes terms of sale that assure compensation to the Government for its incremental costs of producing the surplus energy, including costs for operation and maintenance, plus up to one-half the difference between those incremental costs and the savings to the utilities for reducing their oil use. The net effect would be reduced oil consumption of about 5 million gallons per year, a cost saving for local utilities and their customers, and a small profit to the Government.

The DOD steamplants are interconnected physically with the local utility systems, therefore no new facilities are needed.

Section 5 is of particular interest for Federal installations in or near remote villages and cities in Alaska. The local utilities are typically small consumer-owned cooperatives. To the extent that it is feasible for the Federal installations to purchase utility power in lieu of producing it themselves, the utilities would gain better opportunities to improve efficiency and lower costs to consumers.

Testimony at the Senate hearings identified two such specific examples—Air Force installations in the vicinity of Kotzebue and Naknek. The local utilities are the Kotzebue Electric Association and Naknek Electric Association, cooperatives organized under the Rural Electrification Act.

The cooperatives and the Federal installations each operate diesel generators for their power supplies. If the two Air Force sites purchased power from the utilities, the power production at utility generators would increase approximately 50 percent. The combined

loads would increase efficiency in scheduling generator units. We do not have specific estimates of oil and dollar savings, but they could be significant.

Also identified at the Senate hearings is the possibility under the bill that military bases in the Anchorage area could purchase economy energy from local utilities in a manner that would increase overall efficiency of natural gas-fired generators in that area.

The Department of Energy does not have jurisdiction over the Federal facilities that would be affected by this bill. However, in addition to our basic interest we have considerable interest in displacing oil with the increased use of coal.

Further, our five power marketing administrations have had extensive experience in power sales and integration problems. In particular, the Bonneville and Western Area Power Administrations have had considerable success in marketing Federal power in a manner that helps customer utilities minimize use of oil in their generators.

We have also had good results in marketing surplus power under "share-the-savings" concepts very similar to those outlined in S. 1784.

Our report to the Senate suggested several amendments which were incorporated prior to Senate passage of the bill.

We believe the bill as passed is adequate to assure that the cost of Federal operations would not be adversely affected. In this regard, significant aspects include: the pricing provisions on surplus energy in section 4, the requirement that purchase not increase costs to Federal consumers in section 5, and a clear statement in section 6 that the act does not require the Federal Government to design or build further power plants or to employ reserve or standby equipment in order to accommodate civilian customers.

We support S. 1784 as passed by the Senate. It is a worthwhile measure to conserve oil and achieve cost effective operation.

I will be pleased to answer any questions the committee may have. Thank you, Mr. Chairman, for this opportunity to comment on S. 1784.

[Testimony resumes on p. 30.]

[Attachment to Mr. Ogden's prepared statement follows:]

Following are our answers to the 18 questions you asked in your letter of October 30, 1980 to the Secretary of Energy:

1. QUESTION: Please explain why this legislation is needed, why the sale of Federally-owned surplus power cannot be made under other provisions of law applicable to the agency selling the power, and how this bill would affect pertinent existing law.

ANSWER: The legislation is needed (1) to permit sale of surplus energy from coal-fired steamplants at military bases in the Fairbanks area, and (2) to encourage Federal installations in Alaska to purchase electricity from neighboring utilities where such service is available at reasonable cost and where the purchase will result in savings of money and oil. Existing law governing sale of utility service from military and Coast Guard installations prohibits such sale if the service is available from another local source (10 U.S.C. §2481). This has been interpreted as prohibiting the sale of surplus energy from the military coal plants in the Fairbanks area, since the neighboring utilities have adequate capacity in oil- and coal-fired plants to meet their needs. S. 1784 would in effect waive the restriction in 10 U.S.C. §2481 with respect to the surplus energy from the coal-fired plants at the Fairbanks area military bases. We are not aware of any other provision of existing law that prohibits the actions authorized by S. 1784.

QUESTION: Please explain how, and to what extent, this bill affects programs and operations of the DOE or of its constituent agencies.

ANSWER: The bill should not impact Department of Energy programs directly. The only power generating facilities operated by DOE in Alaska are the Alaska Power Administration's two hydroelectric projects which now provide wholesale power to utilities in the Anchorage-Palmer and Juneau areas. The bill would make significant contributions to DOE's objectives of conserving oil.

2. QUESTION: Please provide your views, comments and recommendations on this bill, including any suggested amendments.

ANSWER: The Department of Energy supports S. 1784 and recommends its passage. As passed by the Senate, the bill incorporates amendments suggested by the Administration. The bill offers significant opportunities to conserve oil and increase efficiency of both Federal and non-Federal power operations. Two additional clarifying amendment would be helpful. The opening five words of Section 4 "Notwithstanding any other provisions of law" should be made more specific by substituting the following language:

"Notwithstanding 10 U.S.C. §2481."

The opening words of Section 5, "Notwithstanding any other provisions of law" should be made more specific by substituting the following language:

"Notwithstanding the provisions of the Federal Property and Administrative Services Act of 1949, as amended, 40 U.S.C. §471 et. seq."

Further, the bill provides an equitable sharing of the benefits and assurance that its implementation will not increase costs of operation for either Federal facilities or the neighboring utility systems.

3. QUESTION: The findings of the bill state that "Federal and civilian electrical power generating capacity are often duplicative in Alaska." What evidence do you have to support this finding? Please provide all known instances of such duplication.

ANSWER: The Federal Government operates many installations throughout the State of Alaska including military installations, field stations for several different agencies, schools, and hospitals. A large proportion were designed and constructed as completely self-sufficient installations, including their own power systems. There are many reasons for this, including: lack of local utility service adequate to meet the needs; mission security for the bases; unusually rigorous design requirements

for the colder parts of the State; and use of cogeneration in many of the facilities so that electricity and steam for space heating are provided from a single powerplant.

As recently as 1965, Federal installations in Alaska had greater total electric plant capacity than the State's utility systems. In more recent times, utility service has become available in many communities that previously did not have it, and the utilities have made real progress in establishing records of reliable service. This tends to lessen the needs to maintain the separate power facilities for many Federal installations. In fact, many Federally owned small generating plants have been retired or placed in standby as utility service became available.

The changes in the last 15 years are very dramatic: aggregate capacity for the utilities is now about 10 times that of the Federal installations in Alaska.

The duplications were necessary, and in many cases, it will be necessary to continue separate utility and Federal power systems. In other cases, there are opportunities to increase efficiency and reduce costs on both sides.

The Senate hearings on S. 1784 identified specific cases where significant savings may be possible:

- (1) Sale of surplus energy from coal-fired powerplants at military bases in the Fairbanks area to neighboring utilities that would reduce oil-fired power generation in the area.

- (2) Purchase of utility power supplies by military installations at Kotzebue and King Salmon that could result in decreased use of oil for power generation in that area.

(3) Purchase of surplus utility power by military bases in the Anchorage area which would result in increased efficiency of natural gas used for power in that area.

We do not have a complete listing of overlap between Federal and utility power systems in Alaska.

4. QUESTION: Although undefined, the terms, "Federal consumers" and "civilian customers" are used throughout the bill. What is your understanding of this term?

ANSWER: "Federal consumer" means a Federal installation which uses power.  
"Civilian consumer" as used in the bill means customers of utility power systems in Alaska who consume electric power.

5. QUESTION: Section 2(2) of the bill states that sharing of electricity produced in coal-fired powerplants "could reduce" electrical costs in Alaska to "both" Federal and civilian consumers. Please provide available evidence to support the view that cost reductions will be achieved by either or both Federal and civilian consumers.

ANSWER: On a conservative basis, we estimate that 50 million kilowatt-hours per year of surplus coal-generated electric energy may be available for sale to electric utilities in the Fairbanks area.

An example of possible pricing is included in the Senate report on S. 1784. The Alaska Power Administration estimates the costs to the Government for producing the surplus would be about 2.8 cents per kilowatt-hour plus incremental operation and maintenance costs. The savings to the utilities through reduced oil use would be about 5.7 cents per kilowatt-hour.

This indicates a net savings of about 2.9 cents per kilowatt-hour, based on the fuel costs, or nearly \$1.5 million per year. S. 1784 outlines pricing criteria which would assure that the cost savings would be shared by the Government and the utilities.

6. QUESTION: (a) What is your estimate of the amount of oil that will be saved annually under this bill?

ANSWER: (a) We estimate that oil savings will exceed five million gallons or 115,000 barrels per year.

QUESTION: (b) Please identify those communities or utilities in Alaska and any Federal facilities that will achieve these savings.

ANSWER: (b) The largest oil savings through increased use of coal would occur at Fairbanks. Smaller oil savings should accrue through increased efficiency of oil-fired generation in the Kotzebue and King Salmon areas.

7. QUESTION: What Federal agencies in Alaska operate electric power generating facilities? Please identify these plants, the power source of their generators, their location, size, indicate the facilities each serves; and indicate to what extent each has surplus capacity under this bill.

ANSWER: DOE's Alaska Power Administration operates the two Federal hydroelectric projects in Alaska and markets the output to utilities in the Anchorage-Palmer and Juneau areas.

The Army, Navy, and Air Force operate power systems at many installations around the State. Together, these installations have about 200,000 kilowatts of power generating capacity and 1979 net generation of nearly 500 million kilowatt-hours.

Other Federal agencies which own and operate power generating facilities in Alaska include: Department of the Interior (primarily facilities of the Bureau of Indian Affairs), Department of Transportation (Coast Guard and Federal Aviation Administration), Department of Health and Welfare (Public Health Service facilities), Department of Commerce (National Marine Fisheries Service).

We do not have a comprehensive listing of the Federally-owned power-plants, including detailed data on power source, location, size, and extent of surplus capacity. We estimate there are well over 200 Federally owned plants in the State.

