

[Trip to Kentucky, 7/31/79] [2]

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SENATOR WENDELL FORD (D-Kentucky)

Biography: 1st term (1980); born September 8, 1924 in Owensboro, Kentucky; Baptist; married (Jean); two children (Mrs. Shirley Dexter, Steven); Maryland School of Insurance, 1947; U.S. Army, 1944-46; Kentucky National Guard, 1949-62; State Senate, 1965-67; Lt. Governor, 1967-71; Governor, 1971-74; member, Carter-Mondale Steering Committee and Chairman, National Democratic Campaign Committee, 1976; Kentucky Agriculture Man of the Year, 1973; elected to U.S. Senate, 1974.

Committees: Commerce, Science and Transportation (7)
Energy and Natural Resources (5)
Rules and Administration (5)

Administration Support: 61.2%

Senator Ford has been an inconsistent supporter of Administration domestic and foreign policies. As you know he is generally one of the target votes we must work on on close issues such as the Panama Canal Treaties, the Middle-East arms sale, the Turkish arms embargo and Rhodesia. His is an illusive vote. Nevertheless he has been instrumental in some key Administration victories; for example, he worked tirelessly in putting together the natural gas compromise and in gaining Senate approval for the conference report. He is a diligent and tireless worker for causes in which he either believes or has an interest.

His consuming interest in domestic policy is coal. He is chairman of the Senate Coal Caucus and works very closely with Senator Robert Byrd on coal issues. It is also interesting to note that he is a great friend and follower of Senator Byrd and they work together on a wide range of issues, most of which involve matters common to West Virginia and Kentucky.

Senator Ford is obsessed with obtaining Federal Government funds for the Kentucky Solvent Refined Coal (SRC) facility. As you recall, OMB has said that we have sufficient funds to provide money for only one SRC facility and has indicated that the West Virginia facility has more potential. Early this year we decided that the two facilities should compete and at the end of a given period we would evaluate the results of the competition and make a decision as to which plant would be funded. Again OMB feels that the West Virginia facility would prevail. Recently, however, when we proposed the energy security fund, we stated that ESF revenues could be used to build the second SRC plant, i.e., the one that did not gain funding as a result of the competition. This has not totally satisfied Senator Ford and he is still pushing for funding for his facility. Within the last few weeks he and Senator Byrd sent you a letter urging that we submit a budget amendment to the Congress providing funds for the second SRC plant. He will probably press you on this matter.

Senator Ford is a member of the Commerce Committee and we count him as actively against trucking deregulation.

On SALT he was an early skeptic of the Treaty, but after attending one of your dinner discussions he has become more favorable. He should be carried as undecided.

SENATOR WALTER D. HUDDLESTON (D-Kentucky)

Biography: 2nd term (1984); born April 15, 1926 in Elizabethtown, Kentucky; Methodist; married (Jean); two children (Stephen and Philip Dee); B.A., University of Kentucky, 1949; U.S. Army, 1944-46; State Senate, 1965; general manager, radio station WIEL, Elizabethtown, Kentucky, 1952-72; Outstanding Young Man of Elizabethtown, Kentucky, 1960; elected to U.S. Senate, 1972.

Committees: Agriculture, Nutrition and Forestry (3)
Appropriations (11)
Select Committee on Intelligence (3)
Select Committee on Small Business (4)

Administration Support: 69.2%

Senator Walter Dee Huddleston is one of your best supporters in the Senate. He likes you personally and politically and his staff has said that he would like to organize some Senators to work in your behalf in the coming months.

Legislatively the Senator voted with us consistently on major issues. Even during his election campaign he voted for foreign policy initiatives (Panama, Middle East arms sale, Turkish arms embargo) which were unpopular and controversial. One of the major issues on which we have disagreed, however, is Rhodesia.

Like Senator Ford, Senator Huddleston is extremely interested in increasing production and use of coal and has been very active in this regard. He would be very pleased if you acknowledged his Sense of the Senate Resolution on Coal, a copy of which is attached.

7
As you know you will be announcing the Regulatory Council project at the roundtable discussion today. The purpose of the council is to resolve problems in the management of Federal and State regulatory programs affecting coal. Senator Huddleston was instrumental in setting up this project -- you might want to thank him for the role he played in setting up the project.

Finally, as a member of the Senate Agriculture Committee, Senator Huddleston was very active in writing the 1977 law reauthorizing the Commodity Futures Trading Commission and has taken a strong interest in the operation of the Commission. He had severe problems with our nomination of Jim Stone to be Chairman and relented after we assured him that our next nominee (which would be to fill a Republican vacancy) would be either experienced in agricultural production or in the commodities market. As you may recall Stone's experience lay in neither area; he was chosen because of his outstanding record as an economist and a manager of a regulatory agency.

96TH CONGRESS
1ST SESSION

S. RES. 175

To express the sense of the Senate that the United States should pursue a policy of displacing a specified percentage of foreign oil with domestic coal, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 4 (legislative day, MAY 21), 1979

Mr. HUDDLESTON (for himself, Mr. ROBERT C. BYRD, Mr. RANDOLPH, Mr. FORD, Mr. PERCY, Mr. HEINZ, Mr. MELCHER, Mr. HARRY F. BYRD, JR., and Mr. HELMS) submitted the following resolution; which was considered and agreed to

RESOLUTION

To express the sense of the Senate that the United States should pursue a policy of displacing a specified percentage of foreign oil with domestic coal, and for other purposes.

Whereas, this Nation faces the worst energy crisis in its history;

Whereas, continued dependence on unstable supplies of foreign oil constitutes a serious threat to our national security;

Whereas, payments for oil imports, estimated to exceed \$50,000,000,000 this year, jeopardize our economic well-being;

Whereas, coal deposits already identified in the United States contain enough energy to supply the Nation's entire present

energy demand for more than five hundred years and it is estimated that other deposits, as yet unidentified, are equivalent in magnitude;

Whereas, coal can be burned directly or converted into gaseous or liquid or solid synthetic fuels;

Whereas, in spite of its abundance and versatility, coal production and coal burning facilities are not being used to capacity; and

Whereas, the International Energy Agency Governing Board by communique of May 22, 1979, agreed that greatly increased coal use is required to meet growing energy demand, and that this is both desirable and possible in light of the world's abundant coal reserves and the economic advantages which coal already has over oil in many energy markets: Now, therefore, be it

1 *Resolved*, That it is the sense of the Senate that this
2 Nation should pursue a policy of displacing a specified per-
3 centage of foreign oil with domestic coal; and that the Presi-
4 dent submit to the Congress within sixty days a target and
5 plan which will, to the maximum extent practicable, achieve
6 such displacement.

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ISSUES

Issues Overview

There is no dominant Federal or state issue in Kentucky at this time.

The major issues in the State are very much the same as in the rest of the country--energy, inflation and the economy.

In the energy area, the main concern revolves around the coal industry--the largest industry in the State (followed by tobacco and tourism). As the nation's largest coal producer, Kentucky is very sensitive to Federal policies affecting coal. Your recent energy proposals, because they rely so heavily on coal, have been well-received in the States. Not only is Kentucky so dependent on coal, but it has been the national leader in research and development of synthetic fuels. Your emphasis on synthetics therefore also struck a responsive chord in the State.

Nonetheless, there is a real concern that the proposals are long-term in nature; and that in the short-term, the same problems that have been plaguing the coal industry will continue--Clean Air Act restrictions, surface mining legislation, reduced out-of-state demand, competition from lower-priced alternative fuels, poor coal transportation methods, and low productivity. While your personal commitment to coal is generally recognized, the bureaucratic and other problems currently seen in the State as impeding coal development have caused the coal industry to blame many of its problems on the Administration.

It will be helpful for you to reassure those in the coal meeting and the town-hall meeting that you recognize current obstacles exist, but that the Administration is working to remove or reduce many of those obstacles now and is firmly and unequivocally committed to expanded coal production and use. Your announcement of the Regulatory Council project on local regulations should be very well received.

In other areas:

- o Secretary Califano's removal was popular, for he was seen as a threat to the continued production of the State's main crop--tobacco.
- o The Panama Canal Treaties were not a plus for the Administration, but they did not evoke the bitter opposition that occurred in many Southern states. The split of Huddleston and Ford on the vote reflected the division in the State. It is not now an issue.

- o SALT II appears to be reasonably well received in the State.
- o The MTN caused some concern among distillers. They fear the lower tariffs will lead to increased foreign competition. Actually, there is little foreign competition in bourbon, which is the major alcoholic product in the State. But, as a compensation, the Administration has reduced (through deferral) domestic excise taxes on liquor.
- o There has been some recent discussion in the State about its being exempted from the 780 thermostat requirement, because of the abundance of coal as a local energy resource. Former Governor Louis Nunn has been advocating such an exemption during his campaign to recapture the Statehouse.
- o The Western part of the State has a large Catholic population, which is concerned about the abortion issue. That concern, however, apparently does not run as deep in the Bardstown area, which has a significant Catholic population though is predominantly Baptist.
- o Unemployment is, of course, a concern, due to the economic slowdown. But because the State's unemployment rate is now relatively low (4.7%), and the State's economy has not yet seen much of a slowdown, unemployment is not an immediate concern.
- o As in other parts of the country, wasteful government spending, particularly at the Federal level, is seen as a problem, with welfare programs receiving special criticism. But this is not a burning issue.
- o Other than with Secretary Califano, the Cabinet changes do not appear to have attracted a great deal of interest in the State.
- o The national "malaise" discussed in your recent Sunday evening address was understood and recognized in the State. In Bardstown, Vietnam is seen as a primary cause of that malaise -- 16 of its sons were killed there, 5 within one two-week period.

UNEMPLOYMENT STATISTICS

<u>Kentucky</u>	<u>Unemployment Rate</u>	<u>Unemployed</u>	<u>Employed</u>
January 1977	6.1%	85,700	1,326,900
April 1979	4.7%	70,000	1,502,600

Since President Carter took office:

- Employment in Kentucky increased 175,700
- Unemployment dropped 15,700 or 18%
- The unemployment rate dropped 1.4 percentage points

MAJOR ENERGY CONSERVATION AND PRODUCTION ISSUES

A. Coal

- (1) Kentucky is the number one ranked coal producing State in the country and has known coal reserves estimated at 65 billion tons. Coal provides for about one-half of Kentucky's energy needs. State energy officials expect this reliance on coal to increase through the year 2000. The State's major utilities plan an increased commitment to coal; however, electric utility officials are increasingly concerned that:
 - New electric generating plants must meet rigorous environmental standards, particularly those now being sited on the Ohio River.
 - Coal haul roads and railbeds are deteriorating to the extent that they may limit transportation of coal.
 - Recently enacted surface mining regulations could impede the production of the most economically recoverable coal.
- (2) Kentucky is concerned about the National Energy Act's impact on consumers and utilities. Kentucky supports the relaxation of environmental standards in order to burn high sulfur coal which is in great abundance in the State. This would lower electric utility capital costs and minimize increased costs to consumers. Department of Interior surface mining regulations and the Environmental Protection Agency's New Source Performance Standards could seriously limit increased use of coal.
- (3) Because the Ohio River is one of the few bodies of water sufficiently large to support power plants in the industrial midwest, more and more power plants are being built along its shores. They pollute both the air and water and provide relatively few jobs. Local groups have become more and more concerned over the last several years. Sulfur emissions from these plants cause acid rain in the Northeast (which has destroyed much fishlife and vegetation in, for example, upstate New York). Sulfuric clouds from this and other mid-western locations cover much of the 22 state Midwest, Atlantic, and New England region and are a growing

source of professional public health and popular environmental concern. The Clifty Creek plant across and a little up the river from Louisville in Madison, Indiana, alone emits 300,000 tons of sulfur a year.

