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APPROVED
NOV 28 1975

Signed
11/28

THE WHITE HOUSE

ACTION

WASHINGTON

Last Day: December 3

November 28, 1975

Post
11/29

To archive
12/1

MEMORANDUM FOR

THE PRESIDENT

FROM:

JIM CANNON *[Signature]*

SUBJECT:

H.R. 9472 - Tennessee Valley
Authority Bond Increase

Attached for your consideration is H.R. 9472, sponsored by Representative Jones and thirteen others, which provides for an increase from \$5 billion to \$15 billion in additional borrowing authority for the Tennessee Valley Authority and provides for annual instead of semi-annual payments to the Treasury. The proposed increase in the bond authorization was recommended to the Congress by the TVA with the concurrence of the Administration.

Additional information is provided in OMB's enrolled bill report at Tab A.

OMB, Max Friedersdorf, Bill Seidman, Counsel's Office (Lazarus) and I recommend approval of the enrolled bill.

RECOMMENDATION

That you sign H.R. 9472 at Tab B.



A



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

NOV 26 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 9472 - Tennessee Valley
Authority bond increase
Sponsor - Rep. Jones (D) Alabama and 13 others

Last Day for Action

December 3, 1975 - Wednesday

Purpose

Provides for an increase from \$5 billion to \$15 billion in additional borrowing authority for the Tennessee Valley Authority; provides for annual instead of semi-annual payments to the Treasury.

Agency Recommendations

Office of Management and Budget	Approval
Tennessee Valley Authority	Approval
Department of the Treasury	No objection (informally)

Discussion

Existing law authorizes the TVA to have not to exceed \$5 billion of revenue bonds (not considered as obligations of, or guaranteed by, the United States) outstanding at any one time. Outstanding obligations plus commitments are expected to reach the limitation by the end of this calendar year. The enrolled bill would increase the amount of the authorization to \$15 billion.

H.R. 9472 would enable the TVA to continue to finance the construction of a number of electric generating and power transmission facilities to meet projected electric energy needs in the area it serves. The proposed \$10 billion increase in the bond authorization was recommended to the Congress by the Tennessee Valley Authority with the concurrence of the Administration.

The legislative history of H.R. 9472 calls for full funding and identifies the specific purposes and projects for which funds would be used. This will permit more effective management of the new construction program.

The House added a provision which allows TVA to make certain required payments to the Treasury annually instead of semiannually under current law. These payments consist of repayments of the original Federal investment from appropriated funds plus interest on the outstanding principal amount. Annual payments would place the TVA on the same basis as other Government corporations that make similar payments to Treasury.

James M. Frey
Assistant Director for
Legislative Reference

Enclosures

B



THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

NOV 26 1975

Director, Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Attention: Assistant Director for Legislative
Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of H.R. 9472, "To amend section 15d of the Tennessee Valley Authority Act of 1933 to increase the amount of bonds which may be issued by the Tennessee Valley Authority, and for other purposes."

The enrolled enactment would increase the amount of bonds which may be issued by the Tennessee Valley Authority from \$5 billion to \$15 billion. It would also amend existing law to provide for annual rather than semi-annual payments of interest on the Federal investment in TVA.

The increase in the amount of revenue bonds that could be issued was proposed by the TVA. The House Committee report states that the change to annual payments would put the TVA on the same basis as other government corporations and would not change the amount of the payments. It should be noted, however, that this proposal would provide a benefit to TVA since TVA would have free use for six months of the semi-annual interest payment which otherwise would be payable on December 31 of each year.

The Department would have no objection to a recommendation that the enrolled enactment be approved by the President.

Sincerely yours,

General Counsel

Richard E. Albrecht

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: November 26

Time: 200pm

FOR ACTION: Paul Leach
Max Friedersdorf
Ken Lazarus
Bill Seidman

cc (for information): Jack Marsh
Jim Cavanaugh

FROM THE STAFF SECRETARY

DUE: Date: November 28

Time: noon

SUBJECT:

H.R. 9472 - Tennessee Valley Authority Bond Increase

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

~~The subject bill must go to the President Friday afternoon.~~

*approval
JCS*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James H. Cavanaugh
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: November 26

Time: 200pm

FOR ACTION: Paul Leach ✓
Max Friedersdorf
Ken Lazarus
Bill Seidman

cc (for information): Jack Marsh
Jim Cavanaugh

FROM THE STAFF SECRETARY

DUE: Date: November 28

Time: noon

SUBJECT:

H.R. 9472 - Tennessee Valley Authority Bond Increase

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

X

For Your Comments

Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

The subject bill must go to the President Friday afternoon

OK PJL

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James H. [unclear]
For the President

TENNESSEE VALLEY AUTHORITY

KNOXVILLE, TENNESSEE 37902

November 24, 1975

Mr. James M. Frey
Assistant Director for Legislative Reference
Office of Management and Budget
Washington, D. C. 20503

Dear Mr. Frey:

This is in response to the Office of Management and Budget's request for TVA's view on enrolled bill H.R. 9472, a bill "to amend section 15d of the Tennessee Valley Authority Act of 1933 to increase the amount of bonds which may be issued by the Tennessee Valley Authority, and for other purposes."

This amendment, proposed by TVA and concurred in by the Office of Management and Budget, raises from \$5 billion to \$15 billion the ceiling on TVA's authority to issue revenue bonds. The increase is required to complete construction of electric generating facilities now under construction or proposed for construction to meet the projected electric energy needs of the 80,000 square mile Tennessee Valley region, for which TVA is the sole supplier of electric power.

In 1959 section 15d was added to the TVA Act to authorize TVA to issue revenue bonds for financing power facilities. As enacted, section 15d authorized TVA to have outstanding up to \$750 million in borrowings and expressly provided that such borrowings would not be obligations of or be guaranteed by the United States. In 1966 this amount was increased to \$1,750 million, and in 1970, to \$5 billion. Obligations under the present ceiling will be reached by the end of calendar year 1975.

The 1959 amendment to the TVA Act requires that TVA make two types of payments to the U.S. Treasury: a return to the Treasury each year equal to the Treasury's own current cost of borrowing money, applied to the appropriation investment then outstanding, and a repayment to the Treasury of \$1 billion of the \$1.2 billion of appropriations then invested in the TVA power system at a rate which began at \$10 million and is now \$20 million per year. Under this requirement, TVA has paid into the U.S. Treasury a total of \$982.8 million. This year TVA payments will go beyond the \$1 billion mark.

Mr. James M. Frey - 2

November 24, 1975

Section (b) of H.R. 9472 allows TVA to make its payments to the Treasury in a single annual installment, rather than semi-annually. It does not alter the amount of the payments but merely places TVA on an annual payment schedule like that of other government entities.

The facilities being added to the TVA power system are essential to assure an adequate supply of electric power in the Tennessee Valley region. Without an immediate increase in borrowing authority TVA will not be able to continue to carry out its responsibility to meet the needs for electricity in this area. Again, current borrowing authority will be fully committed by the end of December 1975. We therefore recommend that the President approve enrolled bill H.R. 9472.

Sincerely,

A handwritten signature in cursive script, appearing to read "A. J. Wagner". The signature is written in dark ink and is positioned above a horizontal line.

Aubrey J. Wagner
Chairman of the Board

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: November 26

Time: 200pm

FOR ACTION: Paul Leach
Max Friedersdorf
Ken Lazarus
Bill Seidman

cc (for information): Jack Marsh
Jim Cavanaugh

FROM THE STAFF SECRETARY

DUE: Date: November 28

Time: noon

SUBJECT:

H.R. 9472 - Tennessee Valley Authority Bond Increase

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

No objection. -- Dudley Chapman for K. Lazarus
11/26/75

The subject bill must go to the President Friday afternoon

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James P. Cavanaugh
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: November 26

Time: 200pm

FOR ACTION: Paul Leach *PL*
 Max Friedersdorf *MF* cc (for information): Jack Marsh
 Ken Lazarus *KL* Jim Cavanaggh
 Bill Seidman *BS*

FROM THE STAFF SECRETARY

DUE: Date: November 28

Time: noon

SUBJECT:

H.R. 9472 - Tennessee Valley Authority Bond Increase

ACTION REQUESTED:

- | | |
|---|---|
| <input type="checkbox"/> For Necessary Action | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

The subject bill must go to the President Friday afternoon

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

THE WHITE HOUSE
WASHINGTON

November 28, 1975

MEMORANDUM FOR: JIM CAVANAUGH
FROM: MAX FRIEDERSDORF *M.F.*
SUBJECT: H.R. 9472 - Tennessee Valley
Authority Bond Increase.