The main interest in "surplus" is the possibility of producing surplus energy from coal plants at two military bases in the Fairbanks area, Fort Wainwright and Eielson AFB. Capacity figures are 23,500 kilowatts at Fort Wainwright and 15,000 kilowatts at Eielson AFB. As mentioned previously, we estimate that about 50 million kilowatt-hours per year of surplus energy may be available from these plants for sale to area utilities. The Alaska Power Administration has supplied a table providing further data on Fairbanks area power supplies:

CAPACITY AND GENERATION DATA FOR FAIRBANKS-AREA POWERPLANTS

	Rated capacity kilowatts	Net generation million kWh/year		
		1977	1978	1979
<b>A. Coal-fired steamplants:</b>				
Fort Wainwright	23,500	54.8	48.7	50.8
Eielson AFB	<u>15,000</u>	58.0	51.9	47.0
Subtotal	<u>38,500</u>	112.8	100.6	97.8
Golden Valley	25,000	197.2	200.8	190.2
Fairbanks Municipal	<u>28,500</u>	105.7	126.7	121.4
Subtotal	<u>53,500</u>	284.9	327.5	311.6
Total coal	92,000	397.7	428.1	409.4
<b>B. Oil-fired plants:</b>				
Fort Wainwright	3,500	.....	.....	.....
Eielson AFB	<u>5,000</u>	.2	.2	.1
Subtotal	<u>8,500</u>			
Golden Valley	185,700	168.3	137.6	136.3
Fairbanks Municipal	<u>41,100</u>	27.8	1.5	
Subtotal	<u>226,800</u>	196.1	139.1	136.3
Total, oil	235,300	196.3	139.3	136.4
<b>C. Grand total:</b>				
Military	47,000	113.0	100.8	97.9
Utility	280,300	481.0	466.6	447.9
Total	327,300	594.0	567.4	545.8

Capacity and Generation Data forKotzebue and Naknek Areas

	<u>Rated Capacity Kilowatts</u>	<u>Net Generation Million kWh/Year</u>		
		<u>1977</u>	<u>1978</u>	<u>1979</u>
<u>Kotzebue Area:</u> (all oil-fired, diesel generators)				
Kotzebue Electric Association, Inc.	4,825	8.7	10.0	10.4
Kotzebue Air Force Base	<u>1,000</u>	<u>3.8</u>	<u>3.5<sup>e/</sup></u>	<u>3.3</u>
Total	5,825	12.5	13.5	13.9
<u>Naknek Area:</u> (all oil-fired, diesel generators)				
Naknek Electric Association, Inc.	1,550	5.7	6.0	7.2
King Salmon Air Force Base	<u>1,950</u>	<u>6.7</u>	<u>6.3<sup>e/</sup></u>	<u>5.9</u>
Total	3,500	12.4	12.3	13.1

e/ estimated

8. QUESTION: The definitions of "Secretary" reaches Cabinet agencies only. Are there other Federal agencies in Alaska that should be included, such as the General Services Administration? In order to ensure some uniformity of administration of this bill, should one agency be designated by the Congress as the agency primarily responsible for its administration and for reviewing contracts, etc., entered into pursuant to this bill? If so, what agency would be appropriate?

ANSWER: The General Services Administration has small standby generators for some of its Federal buildings in Alaska. We believe that all other existing Federal power generating facilities fall under the jurisdiction of the Cabinet agencies.

We believe it is appropriate to assign responsibility for implementing the bill to the agencies which are responsible for the power systems. While uniformity may be a desirable goal, we think it is more important that managers of the facilities retain full authority for contractual arrangements affecting the facilities.

9. QUESTION: Please explain why the term "notwithstanding any other provision of law" is included in sections 4 and 5 of the bill. The term is broad and could encompass environmental laws, civil rights laws, contract laws, laws applicable to the Department of Energy, laws applicable to Alaska Indians, the Federal Power Act and many others. In short, please identify the specific provisions of each law intended to be waived by this provision and explain why the waiver is needed. In an October 22, 1980 letter to our Subcommittee, the Interior Department also expressed concern about this term and its impact on the National Environmental Policy Act of 1969 and the Endangered Species Act. We share that concern.

ANSWER: Provisions of 10 U.S.C. §2481 have been cited as prohibiting sale of surplus energy from the Fairbanks area, Federally owned coal-fired plants. Also, provisions of the Federal Property and Administrative Services Act of 1949 dealing with the procurement of utility services might be thought to affect Section 5 of this bill. We are not aware of other existing law that should be waived to accomplish the purposes of the bill.

10.

QUESTION: Section 4 authorizes the sale of surplus Federal power produced in Alaska "if the sale" will result in reduced electrical costs to Federal or civilian consumers" and "reduced consumption of oil and natural gas."

(a) How will each of these reductions be determined prior to the sale and for what period of time will such reductions be expected?

(b) What would be the likely contract period for such sales?

ANSWER: (a) The amounts of the reductions would be estimated based on the operating characteristics of power systems involved. We expect the reductions would continue as long as there is opportunity to reduce utility use of oil in the Fairbanks area.

(b) We would estimate the likely contract period for surplus energy sales would be no more than five years.

11. QUESTION: The second sentence of section 4 was recommended by the Department of Energy in its letter of March 26, 1980 to Senator Jackson. That letter said the change "will ensure the receipt of adequate compensation and will further ensure that no unintended Federal subsidy occurs."

(a) Please explain in greater detail what is intended by this sentence.

(b) How will the sentence ensure "adequate compensation"?

(c) Do you agree that all revenue from such sales will go to miscellaneous receipts in the Treasury or only those received in excess of costs?

(d) Will this bill result in any Federal subsidy to any community or utility, etc? Please explain.

ANSWER: (a) The sentence requires that incremental operating and maintenance costs as well as fuel costs be factored in the pricing and sets a ceiling price at the mid point between the incremental cost of producing the surplus energy and the cost savings to the utility through reduced power production from oil-fired generators. This recognizes that increased production from the coal plants will involve some increases in expenditures for operation and maintenance.

(b) So long as the payment is equal to or greater than the incremental cost of production, the Government would be adequately compensated for the service.

(c) Under 10 U.S.C. § 2481, revenues from sale of electric service from military and Coast Guard installations would be credited to the appropriation for those installations. We assume that any "profit" to the Government would be reflected in somewhat smaller budgetary requirements.

(d) The bill would not create Federal subsidy to communities or utilities. The sale of surplus energy from coal-fired plants under Section 4 would be compensated on a cost-plus basis, which would be termed profit to the Government. The purchase of utility service under Section 5 is required to be practicable, consistent with the mandate of the facility, and not to increase the costs to the Federal consumer. The Government is not required to maintain extra capacity for purpose of sale of energy to utilities.

12. QUESTION: Section 5 of the bill requires the agencies to endeavor to purchase civilian generated electrical power when there will be savings to civilians without increased costs to Federal consumers or savings to Federal consumers without increased costs to civilian consumers.

- (a) Why is section 5 needed or desirable?
- (b) In what circumstances will it be used? Give examples.
- (c) How will these savings and costs be determined?

ANSWER: (a) Three specific cases have been identified where purchase of power by Federal facilities from local utilities appears to be advantageous to all parties involved. Section 5 provides strong instructions to Federal managers to take advantage of such situations.

(b) Examples cited in testimony during the Senate hearings include purchase of power supplies by Air Force installations at Kotzebue and King Salmon from local utilities. In each case, the local utility

is a small cooperative organized under the Rural Electrification Administration. Substantial economics of scale and improvement in efficiency of oil and for area power supplies appear possible.

(c) The utilities would offer terms of sale, and the Federal manager would presumably accept them if they were advantageous--i.e., did not increase the costs of operation for the Federal facility.

13. QUESTION: (a) Is it the intention of section 6 to preclude authorization of the design or building of Federal powerplants or other facilities to meet the needs of this bill?
- (b) Will any sale under this bill require or authorize any construction activities by any Federal agency?

ANSWER: (a) The bill does not authorize or preclude authorization of design and construction of Federal powerplants or other facilities. It merely authorizes sale of surplus energy in certain circumstances, and encourages Federal purchase of utility service in others.

(b) The bill does not authorize or require construction of new facilities by any Federal agency.

14. QUESTION: (a) To what extent will this bill affect existing wheeling arrangements of Federal agencies?
- (b) To what extent will the power sales under this bill be regulated by FERC or a State agency?

ANSWER: (a) The bill would not alter existing wheeling arrangements of Federal agencies.

(b) The power sales under the bill are intra-State and not subject to FERC regulation. The State of Alaska Public Utilities Commission would have jurisdiction over rates for power sold by utilities to the Federal Government. However, the Commission would not have jurisdiction over rates for sale of surplus Federally-generated power supply.

15. QUESTION: During the Senate hearings, the Defense Department witness said the bill "affects only the bases that are presently military owned that use coal-fired electric powerplants". He further said it would not affect installations that are now buying power from electric companies or an installation that is now using oil-fired generators (pp. 21 of Senate hearing of March 27, 1980). We find nothing in the bill that supports this contention. Please examine this matter with the Department of defense and advise us if that is still the Department of Defense's view.

ANSWER: It is accurate that Section 4 of the bill "affects only the bases that are presently military owned that use coal-fired, electric powerplants" because the only federally-owned coal-fired generating plants in Alaska are on military installations. Section 5 of the bill would apply to both military and non-military installations which would find opportunity to purchase power from utility sources. The Department of Defense advises me that the bill would have no impact on those military installations which are now using oil-fired generators. These installations are presently required buy electric power from commercial sources whenever that power can be purchased at a lower cost to the government than operating their own plants. Many other Federal installations in Alaska already purchase power from local utilities, and those installations also would not be affected.

16. QUESTION: How often will agreements under this bill be reviewed?

ANSWER: The bill does not have specific requirements for periodic review of agreements. Power supply contracts normally have such requirements, so it seems unnecessary to make specific legislative provisions on this count.

17. QUESTION: Will this bill result in excess steam production at some plants? If so, what are the consequences? Please explain.

ANSWER: The coal-fired steamplants at Ft. Wainwright and Eielson AFB are cogeneration plants, producing both electricity and steam for

heating. During normal operations, there are times when steam production exceeds that necessary for the heating loads. However, the DOD would not sell electric power if such sale would result in wasting additional steam. DOD would only have surplus generating capacity at times when the coal-fired equipment is operating at optimum efficiency.

The second area of concern is air pollution. Steamplants in the Fairbanks area--utility and military--are contributors to that area's ice fog problems during extreme cold winter periods. The coldest periods are also the periods of peak demand for electricity and steam heat at the bases--and the periods when relatively little surplus generating capability will be available. We do not expect that the bill would result in significant adverse consequences.

18. QUESTION: Please submit a copy of the comments promised by the Department of Energy to the Senate Committee on Energy and Natural Resources regarding the pricing problems arising under the bill.

ANSWER: Those comments are contained in a letter to Senator Ted Stevens from Daniel M. Ogden, Jr. dated July 28, 1980. The text of the statement is:

The intention of the pricing amendment proposed by the Administration is to make clear that the energy which the Department of Defense will be selling is to be priced as though it were economy energy rather than surplus energy. The original language left this matter in doubt. The language the Administration proposed identifies the elements of cost upon which the sale of economy energy usually is based within the utility industry. The Department of Defense will price the power at not greater than the cost of providing the electric energy by coal

generation, including appropriate charges for fuel, and operation and maintenance costs, plus one-half the difference between the costs of producing the electric energy by coal generation and by the oil or gas generation being displaced. This retains the "share-the-savings" concept which was part of the original bill and which we assume the sponsors wished to retain as a central pricing principle.

