

## **Public Power and National Energy Policy**

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Summary

PUBLIC POWER AND NATIONAL ENERGY POLICY

The American Public Power Association supports the historic pattern of pluralism in the electric utility industry. Institutional competition between investor, publicly, and cooperatively owned utilities provides clear benefits to all customers. The Federal government has an important role to play in protecting it.

Even with conservative growth assumptions, major expansion of electric facilities is required in the next 10 years. The nation faces a massive problem in providing the fuel, generating capacity, and other requirements which must be met. Coal, nuclear power, and conservation must perform significant roles because there are no acceptable or feasible alternatives. Environmental and energy needs must be balanced. Efforts must be made to hold down consumer costs.

Federal action is needed. These problems and solutions should be considered:

. Taxpayers own major reserves of fuel but availability and price are determined by private parties under anticompetitive conditions. A Federal fuels corporation should be created to develop and market Federally-owned fuels as a supplement to other supplies, and ownership by oil and gas companies of potentially competing fuels should be prohibited.

. Conservation can save energy and dollars for consumers. Federal funding to advance this goal should be maintained at a level which insures maximum useful results, and Federal agencies should exercise leadership in implementing new concepts. High priority should be given to programs which would advance the development of renewable sources of energy.

. For some regions, the nuclear fuel cycle offers consumers a less expensive source of power than other alternatives but price and availability require Federal steps. The Federal government should make immediate decisions to provide uranium enrichment services, reprocessing, and radioactive waste storage.

. The multiplicity of Federal agencies involved in energy decisions, and the absence of coordination cause consumers unnecessary costs and result in unwarranted delays in developing needed energy sources. Steps should be taken to coordinate Federal and State handling of licenses and permits. A Department of Energy should be created in the Federal government.

. Many smaller utilities which purchase power at wholesale are faced with economic extermination without reform and public interest administration of the Federal Power Act. Commissioners sensitive to consumer needs should be appointed, and the Federal Power Act amended to strengthen ability to protect smaller systems from anticompetitive abuse and unjust rates.

. Further hydroelectric development offers economic and environmental advantages. The Federal government should seek opportunities to expand capacity at Federal dams, to build new facilities, and to encourage development of small hydroelectric projects.

. Competition in fuels and energy protects consumers. The Federal government should aggressively implement its anti-monopoly responsibilities.

. Energy and environmental interests must be balanced, specific goals established, and needless NEPA review eliminated.

. Rationing by price should not be the method for encouraging energy conservation. Federal programs for aiding consumers in meeting unavoidable cost increases and in conserving energy should be adequately funded.

If there is not a national commitment on the part of the Federal government to see that the nation's energy requirements are met, plans should be formulated now for mandatory curtailment of electricity.

## PUBLIC POWER AND NATIONAL ENERGY POLICY

### Publicly-Owned Systems Aid All Consumers

There are 2,245 local public power systems in the United States supplying the electrical needs of more than 30 million Americans in 48 States. While some publicly-owned systems are large (e.g., the Department of Water and Power of the City of Los Angeles), most are small. The average system today serves about 5,000 customers.

Regardless of size, all are consumer-owned, non-profit electric utilities dedicated to community service. Because their users and owners are one and the same, local public power systems have a unique opportunity to reflect the interests of the citizens they serve. They represent a competitive alternative to service by private power companies controlled by stockholders, and provide a performance yardstick.

The power industry is a public business whether it is owned and operated by a public or private agency. This is true because electricity is essential to modern life and because the service is normally sold at retail under monopoly conditions; it is affected with the public interest. A private concern selling electricity acts with the consent of and as the agent of the State under a franchise grant and State regulation.

The entire electric utility industry is publicly regulated or publicly owned. Consumers have a choice of farming out the electric utility function to private parties or carrying out this responsibility themselves through consumer-owned organizations. It is similar to renting a house or owning your home.

Maintenance of the choice is important. Franklin Roosevelt called it "the birchrod in the cupboard" -- a form of direct action by the people and a salutary supplement and guide to regulators.