The Office of Legislative Affairs recommends subject bill
be signed.

TVA BONDING AUTHORITY

NOVEMBER 19 (legislative day, November 18), 1975.—Ordered to be printed

Mr. BAKER, from the Committee on Public Works,
submitted the following

REPORT

[To accompany H.R. 9472]

The Committee on Public Works, to which was referred the act (H.R. 9472) an Act to amend section 15d of the Tennessee Valley Authority Act of 1933 to increase the amount of bonds which may be issued by the Tennessee Valley Authority, and for other purposes, having considered the same, reports favorably thereon without amendment and recommends that the act as amended do pass.

PURPOSE OF THE BILL

H.R. 9472 will increase from \$5 billion to \$15 billion the amount of revenue bonds which the Tennessee Valley Authority may have outstanding to finance additions to its power system and allow for annual payments to the Treasury for earlier appropriated investment as is the case for other Federal corporations. Its enactment will not change in any way of the other provisions of the Tennessee Valley Authority Act.

GENERAL STATEMENT

Forty-two years ago the Tennessee Valley Authority (TVA) was created as, in the words of the Presidential message recommending its creation:

*** a corporation clothed with the power of Government, but possessed of the flexibility and initiative of a private enterprise. It should be charged with the broadest duty of planning for the proper use, conservation, and development of the natural resources of the Tennessee River drainage basin and its adjoining territory for the general social and economic welfare of the Nation. This authority should also be clothed with the necessary power to carry these plans into effect.

Today, the TVA regional resource development program is known and acclaimed as one of the most successful governmental public improvement projects ever undertaken. The whole world knows of TVA's work in harnessing a great river for navigation, power production, and other uses such as recreation; in preventing devastating floods; in helping through the introduction of new fertilizers and farm practices and the use of scientific soil-conserving farm practices; in encouraging the conservation and proper utilization of a great forest resource; in providing adequate supplies of economical electric power; and, through all these activities, in helping an economically depressed region to take advantage of its opportunities to industrialize and to make the best use of its resources in improving its economy. This is an American success story, nurtured over the years by the Congress on a bipartisan basis. It has been regarded throughout the world as a model from whose experience many countries have borrowed.

ELECTRICITY AS A RESOURCE TOOL

Electric power is one of the great resource tools provided by TVA within the region in which it conducts its operations. TVA is the power supplier for an area of about 80,000 square miles containing nearly 7 million people. TVA generates, transmits, and sells power to distribution systems, which in turn retail power to their own customers. It also supplies power directly to 50 industries which have large or unusual power requirements and to 11 Federal installations, including the ERDA plants at Oak Ridge, Tenn., and Paducah, Ky. The distributors are municipalities and rural electric cooperatives which purchase their power at wholesale from TVA to serve about 2½ million electric customers, including homes, farms, businesses, and most of the region's industries.

But the importance of the TVA power system is by no means limited to electric consumers in the area which TVA supplies directly. The TVA system, which with 26.7 million kilowatts of presently installed generating capacity is the Nation's largest, is interconnected at 27 points with neighboring systems with which TVA exchanges power. The TVA system is, in effect, part of a huge power network. In a time of power emergency, operation of the TVA power system could have a definite impact on power supply conditions from the Great Lakes to the Gulf of Mexico and from New England to Oklahoma and Texas.

These interconnections with other regions allow exchanges of power to meet peak requirements on a day to day as well as seasonal basis. Thus, all interconnected systems can make maximum use of existing facilities to meet consumer requirements with the minimum capital investment.

The unique energy use patterns of the TVA service area, with extensive use of electric power for space heating and industrial applications, have great significance for the Nation's energy independence goals. Because TVA power is almost exclusively produced with domestic fuels of greatest abundance, the per capita consumption of oil and natural gas in the region is considerably below national averages.

NEED FOR THE LEGISLATION

The 1970 TVA amendments (Public Law 91-446) established a bond ceiling of \$5 billion. By December 31, 1975, TVA's total of bonds and notes outstanding will exceed \$4 billion, and commitments for equipment on order but not yet delivered will have totally exhausted the remaining unobligated borrowing authority. Without the \$10 billion increase in the bond ceiling, TVA would have to alter construction and procurement schedules to such an extent that only the most critical work would continue. At the very least, this disruption in orderly construction schedules would result in additional costs and would create significant unemployment among the 9,000 construction workers employed in this program. Equally important is the long run effect. A disruption of the construction program could mean real difficulties in meeting the power requirements of the region's consumers in the future.

The 21.2 million kilowatts of capacity now under construction or on order is needed to serve expected growth in TVA power loads. Over the next 10 years the total electrical energy requirements of the region are projected to increase from 112 billion kilowatt-hours to about 220 billion kilowatt-hours. Twenty billion of this 108 billion kilowatt-hour increase will occur in the requirements of ERDA, primarily for gaseous diffusion plants. The remaining increase in the requirements of industry and power distributors amounting to about 88 billion kilowatt-hours is based on nearly a 7 percent rate of increase. This is almost the same rate of growth experienced during the last 10 years, computed to include the severely depressed sales levels of 1975 and thus represent recovery from the recession as well as long term growth.

The table below listing annual TVA power sales since 1960 indicates the variations in the rate of increase from year to year. Weather conditions, regional and national economic conditions and changes in the substantial Federal load affect the rate of change in a given fiscal year.

Total system sales

(Millions of kilowatt-hours)

1975	106,433.2	1967	82,086.7
1974	106,144.7	1966	77,105.3
1973	103,472.6	1965	69,860.8
1972	91,090.4	1964	68,449.8
1971	90,647.6	1963	63,817.9
1970	90,722.3	1962	60,321.2
1969	86,373.9	1961	60,101.2
1968	84,720.1	1960	59,342.6

During the 16-year period, the Federal load decreased from a high of 28,284 million kilowatt-hours in 1960 to a low of 11,773.5 million kilowatt-hours in 1971. Direct sales to industries decreased from previous levels in 5 of the 16 years—1961, 1971, 1972, 1973, and 1975. Sales to municipalities and cooperatives show a steady increase throughout the period.

The amount of lead time required between the placing of orders for generating equipment and the time when the generating capacity will be in service has continued to increase from the approximately 3- to 4-year lead time for a coal fired steamplant built in the 1960's to an ap-

proximate 9- to 10-year for the nuclear-fueled steamplants being added now. The additional capacity now on order or under construction includes 4 combustion turbines, 4 pumped storage hydro units for peaking purposes, and 15 nuclear-fueled units.

In addition to capacity already authorized by the Board of Directors present projections anticipate the need for 1.3 million kilowatts of capacity by the mid-1980's which would be funded under the proposed ceiling increase. Present estimates of the cost of this additional capacity are \$2.2 billion. This addition could, of course, be either nuclear or fossil-fired facilities.

TVA'S PAST USE OF REVENUE BOND AUTHORIZATION

Congress amended the TVA Act in 1959 to authorize the TVA to issue revenue bonds for financing power facilities. That amendment authorized TVA to have outstanding up to \$750 million in borrowings and provided that such bonds issued by TVA would not be obligations of or be guaranteed by the United States. It further provided that annually TVA make two types of payments to the U.S. Treasury, one a return on the Government appropriations remaining invested in the power system at the average cost of money to the Government, and one a repayment of a portion of those appropriations.

The 1959 amendment also provided that TVA shall charge rates for power which will produce gross revenues sufficient to cover all costs of operation, maintenance, and administration; to make payments to State and local governments in lieu of taxes; to pay the debt service on borrowings; and to provide such additional margin as the Board may consider desirable for investment in power system assets and other purposes, having due regard for the primary objectives of the TVA Act, including the objective that power shall be sold at rates as low as feasible.

Subsequently, to enable TVA to borrow sufficient funds to finance the construction of the additional facilities necessary to supply the increased power requirements of the region, in August 1966 Congress revised the limit to \$1,750 million; then in October 1970, Congress raised the limit to \$5 billion. Expenditures and commitments under the \$5 billion authority have risen to the point where TVA must again seek additional borrowing authority to enable it to discharge its responsibility of supplying electric power to accomplish the physical, social, and economic development of the area it serves.

TVA is the power supplier for an 80,000-square-mile region which has a population of nearly 7 million people. TVA generates and transmits electricity to meet the needs of 160 municipal and cooperative distribution systems which retail power to their customers. TVA also serves directly 50 industries which have large or unusual power requirements and 11 Federal installations.