By contrast, if Defense were to price its energy as surplus energy, the customary practice among electric utilities is to charge the incremental cost of the fuel consumed, plus the incremental cost of operation and maintenance, plus a surcharge for profit of about 10 percent. In this situation, the Department of Defense will sell energy and the local utilities will buy it. The local utilities do not expect to sell energy back to Defense. We therefore concluded that the situation and expectations of the parties more closely fit the concept of economy energy than of surplus energy.

These considerations eliminate calculations of capital costs for both parties, but that is consistent with common utility practice. Although equity suggests that the government should receive some compensation for the added wear and tear on its capital investment, under these circumstances, the government gains by receiving half the savings. This advantage should insure adequate compensation. No capacity charges would be applied, because the Department of Defense would not be guaranteeing to deliver any particular volume of electricity at any particular time.

Mr. DINGELL. Before the Chair recognizes staff, Mr. Ogden, the Chair would like to ask your associates if this bill has the support of both those agencies.

Mr. LEQUERIQUE. The Department of Defense does not object to the bill as amended and the amendment suggested by the Department of Energy.

Mr. GORRELL. The Department of the Interior in its legislative report to the committee indicated we defer to the Department of Energy. We have no objection to this bill.

We did indicate the problem with section 4 that provides for notwithstanding of any other provisions of law. You and Mr. Ogden have discussed that this morning. We are satisfied with his testimony and the answers to the question that the committee posed to him on that point.

Mr. DINGELL. I would like to direct some questions to the Department of Defense. If you would, refer to the bill at page 3 if you have copies of it.

The first question is why would we go to the incremental price, gentlemen? That is less than the ordinary rule that would be imposed on you with regard to pricing of oil under regular, routine utility pricing mechanisms as applied either by the utility or by the action of a regulatory commission.

Mr. LEQUERIQUE. The Department of Defense would have no objection to the word incremental being stricken and we would use the average cost technique, the one you have mentioned.

I realize the word "incremental" means a lot of things to a lot of people.

Mr. DINGELL. Here I think it would be sufficiently clear that it would be just the additional cost of generation with no consideration being given to the cost of operating the unit. Is that right?

Mr. LEQUERIQUE. We had intended, and I thought the language was intended to say in addition to the extra fuel we would use we would charge a proportionate share of the operation and maintenance costs to operate the system.

However, the term "incremental" means a lot of things to a lot of different people and it may be wise to clarify what is meant by that term incremental.

Mr. DINGELL. You don't charge off against this particular generation your capital or debt or other charges?

Mr. CROSS. That is correct, sir.

Mr. DINGELL. I am curious as to why that is done.

Mr. CROSS. It is very commonly done in sales of surplus energy. If we were selling firm energy the capital costs would be figured into it.

Mr. DINGELL. Shouldn't the operation and maintenance as well as capital costs of facilities be included in this?

Mr. OGDEN. I think it is important to keep in mind that what is proposed is that the Department of Defense would sell power to the affected rural co-ops only when it was available. It is intermittent energy. It would come whenever the Department happened to have energy it could dispose of. The local co-ops would never be able to depend upon the energy at any particular point in time. Therefore, the intention was to sell the rural co-ops power under surplus energy rather than as if it were a guaranteed supply in which they

would be expected to pick up part of the basic costs of the installation itself.

Mr. SHARP. If the chairman would yield, can you give us some indication of what the past history has been of the surplus on a daily basis or monthly?

Mr. CROSS. I can't give you a specific day-by-day count on that. Those figures are just not available. Under normal operations there would be some surplus on most days. That would be my estimate of that.

Mr. SHARP. Then it is intermittent then in that you don't know exactly how much you will have in a day but every day you can count on getting some power from this facility.

Is that what you are telling us?

Mr. LEQUERIQUE. Yes. There would be some power furnished every day. The only time we would not sell them power would be when we are running in an inefficient mode and wasting steam.

These are dual purpose units. They produce steam for heating. When we have a surplus of steam we will not generate more power because that would increase the power, so we propose to sell power only at the time when we cannot utilize the steam for heat.

Mr. SHARP. But the rural co-op could be fairly certain of getting some power every day. I realize they still can't plan on how much. Is that what you are telling us?

Mr. LEQUERIQUE. That is correct, sir.

Mr. SHARP. Thank you, Mr. Chairman.

Mr. DINGELL. The Chair thanks the gentleman.

Can you define this term incremental pricing so we have full appreciation of what it means as used in the bill? Tell us what it includes and what it excludes.

Mr. CROSS. The incremental pricing is intended to include the incremental fuel cost and the incremental operation and maintenance costs for producing the surplus power which would not otherwise have been produced.

It is intended to exclude the capital costs or the debt costs of the plant.

Mr. DINGELL. It also would exclude operation and maintenance.

Mr. CROSS. It would include operation and maintenance.

Mr. DINGELL. It would?

Mr. CROSS. Yes.

We expect producing the surplus would create some additional operation and maintenance costs.

Mr. DINGELL. But it would only be that additional operation and maintenance occasioned by this sale of electricity as opposed to a total prorating of all of the operation and maintenance of the plant; is that right?

Mr. CROSS. That is correct. That is what the intent is.

Mr. DINGELL. It is solely the cost of additional generation and not giving any consideration to costs such as taxes, capital, interest service, debt service, and operation and maintenance apart from that which is involved in this particular sale; is that right?

Mr. CROSS. That is correct.

Mr. DINGELL. What is the rationale behind that?

Mr. CROSS. The rationale behind it—remember, that is just the first part of the pricing formula in the bill—if you do recover costs

that are equal to the incremental cost of production, then for certain you will lose money on the operation.

Mr. DINGELL. Does that conform with regular utility practices and Federal and State regulatory bodies in sale of power under these circumstances?

Mr. CROSS. I believe it is accurate to say that method is used generally.

Mr. DINGELL. You are retrieving from this that portion of the additional costs that would be occasioned by reason of the oil which would be released; is that correct?

Mr. CROSS. Yes.

Mr. DINGELL. Can you give us an approximate idea of the amount of power that would be sold under this legislation both as to kilowatts and as to dollars?

Mr. CROSS. Yes. There is a specific response on that in the answer to one of the questions from the October 30 letter. The figures that I recall from that were savings of approximately 50 million kilowatt-hours and fuel cost savings of about \$1½ million per year in possible savings.

Mr. DINGELL. What is the amount of oil that you would save?

Mr. CROSS. The estimate is it might be about 5 million gallons per year.

Mr. DINGELL. Give us a statement on this point. I am particularly concerned with both views of the Department of Energy and of the Department of Defense. Does this legislation in any fashion commit the Federal Government to sell this power to purchasers in times when the power is needed by the U.S. Government?

Mr. OGDEN. No, sir. It would be sold only when it was surplus to Federal needs.

Mr. DINGELL. Could the Defense representatives speak to that?

Mr. LEQUERIQUE. It is our understanding the bill as presently written now will not require us to sell power when we need it for national defense purposes.

Mr. DINGELL. Does this legislation impose any responsibility on the Federal Government to construct additional facilities as needed for Alaska if their electric power continues to grow?

Mr. OGDEN. Section 6 expressly states the act does not require the Federal Government to design or build further powerplants or to employ reserve or standby equipment in order to accommodate civilian customers.

Mr. DINGELL. I have no objection to the Federal Government doing that. If the Federal Government does we would then see the sale of this power being converted or sale of surplus power to what for all intents and purposes would be firm load sales.

Mr. OGDEN. That is correct, sir.

Mr. DINGELL. Once these sales become firm load sales they should then also be treated by the rules that apply to firm load sales?

Mr. OGDEN. Yes, sir.

Mr. DINGELL. How does the bill deal with that?

Mr. OGDEN. It does not contemplate the Federal Government accepting responsibility to provide firm power to the civilian loads.

Mr. DINGELL. So we should be prepared through the passage of time for load growth in Alaska and treatment of those sales, subse-

quent sales, as firm power in a different manner to subsequent enactment—or should we do that at this time?

Mr. OGDEN. I don't believe we need to anticipate that kind of action at this time, Mr. Chairman. I think the intention is simply to use the plants that exist efficiently without the notion that we are accepting as a utility to supply the needs of the consumer utilities in the area. This is an attempt to take advantage of a resource that is available at a much lower cost and to utilize it efficiently. It is not an attempt to get the military to accept the responsibility for supplying civilian needs.

Mr. DINGELL. Can you define the concept of surplus power?

Mr. OGDEN. It is important to make clear that we want to treat this power as I think the utility industry would call it, "economy energy." The original language left this in doubt.

The language that the administration proposed and was clarified in the Senate-passed version identifies the elements of cost on which the sale of "economy energy" is based within the utility industry. The Department of Defense will price the power at not greater than one half the difference between the price to provide the power by coal generation, including appropriate charges for fuel and operation and maintenance, and the cost of providing the power by the oil and gas generation being displaced.

That intention was to price it at what we call "economy energy." If it had been priced strictly as "surplus energy," the customary practice is to charge the incremental cost of the fuel plus a surplus charge for profit of about 10 percent.

Mr. DINGELL. Under the legislation before us, we have not done that. It would be the difference between coal, the profit on coal, but over oil.

Mr. OGDEN. That is correct. The usual surplus energy arrangement contemplates the utilities are exchanging energy with one another, one utility selling it to another, and that it expects to buy back.

In this case the Department of Defense will simply be selling to the utility. The local utility will not be selling back to the Defense Department. Therefore, we felt the concept should be "economy energy" rather than surplus energy exchange between the utilities.

Mr. DINGELL. I am not sure there is a difference here. If your definition holds with regard to economy energy, wouldn't it be fair to say that would be true in any instance where water-generated electricity or coal-generated electricity would be sold to an oil-fired plant?

Mr. OGDEN. This would be energy that was surplus to the needs?

Mr. DINGELL. Yes. Isn't that definition applicable in any instance where a low-cost generating source sells to a high-cost generating source?

Mr. OGDEN. There are these share-the-savings arrangements widespread in the industry.

Mr. DINGELL. Maybe Interior could comment?

Mr. GORRELL. Mr. Chairman, I really don't have any comment on that point.

Mr. DINGELL. The Chair thanks you for your assistance. The Chair is going to recognize Mr. Finnegan.

Mr. FINNEGAN. Mr. Ogden, in your comments regarding section 4 and section 5 of the notwithstanding-language in connection with section 4, you suggest referencing to title 10 of the code. But when you look at title 10, is it really necessary to say notwithstanding that whole section? Isn't it true that the whole phrase in that statute is the language that if it is determined that it is not available from another local source? Isn't that the sticking point as far as present authority?