The effectiveness of local public power systems in providing a "yardstick" is indicated by the fact that average rates to ultimate customers by local public power systems are considerably lower than those of private companies, average usage is higher, and average contributions to local general government are about the same as local taxes paid by the companies.

At a time when people are objecting to unresponsive big government and big business and the loss of influence over the institutions which affect their lives, local ownership and operation of electric service also offers more individual control. Local control of electric service means that each voter-user has a share in the decisions and can effect rates and policies. Citizens can initiate and implement plans which meet their own community needs and which may provide innovative and diversified examples for others to follow in dealing with rates, conservation, environment, and other problems.

The American Public Power Association supports the historic pattern of pluralism in the electric utility industry. Institutional competition between investor, publicly and cooperatively owned utilities provides clear benefits to all consumers. The Federal government has an important role to play in protecting it.

#### Utilities Must Plan To Meet Future Needs.

One of the major national crises we face is deciding how much electric power capacity we should build in order to provide the needs of the future. For many years, utilities experienced an annual average national growth rate of about 7%, and projection of future requirements did not present major difficulties.

However, since the Arab oil embargo and the recent emphasis on conservation, considerable dispute has surrounded the question of how much electric energy we will need. Some say that, through conservation, we can reduce our growth rate virtually to zero. As evidence, they point to the fact that in 1974 there was zero growth in electric energy usage, and in 1975, demand climbed only about 2%. However, it should be noted that the growth rate in these years was affected by an economic recession, weather conditions, and perhaps a one-time impact of conservation.

There is considerable reason to believe that we can anticipate a higher growth rate in the future. Consumption of electric energy has risen about 6% thus far this year.

It is also expected that as oil and gas become scarcer, many consumers will switch to electricity to perform some of the tasks performed by these fuels. Many utilities are already experiencing this trend.

Economic and national defense considerations also dictate that the nation should reduce its reliance on imported oil. Efforts to decrease reliance on foreign oil in order to protect the economy against administered prices and cutoffs of supply require increased use of domestic coal and uranium -- both of which must be converted to electricity for most purposes.

The evidence suggests that the United States must move toward an energy economy based more heavily on electricity as a substitute for direct combustion of oil and gas.

Although estimates of future growth have been made by a number of organizations and individuals, the most reliable projections would indicate a range of 4.9% to 6.4%.

The National Electric Reliability Council, which includes representation from all sectors of the electric utility industry, recently released a report projecting a compound annual growth rate of 6.4% for the United States as a whole, for the 1976-1985 summer periods. This forecast was based on reports from each of the regional reliability councils.

#### Nation Faces Massive Problem in Providing Fuel

Even if we assume a more conservative growth rate of 5%, the entire electric industry would have to be doubled by 1990. Thus, it is unproductive to argue endlessly about whether or not the growth rate will be 5% or 6.4% or some other figure in that range. Under any of these assumptions, the Nation faces a massive problem of providing the fuel, generating capacity, and other requirements that will be needed.

For example, look at some of the consequences of providing just the fuel needed to meet the requirements of the electric industry by 1985, assuming the 6.4% annual growth rate projected by NERC. Under this assumption, the proportion of electric generation obtained from hydroelectric sources would be reduced from 11.8% in 1976 to 6.9% in 1985. Natural gas would supply only 3.1% of total energy requirements for electric production in 1985, compared with 12.8% in 1976. The proportion of generation supplied by oil would be reduced from 16.9% in 1976 to 13.3% in 1985. Other generation, such as geothermal and more advanced types under research and development, are expected to provide less than 0.5% of total electric energy requirements.

The principal impact of a 6.4% annual electric generation growth rate would be on the requirements for coal and uranium. Coal's share of fuel requirements would remain the same in 1985 as in 1976 -- 46.8%, but nuclear power would jump from 11.7% of total generation in 1976 to 29.9% in 1985.

Although coal's share would not increase proportionately, the additional requirements in absolute terms present a problem of staggering proportions.