B. Synthetic

- (1) Kentucky has been a State leader in developing synthetic fuels. The State is committing about \$55 million of its funds for synthetic fuel research and development.
- (2) State energy planners are concerned about DOE's approach to high Btu coal gasification, which was outlined in the Department's report on energy supply initiatives. The concern is over DOE's effort which is directed toward accelerating the commercialization of the Lurgi-based technology which, according to State energy officials, does not work well with eastern caking coals and is expensive.
- (3) Governor Carroll is concerned that, while DOE has taken a two-plant approach to bringing the Solvent Refined Coal (SRC) technologies to the point of commercial readiness, the availability of funds in the Department's Fiscal Year 1980 budget will not be sufficient to support two plants. The budget calls for DOE to review both SRC I and SRC II plant proposals with an award to be made to the best project design. The Governor believes that DOE's initiatives in this area may be significantly weakened if funds were available for only one SRC plant. If the windfall tax passes, there will be sufficient funds to build both SRC plants. Later this year you will have to decide which one is funded in the budget and which by the tax.
- (4) Executive and legislative leaders in Kentucky believe that the national energy research and development priorities should place more emphasis on conservation and on coal production and utilization, including synthetic fuels from coal and sulfur and particulate removal technologies. They also support an enhanced technology information transfer program to end users, coordinated and administered through the States.
- (5) Ashland Oil Company and other co-sponsors are nearing completion of a commercial prototype coal liquification plant near Cattlettsburg, Kentucky. When completed, the plant will produce less than 1,000 barrels per day of oil from coal, using the "H-coal" process. This is one of three alternative methods for directly liquifying coal.

The plant is in an area that currently exceeds Federal health-based air quality standards for sulfur dioxide. A year ago, the State indicated it would reject the SO2 control technique proposed for the plant, because it did not represent best available controls. Since then, sponsors of the plant have agreed to provide additional treatment. EPA's Regional Office in Atlanta, which issues the Federal permit based largely on the State's review, expects to issue the permit soon.

C. Nuclear

- o Although there are no nuclear power facilities in the State, a low-level radioactive waste storage site located in Maxey Flats, Kentucky, was closed after the State imposed a tax on the wastes. The State does not have an interest, at this time, in nuclear power generation or waste storage and has opposed the siting of the Marble Hill nuclear plant on the Ohio River by the Public Service Company of Indiana.
- o There is some concern that the Administration, particularly Secretary Schlesinger, has been too ardent an advocate of nuclear. Nuclear is seen as competing with coal for future energy investments.

D. Gas

- o The State is well situated with respect to natural gas pipelines from the Texas-Louisiana Gulf area. While the industrial sector obtains only about one-third of its energy from natural gas, the commercial-residential sector is heavily dependent on natural gas for space heating. Although no major shortages have occurred, energy officials continue to be concerned about the potential for significant supply curtailments.

E. Natural Resource Development

- o Future coal development may be affected by the extensive wilderness designations existing in the State. There are several large national forests and TVA-held lands which have coal deposits, but are not available for coal development.

F. Fuel Supplies

- o Gasoline -- To date, Kentucky's gasoline supply problems have been relatively minor compared to the rest of the country. Kentucky has not adopted an odd-even plan, or a minimum purchase requirement.
- o Trucker Strike -- Kentucky had problems with blockages of truck terminals. However, the situation has settled down considerably and the normal flow of products moved by truck appears to be resuming.

STRIP MINE LAW

Kentucky, as a major Appalachian coal producing State, is affected by the 1977 Strip Mine Law and recently-promulgated Office of Surface Mining (OSM) regulations. That law established minimum Federal standards and a timetable for States to develop their own programs consistent with the Federal requirements. The Act and regulations have always been controversial, and recent developments complicate the situation. The Office of Surface Mining resides in the Interior Department.

Extension of deadlines. The Administration (Secretary Andrus) has proposed that the deadlines for State programs under the Act be extended by seven months to reflect the seven-month delay in getting appropriations to begin implementation of the 1977 Act. The Administration has made it clear that we oppose any other amendments to the Act. Senator Jackson and Representative Udall agreed to limit amendment activity to the seven-month extension for State programs when our proposal was first made.

Recent State Committee action. On July 20, the Senate Energy Committee reported out a much more extensive set of amendments to the Act. The amendments would seriously weaken the Act's impact.

Kentucky has the highest rate of violations among Appalachian States under the interim enforcement program now in place. However, the State has repeatedly expressed its intention to be prompt in submitting a State program for approval (by the existing August 3 deadline), so that the State will be able to take over enforcement efforts. However, Kentucky officials, including the Congressional delegation, have objected to the Act's requirements on shaping land to its original contour and to the bonding requirements as well. Senators Ford and Huddleston have been strong supporters of recent amendment activity, especially the "Rockefeller amendment," requiring that State programs meet the requirements of the Act rather than the Federal regulations. They feel that the regulations are too tough and that only the words in the Act itself should govern State plans.

Under the Act, Kentucky has received approximately \$8 million so far to cover implementation of the Act. Kentucky has also received \$1.2 million for reclamation projects under the Abandoned Mine Land program funded under the Act.

HAZARDOUS WASTE

A hazardous waste site in Kentucky known as the "Valley of the Drums" has received a considerable amount of national and regional press coverage during the past six months.

Both the State of Kentucky and the EPA have taken action to reduce the seepage of poisonous wastes from the site into a small creek and eventually into the Ohio River.

As you know, the Administration has announced proposed legislation to establish a multi-million dollar "super fund" to help clean up hazardous waste dump sites which threaten the public health and the environment. The fund would be composed of Federal money and fees from the oil and chemical industries. The fund would total \$1.6 billion to be collected and appropriated over a four-year period.

The proposed legislation would:

- Require government notification of spills and the presence of abandoned hazardous waste sites;
- Provide emergency authority for the government to clean up spills and contain contamination at waste disposal sites;
- Allow the government to recover clean-up costs from liable parties; and
- Provide compensation to innocent victims of spills for property damage or loss of income.

Legislation is now pending in both Houses. There is some reluctance in the House to combine oil and chemical waste cleanup in one program. Positive action is expected, but not this year.

CORPS OF ENGINEERS

The Governor and Senator Ford have interceded with the Secretary of the Army to prevent the Clark Maritime project (a port on the Indiana side of the Ohio river). However, their intercession did not succeed and the permit is now in the process of being issued.

The Corps is being sued by a consortium of homeowners claiming that Corps-built locks and dams have increased erosion along the Ohio river. The case has been tried and a ruling is pending.

SMALL BUSINESS ADMINISTRATION

With two major floods in the last 2-1/2 years, east and central Kentucky has 3500 flood loans totaling \$60 million.

AMTRAK

The only inter-city rail service to Louisville, the Floridian, is due to be discontinued on October 1st. It does not appear that this line will meet the criteria necessary for reinstatement.

MAMMOUTH CAVE NATIONAL PARK

This is the world's longest network of caverns, extending 180 miles. There is presently a Job Corps Center located on top of the caves which leaks sewage into some parts of the caves. Also, the youth sometime cause trouble at the cave sites, and the local community would prefer not to have the youth in the vicinity. However, Congressman Natcher wants the Jobs Corps Center to remain in his district.

The Interior Department tentatively plans to purchase some additional land to expand the Park and to relocate the Job Corps Center on the new site, thus pleasing everyone involved. This information is not for public consumption, and if asked, the President should say that we support the preservation of natural wonders such as the Mammoth Cave as well as the training of our youth in Job Corps Centers, and that he will try to see that some resolution of the problem is forthcoming.

AGRICULTURE

Top Five Leading Commodities

<u>Commodity</u>	<u>1977 Cash Receipts</u>	<u>National Rank</u>
Tobacco	\$619,000,000	2
Cattle/calves	343,000,000	16
Dairy products	222,000,000	15
Soybeans	203,000,000	11
Corn	167,000,000	12

Agricultural Cash Receipts (Calendar Year)

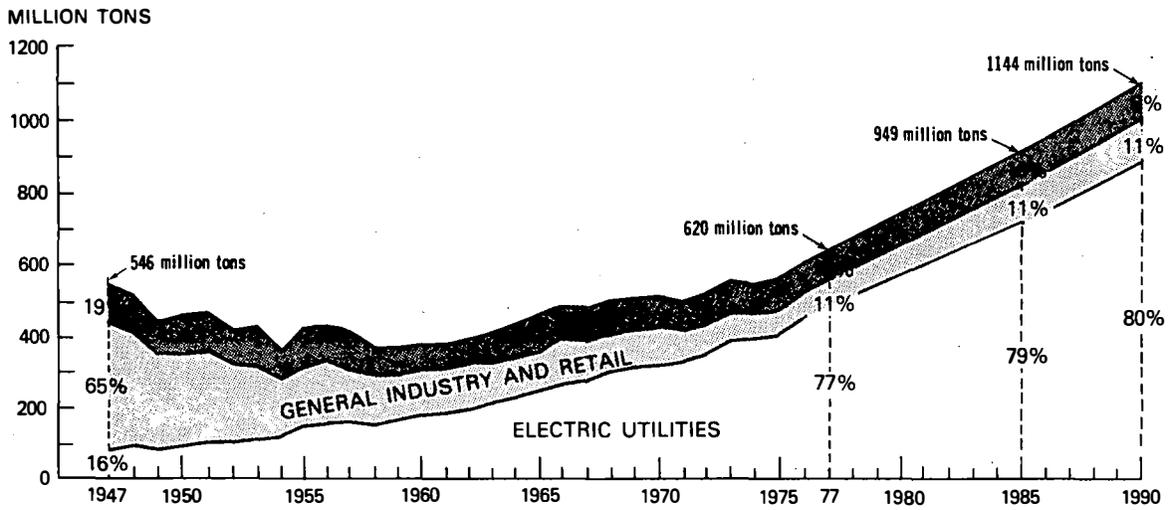
<u>Commodity</u>	<u>1977 Cash Receipts</u>	<u>National Rank</u>	<u>(Estimated) 1978 Cash Receipts</u>
Livestock & products	\$ 741,000,000	24	\$ 904,300,000
Crops	<u>1,065,000,000</u>	15	<u>\$1,065,000,000</u>
Total	\$1,806,000,000	20	\$1,806,000,000

Prices Received by Farmers

<u>Leading Commodities</u>	<u>May 1979</u>	<u>May 1978</u>
Beef Cattle (cwt.)	\$ 73.10	\$ 48.30
Calves (cwt.)	\$ 93.00	\$ 57.30
Corn (bu.)	\$ 2.54	\$ 2.46
Soybeans (bu.)	\$ 7.20	\$ 6.95
Milk (cwt.)	\$ 10.90	\$ 9.65

<u>Date</u>	<u>CORN PRICES</u> Number 2 Yellow (Per Bu.)	<u>Date</u>	<u>SOYBEAN PRICES</u> Number 1 Yellow (Per Bu.)
6/14/79	\$ 2.78	6/14/79	\$ 7.78
6/7/79	2.69	6/7/79	7.50
5/14/79	2.63	5/14/79	7.21
6/14/78	2.49	6/14/78	6.45
11/1/76	2.04	11/1/76	6.28