The distributors of TVA power include 110 municipalities and 50 rural electric cooperatives that are locally owned and operated. These distributors purchase power at wholesale from TVA and, together, they serve about 21½ million electric customers—homes, farms, businesses, and the majority of industries.

In 1959 TVA provided about 57 billion kilowatt-hours to meet the region's electrical needs. By fiscal year 1975 this amount had almost

doubled to more than 106 billion kilowatt-hours. This increase in electric power produced provided low-cost benefits to the region and the Nation.

HOME POWER NEEDS TRIPLED

The number of residential customers increased from about 1,225,000 in 1959 to well over 2 million in 1975, and their power needs more than tripled from 9.4 billion kilowatt-hours to 31.8 billion kilowatt-hours in that period. The average amount of electricity used in homes in the Tennessee Valley has almost doubled from 7,863 kilowatt-hours in 1959 to 14,540 in fiscal year 1975. This increase reflects primarily the increased use of electricity for essential needs—home and water, heating and air-conditioning. At the present time about 42 percent of the homes in the valley are heated by electricity. This compares to 11 percent nationally.

The requirements of business and industry for electricity have also tripled, from 16.5 billion kilowatt-hours in 1959 to 50.1 billion kilowatt-hours in fiscal year 1975. Paralleling this increase in power requirements was an increase in employment of about 1 million, and an increase in capital investment by industry of about \$8 billion. These increased opportunities for employment have helped raise the per capita income in the valley relative to the national average and have helped reverse the outmigration of the valley's young people.

The needs of the large government establishments in the TVA region served directly by TVA have been a varying influence on the total rate of growth. The predominant segment of the Government-required load, about 90 percent, is in sales to the Energy Research and Development Administration (ERDA, formerly part of the Atomic Energy Commission) for the gaseous diffusion plants at Oak Ridge and Paducah. Sales to ERDA decreased from the 1957 peak of 31.2 billion kilowatt-hours to a low point of 10.5 billion kilowatt-hours in 1971, and rose from that point to 18.2 billion kilowatt-hours in fiscal year 1975. Under contracts between TVA and ERDA, sales are expected to increase by more than 20 billion kilowatt-hours between now and 1985.

POWER REQUIREMENTS SERVED BY BORROWINGS

Borrowings under the act have enabled TVA to build to serve these growing needs—from a capacity of 11 million kilowatts in service and 1.7 million kilowatts under construction in 1959 to a capacity today of 26.7 million kilowatts with another 21.2 million kilowatts currently under construction or on order. The large increase in capacity under construction is principally the result of the longer lead times required to install generating capacity today. The transmission system has increased from about 12,000 miles of transmission lines with the highest voltage at 161,000 volts, to almost 17,000 miles of lines with over 1,500 miles at the extra-high voltage of 500,000 volts.

TVA's net investment in power assets at June 30, 1975, was approximately \$5.6 billion, made up of \$1 billion of appropriations, \$870 million of retained earnings, and \$3.660 million of outstanding borrowings. The assets of the Corporation are in the name of the United States. These borrowings include \$2,075 million of bonds sold to the general public, \$800 million of bonds and \$635 million of short-term

notes sold to the Federal Financing Bank, and \$150 million of short-term notes sold to the U.S. Treasury.

At the time the first bond issue was sold in 1960, the interest cost to TVA was 4.44 percent. With interest rates generally rising over the years, TVA bonds sold at the peak of interest rates in June 1970 cost TVA 9.29 percent. The 25 bond issues now outstanding have an average interest cost of 7.69 percent. TVA's bonds sold to the public have all received the highest bond ratings by both Moody's and Standard & Poor's and have been well received in the market at interest rates lower than or comparable to those of triple-A utility systems and communication systems.

In accordance with the provisions of the 1959 amendment, TVA has each fiscal year made payments to the Treasury, in recognition of the previous investment of appropriated funds in the TVA power system. TVA has made annual repayments of the appropriation investment at the rate of \$10 million a year from 1961-65, \$15 million a year for the next 5 years, and \$20 million a year starting in fiscal year 1971—a total of \$225 million through the 15 years ending in June 1975. At the same time payments as a return on the appropriations remaining invested in the TVA power system have been made in compliance with the requirements of the 1959 amendment as determined by applying the average interest rate payable by the Treasury on its total marketable public obligations at the beginning of each year to the net appropriation investment in TVA power facilities. These annual payments have varied from a low of \$36.5 million at a rate of 3.063 percent in fiscal year 1962 to a high of \$71.4 million at a rate of 7.030 percent in the fiscal year just ended, and total \$757.8 million for the 15-year period.

To summarize, in repayment of the appropriation investment, and return on that investment, TVA has paid into the U.S. Treasury a total of \$982.8 million. This year TVA payments will go beyond the \$1 billion mark.

POWER CONSTRUCTION PROGRAM REVIEWS

The TVA's power construction program and operation of the electric system is under continuing review by members and staff of the Committee. Hearings and special examinations are set as necessary. The TVA follows all of the licensing and public hearings procedures applicable to individual power plants.

The General Accounting Office annually inspects the accounts of the TVA and reports to the Congress. Special GAO investigations of TVA are conducted at the request of Members of Congress.

The other legislative committees of the Congress examine specific aspects of TVA's operations as the need arises.

The appropriations committees consider in detail funding of the total TVA program, including a comprehensive review of the power program, each year. Generally, the hearings require several days.

The projected power construction program for each year is transmitted to the Congress by the President, with his recommendations, in the budget estimates.

TVA EASES NATIONAL ENERGY PROBLEMS

The congressionally mandated TVA policy of ample supplies of electric power at the lowest possible cost has resulted in desirable patterns of fuel use in the Tennessee Valley by lessening requirements of oil and natural gas which are in short supply nationally.

The use of alternative fuels, primarily coal, as a source of steam for generation of electricity means more of a scarce fuel oil and natural gas is available to other parts of the country than would be the case if national usage patterns were followed in the TVA area.

Steam-Electric Plant Factors, 1973, published by the National Coal Association, indicates that nationally coal accounted for 54.3 percent of the fuel consumed by steam-electric power generating plants in 1972 while oil supplied 18.7 percent of the power and gas 27 percent. On the TVA system, coal accounted for 97.4 percent of the steam-generated power, while gas and oil accounted for 2.6 percent. Some of the latter was used for startup purposes.

The State of Tennessee, which is provided electricity almost entirely by TVA, presents a startling contrast to the national averages in percentage of the various fuels consumed. *Energy in Tennessee*, the Report of the Governor's Task Force on Energy, November 19, 1973, indicates that the State's use of coal, an energy resource of abundance, is 100 percent greater than in the total United States. Coal comprises 39 percent of all energy in Tennessee, while only 19 percent of the nation's energy consumption (in Btu's). Petroleum products (including transportation use) make up 30 percent of the Tennessee energy picture compared to 45 percent for the Nation. Natural gas supplies 25 percent of Tennessee energy requirements in contrast to the 34 percent nationally. Hydro-generation of electricity accounts for 6 percent of Tennessee's energy and less than 2 percent for the Nation. Nuclear energy was not in production by TVA when the survey was made.

The northern third of Alabama is served by TVA and a pattern similar to Tennessee for the use of the various fuel sources was reported for Alabama by the Energy Economics Division of the Alabama Energy Management Board.

The President's proposal for achieving Project Independence by 1985 anticipates coal as a major fuel source for the United States. Such a goal will require tripling of coal production and also expansion of transportation systems. The TVA electric system, with almost total use of coal for steam generation of electric power, has already achieved this important part of the Project Independence goals.

ENERGY USE IN THE TVA REGION

Natural gas, fuel oil, and liquefied petroleum gas have had a decreasing role in the heating of homes and businesses in the TVA area as the use of coal, converted to electricity, becomes more significant.

The intensity of electricity as a source of energy in the homes in the TVA area, compared to the United States, for a recent year (fiscal year 1974 for TVA; calendar year 1974 for the United States) is indicated.

	Percent of homes	
	TVA area	United States
Electric heat.....	42	11
Electric stove.....	79	68
Electric water heater.....	71	46

The average annual use of electricity by a residential consumer in calendar 1974 was 14,380 kilowatt-hours for the TVA area and 7,907 kilowatt-hours for the United States.