In 1975, electric utilities consumed 404 million tons of coal, but in 1985, if coal's share of total fuel consumption remained the same, growth in generating capacity would require more than twice as much coal -- 825 million tons.

The NERC report pointed out that when one takes into account the estimated depletion in existing coal mining production capability during the next decade -- which amounts to almost half of present production capability -- the forecast requirements indicate the need to develop additional production capability of 800 to 900 million tons by 1985. To achieve the projected level of production in 1985 of over one billion tons per year, new mining capability must be increased by almost 9% per year over the next ten years. The magnitude of the problem of doubling coal production in 10 years is clear when we consider that the coal industry has had virtually no growth during the past 20 years.

In addition to the fact that the coal industry will have to invest some \$25 billion in order to bring about the increase in coal production required to meet 1985 demands, massive impacts will be felt on the transportation industry. A task force of the National Academy of Engineers forecasts that to satisfy coal transport requirements, the transportation industry will have to construct the following by 1985:

- . 60 new 2 million tons-per-year eastern rail-barge systems of 100 to 500 miles each.

- . 70 new 3 million tons-per-year western rail-barge systems of 1,000 to 2,000 miles each.

- . 4 new 25 million tons-per-year coal slurry pipelines of 1000 miles each.

To achieve these objectives, the railroad industry will have to spend some \$6 billion to enlarge its rolling stock by about 8,000 locomotives and 150,000 hopper

cars. New track will have to be laid to reach new mines and old track will have to be improved. Simultaneously, the barge industry will have to invest \$1.7-billion to construct 4,700 new barges and 350 towboats. A number of new terminals and locks will have to be built.

#### Nuclear Program Threatened

In addition to the increase which will be required in coal production and transportation, meeting the power demands of 1985 will also necessitate a substantial increase in nuclear energy. In 1975, nuclear generating plants represented slightly less than 7% of the total installed generating capacity, and generated 9% of total electric energy. Even taking into account the fact that there has been a substantial deferral or cancellation of nuclear generating facilities within the past two years, NERC estimated that nuclear generation would increase by more than three times by 1985. At that time, the approximately 174,000 megawatts of nuclear capacity will represent about 22% of total installed capacity, and will generate nearly 30% of total electric energy.

This expansion of nuclear capacity is threatened by growing opposition to the building of new nuclear facilities. This fall, voters in six States will be faced with propositions which, if approved, would virtually ban the construction of nuclear generating facilities, and in some cases would reduce production of electric power from existing nuclear power facilities.

Nuclear power faces other problems, too, such as the need for building reprocessing facilities and enrichment plants, the development of waste storage facilities, and the demonstration of the breeder reactor, which would stretch out the usefulness of uranium reserves.

Should the nuclear program falter seriously because of these problems, an additional burden would have to be placed on coal, which, as already indicated, presents considerable problems even if there is no increase in the proportion of total energy needs fulfilled by coal. The only other alternative would be greater reliance on oil, which is already in such short supply domestically that we are depending upon imports

for about 40% of our requirements. Even if the share of energy produced from oil declines from 16.9% in 1975 to 13.3% in 1985, as projected by NERC, the dependency on oil as a boiler fuel will rise from 490 million barrels in 1975 to 800 million barrels in 1985. This increased use would result from the completion of oil-fired units already committed, and the use of oil as an alternative to the declining availability of natural gas as a boiler fuel.

#### Environmental Laws Cause Delay, Higher Costs

The problem of obtaining sufficient fuels and the siting and building of power facilities is compounded by both Federal and State environmental protection laws. Everyone is in favor of clean air and clean water. These are now statutory goals. But attaining these goals in our complex industrial society is neither easy nor inexpensive. The issues are by no means clear-cut, particularly when we consider that the price of environmental protection rises sharply as we approach the final increments of purity. Thus, there must be some balancing of costs and benefits. We should also be mindful of the fact that public health and welfare also require the availability of electricity at reasonable prices in the environment of the home, office, and factory.

Furthermore, tradeoffs must take into account the inadequacies of technologies designed to do the job. For example, what are the comparative values of keeping sulfur out of the sky when the alternative is to put sludge on the ground? Or is it desirable to prevent heat from reaching the river when the alternative is vaporizing water to the air?