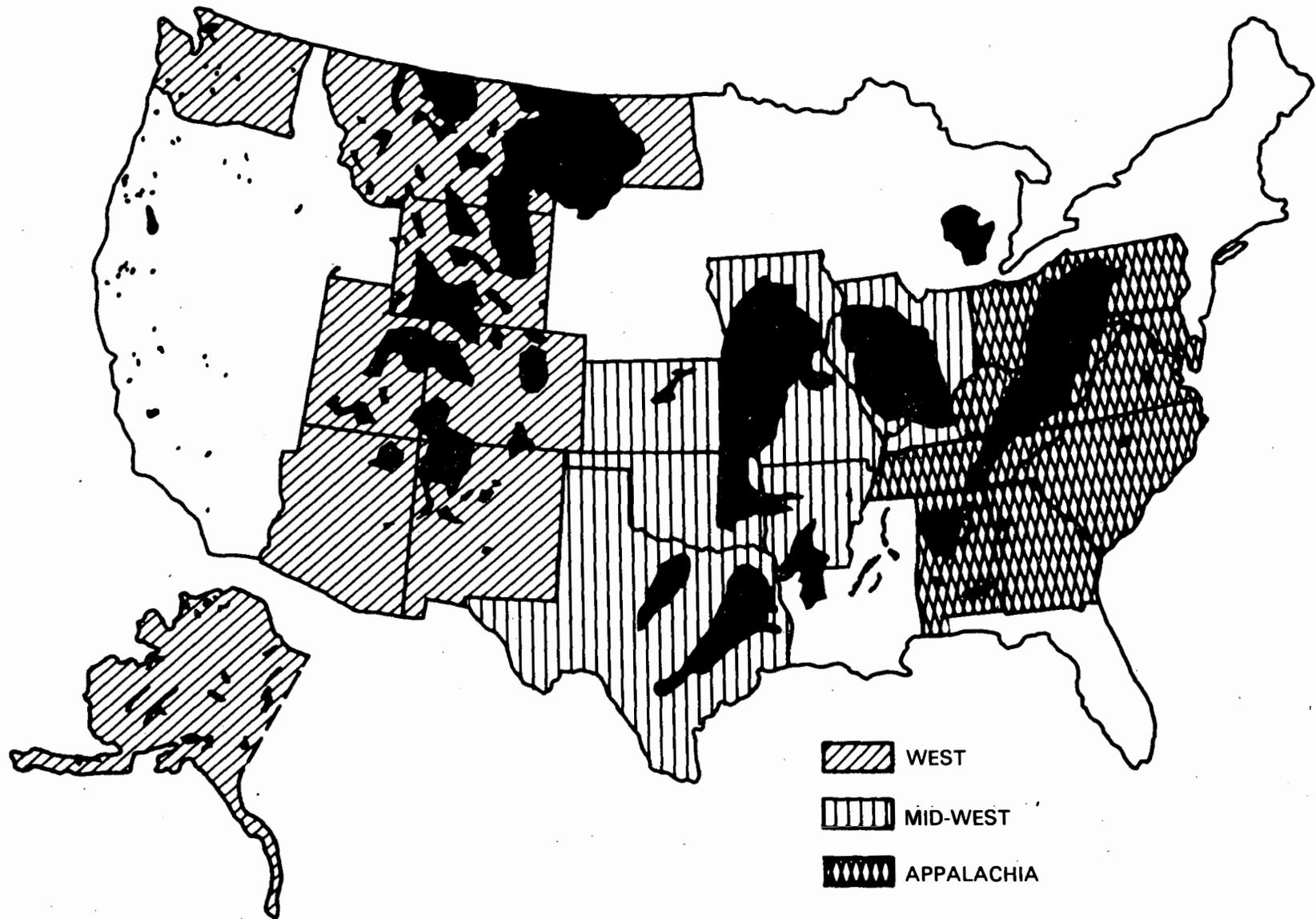
U.S. CONSUMPTION OF COAL BY END-USE SECTOR



Note: Percentage figures represent percent shares of total consumption.

Source: See accompanying table.

U.S. COAL FIELDS

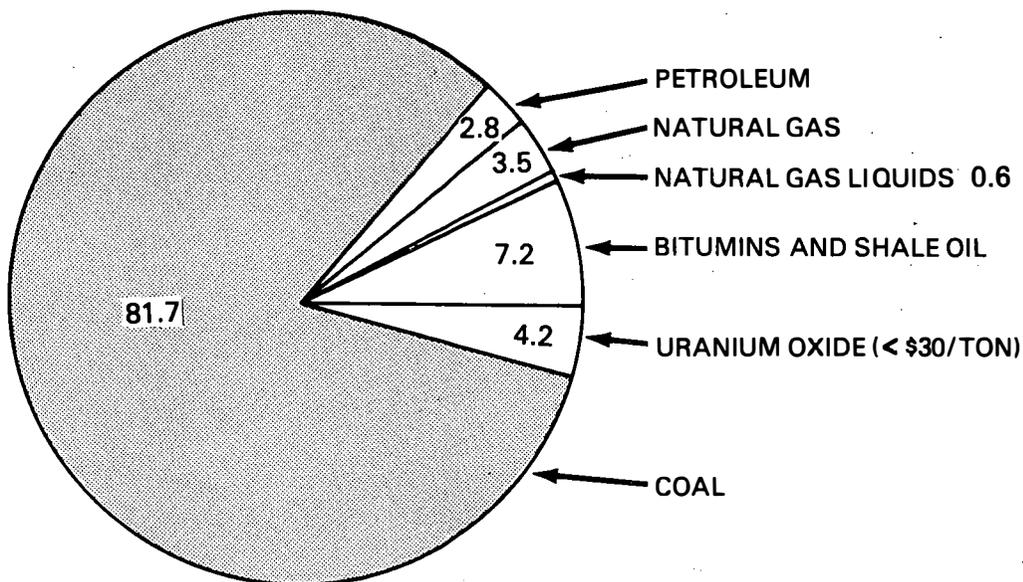


-67-

Source: Department of the Interior: Energy Perspectives 2, June 1976.

- Bituminous coal, found in all regions, has a high heat content -- 11,500-13,500 Btu per pound -- and a variable sulfur content. Some bituminous coals are used to make coke for blast furnace smelting of iron.
- Sub-bituminous coal, found mainly in the West, has a heat content of 8,000-10,000 Btu per pound and usually a low sulfur content.
- Lignite (or brown coal) has a low heat content (around 7,000 Btu per pound), is found in the West and Gulf Coast regions, and cannot easily be transported long distances or stored due to its combustibility.
- Anthracite coal (around 13,000 Btu per pound) is produced mainly in Pennsylvania, and is a high heat-content, low-sulfur coal used mainly in small residential and commercial furnaces and boilers.

KNOWN RECOVERABLE* U.S. ENERGY RESERVES
(1974 estimate)



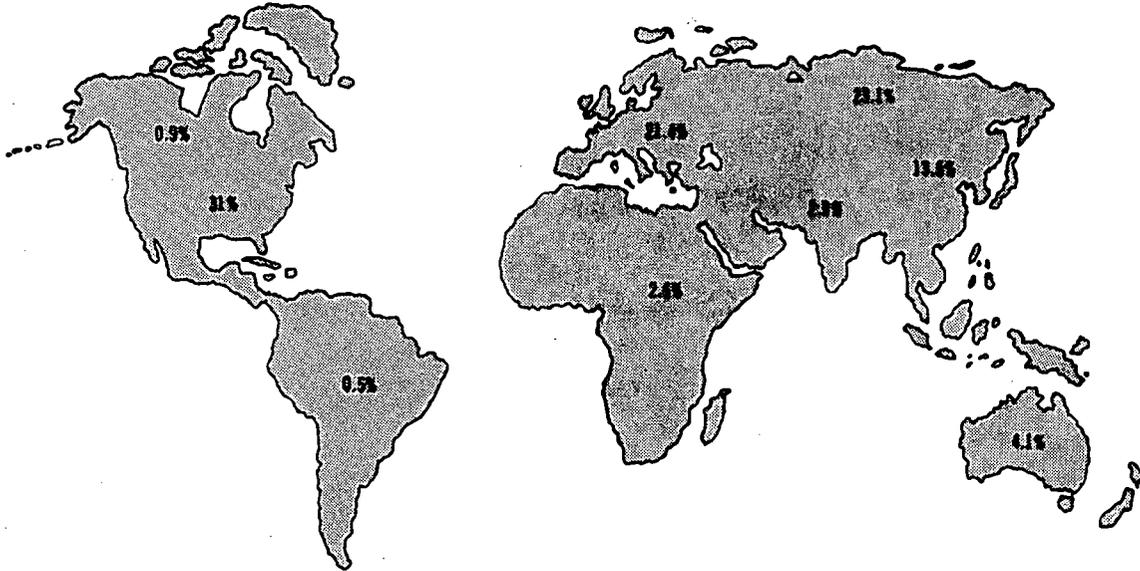
FUEL TYPE	PERCENT ACCORDING TO BTU CONTENT
Coal	81.7
Petroleum	2.8
Natural Gas	3.5
Natural Gas Liquids	0.6
Bitumins and Shale Oil	7.2
Uranium Oxide (\$30/ton)	4.2

* Recoverable reserves of coal as used here are 50 percent of demonstrated recoverable reserves (known or indicated deposits which are economically recoverable in the present technology). In practice, more than 50 percent of such deposits are often recovered. Data for petroleum, natural gas and NGL also represent proved reserves economically recoverable with present technology. Data for shale oil and oil in bituminous rocks include measured, indicated and inferred reserves and are not wholly comparable with the estimates for other fuels.

Sources: American Petroleum Institute.
 American Gas Association.
 Bureau of Mines.
 Energy Research and Development Administration.
 Conversions made by National Coal Association: Coal Facts, 1978-1979.

- Coal is found in 31 states and mined in 26.
- Coal reserves are adequate to support several hundred years of production at current rates.
- Eastern coal reserves are primarily deep- (i.e., underground) mineable and of high heat content. The seams are fairly thin -- from 3 to 6 feet, generally -- and may have from 0.7% to up to 4% sulfur content.
- Midwestern coal reserves include more surface-mineable coal, almost all high in sulfur content. Seams are often 4 to 10 feet thick.
- Western coal reserves include vast amounts of surface mineable, thick (20-100 feet), low sulfur coal.