Mr. OGDEN. Sure.

Mr. FINNEGAN. So finding it is in the public interest, or that the sale is in the national defense interest, is not a bad finding. You could make that finding. It is just that it is not available from the local source, is that correct?

Mr. OGDEN. I think that is correct, sir.

Mr. FINNEGAN. The second part of that, in connection with section 5, you have suggested that we make reference to the Federal Property Act. The question is what provisions of the Federal Property Act are you talking about, and why is that reference necessary?

Mr. OGDEN. Let me ask Mr. Cross to speak to that, if I may.

Mr. CROSS. The thought on that was to provide assurance that the procurement was treated as a base utility function rather than a contractual service provided by General Services Administration. There was some question of whether or not the property management law would require the DOD bases to go through the several extra steps to get a General Services Administration contract.

Mr. FINNEGAN. What is wrong with that approach?

Mr. CROSS. A lot of extra work. Where we are talking about a local utility service under standard rates, it would seem the contractual matters would not be necessary.

I think in this case the pricing provisions are governed by a State regulatory commission, and it would be buying a normal utility service.

Mr. FINNEGAN. But, as I understand section 5, the Government or the Secretary would be purchasing the power from the local facility; is that correct?

Mr. CROSS. That is correct.

Mr. FINNEGAN. He does so wherever practical and consistent with the mandate of the Federal assistance in an endeavor to purchase power when the purchase will result in savings to civilian consumers and will not increase the costs to Federal consumers and result in savings to civilian consumers. If you applied just that language without the notwithstanding-language, couldn't it work? GSA wouldn't be involved.

Mr. CROSS. I think you are probably right. Many installations now do purchase that utility service directly.

Mr. OGDEN. This is our suggestion to try to clarify the notwithstanding provision which, as it passed the Senate, was so broad that it was of concern to the Interior Department. We were trying to narrow it to a specific matter that seemed to us relevant.

Mr. FINNEGAN. Is section 5 needed? Can't you do this now?

Mr. LEQUERIQUE. That is correct, sir. We can do it now. In fact, it is our policy to buy wherever it is cheaper.

Mr. FINNEGAN. So you really don't need section 5 at all?

Mr. LEQUERIQUE. That is correct.

Mr. FINNEGAN. What does it add, then?

Mr. LEQUERIQUE. It just restates the present policy of the Department of Defense.

Mr. FINNEGAN. No further questions.

Mr. DINGELL. Mr. Athy?

Mr. ATHY. Section 4 would only apply to the Department of Defense, is that correct?

Mr. CROSS. Yes.

Mr. ATHY. Is there any reason for not making that explicit in the bill? In other words provide explicitly that section 4 would apply only to defense installations, thus so the appropriate secretary would only be the Secretary of Defense?

Mr. CROSS. This would be correct.

Mr. ATHY. Section 5 does not include the term surplus power. I want to develop an understanding as to what kind of obligations the Federal Government could enter into pursuant to this section, whether or not it might be adding additional capacity, transmission lines, or any other plans on behalf of them in connection with buying and selling.

Mr. CROSS. The section 5 provision contemplates Federal installations purchasing utility power but only if such purchase were a good deal for the Government. It might require a short interconnection and things of this kind.

Mr. ATHY. Maybe my reading is not correct. It said it will not increase the costs to the Federal consumer. It doesn't mean it has to be advantageous to the Government?

Mr. CROSS. If it were a breakeven point where the extra costs exactly equaled the benefits, I agree with you: the Government would not save money. It would probably be advantageous or easier operations.

Mr. ATHY. There are no standards or criteria as to what increased means?

Mr. CROSS. No. That is left up to the manager of the facility involved.

Mr. ATHY. Except this section would not require the Department of Defense to do anything other than it is presently empowered to do?

Mr. LEQUERIQUE. That is correct. We have a policy to buy electric power wherever the costs are equal to or less than our costs. We prefer to buy commercial products. This is Department of Defense policy in all respects. We buy products from the commercial market, other things being equal.

Mr. ATHY. Would section 5 require any agency or department to do any more than it may do under existing law?

Mr. OGDEN. I think it is simply a statement of existing policy.

Mr. ATHY. Can section 5 apply to any agency or department other than the Department of Defense?

Mr. OGDEN. Yes. It would apply to the Departments of Interior and Commerce as well. Commerce, through NOAA and the National Marine Fisheries Service, has generating facilities in the Aleutians; and the Interior has generating facilities through the Bureau of Indian Affairs, the Fish and Wildlife Service, and the Bureau of

Land Management. I believe their policy also is to acquire power if it is less expensive.

Mr. GORRELL. Yes. This is really restatement of policy as far as the Department of the Interior is concerned.

Mr. ATHY. Is there any need to be more explicit about section 5 to speak to the rates in which power would be purchased, as provided in section 4 been sold?

Mr. CROSS. I don't believe there is a need to be explicit on the rates. This would again be left on a case-by-case basis to determine if the sale was advantageous to both parties.

Mr. ATHY. I have no further questions.

Mr. DINGELL. Mr. Ottinger?

Mr. OTTINGER. I have no questions.

Mr. DINGELL. Mr. Boland?

Mr. BOLAND. I have no questions.

Mr. DINGELL. The Chair thanks you.

The Chair announces that our next witness is our colleague, the Honorable Don Young.

#### STATEMENT OF HON. DON YOUNG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALASKA

Mr. YOUNG. Mr. Chairman, this is a simple bill. I appreciate you having your hearings on the bill and allowing the previous witnesses to clarify what we are attempting to do here. To my knowledge, there is no opposition to the bill from any one of the agencies it would affect.

I would like to clarify one thing. It has been asked by the members and the committee and counsel: Is there any need for the legislation, or is this the practice that could be fulfilled under present law?

I believe it could be, but it has not been done. The first application for exchange of power was made in 1969. However, there has been no action. We are dealing with a situation where we have duplicate power sources within small communities at a great cost to the Government and great cost to the consumer, the local residents, but also a consumption of fuel. I think the committee should be well aware it is not just the production of power that we have to take into consideration. It is the total investment into the power mechanism.

To have a unit such as Kotzebue or Naknek directly affected, burning diesel fuel in conjunction with a local military installation using oil, is a ridiculous situation. Of course, in Fairbanks we have a situation, as you are well aware; where we have a lack of willingness to exchange this power in the coal-powered plant at Wainwright. This bill could help relieve the consumer costs.

During this session, lame-duck though it may be, we are going into the winter session.

A little history of this legislation, as you know, was introduced by this Congressman and by Senator Stevens on the Senate side and has passed the Senate. I believe if this bill has not passed this session, it is going to cost the Government and the local consumers a considerable amount of money, money that is not necessary.

Contrary to what you think, oil is as high in Alaska as it is here, this is something I would like to look into in my own regard. We

are paying \$1.33 for gasoline. As I drive around Washington, D.C., right now, it is down to \$1.17 and \$1.16. Yet we are pumping 1,400,000 barrels a day right through our State, plus the fact we have two refineries. It is not a cheap commodity.

I would urge the rapid passage of this legislation with the understanding that clarification of the amendments proposed by the previous witness would be taken into consideration.

At this time, Mr. Chairman, I would like to submit to the committee testimony that was presented to the other committees from those interested in Alaska.

I would urge the chairman and members of the committee to strongly consider the rapid consideration of this legislation so we can have this legislation before the upcoming winter season.

[Testimony resumes on p. 68.]

[Mr. Young's prepared statement with attachments follow:]

## TESTIMONY OF REPRESENTATIVE DON YOUNG (ALASKA)

Mr. Chairman and members of the distinguished Subcommittee on Energy and Power, I appreciate this opportunity to appear before you in support of S. 1784, the Alaska Federal-Civilian Energy Efficiency Swap Act of 1980.

This legislation was introduced in the Senate on September 20, 1979 by Senator Ted Stevens (Alaska) and in the House of Representatives on September 25, 1979 by me. Hearings were held by the House Subcommittee on Water and Power Resources on March 26, 1979 and by the Senate Energy Committee on March 27, 1980. On September 10, 1980, after consultation with the Department of Energy, and Department of Defense, and other interested Federal agencies, the Senate Energy Committee gave its approval to S. 1784 as amended. Subsequently, S. 1784 passed the Senate by voice vote on September 25, 1980. I am pleased that this Subcommittee is addressing this measure today and I am hopeful for expeditious action in the House of Representatives.

The intent of this bill is clear. It is designed to conserve energy while reducing the costs of energy to federal and civilian consumers in Alaska. Authority is provided to the Secretary of any department for the sale of surplus federally generated coal-fired electric power if such sales result in lower electric power cost and reduced consumption of oil or natural gas. Conversely, the bill would also allow the federal government to purchase power

generated by civilian utilities if such purchases result in savings to civilian or Federal consumers at no increase in cost to either party. In essence, the efficiency of generating electrical energy will be improved while benefiting civilian and Federal users in Alaska through lower energy prices.

I would like to take this opportunity to describe the need for this legislation. It must be understood that the Federal government, especially the military, has been a dominant force in the evolution of many Alaskan communities. Through this development, in many instances the Federal government has created an energy infrastructure of its own and communities have grown around military installations thus creating power systems that are often duplicative. This dual generation system caused no problem until energy prices began escalating and fluctuating supplies of oil became a reality due to the instability in the Middle East. Now, recognizing the severe arctic climate, the high utility rates, and the inefficient use of energy, it is imperative that measures be taken to promote energy efficiency. This includes operating power systems at an optimum rate, reducing the consumption of oil, and utilizing coal as much as possible.

As I mentioned earlier, the purpose of my bill is twofold:

- 1) it provides authority for sale in Alaska of surplus Federally

generated coal-fired electric power when such a sale would result in reduced electric power cost and reduced consumption of oil or natural gas; and 2) it would authorize the Federal government to purchase civilian generated power when such a purchase provides a savings to either civilian or Federal consumers at no increase in cost to the other. Let me cite two examples where the provisions of this bill may be applied in Alaska.

In the first case, where Section 4 authorizes the military to sell surplus power to civilians, immediate application may be made to the Fairbanks area. In the past, the military has sold surplus energy available from the military installations near Fairbanks during periods of emergency such as the 1973 oil embargo whereby the Fairbanks experienced a severe oil supply shortage. S. 1784 provides the Department of Defense and other federal agencies with the specific authority to sell surplus energy given the criteria specified in the legislation.

Currently, the military operates coal-fired steam electrical generating plants at Ft. Wainwright and Eielson Air Force Base. Their coal-fired powerplants are rated at a total of 22 MW and 15 MW respectively and under most operating conditions either plant has capacity excess to peak load and reserve requirements.