While we search for answers to these questions, we face continued delay and uncertainty in the development of fuels and building of power plants, because of a compounding of environmental laws both on the Federal and State levels.

#### Wholesale Power Costs Continue to Rise

In 1973, local public power systems purchasing firm power at wholesale from private power companies paid an average of 11 mills per kilowatt-hour.

An indication of the magnitude of bulk power supply costs which can be anticipated in the future is contained in a draft report published by the Federal Power Commission Bureau of Power on July 31, 1976, entitled, "Factors Affecting Electric Power Supply 1980-85." This report shows that in 1982, the estimated wholesale power cost from investor-owned utilities would be about 32 mills at 50% load factor.

When you take into account that this figure is for bulk power supply costs alone and does not include the rising cost of distribution, billing and collecting and other such expenses, you can appreciate the magnitude of the increases that can be expected in the next decade in power costs to the consumer.

Through use of joint action bulk power supply agencies and municipal bond financing, groups of local public power systems can construct generating facilities which permit them to obtain directly economies of scale at a cost below wholesale rates. To insure the availability of this option, enabling legislation must be passed in some States and the integrity of municipal bond financing protected. Successful joint action efforts will benefit consumers generally by providing a competitive source of electricity.

#### Federal Action Needed to Solve Power Problems

We hear a great deal these days about the lack of a national energy policy. It is easy to oversimplify the situation by stating that our energy problems would be solved if we adopted a national energy policy, and it is probably impossible to set forth a national energy policy in a single piece of comprehensive legislation because energy policy affects so many facets of our society and our government. However, it should be possible for the Administration and the Congress to agree upon certain goals as to the nation's energy needs and to map out a program whereby those goals can be met. These problems and solutions should be considered:

Fuels. Availability and pricing of fuels remains a major problem in providing electric service. The Federal government has an important role to play in developing resources it controls, in preventing monopolistic practices, and in insuring timely production.

Citizens of the United States own over half of our remaining oil and gas resources, about 40% of our coal and uranium, 80% of our oil shale, and some 60% of our geothermal energy resources which are located on Federal lands. Unlike the nation's hydroelectric resources which have been developed by a combination of Federal, non-Federal public, and private entities, publicly-owned fuels have been largely developed by large companies under lease. A result has been that today we are largely at the mercy of major "energy companies" for production of fuels from Federal lands.

A Federal fuels corporation should be created to develop and sell these resources which belong to all the people. Among the advantages: (a) production of fuel resources located on public lands could be increased to meet the needs of consumers; (b) direct competition between the corporation and private entities would enable consumers and regulators to evaluate the performance of the private sector and would act as a lever or "yardstick" to hold down the prices of fuels; and (c) such a corporation could return money to the Federal Treasury from its operations.

Major oil and gas companies are moving steadily into other fuel fields, including coal and uranium, creating monopolistic conditions which encourage "BTU equivalency" pricing of all fuels at a level set by whatever the traffic will bear. To control this anti-consumer trend, oil and gas companies should be required to divest themselves of holdings in potentially competing fuels and future acquisitions barred.

Summary: Taxpayers own major reserves of fuel but availability and price are determined by private parties under anticompetitive conditions. A Federal fuels corporation should be created to develop and market Federally-owned fuels, and ownership by oil and gas companies of potentially competing fuels should be prohibited.

Nuclear. Nuclear power is a necessary ingredient in the electric generation mix which will be required to supply power needs to the end of the century. Despite higher capital costs, utility studies continue to show that in many areas of the country the lower fuel costs result in an economic advantage over coal -- the other principal source of power on which we must rely. It is important to consumers that the nuclear fuel cycle cost advantage be preserved and that elements of the process not become fields for private monopolies in the fashion of fossil fuels. For this reason the next increment of uranium enrichment capacity should be an "add-on" to an existing

government gaseous diffusion plant and plans for "privatization" proposed by the Administration should be rejected. Implementation of the Administration plan would boost nuclear fuel costs by an estimated 34% or \$700-million a year. Furthermore, it is likely that the program would result in creation of a private monopoly, provide less income from taxes and royalties than net revenues from Federal facilities, and compound timing questions due to potential proliferation problems.