RECOVERABLE* COAL RESERVES — WORLD
(1974 estimate)



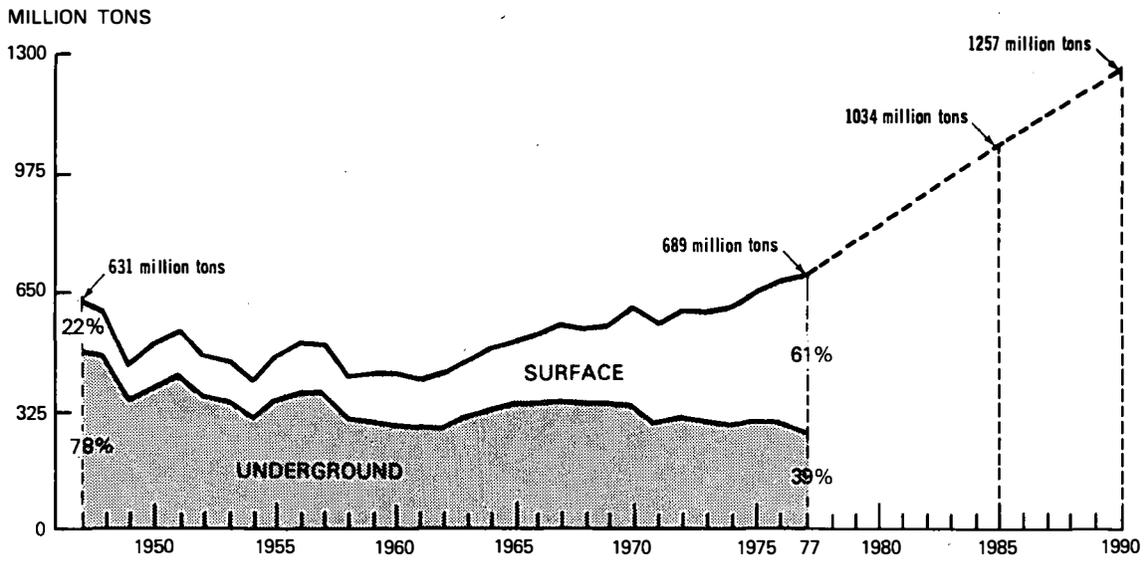
		Approximate Tonnage, Millions	Percent of Total World Reserves
NATION	United States	200,379	31%
	U.S.S.R	150,576	23.1%
	China	88,185	13.5%
	Canada	6,103	0.9%
AREA	Europe	139,746	21.4%
	Oceania	27,027	4.1%
	Rest of Asia	19,354	2.9%
	Africa	17,227	2.6%
	Latin America	3,089	0.5%
WORLD TOTAL		651,686	100%

* Economically recoverable reserves; amount of reserves in place that can be recovered under present local economic conditions using available technology.

Source: World Energy Conference: Survey of Energy Resources 1974.

- Coal is the U.S.'s major energy reserve -- although the size of the reserve is not a good indicator of the relative cost of producing each fuel.
- Reserve estimates such as these always reflect a judgment about economics -- more or less oil, coal, or gas is recoverable depending on the price it brings.

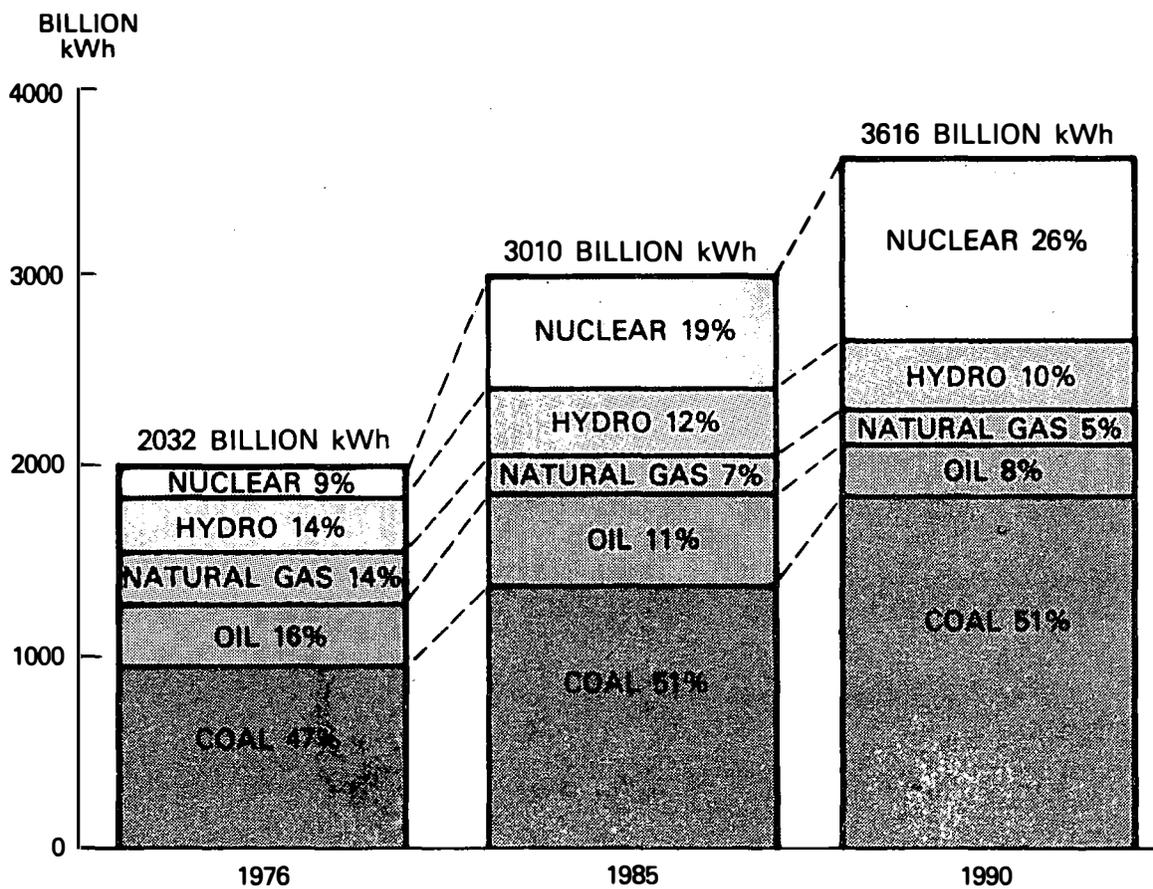
U.S. COAL PRODUCTION BY METHOD OF MINING



Note: Percent figures represent percent shares of total production.

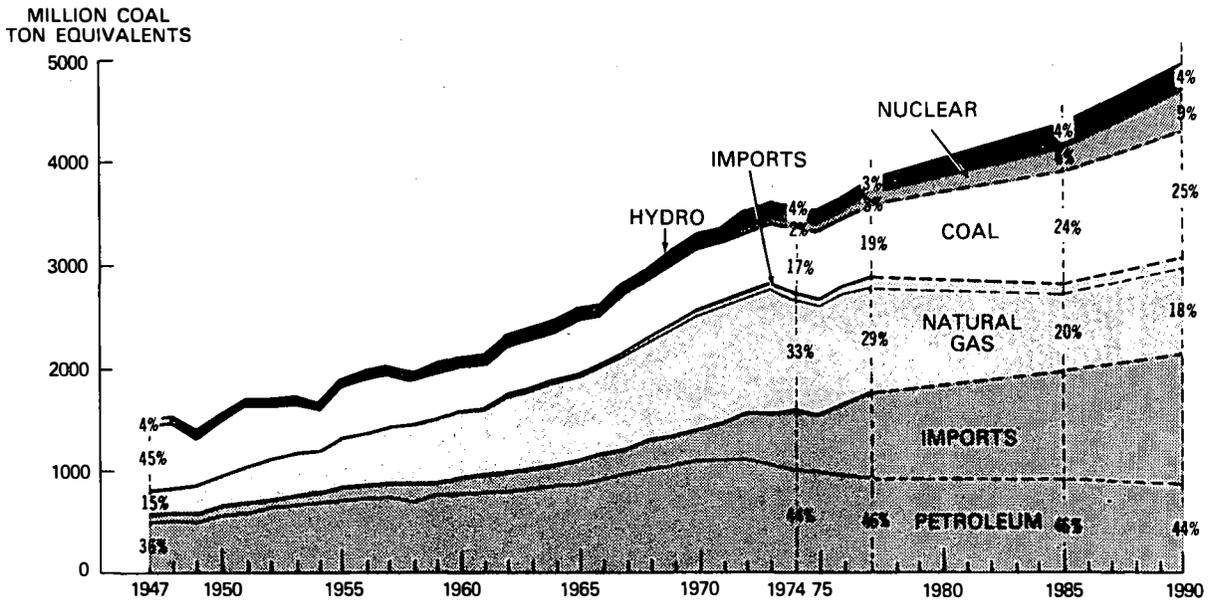
Source: See accompanying table.

ELECTRICITY GENERATION BY FUEL TYPE 1976 AND PROJECTED



Source: See accompanying table.

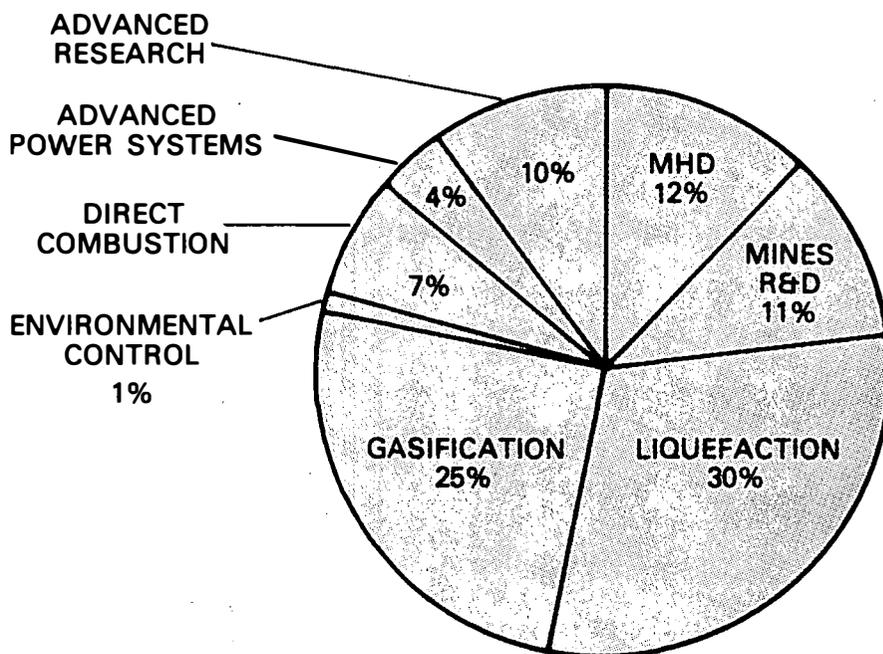
U.S. ENERGY SUPPLY



Note: Percent figures represent percent shares of total supply.

Source: See accompanying table.

R&D BUDGET FOR COAL, FISCAL YEAR 1979



Liquefaction	\$197,426,000
Gasification	164,598,000
Magnetohydrodynamics (MHD)	80,000,000
Mines Research & Development	75,836,000
Clean Boiler Fuel Project**	-78,021,000
Advanced Research & Supporting Technology	64,551,000
Direct Combustion	51,701,000
Advanced Power Systems	26,900,000
Environmental Control Technology	7,000,000
Total R&D Budget Authority (Tentative)*	\$668,012,000

* These are tentative breakdowns, pending Congress' general R&D reduction of \$63 mil from DOE's Coal, Gas, and Petroleum budgets; projected budget breakdowns regarding the Coal Budget, therefore, are not available until Congressionally approved; DOE deadline for submission of Coal, Petroleum, and Gas budgets is December 31, 1978. It is presumed that the Coal Budget will suffer the most in cut-backs, since it is the largest budget of these three groups.

** The Clean Boiler Fuel Project was disapproved by the last Congress; monies previously appropriated to it are to be used to fund the remaining 8 categories of Coal R&D, without expanding the sub-total budget allowances reported here.

Sources: DOE Comptroller's Office (Mr. Charles Estes); DOE Budget Office (Mr. Al Dark).

Successful
Energy Progs.

SUCCESSFUL WEATHERIZATION PROGRAMS - KENTUCKY

1. Central Kentucky Community Action Council
406 West Main Street
Lebanon, Kentucky 40033
(Lebanon is county seat in Marion - one of the counties invited to Bardstown Town Meeting)

Model weatherization program serving an eight county area. Program involves not only weatherization but also appropriate technology. The Community Action Council has a solar component in their energy program and is in the process of developing wood-burning stoves. DOE and CSA funded.