On the civilian side, Fairbanks is served by Golden Valley

Electric Association and the Fairbanks Municipal Utility System. Their combined total coal-fired capacity is 53.5 MW. They also have oil-fired equipment which accounts for approximately 30 percent of the power generated by the two utilities.

In the years 1978 and 1979, the utilization of the units at Ft. Wainwright averaged approximately 30 percent due to the reduced levels of activity at the installation. However, in order to fulfill its defense mission, full power capability must be maintained and all the units are kept in operating readiness. The Department of Energy has indicated that if this utilization could be increased from 30 percent to 50 percent, these plants would generate about 65 million kilowatt hours which would be subject to sale under the provisions of S. 1784. Based on the years 1978 and 1979, it would have been possible to reduce oil use on the civilian units by at least one-third. This translates into a savings of 5 million gallons of oil or a savings in fuel cost of \$2.2 million.

The Fairbanks area has ready access to plentiful supplies of coal from the only operating coal mine in Alaska, the Uesbelli Coal Mine. At the present time, Uesbelli Coal Mine produces about 700,000 tons of coal per year. Firm reserves are approximately 50 million tons and inferred reserves are over 300 million tons. Utilizing this local resource would be beneficial to everyone.

In the second case, where the Federal government is authorized to purchase civilian generated power under the conditions stated earlier, two examples involving Kotzebue and Naknek have been brought to my attention. In both of these areas, the power generating units are fueled by oil. Benefits in the form of lower energy costs resulting from reaching economies of scale could be derived from the sale of electricity produced by the civilian owned systems, Kotzebue Electric Association (KEA) and Naknek Electric Association (NEA). Estimates by KEA and NEA show that contracts for power sold at specified cost which meet Department of Defense requirements could save consumers on these two systems between 20-32 percent. KEA and NEA have spent a great deal of time and effort in the past to provide cost estimates and justifications for such sales to the respective military installations near the civilian utility systems.

I recognize that the Department of Defense policy and current regulations require the military to purchase power from private or other civilian sources whenever the cost is less than or equal to the cost of generating the power on their own system and that DOD is required to review these relative costs at least every three years. However, I feel that it is necessary that whenever practicable and consistent with the mission of a Federal facility in Alaska, the facility should endeavor to purchase civilian generated power when such a purchase will result in a savings to civilian consumers and will not increase the cost to

Federal consumers, or, will result in a savings to Federal consumers without increasing costs to civilian consumers. Section 5 of the bill merely removes barriers to the sale of power generated by civilian powerplants except under emergency conditions.

As passed by the Senate, S. 1784 contains amendments suggested by the Administration. Amendments of particular interest are: 1) the amendment pertaining to the definition of "surplus Federally generated electrical power"; and 2) the amendment clarifying the pricing mechanism.

The definition of "surplus power" clarifies the intent that the sale of power under Section 4 be only of power that is generated by a unit that is operating at its optimum operating efficiency and is traditionally considered to be surplus. It does not mean that the Federal government must construct new facilities to accommodate the needs of civilian consumers.

The pricing amendment ensures that the military will recover the full incremental cost of producing power for the civilian systems plus one-half the fuel cost savings. According to the Congressional Budget Office, as a result of enactment of S. 1784, receipts to the Federal government will be approximately \$700,000 per year from the sale of surplus power. It must be emphasized that this bill results in savings and more efficient production of energy at no cost to the Federal government. The Administration supports S. 1784 as passed by the Senate because it is consistent with the goals of the United States in becoming

energy efficient and utilizing coal resources whenever practicable.

It is also important to note that S. 1784 enjoys wide support within the State of Alaska. It is supported by the State of Alaska, the Fairbanks North Star Borough, the Municipality of Anchorage, Golden Valley Electric Association, Anchorage Municipal Light & Power the Fairbanks Industrial Development Corporation, the Alaska Rural Electric Cooperative Association, and the Usebelli Coal Mine, Inc. During consideration of this legislation earlier in the year, Alaskans representing the aforementioned groups travelled from Alaska to Washington, D.C. to testify in support of S. 1784. With the permission of this Subcommittee, I would like to submit their respective testimonies so that they may be included as a part of the official record of this hearing.

Mr. Chairman and members of the distinguished Subcommittee on Energy and Power, time is growing short; the winter season is growing near. Temperatures are steadily dropping in Alaska. Last week in Fairbanks, it was 14° F. In Kotzebue it was only 7° F. In order for the benefits of this legislation to be realized this heating season, expeditious treatment of S. 1784 is critical. I respectfully urge this Subcommittee to act promptly on this measure. Many Alaskans will thank you for it.

I appreciate this opportunity to appear before you in support of S. 1784. Thank you.

Statement Before Subcommittee on Energy  
And Power Resources  
H.R. 5393

Presented by David Hutchens, Executive Director  
Alaska Rural Electric Cooperative Association  
March 25, 1980

My name is David Hutchens, and I serve as Executive Director of the Alaska Rural Electric Cooperative Association. Our association represents thirteen of the fourteen electric cooperatives in Alaska.

Mr. Robert Huffman, General Manager of Golden Valley Electric Association, has described for the Committee the need for this legislation from the perspective of one of our members who needs authority to buy power from a federal facility. It is my purpose in being here today to discuss the need some of our other members have to sell power to small federal installations.

Many of the problems our members deal with are unique within the United States to Alaska. Unlike our counterparts in the "lower 48," we are not a part of a great national grid. In fact, it is not yet possible for most of our members to be electrically interconnected with any other public utility. As a result of this unique isolation, one of our major problems is to develop an electrical system which is large enough to benefit from modest economies of scale and from internal diversity. In discussing the need for the Alaska Energy Swap Act from this perspective, I will use the experiences of Kotzebue Electric Association and Naknek Electric Association as examples.

Kotzebue Electric Association

Kotzebue Electric Association (KEA) is a small, isolated electric utility owned by its consumers. It presently serves about 600 consumers, and it has total annual revenues of approximately \$1.4 million. On three occasions since 1969 the Air Force has requested KEA to make a proposal

for the sale of power to its radar facility at Kotzebue. On each of these three occasions KEA has hired the accounting and engineering consultants needed to respond to the Air Force request. Each of these proposals has been rejected by the Air Force. The regularity of the four year cycle in this exercise has led the CPA for KEA to observe that there does not appear to be any intention on the part of the Air Force to buy power, they have merely been conducting a comparability study on costs of electricity.

The most recent encounter between KEA and the Air Force was initiated by the Air Force in March of 1978. Subsequently, a meeting was held on June 29, 1978 in which representatives of the Air Force indicated a desire to buy power from KEA if it could be provided at 12.4¢ or less per KWH. On the strength of this statement, KEA devoted a great deal of time and effort and \$18,000 in fees to consultants to prepare a proposal. The result of this study indicated that wholesale power could be supplied to the Air Force at Kotzebue for 11¢ per KWH. It also showed that the greater efficiencies in the KEA system produced by this larger volume would permit a reduction to the retail consumers in Kotzebue of approximately 20%.

Despite the fact that the proposal was better than the Air Force asked for, they still have declined to buy wholesale power from KEA. It appears to me that this position is the result of conscientious people relying on inaccurate information while being extremely cautious in an effort to avoid doing anything which could later be construed as actions contrary to the best interests of the Air Force. The Air Force

has contended that their generation costs are less than the proposed wholesale power rate, but this position appears to be based on wildly inaccurate information. For example, the cost information they used understated their fuel costs by 19.2¢ per gallon, overstated the efficiency of their generators by as much as 130% when their numbers are compared with information supplied by the manufacturer, and omitted a number of cost factors entirely.

The proposal from KEA to provide wholesale power to the Air Force is still valid, and it only needs to be adjusted for increases in fuel costs which have occurred since that time. However, KEA has despaired of ever doing business with the Air Force without a Congressional directive to the Air Force as is contained in Section 5 of this bill.

#### Naknek Electric Association

Naknek Electric Association (NEA) is also a small, isolated consumer owned utility. NEA serves 380 consumers and has about \$800,000 annual revenues. The Air Force approached this utility for a proposal to serve its King Salmon Air Force Base. NEA spent the time and money and hired the consultants needed to respond to the Air Force request. The proposal from NEA offered to provide wholesale power to King Salmon AFB for 10.5¢ per KWH. The report from the consultant also indicated that if this sale to the Air Force were made, no increase in rates to NEA's retail consumers would be needed at that time. Without the proposed wholesale power contract, a retail rate increase of 32% would be necessary.

Negotiations at Naknek appeared to be more productive than at Kotzebue. In fact, a tentative agreement was reached for NEA to begin serving King Salmon AFB in the third quarter of 1979. With this informal understanding, NEA built five miles of new line and upgraded ten miles of existing line in order to be able to provide service on the schedule requested by the Air Force. No contract has yet been agreed to by the Air Force, and NEA has had no choice but to impose a 32% rate increase on its consumers. In this instance, the Air Force has never given any indication as to what their generating costs are at King Salmon, but they do indicate the proposed rate is acceptable. The reason for the lack of a contract at this time is best known to the Air Force, but it appears to be largely a matter of bureaucratic inertia.

#### Conclusion

I will conclude my remarks by briefly making two points.

First, significant improvements in the efficiency of small, isolated utilities are easily attainable by using wholesale power contracts to provide electricity to neighboring federal facilities. This improved efficiency can result in a savings to the local consumers of up to one-third in their electric rates.

Second, although the federal agencies operating in Alaska already have the authority to enter into such wholesale power contracts, the Alaska Energy Swap Act is extremely important in actually bringing such contracts into existence. Section 5 of this bill changes the nature of the decision for the federal agency involved. No longer will an Administrator be seeking only a net benefit to his agency significant enough by itself to justify making a change in the existing operation of its facilities. This act directs such an Administrator to consider the effect of his management policies on the neighboring residents. He will now be directed to enter into a wholesale power supply contract whenever either party will benefit and neither party will suffer.

We think this makes good sense, and we urge the Committee to support this policy position.

I thank the Committee very much for the opportunity to meet with you today and discuss a painless way to help a few thousand Alaskans suffering from unnecessarily high utility bills.

FIDC

DR. WILLIAM R. WOOD  
EXECUTIVE VICE PRESIDENT

FAIRBANKS INDUSTRIAL DEVELOPMENT CORPORATION  
Phone 907 452-5400 619 Eleventh Avenue Fairbanks, Alaska 99701



STATEMENT IN SUPPORT OF  
ALASKA FEDERAL ENERGY SWAP ACT (HR 5393)  
BEFORE THE HOUSE SUB-COMMITTEE ON ENERGY AND POWER RESOURCES

The Board of Directors of the Fairbanks Industrial Development Corporation having reviewed H.R. 5393, the "Alaska Federal Energy Swap Act", have voted unanimously to endorse it without reservation and to urge its adoption.