Federal action is also needed now to resolve nuclear fuel reprocessing and nuclear waste storage questions. There is no commercial operating reprocessing plant in the United States; reprocessing facilities are needed to recover usable fuel and to prepare waste for storage. Engineering solutions have been developed for long term storage of radioactive waste, but decisions for implementing these answers are still pending in responsible Federal agencies. In both instances, technology and know-how are available through the Federal government. The government should move now to provide these services. Failure to do so could prevent domestic nuclear power plants from coming on line in a timely fashion, harm U.S. markets abroad, and cause further concern about proliferation of nuclear materials.

Summary: For some regions, the nuclear fuel cycle offers consumers a less expensive source of power than other alternatives but price and availability require Federal action. The Federal government should make immediate decisions to provide uranium enrichment services, reprocessing, and radioactive waste storage.

Reorganization. The Doub report, a study of Federal energy regulation, found in 1974 that more than 40 Federal agencies, bureaus, and commissions have some role in energy regulation in addition to the activities of the 50 States.

The Doub report also noted that Federal energy regulatory agencies are typically organized around particular objectives (e.g., safety, effluent control, economic regulation), and that there is neither a common set of goals and planning assumptions to guide them nor an existing device for coordinating separate agency procedures involving a single proposed energy project. Further, the study pointed out that lack of a mechanism to integrate the different roles and interests of the Federal government and the States creates a "risk that Federal-State regulatory conflicts will evolve into intractable stand-offs -- with crippling effects on the Nation's economy and security."

The effect of this situation is to encourage delay, uncertainty, inconsistency, and indecisiveness, the investigation showed; consumers may pay higher prices as a result and find availability of service is threatened.

Steps should be taken to coordinate Federal handling of applications for licenses and permits and to improve cooperation with the States.

Consolidation of review responsibility, built-in schedules for competition of various steps, insurance of "finality" at the conclusion of the proceeding are just as vital as full disclosure and citizen participation in meeting the public interest in licenses and permits for power facilities. Government cannot be considered a neutral umpire in such proceedings; it has a duty to promote policies, programs, and projects which advance the public interest in an adequate energy supply at reasonable cost. Unnecessary delay and duplication take dollars out of consumer pocketbooks.

Creation of a Department of Energy would permit grouping of Federal energy administrative functions for more effective direction. Agencies which should be considered for inclusion in such a department include the Department of the Interior, the civil works division of the U.S. Army Corps of Engineers, the Federal Energy Administration, and the Energy Research and Development Administration.

Summary: The multiplicity of Federal agencies involved in energy decisions and the absence of coordination cause consumers unnecessary costs. Steps should be taken to coordinate Federal and State handling of licenses and permits. A Department of Energy should be created in the Federal government.

Regulation. Structural changes are worth only what administrators make of them. "Perhaps no single effort can accomplish more to our faith in government than the single-minded pursuit of regulatory nominees meeting the very highest standards of public service," Senator Warren Magnuson told the Consumer Federation of America in 1973. In addition to intelligence, integrity, and independence, as pointed out by a 1976 study published by the Senate Commerce Committee, regulators should possess "a demonstrated sensitivity to consumer and minority needs."

Approximately one-half of the nation's local public power systems buy power at wholesale from private power companies subject to the jurisdiction of the Federal Power Commission. The quality and character of FPC regulation can determine the very survival of these generally small, consumer-owned utilities.

The Federal Power Act has not received major amendment since its enactment in 1935. The Act is intended to protect wholesale purchasers from anticompetitive abuse and to insure that wholesale rates are just, reasonable, and non-discriminatory. Changes are needed to achieve these goals today.