The TVA distributors added 57,000 new customers during fiscal year 1975, despite the nationwide slowdown in housing construction, for a total of 2,459,000 retail customers at year end. Residential customers used an average of 14,540 kilowatt-hours per home during the year, a slight increase resulting in part from the great percent of new homes using electricity for space heating.

In 1974 approximately 75 percent of the 80,000 new homes in the TVA area installed electric heat. Without this significant use of electric heat in the TVA area, the already severe problems in the shortages of petroleum products and natural gas would have been worse.

Other indicators of electricity as a major energy source in the TVA region are the number of large, electricity intensive industries located in the area and the two ERDA gaseous diffusion plants.

There are severe limitations on the use of gas and oil in the region not only because of the scarcity of those resources in this area but also because of problems relating to the distribution of these energy sources in an area comprising 80,000 square miles. Electricity is available practically everywhere within the region. The availability of oil and gas is much more limited, and this points to continuation of electricity as the basic energy source for the region.

Even if the Congresses of 1933 and 1959 could have anticipated the present petroleum supply problems, they could hardly have devised a better policy than that set for the TVA in the program of encouraging low-cost electric power as the basic energy for a significant region of the country.

TVA ELECTRIC RATES

The 1959 amendment made clear TVA's responsibilities both to the consumer and to the bondholder. Power must be sold at "rates as low as are feasible." The legislation also requires TVA to charge rates that will produce adequate revenue to cover its costs and financial obligations, and such margin as the Board considers desirable for reinvestment in power system assets and other purposes connected with TVA's power business.

Unlike a utility company, TVA cannot issue additional common stock to help balance its financial structure as additional bonds are issued. It must depend on reinvested earnings as the source of capital to balance these borrowings. Therefore it plows back into the system the power system proceeds that remain each year after paying all costs and the required return on investment to the U.S. Treasury. A reasonable amount of reinvested earnings are in the interest of the power consumers as they reduce the dollars which must be borrowed and on which interest must be paid.

One of the key tests to determine how well an electric utility is carrying out its responsibilities to the public is whether electricity is being supplied at rates the users of electricity can afford. The cost of electricity nationwide has increased at unprecedented rates in recent years, and rates in the TVA area have been no exception, although TVA rates are still much lower than most areas of the country.

With increasing costs on all sides—although principally for fuel, related expenses and interest costs—providing adequate electric power at a price consumers can afford is a greater challenge to TVA than ever before. This table indicates the changes in TVA rates in recent years.

AVERAGE CHANGES IN PRICES OF TVA POWER TO ULTIMATE CONSUMERS, JULY 1967 TO JANUARY 1975

(In percent)

Effective date of increase	Residential	General power ¹	Other	Total
July 1967.....	8.5	5.8	3.3	6.9
March 1969.....	4.2	5.3	3.4	7.0
August 1969.....	4.7	6.0	1.9	5.2
August 1970.....	2.5	3.0	1.1	2.7
October 1970.....	19.6	22.0	9.5	28.6
January 1973.....	6.4	8.2	3.4	7.4
January 1974.....	13.5	17.7	3.5	15.6
August 1974 ²	3.1	4.1	.9	3.7
January 1975 ³	18.3	24.8	5.7	21.9
Cumulative increase.....	124.0	145.5	37.5	133.9

¹Includes directly served prevailing rate consumers.

²Increase based on initial amounts charged under July 1974 fuel cost adjustment addendum.

³Approximately 1/3 of this adjustment reflects a continuation of the July 1974 cost adjustment. Half the increase was caused by adjustments to reflect costs of purchased power.

Yet TVA rates—despite the increases—remain among the lowest in the Nation. This chart shows how TVA compares with some other areas.

MONTHLY RESIDENTIAL ELECTRIC BILLS, 1,000 KILOWATT-HOURS, AUGUST 1975

New York, \$62.	Chicago, \$29.
Boston, \$42.	Little Rock, \$29.
Atlanta, \$33.	Los Angeles, \$29.
Washington, D.C., \$32.	Louisville, \$26.
Asheville, \$30.	TVA R-2, \$25.
Birmingham, \$30.	Portland, Oreg., \$16.
St. Louis, \$30.	

Note: Bills for others are based on residential rate information obtained directly from the utilities. Bills include all currently applicable adjustments and charges except local and State sales taxes. TVA rate level R-2 is typical of basic residential bills in TVA service area; amount may vary in particular locations due to rate level difference and application of special charges.

For the 12 months ending with June 1975, TVA's average residential rate was 1.76 cents per kilowatt-hour as compared with a national average of 3.04 cents per kilowatt-hour or TVA's rate was 42.1 percent lower than the national average.

For the 12 months ending with June 1975 TVA's average rate for all customers was 1.69 cents per kilowatt-hour as compared to a na-

tional average of 2.54 cents per kilowatt-hour or TVA's rate was 33.5 percent lower than the national average.

TVA rates also are lower than those of the neighboring utilities where similarities of marketing, usage, weather and economic conditions exist. A typical example would be TVA residential rate R-2 for 1,000 kilowatt-hours, which is from 8.4 percent to 18.3 percent below the neighboring utilities, and TVA's C-2 industrial rate for 1,000 kilowatts and 400,000 kilowatt-hours ranges from 4.5 percent to 29.5 percent below the neighboring utilities.

AMOUNT OF THE PROPOSED INCREASE IN THE REVENUE BOND AUTHORIZATION

During the past 12 months, the amount of increase in the TVA revenue bond authorization has been under staff review by the TVA and the Office of Management and Budget, proposals for increases ranged from a minimum of \$5 billion to a maximum of removal of any statutory limit in the bonding authority.

The committee is recommending an increase of \$10 billion to bring the total revenue bonding authorization to \$15 billion. This is the same increase as recommended by Chairman Wagner of the TVA and endorsed by the Office of Management and Budget.

Any smaller amount will hamper the TVA in the statutory obligation to provide the region with ample supplies of electric power. This would inhibit the growth of the economy and the creation of the 70,000 new jobs which will be necessary over the next 20 to 30 years to assure that no young person will have to leave the region for lack of job opportunity. With any increase of less than \$10 billion, the TVA would be forced to seek additional authorization in 2 or 3 years, thus quite possibly requiring further legislation early in the 95th Congress, if the TVA is to adhere to its established record of responsible fiscal management.

Those who advocate eliminating any bond ceiling use three strong points. TVA's past record indicates the board would not be likely to issue bonds to finance more power generating capacity unless additional kilowatts of power were needed by valley power users. The reality of controls enforced by the capital markets would operate to discourage or prevent TVA from issuing bonds in a harmful or untimely manner. And, finally, Congress at present reviews TVA's programs on an annual basis with adequate statutory mechanisms for control.

The Committees' recommendation of H.R. 9472 is based on the following considerations:

(1) The \$10 billion increase, along with retained earnings, will provide for expected power construction program costs for facilities anticipated for completion to meet electric power needs of the region into the mid-1980's. Because lead time for planning and construction of generating plants is now about 8 to 10 years, TVA must have sufficient bonding authority to enable it to complete a plant before it can place firm orders for the necessary components. Without the authority, the TVA would be unable to comply with the requirements of the TVA Act to provide the region with ample supplies of electric power.

(2) When the original bond authorization of \$750 million was provided in 1959, it was expected to last for from 5 to 7 years. (H. Rept.

No. 271, 86th Cong., 1st sess., p. 6.) The increase in the authorization to \$1.75 billion voted in 1966 was expected to last for 6 years. (H. Rept. No. 1559, 89th Cong., 2d sess., p. 2.) It actually provided for 2 years less than that because of the cost increases and improved electric energy sales. The increase in the authorization to \$6 billion in mid-1970 was expected to service requirements for from 5 to 7 years. (H. Rept. No. 1278, 91st Cong., 2d sess., p. 4.) The shorter estimate proved more accurate.

These time periods corresponded with the approximate time requirements for planning and construction of generating facilities. More recent experience of the TVA, and other elements of the power industry, indicates 8 to 10 years lead time is required for the procedures involved in construction of major generating facilities. Thus, TVA's planning program extends for 10 years.

It would make no sense, in the committee's view, to provide for a shorter period of system growth now than Congress sought to provide in the three earlier authorizations. The practicability of the revenue bond financing method has been demonstrated by TVA's record of 16 years of successful operation under it. The committee believes that this record warrants sufficient congressional confidence to justify an increase that will last at least as long as the original authorization was intended to last.