Contact: Pat Bishop
(502) 692-3336
Recommended by : HUD, DOE and CSA

2. West Kentucky Allied Services, Inc.
P.O. Box 746
Mayfield, Kentucky 40266

Weatherization program for low-income, elderly and disabled supported by DOE funding. Program uses CETA workers for carpentry work and insulation tasks. Project covers four counties representing 100,000 to 135,000 people.

Contact: Leonard Davidson
Energy Coordinator
(502) 247-4046

Recommended by: HUD and DOE

3. City of Ashland
1717 Greenup Avenue
Ashland, Kentucky 41101

City-sponsored weatherization program using CETA workers, DOE and HUD financing. Program is in third year of operation and thus far has completely weatherized 185 homes in the Boyd area. Weatherization includes small home repairs, storm doors and windows, insulation, caulking, weatherstripping and roof repairs.

Contact: Jim Meigs
(606) 325-8595
Recommended by: HUD

4. LKLP (Leslie, Knopp, Letcher, Perry Community Action Agency)
P.O. Box 766
Hazard, Kentucky 41701

Weatherization program in eastern part of Kentucky (Appalachia). This multi-county community action agency last year weatherized more than 375 homes allowing some of the residents to experience almost 40 percent savings on their energy consumption. What makes this program so unique is that workers must overcome tremendous geographic obstacles in order to reach the homes (i.e. no roads).

Contact: Bob Rader
Executive Director or
Carlos Watkins
(606) 436-3161

Recommended by: HUD

5. Highlands Community Ministries
1140 Cherokee Road
Louisville, Kentucky 40204

Highlands Community Ministries represents a coalition of 25 churches. They have sponsored seminars on home improvements and energy conservation for residents. For the energy seminar, speakers representing the furnace industry, gas and electric company and insulation companies addressed the citizens on ways they could reduce the amount of energy used in the home. A seminar is currently being planned which will incorporate both home improvement and energy conservation ideas.

Contact: Stan Esterle
(502) 451-3695

Recommended by: HUD

Developed and mailed to 1 million homes, a newspaper which gives energy saving advice and information on home energy conservation (DOE funded).

Computerized Home Energy Audit Program (CHEAP) whereby residents fill out data cards in response to energy-related questions about the home. The information is fed back through a computer which analyzes the data and sends back helpful advice on ways residents can better conserve energy (DOE funded).

Sylvia Watson, a County Commissioner of Jefferson County (Louisville), Kentucky, submitted through Sarah Weddington the following information on an energy-saving resolution which she introduced as a result of hearing the NACO speech. It was passed unanimously by the other two commissioners and the county judge (who together make up the County Court). The resolution proposed:

1. To reduce the county usage of natural gas and heating oil by 5% from the 1977 levels
2. To reduce peak load electrical usage in county buildings by 5%
3. To reduce county vehicle usage of gasoline and diesel fuel by 5% by August 1, 1980 and 10% by August 1, 1981.
4. To buy county vehicles which get better gas mileage
5. To begin to use "life cycle cost" analysis in the counties bidding for vehicles

EVENTS

Cane Run P.P.

Cane Run Power Plant

Construction of Louisville Gas & Electric's Cane Run Generating facility began in 1954. The sixth and final unit was completed in 1969. LG&E was one of the first in the industry to install "scrubbers" (electrostatic precipitators, which remove sulphur dioxide from the smoke before entering the atmosphere) on its generating units, the first being put into operation in 1973.

Three of the six units at LG&E's Cane Run facility have scrubbers installed, the last going into operation this past April. The scrubbers on units 4 and 5 are designed to remove 85% of the sulphur dioxide from the smoke, but both have been operating above design specifications, reaching nearly 90% efficiency. The scrubber on unit 6 is the most advanced design of the three and has been operating at 90-95% efficiency since installation.

LG&E's Cane Run facility burns only high sulphur coal from Western Kentucky, all of which is delivered by rail. The plant has approximately 550,000 tons of coal in storage on the property, roughly a 90-day supply. Three indoor storage "bunkers" store about 1,000 tons of coal each. Coal is brought from the main outdoor storage area by an incline conveyor system which is more than one mile long.

In 1978 the Cane Run facility generated 3,776,165 megawatt hours of power, burning 4200 tons of coal per day on average.

The Louisville Gas & Electric Company operates three generating plants in and around Louisville, with a fourth unit presently under construction. LG&E's service area includes all of Jefferson County and parts of several adjacent counties. In excess of 291,000 industrial, commercial, and residential customers are served.

Background on Louisville Gas and Electric

Louisville Gas and Electric has helped lead its industry and the country to clean coal burning. In the early 1970's, when other major utilities (led by American Electric Power) ran advertisements in the national press proclaiming that scrubbers would never work and that clean air standards would have to be relaxed, Louisville Gas and Electric decided the public had to have clean, safe energy and invested accordingly.

Their first flue gas desulfurization unit ("scrubber") began operating on their small 70 megawatt Paddy Run Power Plant in April, 1973. Except for three old units at Cane Run which the company plans to retire shortly, it has or is adding scrubbers to all its plants.

Louisville Gas and Electric's Cane Run Steam Station is an example of a well-operated facility. The Station consists of six independent electric utility boilers. They are typical units and range in size from 125 megawatts to 277 megawatts of electric generating capacity. Units 1, 2, and 3 are old and will soon be retired. These three units are now experiencing particulate emissions problems because of some deterioration in their precipitations. (EPA has informed the company that these units are now in violation. It will be meeting with the company on August 9 to work out a sensible solution.)

The other three boilers, Cane Run Numbers 4, 5, and 6, are equipped with sulfur oxide control systems. Cane Run Numbers 4 and 5 are equipped with carbide lime scrubbers. These two units are designed to remove 85 percent of the sulfur dioxide from the combustion of 3.75 percent sulfur coal. Cane Run Number 6, which just entered service this year, is equipped with an advanced dual alkali scrubbing system which is designed to remove 95 percent of the sulfur dioxides from the combustion of greater than 5 percent sulfur coal. (Unfortunately this unit has just been shut down to correct a common and minor start-up problem and will not be operating this week.) The chemistry of these carbide lime and double alkali systems is slightly different from the more common limestone desulfurization systems.

The sulfur dioxide is removed as a solid. The physical consistency of this sludge may vary from that of mud to stable soil. Historically, other utilities have emphasized the difficulty of its disposal. The sludges produced by the scrubbers at Cane Run are stabilized and disposed in a landfill with little difficulty.

Units 4 and 5 were commercially accepted in August, 1976, and December, 1977. Since their start-up, the scrubbing systems have operated with 90 percent availability. They have consistently achieved their design specifications and have been in compliance with the Jefferson County air pollution regulations. Unit 6 is a boiler of 277 megawatt capacity and is equipped with a more advanced dual alkali scrubbing system. The system started acceptance testing in March, 1979.

The scrubber operating crew is composed of specially trained personnel who are not integrated with the boiler house personnel. EPA feels that part of the success of the Louisville scrubber system is due to their establishing a distinct, trained operating crew -- much like the Japanese operate their scrubbing systems. Some U.S. utilities have not made the commitment to properly train operating personnel and have had difficulty maintaining scrubber performance.

Doug Costle, who will be on the trip, has previously visited this plant and can provide any further information you might want before arrival at the plant.

POWER PLANT TOUR

At the first stop on the turbine room floor there will be an explanation of the overall operation of the power plant, including diagrams illustrating the flow of water and steam through a boiler, and the operation of a scrubber. During the entire walk, the turbine generators will be on the left.

After the steam is generated in the boiler, it is fed under high pressure into turbines which are coupled directly to generators which generate electricity at 20,000 volts. The electricity then goes to outdoor transformers which transform the electricity to 138,000 volts.

On the right will be the actual steam boilers, where the water is boiled to 1005 degrees to make steam which then goes into the turbines. In front of those boilers are feeders that feed coal from storage bunkers to pulverizers on the floor below, where the coal is reduced to facepowder consistency. Also in front of the boilers are exhausters which pull coal out of the pulverizer and blow it into the furnace of the boilers where it is fired and produces the heat that turns the turbine.

The next stop will be an opening in the floor where one can look down and see a pulverizer, followed by a stop at the control room for generating units five and six. Here are located the panels, gauges and switches which control all the motors for the pulverizers, feeders, fans and pumps monitoring the flow of coal and air through the furnaces and water to the boiler tubes.

The next stop will be a mirror reflecting the water level for the main steam generator on unit 4, followed by a walk through the fan room which has force and induction draft fans furnishing combustion air for the boilers and keeping air moving through the boiler and into the scrubber.

The last stop is the scrubber control room, which has controls for motors, dampers, and air flow into the scrubbers. It also monitors and gauges temperature and pressure in each of the three scrubbers. From this point we'll move outside for an outside view of the scrubbers.

Coal Meeting - Regulatory Council Project

At the coal meeting following the plant tour, you will primarily be listening to the remarks of those coal industry representatives invited to speak. The questions and answers in the briefing book should provide the material to respond to the points raised by the speakers. Doug Costle, and David Rubenstein will be available for technical response or follow-up.

In your concluding remarks, you could announce a project which will probably respond to many of the complaints raised by the speakers. (Talking Points attached). The project undertaken by the Regulatory Council, will be an effort to eliminate overlapping and inconsistent actions of Federal and State regulatory programs affecting coal. The effort will focus on both production (safety and health, reclamation, and water pollution) and regulations and coal use (air pollution, water pollution, and fuel use conversion).

Many in the coal industry believe that one of the greatest obstacles is inconsistent and overlapping Federal and State regulations. The Regulatory Council's project will obviously not eliminate all the regulatory problems, nor the industry complaints, but it will be the first time the Federal Government has made an effort to deal with the plethora of inconsistent and overlapping coal regulations. For that reason, your announcement of the project would be well received by the group.

After the meeting, which is private, the Press Office would be prepared to distribute fact sheets detailing the Project.

The Project will operate in the following manner:

1. Complaints about the implementation of coal regulations are being sought from industry; labor; Federal, State and local government agencies; and Members of Congress.
2. Complaints involving a single agency or jurisdiction will be referred to the responsible authority, then tracked by the Council to assure an early and responsive answer.

3. For complaints involving more than one agency or jurisdiction, the Council will prepare a factual "action brief" including: A summary of the complaint the regulations involved or a summary of the relevant technical definitions; a staff analysis of the problem; and summaries of initial Federal or state agency positions.
4. A designated official in each agency will be responsible for working with his or her counterparts in other agencies to eliminate the causes of the problem on an agreed timetable. Where satisfactory resolution is not possible at this stage, the Council will state the reasons and take whatever additional action might be necessary to solve the problem, including recommending specific action by key Federal and state policy officials.