Considering the energy problems which we have in Interior Alaska, the proposed intertie arrangement between Fort Wainwright, Eielson Air Base, Golden Valley Electric Association, and the Fairbanks Municipal Utilities System would be of very real value in conserving our coal resources and in providing a more efficient use of the energy which is generated in this area at great cost. H.R. 5393 would benefit both civilian and military consumers.

The Fairbanks Industrial Development Corporation is a non-profit, community organization of business and professional firms that have major operations in the Fairbanks area. The membership totaling approximately 100 employs more than 10,000 Alaskans in year around non-government jobs.

In my absence, I have requested Mr. Robert Huffman, Chairman of the Golden Valley Electric Association, to present my statement to you for the record.

*Joseph M. Jackovich*  
Joseph M. Jackovich  
President

March 20, 1980

## TESTIMONY OF ROBERT L. HUFMAN

General Manager, Golden Valley Electric Association, Fairbanks, Alaska, speaking in favor of H.B. 5393 on March 25, 1980 in Washington, D.C.

Mr. Chairman:

I wish to express my appreciation to Congressman Young and all members of this committee for the opportunity to present testimony in favor of H.B. 5393.

Our utility's generation makeup consists of 200 MW oil-fired and 25 MW coal-fired. Unfortunately the oil-fired units are not convertible to coal, they are a mixture of diesel sets and distillate fired gas turbines.

During the oil embargo of 1973 we experienced a severe oil supply shortage and promptly called upon the local military plants to assist us with their excess coal-fired capacity. They immediately responded to the emergency, thereby avoiding service interruptions on our system. However, once the embargo ceased, the Department of Defense informed us the emergency was over and refused to sell further coal-fired energy to us. They further informed us that an adequate supply of oil was available for our continued use. I had no legitimate quarrel with their decision at that time.

However, during the past several years another embargo has occurred; this time in the form of a devastating economic embargo imposed by O.P.E.C. Our Nation's reaction to this has been declared the moral equivalent of war. A multitude of administrative programs have been promulgated in combination with legislation; all aimed at reducing our dependence on imported oil. GVEA believes in Project Independence and to that end again requested the government plants to sell us excess coal-fired energy solely to displace oil-fired energy. As usual, we received the utmost cooperation from local post commanders, utility chiefs and Alaskan Command. However, once the requests were received at D.O.D. Headquarters in Washington, D.C., they were summarily dismissed - usually quoting existing U.S. Code 2481. I would like to quote relative portions of a letter I received from the Deputy Assistant Secretary of Defense, Mr. Perry J. Fliakas, dated August 27, 1979.

"On September 23, 1975, Major General Morris, Deputy Chief of Engineers, wrote to inform you that since there was no emergency situation existing, the Army had no authority under the law (10 USC 2481) to sell excess power from Fort Wainwright to the Golden Valley Electric Association (GVEA). Since the law remains unchanged and we are unaware of a current emergency which precludes GVEA from obtaining power from its own or other sources, there appears to be no legal basis for a sale of power by the DoD to GVEA."

"Should the GVEA consider the benefits from a coal-fired plant to be economically attractive, you of course have the option to build such a plant and thereby reduce your current oil consumption even more than the plan you suggested."

I might add we tried that recently and gave up in frustration after spending 1.3 million dollars primarily involved with attempting to comply with environmental regulation and permitting requirements.

One final quotation:

"From a practical view, it is doubtful that the proper cost of a DoD utility service would be attractive since such costs would necessarily include labor, labor overhead, maintenance, repair, other related operating costs and certain capital cost recovery elements."

That final quotation justifies the stated pricing structure in the proposed legislation.

As a result of our dealings with DoD on this issue, it becomes abundantly clear that there is at least one agency within the government itself that fails to adequately practice what general government preaches to the people. A complete copy of the quoted-from letter is attached for your information. It also contains statements on natural gas that may be of special interest.

Successful passage of the proposed legislation would produce the following benefits:

A savings in annual energy costs amounting to \$254,040 based on contemporary oil and coal costs. A savings thru displacement of 1,874,640 gallons of oil. The above figures are based on an annual average of 2,000 KW of excess energy being available. We feel this estimate is quite conservative and that the annual average should be based on 4,000 KW considering some of the energy would be available from Eielson Air Force Base. The 4,000 KW figure would result in annual energy cost savings of \$508,080 and 3,749,380 gallons of oil annually.

Based on today's prices, the dollar savings may sound insignificant to justify the proposed legislation. However, as oil rises to the complete deregulated price by October 1981, the savings will at least double. So we have a dual benefit comprised of a savings in energy costs plus a significant savings in oil use. There are additional benefits to the DoD plants. The pricing structure guarantees a profit to the Federal Government. Following is a hypothetical example. Incremental price of coal is calculated at 20 mills per KWH. Oil is 30 mills. The price per KWH is then calculated by adding both together and dividing by two.

$$20 + 30 = 50 \div 2 = 25 \text{ mills.}$$

Therefore the government made a 5 mill profit and the utility realized a 5 mill savings. We are not asking for a free lunch. In addition, sale of their excess energy (spinning reserve) will allow the military plants to run at a much higher efficiency, thereby reducing their overall cost of production. It is important to note that we are not requesting firm energy, only excess energy surplus to the military need at any given time. Therefore any statements relating to interference with military preparedness are completely unfounded.

Last year we were requested by Command at Fort Richardson to allow the military plant at Fort Wainwright to wheel coal-fired energy from that facility to Fort Greely, 110 miles south, over our interconnected system. This would allow the Government to shut down all of their diesel sets at Greely, resulting in a significant savings in oil and energy costs. Within several weeks following this request, we made the necessary arrangements to provide over 3,000 KW wheeling capacity. Previously they were restricted to 1,350 KW only sufficient to supply one-third of Greely's peak requirements. Once this was done, all their oil burners were shut down.

You see it can be done. However, when we requested the same consideration for the same basic reason, DoD said NO.

Gentlemen, it's going to take no less than an act of Congress.

Thank you very much.

R. L. HUFMAN

fairbanks north star borough

p.o. box 1267 520 fifth ave. fairbanks, alaska 99707 907-452-4761



STATEMENT OF JOHN A. CARLSON

IN SUPPORT OF

ALASKA FEDERAL ENERGY SWAP ACT (HR 5393)

BEFORE THE HOUSE SUB-COMMITTEE ON ENERGY AND POWER RESOURCES

On behalf of the Fairbanks North Star Borough I would like to strongly support the passage of the Alaska Federal Energy Swap Act (HR 5393). I have attached for your use a copy of Borough Assembly Resolution #79-45 which supports the purchase by utility firms of surplus electric power generated in Alaska at military installations.

The resolution points out that the use of this surplus, coal-fired, electricity could conserve 3 to 5 million gallons annually of turbine fuel---at no cost to the U.S. taxpayer.

In September 1979, electricity costs in the Fairbanks area were \$41.75 per 500 Kwh compared to a U.S. national average of \$26.50. Therefore, not only are our electricity costs far higher than the national average, but because of our colder climate we must use more.

At this time, as in other areas of the United States, the soaring costs of energy have become one of the most significant factors in limiting the ability of our citizens to create better lives for themselves. At one stroke, HR 5393 can have a significant positive affect on energy costs to residents of Alaska---again with no cost to the U.S. taxpayer. Since it is my understanding that U.S. military officials in Alaska support the sale of surplus power to local utility companies, I would strongly urge your approval of HR 5393 so that this concept may be implemented as rapidly as feasible.

In my absence, I have requested Mr. Robert Huffman, Chairman of the Golden Valley Electric Association, to present my statement to you for the record.

By: C.L. "Lee" Wareh.  
 Introduced: 7/26/79  
 Amended: 7/26/79  
 Adopted: 7/26/79

## RESOLUTION NO. 79-45

A RESOLUTION REGARDING THE PURCHASE OF SURPLUS ELECTRIC POWER FROM THE U.S. ARMY AT FT. WAINWRIGHT BY GOLDEN VALLEY ELECTRIC ASSOCIATION AND FAIRBANKS MUNICIPAL UTILITIES SYSTEM.

WHEREAS, conservation of scarce petroleum base fuels is in keeping with expressed National Policy; and

WHEREAS, it is in the best interest of the citizens of the Fairbanks North Star Borough to prevent unnecessary escalation of energy costs; wherever possible; and

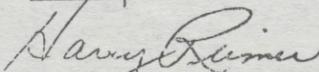
WHEREAS, coal fired generators owned by the U.S. Army at Fort Wainwright have the capability to both lower the cost of electricity to Golden Valley Electric Association and Fairbanks Municipal Utilities System customers, and simultaneously conserve 3 to 5 million gallons of turbine fuel per year - at no cost to the taxpayers; and

WHEREAS, during the Arab oil embargo surplus power was sold to Golden Valley Electric Association by the U.S. Army, and for a year the power plant operated by Golden Valley Electric Association under contract for the Army; and

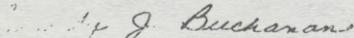
WHEREAS, the only obstacle to renewal of this mutually beneficial relationship is the artificial one of "Army Policy" and "lack of Department of Energy jurisdiction";

NOW THEREFORE, BE IT RESOLVED; the Fairbanks North Star Borough Assembly urges the President of the United States, the Secretary of the Army and the Secretary of Energy through their joint efforts to authorize, at the earliest possible date, the purchase by Golden Valley Electrical Association and Fairbanks Municipal Utilities Systems of surplus power from the coal fired Fort Wainwright generating facility.

PASSED AND APPROVED THIS 26<sup>th</sup> DAY OF July, 1979.

  
 Presiding Officer

ATTEST:

  
 Clerk of the Assembly

TELEGRAM

March 20, 1980

Congressman Don Young  
House of Representatives  
Washington, D.C.

As Mayor of Fairbanks I heartily endorse your work on H.R. 5393, the "Alaska Federal-Energy Swap Act". Members of the City Council and I have urged such common-sense arrangements for sometime since it will conserve coal resources and help to stabilize energy costs to both civilian and military consumers.

William R. Wood  
Mayor, City of Fairbanks

Testimony Regarding Senate Bill S. 1784 and H.R. 5393  
96th Congress, 1st Session  
March 26, 1980

*Ms. Mike Dalton*

The administration of the State of Alaska strongly supports Senate Bill S. 1784. The bill would benefit both the federal and civilian participants and the nation as well. The whole purpose of the bill is to mutually share benefits. The bill is designed to eliminate waste. There are no negative aspects to minimize.