(3) Sufficient authorizations should be provided to leave no question concerning TVA's ability to meet the growing demands on its power system for a reasonable period. TVA can provide for these demands only if it has enough borrowing capacity to make firm contracts for required new generating capacity. If growth in demands for power should be at a higher rate than now estimated, even the \$10 billion may not be sufficient for the requirements of the decade. The homeowners and businesses dependent on TVA for power are entitled to plan purchases of heating and labor-saving electrical equipment with confidence on a longer-range basis. So, too, are homeowners and businesses in other areas of the country who, in a power emergency, could be directly affected by the power supply situation on the TVA system with which their own systems are interconnected.

Electricity is the lifeblood of our high energy civilization. It is imperative that industry and government work together in order to avert disruptions to the consuming public which could result if a significant segment of the industry were impeded in meeting its requirements. It would be short-sighted not to continue the long standing policy of providing adequate bond authority to assure that the TVA can do its part in contributing to the reliability of the Nation's power supply.

(4) The 1959 legislation provides expressly that the principal of, and interest on, bonds issued by TVA shall be paid solely from TVA's net power proceeds, and that such payment is not an obligation of or guaranteed by the United States. Accordingly, the bonds are not part of the public debt, and an increase in the bond authorization to \$15 billion would have no effect on the debt ceiling.

(5) The increase in the bonding ceiling to \$15 billion is essential to continuation of the basic TVA electric power policy of providing ample supplies of electricity at the lowest possible cost. This has particularly valuable national benefits at the present time.

(a) The total Federal electric bill is less than it would be at average national rates because TVA can provide ample supplies of electric

power at the lowest possible cost for the significant Federal power requirements in the region.

(b) The electric power policy, established by the TVA act, encourages the engagement of electric power produced from coal, hydroelectric power, and nuclear fuel and thus reduces total national demand for natural gas and fuel oil.

(c) The reliability of the TVA system is of vital importance to electric power consumers in a large section of the Nation because of the interconnections and power exchange agreements with many of the other electric power suppliers. These arrangements enable all systems to have available adequate supplies of electric power at the least possible capital investment by the individual system.

(6) There are no disadvantages that the committee can see in providing an authorization of \$15 billion. If growth in power demands in the TVA system should for any reason be less than now anticipated, the only result would be that TVA would slow down its construction program and its issuance of bonds, and the authorization would last somewhat longer.

In summary, the committee is convinced that an increase in the authorization to less than \$15 billion would be inadequate, that strong reasons for an increase to at least this amount, and that such an increase would have no important disadvantages as compared to a lesser amount.

CHANGE TO ANNUAL PAYMENTS

Section (b) of H.R. 9472 concerns the time of payments by the TVA to the Treasury as a repayment of the original Federal investment and the annual interest equivalent payments on the outstanding principle amount of the investment. It does not alter the amount of the payments.

TVA was on an annual basis for payments to the Treasury, the same as other Federal Corporations, prior to the 1959 TVA amendments. The 1959 amendments provided for extensive new arrangements for TVA's financial affairs and one of the changes established semiannual payments to the Treasury.

By deletion of the December 31 payment date as provided in H.R. 9472, the TVA would be required to make the full payment before June 30.

The other Government Corporations such as Commodity Credit Corporation, Export-Import Bank, Federal Savings and Loan Insurance Corporation, and the Panama Canal Co., make their payments on an annual basis.

Since the extensive new financial arrangements established for TVA 16 years ago, the TVA has proven to be completely responsible in all financial obligations to the Treasury and to the bond holders.

By returning TVA to the normal annual payments of other Federal Corporations, TVA would have full use of the payment funds until the payment date as other similar Government Corporations do.

Section (b) of H.R. 9472 changes only the date of the payment, not the amount.

COMMITTEE VIEWS

The committee is aware of the broad support for this legislation in the TVA area and the urgent requirement to meet the power needs of

the entire area. When the committee reported out the original self-financing bill in 1959, it was believed that the \$750 million ceiling on TVA bond financing would require a review and increase after a period of 5 to 7 years. In 1966 the committee provided authorization for an anticipated period of 6 years. The report submitted by the committee on the 1966 amendments noted at that time that this would permit the homeowners and the business enterprises of the region to plan for the future, confident that their power supply would continue to meet their demands.

Additional review and alteration of the bond authorization was anticipated by the committee when the 1970 amendment increased the ceiling to \$5 billion.

The Committee conducted an intensive review of the programs and policies of the Tennessee Valley Authority in April and May, 1975. These oversight hearings produced a voluminous record which will be of great assistance to the Committee in evaluating TVA's performance and responsiveness in meeting the mandate of its Act. Attention must and will be given to several areas of concern including the responsiveness of TVA to the economic and environmental needs of the region in which it operates as evidenced through its projections and plans for power expansion during the next decade.

It is the Committee's view, however, that the approval of adequate financing for expansion as a matter of practicality and necessity must be approved without further delay. TVA will exhaust its obligational authority under its present debt ceiling within weeks. Without approval of a ceiling increase the construction program of TVA would be disrupted and the ability of the system to meet projected demands would be threatened.

The commitment of the Committee to the provision of adequate financing to meet the needs of the people served by the TVA does not necessarily represent agreement with the views of the management of TVA as to the proper manner of meeting those needs. Neither does the Committee's action on this increase constitute an endorsement of the construction program presented to the Committee by the Chairman of the Board of Directors of the Tennessee Valley Authority. These issues are reserved and will be taken up by the Committee early in the second session of the 94th Congress.

BUDGET IMPACT OF H.R. 9472

Both the House of Representatives and the Senate Budget Committee have adopted guidelines consistent with the increase proposed in H.R. 9472.

It is the view of the Committee that the bonding authority of the Tennessee Valley Authority is not properly "budget authority" within the purview of the Congressional Budget Act of 1974. That Act defines "budget authority" to be:

. . . authority provided by law to enter into obligations which will result in immediate or future outlays involving Government funds. . . .

Since the Tennessee Valley Authority Act as amended in 1959 specifically provides that the bonds of TVA are not guaranteed or in any way secured by the federal government, and must be repaid out of the pro-

ceeds of TVA's power sales, the obligations represented by bond issues under the increased ceiling will not result in any outlay involving "Government funds."

Previous ceiling increases have been carried in the President's Budget as budget authority as a bookkeeping convenience. Continuation of this practice under recently enacted budget controls will result in confusion. It is therefore the finding of the Committee that in the future the bond ceiling of TVA and outlays of funds generated by the issuance of obligations under the self-financing authority of TVA should be shown in the federal budgetary processes in a manner consistent with the Tennessee Valley Authority Act and not as regular "budget authority."

VIEWS OF FEDERAL AGENCIES

TENNESSEE VALLEY AUTHORITY,
Knowville, Tenn., September 3, 1975.

The VICE PRESIDENT,
*The United States Senate,
Washington, D.C.*

DEAR MR. VICE PRESIDENT: I am pleased to transmit to the Congress proposed legislation to amend the Tennessee Valley Authority Act by raising to \$15 billion the ceiling on TVA's authority to issue revenue bonds.

This \$10 billion increase is required to complete construction of a number of electric generating facilities presently under construction or proposed for construction to meet the projected electric energy needs of the Tennessee Valley region. The intent of this proposed legislation is to fully fund needed power generating equipment, including the following generating stations: Cumberland Steam Plant; Raccoon Mountain Pumped-Storage Project; Browns Ferry, Sequoyah, Watts Bar, and Bellefonte Nuclear Plants; the proposed Hartsville Nuclear Plant; nuclear plants being considered for the Yellow Creek and Phipps Bend sites as well as an additional generating facility.

These facilities are essential to assure that the growth of the economy and creation of jobs is not inhibited by the lack of an ample supply of electric power in the Tennessee Valley area. Without an increase in borrowing authority these facilities now under construction and the three planned nuclear plants cannot be completed and TVA will not be able to continue to carry out its responsibility to meet the needs for electricity in its area. For this reason I respectfully urge Congress to give early and favorable consideration to this proposed legislation.

The Office of Management and Budget has advised that there would be no objection to the presentation of this proposal to the Congress from the standpoint of the President's program.

Very truly yours,

AUBREY J. WAGNER,
Chairman.

[Enclosure.]

A BILL To amend section 15d of the Tennessee Valley Authority Act of 1933 to increase the amount of bonds which may be issued by the Tennessee Valley Authority

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That

the first sentence of subsection (a) of section 15d of the Tennessee Valley Authority Act of 1933, as amended (16 U.S.C. 831n-4), is amended by striking out "\$5,000,000,000" and inserting in lieu thereof "\$15,000,000,000."