SUGGESTED TALKING POINTS ON REGULATORY COUNCIL PROJECT

- o Many of you have complained about the way government administers regulations affecting coal production and use.
- o Throughout my Administration, I have worked to cut "red tape" and unnecessary government regulation.
- o Today I want to announce to you a special effort, directed specifically at programs that affect coal, to reduce the regulatory burden for existing facilities. Senator Huddleston has been instrumental in designing this project.
- o I have directed the Regulatory Council, to identify duplicative, inconsistent, and nit picking regulations affecting the coal industry -- and to eliminate them.
- o We have already made progress. The Environmental Protection Agency and the Office of Surface Mining have begun to implement a consolidated process for granting surface mine permits. The Mine Safety and Health Administration is working with three other agencies to reduce the number and complexity of the forms they require.
- o But there is a great deal more to do. We need to approach the problem of inconsistent, duplicative regulations in a comprehensive manner. That is why I have directed the Regulatory Council to undertake this new Project. It represents the first time the Federal government has systematically reviewed Federal and State coal regulations with an eye toward simplifying and improving them.
- o This task is not easy. It will take a concentrated effort, not only from the Federal government but also from state governments who help administer the regulatory programs that affect coal, and from those involved in the coal industry. You have the experience and knowledge to let the Regulatory Council know of regulatory problems. We want that information. You can send it to me or to Doug Costle, who chairs the Council. Once that information is received, we can begin making needed improvements.
- o We all benefit from cleaner air and water; we all deserve a safe working place and pleasant surroundings. Federal regulatory programs help achieve those important goals.
- o But none of us benefit from nit picking rules, cumbersome forms, or requirements that contradict each other. These problems prevent us from reaching the goals we all seek. That is why I have asked the Regulatory Council to search out these problems and to solve them.

- o I believe this project can benefit each of us. I plan to take a personal interest in its and to make sure it gets results. I want your help.

Roundtable Discussion with Representatives
of Kentucky Coal Industry

This meeting at the Cane Run Power Plant will last for approximately one hour. The meeting, which has been scheduled to discuss the present and future role of Kentucky's coal industry, will be held in a warehouse on the Power Plant grounds. The President will open the meeting with a 2-3 minute statement. Nine principal speakers (see attached short bios) will each give 3-5 minute statements outlining their concerns. The total number of persons attending the meeting will be fifty. Those who will address the group (in order of appearance) include:

1. Paul Edward Patton (42 years old)

Pikeville, Kentucky. Immediate past Chairman of the Board of National Independent Coal Operators Association and a former member of the Board of Kentucky Coal Association. He is a businessman with coal interests. Former owner-operator. Served on the Governor's Deep Mine Safety Commission which developed legislative and administrative recommendations in the wake of the Scotia disaster.

2. Philip M. Lanier (53 years old)

Louisville, Kentucky. Executive Vice President of Louisville & Nashville Railroad which is major rail hauler of coal in Kentucky. He is an attorney. He has been as assistant Vice President - Law and General Solicitor for the firm. He is active in Louisville Chamber of Commerce, Louisville Fund for the Arts, is this year's Chairman of the U.S. Savings Bond Drive in Kentucky. In 1973, he was introduced to then Governor Carter in Atlanta by Hershel Parmer.

3. Dewayne Thomas (44 years old)

Colson Kentucky, Letcher County. President of Southeastern Kentucky Truckers and Coal Operators Association, a 15-county organization representing some 300 independent operators and truckers. He is an accountant for Needmore Coal Co., in Colson.

4. W.B. Thorpe (48 years old)

Owensboro, Kentucky. General Manager, Big Rivers Electric Corporation in Henderson, Kentucky since 1978. Prior to that, he was Assistant Manager of Green River Electric Corp. in Owensboro for 10 years. From 1960-67, he was

Director of Sales Tax Division, in Kentucky Department of Revenue. Member of Owensboro-Davies Co. Chamber of Commerce Board of Directors.

5. Thomas Dale Gaston (38 years old)

Central City, Kentucky. President of District 23, United Mine Workers of America. District 23 has 12,500 members with an active group of 10,000 members. Gaston is a former miner and a District Executive Board member since 1974.

6. J.L. Jackson (47 years old)

Lexington, Kentucky. Executive Vice President of Diamond Shamrock Corp. and President of Falcon Coal. He joined Falcon Seaboard in 1969 and was named Director of that company in 1975. When Falcon Seaboard merged with Diamond Shamrock earlier this year, he became Executive Vice President. He was named President of Falcon Coal in 1971. He is a Director of the National Coal Association and Kentucky Coal Association.

7. James E. Baker (53 years old)

Middlesboro, Kentucky. President of Harlan County Coal Operators Association which represents 23 member companies. He was elected to that post in January of 1979. Prior to that he was Deputy Superintendent for Occupational Education in the State Department of Education. In that position he developed training programs for coal miners and equipment operators. Member of Mining and Reclamation Council of America, Director of Kentucky Independent Coal Producers and National Independent Coal Producers. Member of Governors Economic Development Commission.

8. Roderick J. Tompkins (39 years old)

Madisonville, Kentucky. He is Executive Secretary of the West Kentucky Coal Operators Association and has held this position since February of 1979. This association represents 40 operators. He is a certified public accountant with the firm of Tompkins and Sanford. He is a member of the Policy Committee of the Reclamation Council of America.

9. William B. Sturgill (55 years old)

Lexington, Kentucky. President of Golden Oak Mining Co. of Lexington which he formed in 1972. Prior to that he was owner of Kentucky Oak Mining Co. of Hazard which he

sold to Falcon-Seaboard in 1970. He was President of the Hazard Coal Operators Association from 1972 to 1978. He is a member of the Board of Directors of the Kentucky Coal Association and is Chairman of the Advisory Board to the State Department of Energy.

The following persons will also be present at this meeting:

LABOR

Robert Carter, President of the United Mine Workers Union, District 30, Pikesville, Kentucky.

Joe Phipps, President of the United Mine Workers Union, District 19, Middlesboro, Kentucky.

Charlie Head, board member of the United Mine Workers, District 23, Madisonville, Kentucky.

GOVERNMENT

Eugene F. Mooney is the departing Secretary of the Kentucky Department for Natural Resources and Environmental Protection. He is a 48 year old law professor and resides in Lexington, Kentucky.

> Frank Harscher, III is the in-coming Secretary for the Kentucky Department for Natural Resources and Environmental Protection, the state's regulatory agency for coal and environmental activities. He is a 34 year old resident of Lexington, Kentucky and is currently the Deputy Secretary.

David Drake is Secretary for the Kentucky Department of Energy. He is a 36 year old energy and economic development specialist from Lexington, Kentucky.

SYNTHETIC FUELS

Charles Hoertz (pronounced Hertz) is President of Ashland Oil Corporation's Synthetic Fuels Division. He is a 52 year old resident of Ashland, Kentucky, and a member of Kentucky's Energy Research Board.

Bill Carneal is Senior Vice President of Texas Gas Transmission Corp. He has been with the corporation since 1949, and has been Senior Vice President since May, 1979. He is a resident of Owensboro, Kentucky.

UTILITIES

Robert Royer is President and Chief Executive Officer of Louisville Gas and Electric Company, a large Kentucky utility serving major sectors of Kentucky metropolitan areas and host for Cane Run Plant meeting. He is a resident of Louisville and is 51 years old.

William Bechanan is President and Chief Executive Officer of Kentucky Utilities of Lexington, one of the largest utilities in the area and which serves a large number of Kentucky counties. He is a resident of Lexington, Kentucky and is 53 years old.

Ron Rainson is President and General Manager of East Kentucky Power Cooperative, a medium sized power generator in the eastern section of the state and which is owned by 18 member cooperatives. He is 39 years of age and resides in Lexington, Kentucky.

Bill Thorpe is General Manager of Big Rivers Electric Cooperative in western Kentucky. He is a 48 year old resident of Owensboro, Kentucky.

INDUSTRIALISTS

John D. Clarke is manager of community affairs and facilities services operations for General Electric in Louisville. He serves on several state commissions and boards. He is 55 ~~and~~ a resident of Prospect, Kentucky.

COAL BROKERS:

Lacey Smith is a 39 year old attorney from Louisville, who is now involved in coal sales in Kentucky as president of Vulcan Coal Co.

TRANSPORTATION

Ned Breathitt, former Kentucky Governor, is vice-president for public affairs for the Southern Railway System in Washington, D.C. His home is in Hopkinsville, Kentucky.

Bill Cox is former Federal Highway Administrator and also former vice-president of Ligon Specialized Haulers. He is currently employed by Charolais Coal Co. He is a native of Madisonville, Kentucky.

Sam Watkins is vice-president of Illinois Central Gulf Railroad in Washington, D.C.

COAL OPERATORS

Andrew Adams, Alpha Coal Co., is stockholder and president of Kresco, which owns several coal companies including Alpha. Mr. Adams lives in Hazard, is 48 years old and has been affiliated with Kresco for 6 years. He is in charge of the over-seeing of the mining operations owned by Kresco.

Tom Green, Green Coal Co., is general manager of Green Coal; oversees operations in reference to production, reclamation and marketing. He lives in Owensboro, is 32 years old and has been with the company since 1974.

Don Bowles, Charolais Coal Co., is President of the company and supervises production, reclamation and marketing of the operation. He is 40 years old, lives in Madisonville and opened the company in 1974.

Harry Laviers, South East Coal Co., is president of the company and has responsibilities for planning and operating the mining side of the operation as well as much of the administrative work. He started with the company in 1953 and is 49 years old. Mr. Laviers lives in Irvine, Kentucky.

Jim Baker, Harlan County Coal Operators Association, is primarily responsible for keeping up with legislation, regulations, market conditions, etc. The Harlan County Coal Operators Assn. represents 23 companies to the local, state and federal agencies. Mr. Baker is the President of the Association; has been since January 1, 1979, is 53 years old and lives in Middlesboro.

Clyde Bennett is owner and General Manager of V&C Coal Company. He has been with this company for 22 years. He is 48 years old and resides at Grays Knob, Kentucky.

Jim Smith is owner of Jim Smith Contractors and resides in Grand River, Kentucky.

Burlin Coleman is President of the Coal Operator Associates, Inc. a position which he has held for four years. He has been a banker for thirty years and is also president of the Pikeville National Bank and Trust Company. He resides in Pikeville, Kentucky.

Tom Cahill is Regional Counsel for the Peabody Coal Company, which is located in Evansville, Indiana. He has been with the Company for three years and before joining Peabody Coal was with the National Commission on Water Quality in Washington, D.C. He is 46 years old.

Cloyd McDowell has been associated with the coal industry for more than thirty years. He is President of the National Independent Coal Operators Association and Head of the National Coal Producers Association. He is past president of the Harlan county Coal Operators Association and served in this capacity until his retirement in January, 1979. He resides in Williamsburg, Kentucky.

Jerry Frost is Vice President of Denton Coal Company, and has held the position for three years. He is 52 years old and resides in Owensboro, Kentucky.

Allan Rodger is President of Norton Coal Corporation, a position which he has held for four years. He is 32 years old and resides in Nortonville, Kentucky.

Charles Turner is serving as president of a number of coal companies, including: B&L Energy Resources, Inc.; Drylake Coal Co., Inc.; Ages Creek Fuel Co., Inc. Rhea Coal Sales, Inc.; and B.J. Mining Co. He is 45 years old and lives in Cawood, Kentucky.

L.D. Gorman has been the President of the People's Bank in Hazard, Kentucky. Very prominent in the coal business and is in Insurance business. Is trustee at the University of Kentucky. Resides in Hazard. Close friends with Governor Carroll.

John Stovall has been Vice President of the Greenville Quarries, Quality Black Topping and Black Energy Mining Company for twenty years. He is 41 and resides in Greenville, Kentucky.

Bentley Badgett is Chairman of the Board for the W.W. Corp. in Madisonville, Kentucky has been since 1974. He graduated from the Colorado School of Mines and came to Madisonville which is originally his home. He is 37 and lives in Hanson, Kentucky.

Elmer Whitaker is the President of the Ray Coal Company in Hazard, Kentucky.

Robert Addington is President of the Addington Brothers Mining Company in Ashland, Kentucky.

Robert Anderson is President of the Cimarron Coal Company in Madisonville, Kentucky.

Clyde Goins is President of Coal Resources Corporation in Coalgood, Kentucky located in Harlan County.