The bill embodies the time proven and common sense electric utility concepts of using the lowest cost energy source to supply as much of the load as possible and the principle that more efficient use of equipment saves money. In Alaska, this saving of money almost always coincides with the saving of petroleum or natural gas fuels. As articulated by the President, saving petroleum is very much in the national interest.

The bill in no way alters or impairs the primary mission of the participating Federal facility. It does not jeopardize reserve commitments or restructure operating priorities. It does not require excessive wear or shortened life of federal equipment. It does not require federal investment in new equipment, the hiring of additional personnel or increasing the existing workload. Indeed, the effect of pooling federal and civilian resources, as envisioned in the bill, could actually enhance the mission capabilities,

lengthen equipment life and increase the productivity of federal facilities.

Two particular situations prompted the drafting of the bill. One calls for the federal facility to sell power and the other for the federal facility to buy power. Although in apparent opposition, they are similar in principle and effect.

In the Fairbanks area, the military operates coal-fired steam electrical generating plants at Fort Wainwright and Eielson AFB. Under most operating conditions, either plant has capacity excess to peak load and reserve requirements. The civilian load, served by two electric utilities, is nearly always in excess of the available civilian, coal-fired generation. The power to meet this excess must be furnished by distillate petroleum, fuel-fired machines. The excess federal, coal-fired generation could be used to displace the civilian, oil-fired generation, thereby saving petroleum. This end by itself is justification for supporting the bill; the fact that it would also save money, which each entity would share, is an added bonus. The principle and the mechanics of such an accommodation already exist. The two civilian utilities have had an economy energy agreement in effect for several years.

Because of the high altitude and climactic extremes, most electric utilities in Alaska have poor load factors. This means that generating capacity adequate to meet winter peak loads is idle, or lightly loaded, during much of the year. Alaska has many areas with small isolated communities. The small size and consequent small annual energy production requires each unit of energy produced to carry a disproportionately high burden of fixed costs. Isolation and remoteness preclude the interconnection on a grid, an option available to most utilities elsewhere. Where federal facilities are located in small isolated communities, the installation and operation of duplicate electric generating facilities causes them to suffer the same cost inflating factors as the civilian utility, inhibiting either side from solving the problem. This is the situation in Kotzebue and Naknek/King Salmon.

In either, community savings could be realized if the federal facility purchased a substantial part of its electric energy from the civilian utility. The additional load would give the utility the flexibility to optionally load its diesel generators, spread its fixed costs and more than likely increase its fuel efficiency. Although not the primary concern, additionally purchased civilian power should extend the plant life of the federal facilities.

In each of the communities imminently affected by the Bill, inter-ties exist with civilian and federal power plants currently operating side by side.

Golden Valley Electric Association estimates that three million to five million gallons of petroleum fuel would be saved each year if the Fairbanks area federal facilities sold power to the civilian utilities. This would translate roughly to a \$750,000 to a \$1 million savings to be shared by federal government and the civilian utility rate payers. In 1979, Naknek Electric Association felt they could reduce a necessary rate increase by 32%, and Kotzebue Electric Association felt they could reduce their rates by 14% if the federal facilities in their areas became consumers. The price of fuel, and consequently the numbers, have probably changed. The principle is still valid. The pooling principle is now probably even more attractive. The bill should pass.

Because the bill makes so much sense for both affected parties, we would respectfully suggest the word "may" in Section 4, line 10, page 3 to be changed to "shall". Other than this, we urge passage of the bill essentially as written and further urge that federal entities be encouraged to implement its provisions and intent. We envision a significant savings of money and petroleum.

Respectfully submitted,

Clarissa M. Quinlan  
Director  
Division of Energy and Power Development  
Department of Commerce and Economic Development  
State of Alaska

Before the  
Subcommittee on Water and Power Resources  
Hon. Abraham Kazen, Jr., Chairman  
House Committee on Interior and Insular Affairs  
Washington, D.C.  
Holding Hearings on H.R. 5393

Testimony of  
William I. Waugaman, Director  
Usibelli Coal Mine, Inc.  
Fairbanks, Alaska

March 26, 1980

Mr. Chairman:

I would like to thank the Chairman and the members of this Committee for allowing me to present this testimony in favor of Congressman Don Young's bill H.R. 5393.

As the only coal producer in Alaska our Company has been working quite closely with our customers on coal use and possible conversions to coal in Alaska's rail belt. We have also worked with Golden Valley on their program to obtain excess coal fired power from the military installations in the area.

I am here to assure you that we have more than ample coal reserves to supply all of Alaska's power and energy needs for the next hundred years. At present we are mining seven hundred thousand tons per year. We have fifty million tons of coal in firm reserve. We have on our lease holdings in excess of three hundred million tons of reserve coal in the inferred category. The coal field in which we are mining, known as the Nenana Field, has many times this amount.

At the present time the Fairbanks unemployment rate is very high, standing at about thirty percent. This bill if passed would help reduce this unemployment problem.

This bill that we are addressing ourselves to today is really only the tip of the iceberg as far as energy conservation in the military establishment is concerned. There are two big power plants namely Fort Richardson and Elmendorf in Anchorage that generate their power and heat with natural gas. These plants should be switched back to coal and the gas they are consuming be liquified for other uses. Both these plants were originally built as coal fired plants but were converted to gas because of its convenience.

I see by the paper where many power plants in the private sector have been ordered by DOE to convert to coal. It is a very confusing thing to see this happen and to know that our largest Government consumer of energy - the military - are not converting their plants of their own free will. It is things of this sort that make the public think that the United States does not really have an energy shortage.

It is my belief that passage of this bill would be of some help in dispelling this impression in the minds of the public.

TESTIMONY OF JOSEPH M. CHOMSKI

FOR

THE MUNICIPALITY OF ANCHORAGE, ALASKA

&

ANCHORAGE MUNICIPAL LIGHT AND POWER

REGARDING

H.R. 5393 — THE ALASKA ENERGY SWAP

ACT OF 1979

Before the House Committee on Interior & Insular Affairs,  
Subcommittee on Water & Power Resources

March 26, 1980

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, My name is Joseph M. Chomski. I am with the Alaska and Washington, D.C. law firm of Birch, Horton, Bittner, Monroe, Pestinger & Anderson. I am here today representing both the Municipality of Anchorage and Anchorage Municipal Light and Power Company, which is owned by the Municipality.

The subject of our testimony is H.R. 5393, the Alaska Federal-Civilian Energy Efficiency Swap Act of 1979. We generally support this measure and applaud Congressman Young for its introduction. It is our hope, however, that certain amendments and improvements can be made to the bill so that it can better achieve the goals it sets out to meet.

The principal purposes of H.R. 5393 are two-fold: (1) It attempts to maximize cooperation between federal and civilian electricity producers so that purchases and sales can be conducted between the two when it is cost effective to do so and in no way threatens our defense capabilities. (2) It seeks to reduce the usage of precious oil and natural gas as electric utility fuel, and substitute plentiful Alaskan coal in its place.

The objectives perfectly comport with national energy goals and the express will of this Congress. Without question, the goal of cutting oil and gas use as a utility fuel fits perfectly with the principal Congressional initiative in this area, the 1978 Powerplant and Industrial Fuel Use Act. Moreover, in our opinion H.R. 5393 may violate the letter, but does not violate the spirit, of the existing law blocking military-civilian electricity sales.

Statutory Background

The legislation we are considering today was primarily spurred by the inability of the military installation at Fort Wainwright to sell power to Golden Valley Electric Association without violating the law. The existing law, at 10 U.S.C. § 2481, prohibits the sale of electric power by the military to purchasers within the immediate vicinity of a military installation if electricity is available from another local source. The history of this statute indicates that although the military is strictly interpreting the law, it may have lost sight of the law's purpose. The original version of the statute was enacted on June 13, 1940, and updated in 1947, and again in 1959. The purpose of this statute was not to exclude local communities from military-generated services, but rather to aid these communities. The 1959 House Report (86-667) restates the legislative intent found in the prior bills, namely that "This proposed legislation will go far toward meeting the needs of persons dependent on these facilities and the activities engendered thereby." The spirit of cooperation is even better described in an executive communication from the Treasury Department attached to the House Report which states that "With this authority, existing utilities and water services in many instances would be extended to isolated inhabitants, in many cases servicemen, whose close association with the Coast Guard is highly desirable."

In the existing law and its predecessor statutes, it is uniformly held that military utility power shall not be provided to the community "where local private sources are available". The purpose of this requirement is

obvious: Congress did not want the military to compete with existing private enterprise. However, times have changed dramatically regarding electric generation and energy availability since the first legislation was enacted in 1940. More importantly, in the Fairbanks situation, the tables are turned and the private utility needs power from the military in order to service its private customers efficiently. The 1940 legislation sought to protect private utilities, yet strict application of its restrictions to today's Fairbanks facts harms the interests it sought to protect.

As to Congressional intent regarding maximization of coal use as electric utility fuel, we need research no further back than 1978 and the Powerplant and Industrial Fuel Use Act. The "Purposes" section of that Act states quite unequivocally that Congress desires to preserve natural gas and petroleum for uses other than electric utility electricity generation so that oil and gas are used where there are no practical substitutes. Section 102(b)(3). The "Purposes" also include encouragement and fostering of greater use of coal in lieu of natural gas and oil as a primary energy source. At Section 403 of the Act, it states that federal installations shall comply with the Act to the same extent as if those installations were owned and operated by non-governmental persons. Therefore, the "Purposes" we have just described apply to military installations as well.

#### Anchorage Legislative Position

In Anchorage, our situation is more analogous to the Kotzebue/Naknek facts than to Fairbanks/Golden Valley. We have an efficient power generation system in place, consisting of two plants and seven turbines. We also have two substantial military installations, Fort Richardson and Elmendorf, in our service area. Our electricity is generated by natural gas burning. We

anticipate that no further electric generating facilities we construct will use natural gas; rather, we project the use of coal or hydropower as our new sources.

We can, in our opinion, produce and supply electricity to Fort Richardson and Elmendorf today at a cost far less than their cost of generating electricity. We can do so over the long haul, not just on a temporary basis, and we can supply at least fifty percent (50%) of the electricity needs of these two bases. We would like to sell this power to them because the cost savings would impact not only the military, but would be reflected in reduced cost of service to our civilian customers as well.

We support Section 5 of H.R. 5393, which establishes policy that federal facilities shall, whenever practicable, endeavor to purchase civilian generated electrical power where such purchase shall result in either a federal or civilian savings, without detriment to the other. We, in fact, would like this provision strengthened to impose more of an obligation to purchase power in the most cost efficient manner, consistent, of course, with national security considerations.

We applaud the applicability of the bill to all civilian electric power generating facilities in Alaska, even where coal burning is not now a consideration. Clearly, the single goal of efficient use of electric generating capacity is sufficient to warrant Congressional support.