HEARINGS

The Public Works Committee conducted no separate hearings on H.R. 9472. In April and May, 1975, the Committee conducted six days of oversight hearings into the programs and policies of the Tennessee Valley Authority. These hearings which explored extensively the construction and financing programs of the TVA are printed in two volumes as public works hearing document, serial number 94-H12.

COSTS OF THE LEGISLATION

There will be no cost to the United States in the carrying out of H.R. 9472 in fiscal year 1976 or in any subsequent fiscal period.

ROLLCALL VOTES DURING COMMITTEE CONSIDERATION

Pursuant to Section 133 of the Legislative Reorganization Act of 1970 and the rules of the Committee on Public Works, rollcall votes are herein announced.

During the Committee's consideration of H.R. 9472 on November 14, 1975, a roll call vote was taken on Senator Baker's motion to report the bill without amendment. The motion passed by a vote of 10-2 with Senators Randolph, Baker, Bentsen, Buckley, Burdick, McClure, Montoya, Morgan, and Stafford voting in the affirmative and Senators Gravel and Hart in the negative.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of the rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill as reported are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TENNESSEE VALLEY AUTHORITY ACT OF 1933, PUBLIC LAW 17,
73D CONGRESS, MAY 18, 1933, 48 STAT. 58

SEC. 15d. (a) The Corporation is authorized to issue and sell bonds, notes, and other evidence of indebtedness (hereinafter collectively referred to as "bonds") in an amount not exceeding **[\$5,000,000,000]** *\$15,000,000,000* outstanding at any one time to assist in financing its power program and to refund such bonds. The Corporation may, in performing functions authorized by this Act, use the proceeds of such bonds for the construction, acquisition, enlargement, improvement, or replacement of any plant or other facility used or to be used for the generation or transmission of electric power (including the portion of any multiple-purpose structure used or to be used for power generation); as may be required in connection with the lease, lease-purchase, or any contract for the power output of any such plant or other facility; and for other purposes incidental thereto. Unless otherwise specifically authorized by Act of Congress the Corporation shall make no

contracts for the sale or delivery of power which would have the effect of making the Corporation or its distributors, directly or indirectly, a source of power supply outside the area for which the Corporation or its distributors were the primary source of power supply on July 1, 1957, and such additional area extending not more than five miles around the periphery of such area as may be necessary to care for the growth of the Corporation and its distributors within said area: *Provided, however, That such additional area shall not in any event increase by more than 2½ per centum (or two thousand square miles, whichever is the lesser) the area for which the Corporation and its distributors were the primary source of power supply on July 1, 1957: And provided further, That no part of such additional area may be in a State not now served by the Corporation or its distributors or in a municipality receiving electric service from another source on or after July 1, 1957, and no more than five hundred square miles of such additional area may be in any one State now served by the Corporation or its distributors.*

* * * * *

(e) From net power proceeds in excess of those required to meet the Corporation's obligations under the provisions of any bond or bond contract, the Corporation shall, beginning with fiscal year 1961, make payments into the Treasury as miscellaneous receipts on or before [December 31 and] June 30, of each fiscal year as a return on the appropriation investment in the Corporation's power facilities, plus a repayment sum of not less than \$10,000,000 for each of the first five fiscal years, \$15,000,000 for each of the next five fiscal years, and \$20,000,000 for each fiscal year thereafter, which repayment sum shall be applied to reduction of said appropriation investment until a total of \$1,000,000,000 of said appropriation investment shall have been repaid. The said appropriation investment shall consist, in any fiscal year, of that part of the Corporation's total investment assigned to power as of the beginning of the fiscal year (including both completed plant and construction in progress) which has been provided from appropriations or by transfers of property from other Government agencies without reimbursement by the Corporation, less repayments of such appropriation investment made under title II of the Government Corporations Appropriation Act, 1948, this Act, or other applicable legislation. The payment as a return on the appropriation investment in each fiscal year shall be equal to the computed average interest rate payable by the Treasury upon its total marketable public obligations as of the beginning of said fiscal year applied to said appropriation investment. Payments due hereunder may be deferred for not more than two years when, in the judgment of the Board of Directors of the Corporation, such payments cannot feasibly be made because of inadequacy of funds occasioned by drought, poor business conditions, emergency replacements, or other factors beyond the control of the Corporation.

* * * * *

TVA BONDING AUTHORITY

SEPTEMBER 24, 1975.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

MR. JONES of Alabama, from the Committee on Public Works and Transportation, submitted the following

REPORT

[To accompany H.R. 9472]

The Committee on Public Works and Transportation, to whom was referred the bill (H.R. 9472) to amend section 15d of the Tennessee Valley Authority Act of 1933 to increase the amount of bonds which may be issued by the Tennessee Valley Authority, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF THE BILL

H.R. 9472 will increase from \$5 billion to \$15 billion the amount of revenue bonds which the Tennessee Valley Authority may have outstanding to finance additions to its power system and allow for annual payments to the Treasury for earlier appropriated investments as is the case for other Federal corporations. Its enactment will not change in any way of the other provisions of the Tennessee Valley Authority Act.

GENERAL STATEMENT

Forty-two years ago the Tennessee Valley Authority (TVA) was created as, in the words of the Presidential message recommending its creation:

* * * a corporation clothed with the power of Government, but possessed of the flexibility and initiative of a private enterprise. It should be charged with the broadest duty of planning for the proper use, conservation, and development of the natural resources of the Tennessee River drainage basin and its adjoining territory for the general social and economic welfare of the Nation. This authority should also be clothed with the necessary power to carry these plans into effect.

Today, the TVA regional resource development program is known and acclaimed as one of the most successful governmental public improvement projects ever undertaken. The whole world knows of TVA's work in harnessing a great river for navigation, power production, and other uses such as recreation; in preventing devastating floods; in helping through the introduction of new fertilizers and farm practices and the use of scientific soil-conserving farm practices; in encouraging the conservation and proper utilization of a great forest resource; in providing adequate supplies of economical electric power; and, through all these activities, in helping an economically depressed region to take advantage of its opportunities to industrialize and to make the best use of its resources in improving its economy. This is an American success story, nurtured over the years by the Congress on a bipartisan basis. It has been regarded throughout the world as a model from whose experience many countries have borrowed.

ELECTRICITY AS A RESOURCE TOOL

Electric power is one of the great resource tools provided by TVA within the region in which it conducts its operations. TVA is the power supplier for an area of about 80,000 square miles containing nearly 7 million people. TVA generates, transmits, and sells power to distribution systems, which in turn retail power to their own customers. It also supplies power directly to 50 industries which have large or unusual power requirements and to 11 Federal installations, including the ERDA plants at Oak Ridge, Tenn., and Paducah, Ky. The distributors are municipalities and rural electric cooperatives which purchase their power at wholesale from TVA to serve about 2½ million electric customers, including homes, farms, businesses, and most of the region's industries.

But the importance of the TVA power system is by no means limited to electric consumers in the area which TVA supplies directly. The TVA system, which with 26.7 million kilowatts of presently installed generating capacity is the Nation's largest, is interconnected at 27 points with neighboring systems with which TVA exchanges power. The TVA system is, in effect, part of a huge power network. In a time of power emergency, operation of the TVA power system could have a definite impact on power supply conditions from the Great Lakes to the Gulf of Mexico and from New England to Oklahoma and Texas.

These interconnections with other regions allow exchanges of power to meet peak requirements on a day to day as well as seasonal basis. Thus, all interconnected systems can make maximum use of existing facilities to meet consumer requirements with the minimum capital investment.

The unique energy use patterns of the TVA service area, with extensive use of electric power for space heating and industrial applications, have great significance for the Nation's energy independence goals. Because TVA power is almost exclusively produced with domestic fuels of greatest abundance, the per capita consumption of

oil and natural gas in the region is considerably below national averages.

NEED FOR THE LEGISLATION

The 1970 TVA amendments (Public Law 91-446) established a bond ceiling of \$5 billion. By December 31, 1975, TVA's total of bonds and notes outstanding will exceed \$4 billion, and commitments for equipment on order but not yet delivered will have totally exhausted the remaining unobligated borrowing authority. Without the \$10 billion increase in the bond ceiling, TVA would have to alter construction and procurement schedules to such an extent that only the most critical work would continue. At the very least, this disruption in orderly construction schedules would result in additional costs and would create significant unemployment among the 9,000 construction workers employed in this program. Equally important is the long run effect. A disruption of the construction program could mean real difficulties in meeting the power requirements of the region's consumers in the future.