Bill Helton is a small strip mine operator in Perry county, Kentucky. Resides in Hazard, Kentucky.

Harvey Napier is owner of Bonanza Coal Co. and has held that position for 8 years. As owner, he oversees mining reclamation, as well as handling many administrative duties. He makes his home in Evarts, Kentucky and is 42 years old.

Albert Gore is senior vice president of Occidental Petroleum and Chairman of the Board of Island Creek Coal company. Mr. Gore keeps a residence in Carthage, Tennessee and is 72 years old. Mr. Gore has been with Occidental and Island Creek since September of 1972.

Tom Duncan is President of the Kentucky Coal Association and has held that position since December, 1973. Duties include keeping abreast of regulations, legislation, market changes and lobbying. Mr. Duncan lives in Lexington and is 51 years old.

Wilfred Neice is affiliated with Neice Mining Company, located in Colson, Kentucky.

John Keblish is affiliated with Ashland Oil Company.

Jim Whitten has been president for more than ten years of the Whitten Coal and Mining Co. and handles marketing as well as overseeing of some mining and reclamation. Mr. Whitten is 55 years old and lives in Sitka, Kentucky.

Jim Daniels is past president of the Western Kentucky Coal Operators Association and is currently a strip miner in Western Kentucky.

Bardstown

BARDSTOWN TOWN MEETING

This town meeting which will be held in Bardstown High School is scheduled to last for sixty minutes. It will be a standard drill with an opening statement of three to five minutes. There will be four alternating mikes. Participants have been admitted on a first-come, first-served basis. Tickets were given out on Saturday, Sunday and Monday and could be picked up at the Bardstown City Hall and the county courthouses in the seven surrounding counties. Those counties eligible for attendance are: Bullitt, Hardin, Washington, Spencer, Marion, LaRue, Anderson and Nelson county in which Bardstown is located. There are 1600 seats available in the gymnasium.

Immediately following the Town Meeting, the President will depart for Washington.

BARDSTOWN, KENTUCKY

- Kentucky's second oldest city, settled in about 1775.
- The bourbon capitol of the world, with several major distilleries and the Museum of Whiskey History.
- County seat of Nelson County, which is primarily rural; county population: 30,000; city population: 7,000.
- Unemployment: 7%
- Tourism: estimated to be an \$8 or \$9 million industry in Bardstown, the single largest industry in revenues; tourism off just slightly this summer due to energy shortages in other parts of the country, not in Bardstown.

Some of the tourist attractions include:

My Old Kentucky Home State Park--built by Judge John Rowan, who served on the Kentucky Court of Appeals and in the U.S. Senate, in 1818. In 1852 Stephen Foster visited his cousins, the Rowans, and was inspired to write the ballad, "My Old Kentucky Home."

The Stephen Foster Story--an outdoor musical production featuring Foster's music and written by Paul Green, the Pulitzer Prize winner.

St. Joseph Cathedral--the oldest Catholic cathedral west of the Allegheny Mountains, completed in 1819.

Wickland--home of three governors; called the most perfect example of Georgian architecture in the country by Smithsonian magazine; completed in 1817.

John Fitch Monument--honoring the inventor of the steamboat, who died in Bardstown.

Talbott Tavern--built in 1779, the oldest western stagecoach stop in America.

Bernheim Forest--a 13,000 acre sanctuary with lakes, nature center and museum.

Museum of Whiskey History--artifacts describing the distilling industry in the U.S.

- Major Industries: in addition to tourism and distilleries, there is Lily Company, a manufacturer of plastic cups, etc.; Burrows, manufacturing typewriter ribbons and other related products; a building supply company; and a textile plant.
- Crops: Tobacco is by far the leading crop in this region. There is some concern that the recent heavy rains will damage the crops in the fields, but there is no serious problem yet.
- Mayor Guthrie Wilson: Mayor Wilson is serving his fourth four-year term as Mayor. He is a conservative democrat. He is proud of the fact that Bardstown/Nelson County was the second school system in the state to integrate in the 1950's. The population is 12-15% Black. The City passed a Human Relations Ordinance in 1966 and there have never been marches or riots, as have occurred in some nearby communities.

Mayor Wilson described the two most important problems for people in Bardstown as inflation, especially rising utility costs; and energy, although there is no shortage of gas and no gas lines in Bardstown.

Bardstown is about 150 miles from the nearest coal mines, but there are some contractors and engineers who live there and commute to the coal mines weekly.

The Mayor said that a lot of people have commented that they were surprised and pleased that the President is going to Bardstown; Mrs. Carter was quoted in the news promising that he would do so, and they are glad he kept his word.

The Mayor also reported that people are glad to see the changes in the Administration; the business community has been especially pleased with Cabinet appointments. Secretary Califano was not popular in Kentucky, but was respected.

On energy actions, the Mayor reports a favorable reaction to the more forceful approach to the problem.

Administration's Coal Record

1. New energy proposals:

- o Synthetic fuel production--about 1 million barrels per day of oil equivalent from coal products; \$75 billion of \$88 billion investment by Energy Security Corporation will be coal related.
 - o Utility conversion--reduce use of oil by 50% by 1990, much of the conversion being to coal.
2. Presidential Coal Commission charged with developing ways to enhance coal industry productivity.
 3. New Source Performance Standards--for new utilities--set at a level that will allow coal to be widely used in those utilities.
 4. Coal Regulations Project being initiated by Regulatory Council.
 5. (For Kentucky)--Not invoking Section 125 of the Clean Air Act to restrict purchase of non-Ohio coal by Ohio utilities.
 6. Black Lung Benefits Act (provided Federal benefits for victims of black lung).
 7. Fuel Use Act of 1978 (part of National Energy Act) (requiring new utilities and industrial boilers to burn coal unless given exemption by DOE).
 8. Phased decontrol of oil and natural gas--makes coal more price competitive and therefore will encourage increased coal use.

Part of the Administration's record not well-regarded by the coal industry:

1. Surface Mining Act
2. Federal Mine Safety and Health Act
3. Mine Workers Labor Settlement

Key Coal Facts

Coal comprises about 90% of U.S. energy reserves, but only 9% of total energy consumption.

U.S. production now--700 million tons. By 1990, we will increase to about 1.4 billion tons--250 million of that due solely to your recent energy program. (April '77 goal was 1.2 billion tons by 1985)

U.S. has greatest coal reserves in world--27% of the earth's reserves.

Total identified reserves--1.7 trillion tons; recoverable reserves--150 to 440 billion tons.

Utilities use coal for 45% of their energy.

Utilities use 71% of U.S. coal production, 11% for coke; 8% for exports, 10% for industrial

Surface mines produce about 60% of total U.S. coal output--surface mines recover about 90% of a seam's coal (50% to 60% for deep mines); tons per worker-day are nearly triple for surface mines over deep mines.

Coal transportation---65% by rail, 11% by water, 12% by truck, 11% used by mine-mouth generating plants, 1% other (coal sturry pipeline--one exists in U.S. --273 mile line transporting 4.8 million tons annually from Arizona mine to Nevada utility).

60% of all Western coal reserves are in Federal lands.

UMW has 75% of coal work force as members, but share of coal produced by UMW mines fell from 75% to 52% from 1972 to 1977.

20% of U.S. production and 13% of U.S. reserves are owned by oil companies.

Kentucky is the nation's leading local producer - in 1977, produced 143 million tons (West Virginia was second with 95 million tons); 55% of Kentucky's coal was produced in surface mines.

Questions and Answers
for Coal Meeting and
Town Hall Meeting

Coal Industry - Red Tape

Q.: What are you doing to eliminate or reduce the red-tape that now slows the production and consumption of coal?

A: I am very concerned about eliminating red tape at all governmental levels, for so much of my recent energy proposals depend on increased use of coal--to meet utility needs and synthetic fuel needs. By 1990, my relief proposals would alone increase our coal use by 250 million tons a year (bringing our total coal use to 1.4 billion tons).

To ensure that the target is met, and the red tape that could prevent the target from being met is removed, we are taking 4 steps:

- (1) Creating an energy Mobilization Board to cut through the delays involved in constructing new energy facilities, such as synthetic fuel plants;
- (2) Undertaking, through the Regulatory Council, a comprehensive review of the problems that government regulations at all levels are causing for existing coal facilities--with the goal of eliminating inconsistent regulations and simplifying unnecessarily complex regulations;
- (3) Examining at the White House the major Federal regulations affecting the coal industry, as

part of a process we have established to make certain that new regulations are cost-effective and clearly necessary. This process enables us to reduce the regulatory burden that would be imposed on the coal or other industries;

- (4) Consulting widely with the coal industry before taking any actions that would affect the industry. For instance, Governor Rockefeller of West Virginia chaired my Coal Commission and Senator Huddleston served as a member. Both Senator Huddleston and Ford, as well as other coal state Members of Congress, were widely consulted before our decision on the New Source Performance Standards for new coal-burning utilities.

Strip Mining

Q: What are you going to do to assure that the surface mining law and regulations do not hamper coal production?

A: Surface mined coal is an essential part of our energy mix and will increase in the coming years. The coal industry has become increasingly responsible about returning mined land to productive uses and we are seeing steady improvement in the quality of mined land reclamation. I am sure that all of you want to see this progress continue.

Years of debate went into the strip mine law. The regulations were reviewed extensively both by the public and within the Administration by the Council of Economic Advisers and others. Many changes were made in the original proposed regulations to accommodate the concerns of the coal producers.

Continued debate over whether the strip mine law is adequate will only prolong uncertainty about what the rules are. The law is moderate. It does not abolish strip mining. But neither does it allow uncontrolled mining. The law has not inhibited coal production thus far, and it will not in the future. We can have both increased production and strong reclamation requirements; my Administration is strongly committed to

both of those goals.

Q: We think the Federal regulations go beyond the intent of the Act and that compliance with the Act should be sufficient. Why does your Administration oppose an amendment to the surface mining law which would specify that State programs meet the requirements of the Act instead of the regulations?

A: The Interior Department made every effort to be sure that the regulations are completely consistent with the statute. Regulations are necessary to implement the statute and a confusing situation would result if States could ignore the regulations and each make their own interpretation of the statute. Each State program would then be litigated in Court, and we might see years of delay before States can take over the Federal program.

In the interests of fair and consistent enforcement of the Act, we cannot afford the confusion and delays that would result if the regulations did not have any effect. I support a seven-month extension of time for States to prepare their programs but do not support any other changes in the law.

Oil Company Acquisitions

Q: What are you doing to keep the oil companies from buying coal companies?

A: I am very concerned about that problem, and have just recently proposed legislation which will virtually eliminate the ability of the large oil companies to purchase coal or other companies.

Under my proposal, the 18 largest oil companies would not be able to buy any type of company--a coal company, another type of energy-related company, or a company unrelated to energy--with sales or assets greater than \$100 million, unless it could be proven that competition would be enhanced by the purchase. That is a tough test to meet, but it is a fair one--more reasonable than a flat prohibition contained in other legislation moving forward in the Senate. This proposal would not, however, affect coal companies already owned by oil companies. The proposal applies only to new acquisitions.

Q: Do you support the FTC's action in seeking to prohibit Exxon from purchasing Reliance Electronics?

A: The FTC is an independent agency and therefore made its decision to seek to prevent the purchase without my

involvement. But it is clear that this purchase would be prohibited under my proposal, unless Exxon were able to prove to the Justice Department or the courts that competition in the electronics industry would be enhanced by the purchase.

Energy Program and Coal Impact

Q: How will your new energy program affect the coal industry?