Under current FPC procedures, rate increases are imposed before they have been found to be lawful (a determination which has taken as long as five years), successive rate increases are permitted to go into effect before the first one is decided (so-called "pancaking"), and rates charged local public power systems may in fact be higher than some retail rates charged by the supplying utility in a competing service area ("price squeeze"). Amendments of the Act are essential to remedy these situations.

The Act needs strengthening to insure that smaller power systems can obtain equal treatment from private power companies in securing transmission services, coordination of facilities, pooling of generating resources, and participation in bulk power supply transactions. Steps must be taken to provide protection under the Act against attempts by companies to terminate wholesale service and force its publicly-owned competitors to turn to less economic sources of supply.

Inclusion of "construction work in progress" (CWIP) in the rate base of companies should be prohibited and the traditional standard of limiting return to facilities which are "used and useful" retained. Use of a future test year in establishing wholesale rates should be prevented by requiring rates to be based on actual costs which are known and measurable with reasonable accuracy at the time of filing rather than hypothetical, conjectural estimates which may well become self-fulfilling.

Summary: Many electric wholesale customers are faced with economic extermination without reform and public interest administration of the Federal Power Act. Commissioners sensitive to consumer needs should be appointed, and the Federal Power Act amended to strengthen ability to protect smaller systems from anticompetitive abuse and unjust rates.

Hydroelectric. Falling water -- a form of solar energy which gives us hydroelectric power -- offers opportunity to conserve scarce fossil fuels and avoid air pollution. Only one-third of the identified potential in the United States has been developed. Hydroelectric plants use a renewable resource, employ an inflation-proof "fuel", and possess long life. Additional units can be installed in many existing

Federal dams, providing a comparatively low-cost source of new generating capacity. Changing fuel economics make feasible new Federal projects.

Use of low-head turbines may provide further opportunities to employ hydroelectric power. While they could not be expected to replace major development of coal and nuclear plants, small hydroelectric installations can play an important role in some parts of the country. David Lillenthal, former TVA director, notes that there are some 3,000 existing but virtually abandoned dams scattered through the old mill towns of the Northeast; small hydro-turbines which could be installed in a relatively few months are economically competitive, he argues.

Summary: Further hydroelectric development offers economic and environmental advantages. The Federal government should seek opportunities to expand capacity at Federal dams, build new facilities, and encourage development of small projects.

Conservation. Conservation of energy represents a sort of "psuedo generator" relieving (but not eliminating) the necessity for development of fuels and construction of new plants. Opportunities to use cost-effective methods to save fuels and energy should be exploited from production to end-use.

An important goal is development of machines which provide power at greater efficiency. Of special interest are the breeder reactor concept which would multiply 60-fold the fuel value of uranium, waste heat recovery systems which can add capacity without additional fuel consumption, fuel cells and magnetohydrodynamics which promise improved energy conversion efficiency, and use of hybrid systems such as combustion of coal with lower temperature geothermal resources and retrofitting of small existing fossil plants with modular solar collectors in parallel. But none of these systems will be available for widespread use for many years, and cannot be relied upon to supply our needs in the immediate future.

Solar heating and cooling, and power production by solar, wind, geothermal resources, and solid waste resources may provide supplemental sources of energy which save fuels. High priority should be given to programs which advance these concepts.

In some regions, peak load pricing and direct load management may offer opportunities to increase the efficiency of use of electric generating facilities. By leveling load, equipment can be better utilized. Similarly, expansion of transmission

interconnections may provide for more effective use of generating capacity, and improved pooling and wheeling between various segments of the electric industry could help keep costs down. Energy efficiency labeling of appliances, energy conservation performance standards for buildings, weatherizing and insulation of homes can stimulate both energy and monetary savings.

Authorized programs in the Energy Research and Development Administration, the Federal Energy Administration, and the Department of Housing and Urban Development designed to advance all of these goals require adequate funding to insure that the goal is reached. Federal power agencies can serve as leaders in improving transmission links and testing new conservation technologies.

Summary: Conservation can save energy and dollars for consumers. Federal funding to advance this goal should be maintained at a level which insures maximum useful results, and Federal agencies should exercise leadership in implementing new concepts. High priority should be given to programs which would advance the development of renewable sources of energy.