The 21.2 million kilowatts of capacity now under construction or on order is needed to serve expected growth in TVA power loads. Over the next 10 years the total electrical energy requirements of the region are projected to increase from 112 billion kilowatt-hours to about 220 billion kilowatt-hours. Twenty billion of this 108 billion kilowatt-hour increase will occur in the requirements of ERDA, primarily for gaseous diffusion plants. The remaining increase in the requirements of industry and power distributors amounting to about 88 billion kilowatt-hours is based on nearly a 7 percent rate of increase. This is almost the same rate of growth experienced during the last 10 years, computed to include the severely depressed sales levels of 1975 and thus represent recovery from the recession as well as long term growth.

The table below listing annual TVA power sales since 1960 indicates the variations in the rate of increase from year to year. Weather conditions, regional and national economic conditions and changes in the substantial Federal load affect the rate of change in a given fiscal year.

Total system sales
(Millions of kilowatt-hours)

1975	106,433.2	1967	82,086.7
1974	106,144.7	1966	77,105.3
1973	103,472.6	1965	69,860.8
1972	91,090.4	1964	68,449.8
1971	90,647.6	1963	63,817.9
1970	90,722.3	1962	60,321.2
1969	86,373.9	1961	60,101.2
1968	84,720.1	1960	59,342.6

During the 16-year period, the Federal load decreased from a high of 28,284 million kilowatt-hours in 1960 to a low of 11,773.5 million kilowatt-hours in 1971. Direct sales to industries decreased from previous levels in 5 of the 16 years—1961, 1971, 1972, 1973, and 1975. Sales to municipalities and cooperatives show a steady increase throughout the period.

The amount of lead time required between the placing of orders for generating equipment and the time when the generating capacity will be in service has continued to increase from the approximately 3- to 4-year lead time for a coal fired steamplant built in the 1960's to an approximate 9- to 10-year for the nuclear-fueled steamplants being added now. The additional capacity now on order or under construction includes 4 combustion turbines, 4 pumped storage hydro units for peaking purposes, and 15 nuclear-fueled units.

TVA'S PAST USE OF REVENUE BOND AUTHORIZATION

Congress amended the TVA Act in 1959 to authorize TVA to issue revenue bonds for financing power facilities. That amendment authorized TVA to have outstanding up to \$750 million in borrowings and provided that such bonds issued by TVA would not be obligations of or be guaranteed by the United States. It further provided that annually TVA make two types of payments to the U.S. Treasury, one a return on the Government appropriations remaining invested in the power system at the average cost of money to the Government, and one a repayment of a portion of those appropriations.

The 1959 amendment also provided that TVA shall charge rates for power which will produce gross revenues sufficient to cover all costs of operation, maintenance, and administration; to make payments to State and local governments in lieu of taxes; to pay the debt service on borrowings; and to provide such additional margin as the Board may consider desirable for investment in power system assets and other purposes, having due regard for the primary objectives of the TVA Act, including the objective that power shall be sold at rates as low as feasible.

Subsequently, to enable TVA to borrow sufficient funds to finance the construction of the additional facilities necessary to supply the increased power requirements of the region, in August 1966 Congress revised the limit to \$1,750 million; then in October 1970, Congress raised the limit to \$5 billion. Expenditures and commitments under the \$5 billion authority have risen to the point where TVA must again seek additional borrowing authority to enable it to discharge its responsibility of supplying electric power to accomplish the physical, social, and economic development of the area it serves.

TVA is the power supplier for an 80,000-square-mile region which has a population of nearly 7 million people. TVA generates and transmits electricity to meet the needs of 160 municipal and cooperative distribution systems which retail power to their customers. TVA also serves directly 50 industries which have large or unusual power requirements and 11 Federal installations.

The distributors of TVA power include 110 municipalities and 50 rural electric cooperatives that are locally owned and operated. These distributors purchase power at wholesale from TVA and, together, they serve about 2½ million electric customers—homes, farms, businesses, and the majority of industries.

In 1959 TVA provided about 57 billion kilowatt-hours to meet the region's electrical needs. By fiscal year 1975 this amount had almost

doubled to more than 106 billion kilowatt-hours. This increase in electric power produced provided low-cost benefits to the region and the Nation.

HOME POWER NEEDS TRIPLED

The number of residential customers increased from about 1,225,000 in 1959 to well over 2 million in 1975, and their power needs more than tripled from 9.4 billion kilowatt-hours to 31.8 billion kilowatt-hours in that period. The average amount of electricity used in homes in the Tennessee Valley has almost doubled from 7,863 kilowatt-hours in 1959 to 14,540 in fiscal year 1975. This increase reflects primarily the increased use of electricity for essential needs—home and water, heating and air-conditioning. At the present time about 42 percent of the homes in the valley are heated by electricity. This compares to 11 percent nationally.

The requirements of business and industry for electricity have also tripled, from 16.5 billion kilowatt-hours in 1959 to 50.1 billion kilowatt-hours in fiscal year 1975. Paralleling this increase in power requirements was an increase in employment of about 1 million, and an increase in capital investment by industry of about \$8 billion. These increased opportunities for employment have helped raise the per capita income in the valley relative to the national average and have helped reverse the outmigration of the valley's young people.

The needs of the large government establishments in the TVA region served directly by TVA have been a varying influence on the total rate of growth. The predominant segment of the Government-required load, about 90 percent, is in sales to the Energy Research and Development Administration (ERDA, formerly part of the Atomic Energy Commission) for the gaseous diffusion plants at Oak Ridge and Paducah. Sales to ERDA decreased from the 1957 peak of 31.2 billion kilowatt-hours to a low point of 10.5 billion kilowatt-hours in 1971, and rose from that point to 18.2 billion kilowatt-hours in fiscal year 1975. Under contracts between TVA and ERDA, sales are expected to increase by more than 20 billion kilowatt-hours between now and 1985.

POWER REQUIREMENTS SERVED BY BORROWINGS

Borrowings under the act have enabled TVA to build to serve these growing needs—from a capacity of 11 million kilowatts in service and 1.7 million kilowatts under construction in 1959 to a capacity today of 26.7 million kilowatts with another 21.2 million kilowatts currently under construction or on order. The large increase in capacity under construction is principally the result of the longer lead times required to install generating capacity today. The transmission system has increased from about 12,000 miles of transmission lines with the highest voltage at 161,000 volts, to almost 17,000 miles of lines with over 1,500 miles at the extra-high voltage of 500,000 volts.

TVA's net investment in power assets at June 30, 1975, was approximately \$5.6 billion, made up of \$1 billion of appropriations, \$870 million of retained earnings, and \$3,660 million of outstanding borrowings. The assets of the Corporation are in the name of the United

States. These borrowings include \$2,075 million of bonds sold to the general public, \$800 million of bonds and \$635 million of short-term notes sold to the Federal Financing Bank, and \$150 million of short-term notes sold to the U.S. Treasury.

At the time the first bond issue was sold in 1960, the interest cost to TVA was 4.44 percent. With interest rates generally rising over the years, TVA bonds sold at the peak of interest rates in June 1970 cost TVA 9.29 percent. The 25 bond issues now outstanding have an average interest cost of 7.69 percent. TVA's bonds sold to the public have all received the highest bond ratings by both Moody's and Standard & Poor's and have been well received in the market at interest rates lower than or comparable to those of triple-A utility systems and communication systems.

In accordance with the provisions of the 1959 amendment, TVA has each fiscal year made payments to the Treasury, in recognition of the previous investment of appropriated funds in the TVA power system. TVA has made annual repayments of the appropriation investment at the rate of \$10 million a year from 1961-65, \$15 million a year for the next 5 years, and \$20 million a year starting in fiscal year 1971—a total of \$225 million through the 15 years ending in June 1975. At the same time payments as a return on the appropriations remaining invested in the TVA power system have been made in compliance with the requirements of the 1959 amendment as determined by applying the average interest rate payable by the Treasury on its total marketable public obligations at the beginning of each year to the net appropriation investment in TVA power facilities. These annual payments have varied from a low of \$36.5 million at a rate of 3.063 percent in fiscal year 1962 to a high of \$71.4 million at a rate of 7.030 percent in the fiscal year just ended, and total \$757.8 million for the 15-year period.