A: The program will involve the most massive and sustained effort to increase coal production and use ever experienced in this country. By 1990, we expect to be producing, because of this program alone, an additional 250 million tons per year. That will mean 60,000 to 85,000 new jobs in the coal industry alone, many of which will be in your state.

Three of the most significant elements of the new program will be of particular benefit to the coal industry:

- o The Energy Security Corporation will be charged with producing the synthetic equivalent of 2.5 million barrels of oil a day by 1990. We expect that at least 1 million of that total will be derived from coal liquids and gases. This alone will require 150 million tons of additional coal production each year by 1990. Of the \$88 billion the Corporation will be authorized to spend, \$75 billion will be based on coal and coal products.
- o The Utility Conversion program will reduce by 50% the use of oil by our utilities by 1990, with coal being the fuel used as the replacement for oil. This program will yield additional

construction by 1990 of up to 26 kigawatts of additional coal capacity, increasing coal demand by 1990 by about 80 million tons annually.

- o The Energy Mobilization Board will help significantly in achieving the objectives of the program by eliminating the delays and red-tape involved in constructing new energy facilities.

Under the program I have proposed, coal will become the fuel that enables our country to achieve energy security. But that will not be possible until we pass a strong windfall profits tax to fund this coal and synthetic fuel development.

SRC I Plant

Q: Have you now decided to build the SRC I plant in Kentucky?

A: Yes. I am committed to building this plant. I believe it is essential if we are to make progress in the synthetic fuel area.

But to ensure that we have the revenues needed to fund that plant and the SRC II plant in West Virginia, it is essential that we have a strong windfall profits tax. That tax will provide the Energy Security Fund with the needed revenues.

(Note: SRC I might be funded in the regular FY '81 budget, and not from the windfall tax. The decision about whether SRC I or SRC II should be funded in the budget (with the other being funded by the tax) will be presented to you in the fall.)

Section 125 of the Clear Air Act

Q: The Kentucky coal industry appreciated your decision not to invoke Section 125 of the Clear Air Act to require Ohio utilities to use Ohio coal. Do you have any plans to use Section 125 to protect the coal industries of other States?

A: I decided not to invoke Section 125 at this time because (i) that would have prevented Kentucky coal from being used in Ohio, and thus be unfair to your state; and (ii) mining jobs could be saved in Ohio through ways short of using Section 125, such as setting more accurate emission levels for a number of utility plants.

I am very concerned about the loss of coal mining jobs throughout certain parts of the country. To a large extent, the loss of coal jobs should be reversed by the energy program I have recently proposed. But I do not generally believe that, before this reversal occurs, the nation's overall coal mining employment picture is improved by using Section 125. Using that section would only create problems in states like Kentucky and West Virginia. So I have no present intention to invoke Section 125 elsewhere, but I will review each application on its merits.

Utility Conversion

Q: What specific incentives or program do you have to encourage utilities to convert to coal?

A: Our nation's utilities now use 1.5 million barrels of oil per day in their boilers. I have proposed a program to reduce current usage by 50% by 1990--or a savings of 750,000 barrels of oil per day.

We will ensure that the conversion occurs through the use of "ticket" system that would limit by law the amount of oil that could be used by utilities in 1990 to 750,000 barrels per day. The utilities would determine among themselves which ones would use certain amounts of oil within the overall limit.

To encourage a rapid conversion from oil, the federal government would provide grants and loan guarantees of \$5 billion over the next 10 years. The conversion would primarily be to coal-burning facilities.

All of this will require a tough windfall tax for its financing and legislation establishing the conversion program. Your help in getting the tax and the legislation will be essential.

Environmental Goals

Q: Can the increased use of coal be reconciled with environmental goals?

A: Yes. We are burning more coal and it is happening in an environmentally sound way. A new coal-fired power plant is not cleaner than the typical old oil-fired plant.

The Environmental Protection Agency has issued permits to enough new power plants to increase utility coal use by 25 percent over what it was a year ago. Every new power plant the utilities are planning is a coal-fired one, and almost all of them meet environmental standards: EPA has turned down just two permits out of 76 applications in the last four years for new coal power plants.

In short, we are using a lot of coal and we are going to use a great deal more under the new energy proposals I have made. Our current experience indicates that we can develop the technology needed to burn coal in an environmentally sound way.

Western Coal

Q: Kentucky's Competitive Coal Position: How do clean air requirements affect the competitive advantage of Kentucky coal against low sulfur Western coal?

A: Kentucky has both high and low sulfur coal, and it is going to be able to sell both.

Previously, clean air requirements favored low sulfur coal production over high sulfur coal, because it allowed utilities to burn low sulfur coal without pollution controls. The 1977 Clean Air Act Amendments changed that; it requires all utilities to put control equipment on their new power plants, whether they burn high or low sulfur coal. EPA's recent regulations implementing the amendments require scrubbing of both high and low sulfur coal. This reduces the incentive to bring Western low sulfur coal East as a means of complying with clean air requirements. The amount of scrubbing a utility must do can vary with the sulfur content of the coal. Thus, in Kentucky, you ought to be able to mine and sell your high and your low sulfur coal, depending on the economics of the specific utility plants that would use it.

Indiana Air Pollution

Q: What can be done about the air pollution occurring in Kentucky as a result of Indiana emissions?

A: The air does not respect political boundaries. If one area does not act to protect the safety and quality of life of its neighbors, the Clean Air Act provides a formal process for the affected areas and the EPA to resolve the conflict. I understand that the City of Louisville and the State of Kentucky have asked EPA to take action against the Clifty Creek and Gallagher plants. I encourage you to pursue your concerns, and I am confident that Doug Costle, EPA Director, and his staff will give you a prompt and fair resolution.

(Note: The State of Kentucky and the city of Louisville have separately petitioned EPA for relief against Indiana power plants whose emissions blow into Kentucky. These are the first cases to arise under Section 126 of the 1977 Clean Air Act Amendments, which was added to provide a formal process to resolve interstate air pollution disputes.)

The sentiment of Kentuckians, including Louisville Mayor William Stansbury, is that Kentucky has adopted strict air pollution limits for its industry to allow for future industrial growth. It objects to less controlled Indiana plants using up this growth margin.)

Distillery Industry - MTN

Q: Won't the MTN agreements, which reduced tariffs on imported liquor, have a negative impact on the domestic distillery industry?

A: No. Despite the change in the method of calculating import duties on imported liquor, we have preserved the competitive position of the domestic distillery industry by including tax deferrals for the United States distilleries as part of the legislation to implement the trade agreements. The deferrals will save the industry several hundred million dollars a year. In fact, distilling is the only industry for which I proposed changes in our domestic tax laws to compensate for any negative impact of the trade agreements.

This approach meets the legitimate concerns of our distilleries in a manner that does not jeopardize the trade agreements themselves. These trade agreements are important because they offer benefits to business, labor, farmers, and consumers and will make it possible for us to improve our trade balance in the future.

(Note: Tariffs were reduced to a level that was in line with the alcohol content of imported liquor. Previously, imported liquor was taxed at a level that presumed a 50% alcohol content, when in fact the alcohol content was lower. To gain concessions in other areas, the U.S.

agreed to changing its tariff to a more equitable level. That will have the probable effect of increasing liquor imports, for they will be somewhat cheaper now. The domestic distilleries are upset about the tariff change. To compensate them, we have deferred collection of excise taxes on domestic alcohol in a way that will save--through deferral--several hundred million dollars a year for domestic distilleries.

Even without the tax reduction, Kentucky would probably not have been hurt by the MTN change. Kentucky is primarily a bourbon producer, and the U.S. simply does not import much bourbon at all. So reducing tariffs will not really result in bourbon imports increasing by any detectable amount.)

Smoking

Q: Will Secretary Harris be promoting an anti-smoking campaign, as Secretary Califano did?

A: As Secretary of HEW, Pat Harris will have a responsibility to express her views on health matters. In her confirmation hearings, she did express a particular concern about teen-age smoking and about the importance of teenagers with adequate information about smoking. But she also indicated that her highest priorities involved a number of other issues now facing HEW.

Let me also point out that as long as I am President, our nation's tobacco farmers can be assured of adequate price supports. I recognize the importance of tobacco to your state--which is second in the nation in tobacco production and where 118 to 120 counties produce tobacco--as well as to other states in this region. My Administration will never turn its back on you. Since I have been in office, the relatively healthy state of the tobacco industry indicates our deep interest in assuring adequate returns to our tobacco farmers.

(Note: Secretary Harris persuaded Senator Helms to remove his hold on her nomination by pledging to have HEW and USDA undertake a study of alternative uses of tobacco. This appeared to please Senator Helms and can be used as evidence of the Administration's commitment to a strong tobacco industry. However, it may be better for you not to mention the project now, for it may signal an Administration effort to reduce tobacco's use for smoking purposes.)

BURLEY TOBACCO

Q. The burley tobacco industry has been experimenting with the sale of burley tobacco in loose form over the past year. Many producers favor this because they believe it would result in a substantial reduction in labor costs. What is your view of this and can we expect to receive price supports for tobacco sold in this form?

A. We believe this is a promising innovation but that additional information is required before we can make final decisions regarding the use of price supports. As you probably know, the Government conducted a small experiment with loose tobacco marketing last year. Unfortunately, the results were inconclusive, largely because the experiment was too small. We have proposed to greatly expand the scale of that experiment this year and should be able to make final decisions following its conclusion.

(Note: There is some concern among tobacco producers that the sale of burley tobacco in loose form could lead to much greater mechanization of burley production. USDA specialists believe that the small size of burley tobacco allotments and the topography of the growing areas will keep this from happening. The Kentucky Farm Bureau favors this approach, the Burley Producers Association opposes it.)

Gasoline Rationing

Q: (Kentucky has not suffered gasoline shortages or long gasoline lines. But its citizens, especially in Bardstown, often drive long ways to work. They greatly fear an inability to get gasoline).

Under what circumstances would you impose gasoline rationing, should Congress give you that authority?

A: I have sought standby authority to ensure that the country is prepared to distribute gasoline promptly and fairly in the event of a supply interruption. We cannot afford to spend several months putting a rationing plan together after an interruption occurs.

I do not intend, under current circumstances, to invoke gasoline rationing if given that authority by Congress. But I do not think it is wise to predict the type of circumstances under which it would be used. We cannot adequately foresee all of the types of situations that might warrant rationing.

Therefore, we are working with the Congress to develop flexible criteria, rather than criteria that may be so inflexible as to hamstring our ability to assure adequate gasoline distribution.

There should be no concern that flexible criteria might prompt the use of rationing in unwarranted circumstances. Whatever criteria are developed, it is clear that Congress would have to approve my decision to use rationing before it could be put into effect.

July 30, 1979

KENTUCKY AND INTERNATIONAL TRADE

Q: What impact will the new Trade Act have on Kentucky?

A: International trade is very important to the economy of Kentucky. In 1976 about 1 out of every 11 jobs in Kentucky were dependent on exports of manufactured goods. In 1977 \$1 out of every \$4 of Kentucky's farm sales came from exports. Therefore, Kentucky's industry and agriculture will benefit greatly from the International Trade Agreements that the Congress has just approved.

-- By significantly reducing tariffs in key foreign markets, and by improving the rules governing trade, the MTN will result in greater export opportunities for American business and agriculture, as well as creating many new jobs here at home.

-- The Trade Act will increase Kentucky's opportunity to export manufactured goods, such as household appliances and transportation equipment, and agricultural products such as tobacco, beef and soybeans.