Antitrust. Vigorous enforcement of Federal anti-monopoly statutes is essential to guard consumers against inequitable prices or unreasonable restrictions on supply. Some of the agencies to which attention should be directed:

. The Nuclear Regulatory Commission, which is charged with reviewing applications for licenses to build nuclear power plants to determine whether activities under the license would create or maintain a situation inconsistent with the antitrust laws.

. The Department of the Interior, which is instructed by 18 separate Federal laws to give preference to public bodies and cooperatives in marketing of Federal power and which is directed by the Federal Coal Leasing Act of 1975 to exercise pre-leasing antitrust review with the advice of the Attorney-General.

. The Federal Power Commission, which has been repeatedly instructed by the courts to apply the antitrust laws to its duties under Part II of the Federal Power Act.

. The Securities and Exchange Commission, which is charged with administering the Public Utilities Holding Company Act.

. The Federal Trade Commission, which is responsible for policing competition in areas involving fuels and energy.

The Department of Justice, which has responsibility for carrying out the full range of the nation's antitrust laws.

Application of the antitrust policies of the United States must be an integral part of the country's energy policy, and Federal agencies charged with their administration must aggressively carry out their duties to police energy activities.

Summary: Competition in fuels and energy protects consumers. The Federal government should aggressively implement its anti-monopoly responsibilities.

Environment. Efforts to regulate power plant discharges to the air and water must take into account the cost to consumers of standards which are more stringent than necessary to protect the public health and welfare, and the environmental impact of technologies available to achieve these purposes. Incremental gains in pollution control should be balanced against the need for availability of reasonably priced electricity, and the long-term effects of devices to limit air and water pollution evaluated before they are required.

In addition, efforts must be made to guard against substitution of form for substance in dealing with environmental questions. The National Environmental Policy Act, for instance, requires extensive examination of "major Federal actions significantly affecting the quality of the human environment", but does not supplant authorized agency responsibilities or demand a particular substantive answer. The ambiguity of NEPA directives has led to ad hoc agency decisions, an unprecedented involvement of the courts in shaping Federal programs, and a concentration on procedural questions involving the necessity, adequacy and weighing of environmental impact statements. The absence in NEPA of specific standards or relation to a national energy plan creates costly confusion and delay in the implementation of electric power programs. The problem is compounded by adoption at the state level of duplicate NEPA laws which impose different rules and schedules.

NEPA should be replaced with a clear statutory statement of what requirements Congress and the President believe are necessary to protect the environment. Then regulators, applicants, and intervenors will know what is expected and arguments can turn on whether or not a proposal complies. If NEPA

review is continued in its present form or altered, in either case the Federal government should insure that adequate agency staff is provided to handle the workload in the most efficient manner.

Summary: Energy and environmental interests must be balanced, specific goals established, and needless NEPA review eliminated.

Price. The Nation is wasteful of energy, and electric savings should be encouraged. But artificially higher prices that are not cost-based should not be the favored method of implementation. Rationing by price imposes a regressive tax on consumers for essential service, and feeds inflation. Rising costs of medical care have not caused fewer people to get sick; it just means fewer get well. As in the case of health services, an effort should be made to keep costs down for all users and supplement the income of those still unable to secure an acceptable level of service. The Ford Foundation's Energy Policy Project study "A Time To Choose" pointed out that: "The social equity problems of our nation go far beyond energy, and cannot be solved through energy policy."

Recent legislation provides for grants to aid low-income families in weatherizing their homes, "energy audits" to help identify cost-effective energy conservation opportunities in homes and nonresidential buildings, and a demonstration program to encourage homeowners to implement conservation measures. Adequate funding is required if these efforts are to be successful.

Summary: Rationing by price should not be the method for encouraging energy conservation. Federal programs for aiding consumers in meeting unavoidable cost increases and in conserving energy should be adequately funded.

If there is not a national commitment on the part of the Federal government to see that the nation's energy requirements are met, plans should be formulated now for mandatory curtailment of use of electricity.