While coal burning is not currently taking place in Anchorage, it has been burned by the military in the past and remains an alternative for the future. We would like to see this bill amended so that it mandates that at least the electric generating equipment at Fort Richardson be converted

back to coal-burning capability, and we believe that the relatively modest cost to do so can be financed through the military's savings from cheaper power that Anchorage Municipal Light and Power is willing to supply. By once again having coal-burning capacity, a dual energy conservation purpose can be served. First, Fort Richardson can use coal instead of natural gas as fuel, thus complying with the intent of this Act and national policy. Second, Fort Richardson will be capable of going one step further in conserving energy — it will be able to generate electricity through the burning of properly prepared garbage supplied by the Municipality.

The Municipality has recently brought on line a refuse shredder. Its output is now exclusively used for landfill. If Fort Richardson had coal-burning capability, it could burn a portion of the shredded municipal waste — thus preserving energy, further reducing cost, and alleviating the landfill limitations in our area.

The final consideration we would like to bring to the Committee's attention deals with the cooperative relationship that should be fostered between federal and civilian installations and the mutually beneficial use of certain facilities. In the event of a natural gas supply emergency in Anchorage — for instance, a gas pipeline breakdown — Anchorage Municipal Light and Power can burn diesel fuel, but our facilities can only store two days of this fuel and the tank truck capability in the area does not exist to resupply our utility. Quite obviously, we are vulnerable and our citizenry is susceptible to freeze-outs and substantial freeze-related damage.

This problem can be resolved by an amendment to H.R. 5393 providing that Fort Richardson will — in such emergency conditions and when defense capability is not threatened — permit the municipal utility to utilize the Fort's oil pipeline system to supply our powerplants from tanker vessels.

At present, the military has the ability to allow us pipeline use, but only under strict limitations. If this legislation endeavors to bring about active federal and civilian interplay to create efficient energy facility use, its mandate should also encompass the backup protections against freeze-outs that Anchorage so badly needs.

#### Conclusions

This concludes our comments regarding H.R. 5393. We are ready to work with the Committee and the various interests involved toward developing a piece of legislation that truly accomplishes electric generating energy efficiency in Alaska.

Thank you for the opportunity to testify here today.

Mr. DINGELL. We thank you for your very helpful testimony. You have asked a number of questions of the Government witnesses that preceded you which I am sure you heard. If you have any comments and suggestions, we would be very pleased to receive them now or at some later time.

Mr. YOUNG. I will not be able to offer you any advice on the technical questions you have asked other than as has been stated by the Defense Department. They can do it already, but they have not done it. I believe this legislation clears any question in anybody's mind, and they will be directed to do it where it is comparable to the agency and the consumer.

I hope there was no objection to the other testimony I submitted for the record at this time.

Mr. DINGELL. None that the Chair sees.

Mr. Ottinger?

Mr. OTTINGER. Thank you, Mr. Chairman. I join you in welcoming our colleague, Mr. Young. I had some concern about why we should do this for Alaska only. Are there any peculiar conditions in Alaska for making this kind of arrangement with respect to Federal power? Why shouldn't we make the same kind of arrangements available wherever needed?

Mr. YOUNG. Mr. Ottinger, I have no answer to that question other than the fact we are affected more in Alaska because of the high costs of electricity. We are paying in some areas 40 cents a kilowatt. It is a tremendous expenditure.

As you well know, most small communities in Alaska either have an FAA, or BIA, or Fish and Wildlife, or Federal agency that may be only 45 to 60 to 200 people—maybe as high as 3,000—with

duplicate power sources and no ability to exchange this. It is our attempt to see this take place.

If you would like to broaden this, I would have no objection, but my object is to represent the State of Alaska, and this is one of the most apparent problems we are faced with.

I can't answer why others were not included if we are wishing to save fuel.

Mr. OTTINGER. Apart from weather conditions, are there any particular reasons why the cost of electricity in Alaska is so high? Overbuilding of generation facilities?

Mr. YOUNG. No. If anything, it is the logistics problem. The shipment of the generator into Nome cost something like \$150,000 to ship it. When it arrived, they twisted the crankhead and had to send it back. That is a very expensive process.

Second is the market. We have now evolved into the electrical age in a short period of time. The only people that had power in the rural communities for many years was the Federal Government. The BIA, the Department of Interior, had electricity. They had fancy homes, running water. We have built electricity side-by-side because we couldn't tie into their units. It is inefficient to have both operations producing power when there is a surplus of power.

If anything, it is overbuilding in the Government communities. We tried to get an exchange into the community, and they said they couldn't do it. Now they have built their own generation plant. They can run it themselves, but it is not an appropriate way to save money. It is certainly not the way to save energy.

Mr. OTTINGER. Our constituents are paying tremendously high prices for electricity and oil. It seems somewhat an anomaly where Alaska is benefiting tremendously from high priced oil to give this kind of relief targeted for Alaska.

Mr. YOUNG. I do not mean to be punitive to any of our citizens. It is not Alaska's fault we received these great amounts of money from the oil. There is little said about the amount of money sent to Iran, Iraq and the other OPEC nations. We should develop a distributing system and develop the ultimate sources of energy. I will never apologize for the people of Alaska concerning the amounts of money taken from the Lower 48. It was under the directive of Congress which allowed the energy problem to become out of hand. Mr. Chairman is well aware of this. We have had situations where we did not want to produce energy. I think some people should look at this total picture of supply of energy to all parts of the United States and how we can develop the system so the price can go down. We spend about \$1.33 to \$1.43 for gas in Alaska. Heating fuel is \$2.38 a gallon in rural Alaska. We are paying exorbitant fees because of certain requirements under the energy programs. I think it is unfair to cast Alaskans in a negative role when we are trying to save fuel.

Of course Fairbanks is relatively small—

Mr. OTTINGER. I do not mean to be hostile to Alaska. I am concerned that my constituents about whom I am just as concerned as you are about yours, get some protection from rates which are driving them out of their homes.

Looking at the comparative equity situation, you supported I take it, deregulation of oil. I assume you supported deregulation of

national gas as well. Those are things which heavily penalize our customers in the Northeast. Do you support oil back-out legislation?

Mr. YOUNG. I am supporting this legislation and any legislation which will provide adequate energy to the people of the United States.

The history of why we are dependent upon oil, one of the main sources came from the Mideastern States. In 1960, we were not importing one barrel of oil. I think this Nation has to come to grips—and I want to compliment this committee—with the possibilities that there are ways to utilize fossil fuel. The price of Alaskan oil was not set by Alaskans. It was set by the OPEC nations. I think we can discuss this issue at a much greater length but right now, if you want to amend this bill to take in every place in the United States, that would be all right with me as long as it would save fuel and there would be an interchange of power. I think that is the purpose of this Congress—that we get the best bang for the buck.

The gentleman from the Defense Agency said he could have done this a long time ago. It is unfortunate it has not occurred.

Mr. OTTINGER. I have long been a supporter of interchange of power. I am concerned that we treat different sections of the country inequitably. I think that is something we should look at.

Mr. DINGELL. The chair has just a couple of questions to ask. Section 6 reads as follows:

The provisions of this Act shall apply only to surplus power. Nothing in this Act shall be construed as requiring the Federal Government to design or build future powerplants for Federal facilities or to employ reserve or standby equipment in order to accommodate the needs of civilian consumers.

That is rather clear. The question that comes to my mind is, at some point, I assume with continued projected growth in Alaska, the continued disparity between coal and between oil and the tremendous increase in construction costs, interest charges, carrying charges, et cetera, for new facilities, what would we anticipate would happen if ultimately, the full capacity of these Federal plants that are under question in the legislation, were to go to literally full-time operation; and second, what would occur if we were to find ourselves in a position where ultimately one of the most economic ways of meeting the joint concerns of both the Federal Government and the State and local units up there whereby additional construction, I believe that would require additional enactments of legislation, would it not?

Mr. YOUNG. It is my understanding there would be no requirements for private growth, that the Government be required to meet the demand by building new generating facilities. I expect any growth that takes place by the local communities would have to be cranked into the prospectus in terms of how much they would have to invest in their own private plant. I believe in most of these areas, we are speaking of, other than Fairbanks, the ability of the Government to produce power at a fair rate to themselves and the consumer would be there for many, many years. I do not expect rapid growth. In Fairbanks, the growth pattern is not that rapid

and when it did meet that point, they would not be required to sell power.

We have another thing to worry about though, there has been much talk about closing down those military plants so this is not a permanent thing. This is something we are faced with in Alaska.

Mr. DINGELL. I do not think it would help anything. As I have indicated, I am thoroughly sympathetic to this legislation.

There is another question to be dealt with, that is, I do not assume the provisions of section 6 are of the ratemaking provisions in section 4, would require the operation of the facility in such fashion that it might, let us say, overload the functioning of the facility or cause it to be operated in such fashion that routine maintenance and that sort of thing, would be ignored or set aside in such fashion as to ultimately hurt long-term life of the facility. I am sure I am correct in that.

Mr. YOUNG. You are absolutely correct. I expect the cost of the power to be delivered to the private sector would be included in part of the maintenance cost of the machinery. The prime target of these installations is for military. It has to be taken into consideration that we would have the capability for alert purposes, to increase the manpower area; that there would be no binding agreement with the private sector. This is just an attempt at the efficiency that a generation plant runs at a certain scale. If it runs below that, then it is waste. Contrary to what people think, there is a revolutions per minute ratio that should take place when that does not occur, you have an expenditure of Btu's and it seems to me to use that as needed. But when it occurs on the side of the military, that is what takes priority and there should not be complaints from the private sector at all.

Mr. DINGELL. I concur. Of course, there is nothing in the legislation that would have any preemptive rights which would require the facility to be functioning at a particular level when there might be military needs for that power.

Mr. DINGELL. Mr. Young, the committee thanks you.

Mr. YOUNG. Thank you for having these hearings.

Mr. DINGELL. Is there further discussion or conversation? A quorum is not present at this time for purposes of consideration of the legislation, but the Chair does observe that we will either have an executive session at a very early time or the Chair will poll the members of the subcommittee with an eye toward achieving some approval of the legislation with the possibility of placing the bill on the suspension calendar without having to go through further proceedings in the subcommittee, the full committee or both. The Chair does observe that there probably will be some amendments required by the subcommittee but they will be friendly to this legislation.

The Chair will see to it, that all members are fully informed of any action taken by the Chair or the subcommittee.

Is there further business to come before the committee? The Chair hears none. The subcommittee stands adjourned pending further call of the Chair.

[Whereupon at 11:10 a.m. the hearing was adjourned.]