To summarize, in repayment of the appropriation investment, and return on that investment, TVA has paid into the U.S. Treasury a total of \$982.8 million. This year TVA payments will go beyond the \$1 billion mark.

POWER CONSTRUCTION PROGRAM REVIEWS

The TVA's power construction program and operation of the electric system is under continuing review by members and staff of the Committee. Hearings and special examinations are set as necessary. The TVA follows all of the licensing and public hearings procedures applicable to individual power plants.

The General Accounting Office annually inspects the accounts of the TVA and reports to the Congress. Special GAO investigations of TVA are conducted at the request of Members of Congress.

The other legislative committees of the Congress examine specific aspects of TVA's operations as the need arises.

The appropriations committees consider in detail funding of the total TVA program, including a comprehensive review of the power program, each year. Generally, the hearings require several days.

In addition, before the TVA can initiate construction of any new power producing project, whether from bond proceeds or power revenues, the Congress is advised and provided 90 days to take action to modify the project by concurrent resolution. (TVA Act Section 15d(a)).

The projected power construction program for each year is transmitted to the Congress by the President, with his recommendations, in the budget estimates.

TVA EASES NATIONAL ENERGY PROBLEMS

The congressionally mandated TVA policy of ample supplies of electric power at the lowest possible cost has resulted in desirable patterns of fuel use in the Tennessee Valley by lessening requirements of oil and natural gas which are in short supply nationally.

The use of alternative fuels, primarily coal, as a source of steam for generation of electricity means more of a scarce fuel oil and natural gas is available to other part of the country than would be the case if national usage patterns were followed in the TVA area.

Steam-Electric Plant Factors, 1973, published by the National Coal Association, indicates that nationally coal accounted for 54.3 percent of the fuel consumed by steam-electric power generating plants in 1972 while oil supplied 18.7 percent of the power and gas 27 percent. On the TVA system, coal accounted for 97.4 percent of the steam-generated power, while gas and oil accounted for 2.6 percent. Some of the latter was used for startup purposes.

The State of Tennessee, which is provided electricity almost entirely by TVA, presents a startling contrast to the national averages in percentage of the various fuels consumer. *Energy in Tennessee*, the Report of the Governor's Task Force on Energy, November 19, 1973, indicates that the State's use of coal, an energy resource of abundance, is 100 percent greater than in the total United States. Coal comprises 39 percent of all energy in Tennessee, while only 19 percent of the nation's energy consumption (in Btu's.) Petroleum products (including transportation use) make up 30 percent of the Tennessee energy picture compared to 45 percent for the Nation. Natural gas supplies 25 percent of Tennessee energy requirements in contrast to the 34 percent nationally. Hydro-generation of electricity accounts for 6 percent of Tennessee's energy and less than 2 percent for the Nation. Nuclear energy was not in production by TVA when the survey was made.

The northern third of Alabama is served by TVA and a pattern similar to Tennessee for the use of the various fuel sources was reported for Alabama by the Energy Economics Division of the Alabama Energy Management Board.

The President's proposal for achieving Project Independence by 1985 anticipates coal as a major fuel source for the United States. Such a goal will require tripling of coal production and also expansion of transportation systems. The TVA electric system, with almost total use of coal for steam generation of electric power, has already achieved this important part of the Project Independence goals.

ENERGY USE IN THE TVA REGION

Natural gas, fuel oil, and liquified petroleum gas have had a decreasing role in the heating of homes and businesses in the TVA area as the use of coal, converted to electricity, becomes more significant.

The intensity of electricity as a source of energy in the homes in the TVA area, compared to the United States, for a recent year (fiscal year 1974 for TVA; calendar year 1974 for the United States) is indicated.

	Percent of homes	
	TVA area	United States
Electric heat.....	42	11
Electric stove.....	79	68
Electric water heater.....	71	40

The average annual use of electricity by a residential consumer in calendar 1974 was 14,330 kilowatt-hours for the TVA area and 7,907 kilowatt-hours for the United States.

The TVA distributors added 57,000 new customers during fiscal year 1975, despite the nationwide slowdown in housing construction, for a total of 2,459,000 retail customers at year end. Residential customers used an average of 14,540 kilowatt-hours per home during the year, a slight increase resulting in part from the great percent of new homes using electricity for space heating.

In 1974 approximately 75 percent of the 80,000 new homes in the TVA area installed electric heat. Without this significant use of electric heat in the TVA area, the already severe problems in the shortages of petroleum products and natural gas would have been worse.

Other indicators of electricity as a major energy source in the TVA region are the number of large, electricity intensive industries located in the area and the two ERDA gaseous diffusion plants.

There are severe limitations on the use of gas and oil in the region not only because of the scarcity of those resources in this area but also because of problems relating to the distribution of these energy sources in an area comprising 80,000 square miles. Electricity is available practically everywhere within the region. The availability of oil and gas is much more limited, and this points to continuation of electricity as the basic energy source for the region.

Even if the Congresses of 1933 and 1959 could have anticipated the present petroleum supply problems, they could hardly have devised a better policy than that set for the TVA in the program of encouraging low-cost electric power as the basic energy for a significant region of the country.

While the Nation has huge supplies of coal in the earth, the supply is not unlimited and it is costly to extract and transport to generating facilities. Energy conservation measures are receiving renewed attention throughout the TVA area and the Authority is making a positive effort to reduce total demand of individual homes and businesses.

TVA ELECTRIC RATES

The 1959 amendment made clear TVA's responsibilities both to the consumer and to the bondholder. Power must be sold at "rates as low as are feasible." The legislation also requires TVA to charge rates that will produce adequate revenue to cover its costs and financial obligations, and such margin as the Board considers desirable for reinvestment in power system assets and other purposes connected with TVA's power business.

Unlike a utility company, TVA cannot issue additional common stock to help balance its financial structure as additional bonds are issued. It must depend on reinvested earnings as the source of capital to balance these borrowings. Therefore it plows back into the system the power system proceeds that remain each year after paying all costs and the required return on investment to the U.S. Treasury. A reasonable amount of reinvested earnings are in the interest of the power consumers as they reduce the dollars which must be borrowed and on which interest must be paid.

One of the key tests to determine how well an electric utility is carrying out its responsibilities to the public is whether electricity is being supplied at rates the users of electricity can afford. The cost of electricity nationwide has increased at unprecedented rates in recent years, and rates in the TVA area have been no exception, although TVA rates are still much lower than most areas of the country.

With increasing costs on all sides—although principally for fuel, related expenses and interest costs—providing adequate electric power at a price consumers can afford is a greater challenge to TVA than ever before. This table indicates the changes in TVA rates in recent years.

AVERAGE CHANGES IN PRICES OF TVA POWER TO ULTIMATE CONSUMERS, JULY 1967 TO JANUARY 1975

[In percent]

Effective date of increase	Residential	General power ¹	Other	Total
July 1967.....				
March 1969.....	8.5	5.8	3.3	6.9
August 1969.....	9.2	5.3	3.4	7.0
August 1970.....	4.7	6.0	1.9	5.2
October 1970.....	2.5	3.0	1.1	2.7
January 1973.....	19.6	22.0	9.5	20.6
January 1974.....	6.4	8.2	3.4	7.4
August 1974 ²	13.5	17.7	3.5	15.6
January 1975 ³	3.1	4.1	.9	3.7
January 1975 ³	18.3	24.8	5.7	21.9
Cumulative increase.....	124.0	145.5	37.5	133.9

¹ Includes directly served prevailing rate consumers.

² Increase based on initial amounts charged under July 1974 fuel cost adjustment addendum.

³ Approximately one-eighth of this adjustment reflects a continuation of the July 1974 cost adjustment. Half the increase was caused by adjustments to reflect costs of purchased power.

Yet TVA rates—despite the increases—remain among the lowest in the Nation. This chart shows how TVA compares with some other areas.

MONTHLY RESIDENTIAL ELECTRIC BILLS

1,000 Kilowatt-hours

August 1975

New York	██	\$62
Boston	██	\$42
Atlanta	██	\$33
Wash., D.C.	██	\$32
Asheville	██	\$30
Birmingham	██	\$30
St. Louis	██	\$30
Chicago	██	\$29
Little Rock	██	\$29
Los Angeles	██	\$29
Louisville	██	\$26
TVA R-2	██	\$25
Portland, Or.	██	\$16

NOTE: Bills for others are based on residential rate information obtained directly from the utilities. Bills include all currently applicable adjustments and charges except local and state sales taxes. TVA rate level R-2 is typical of basic residential bills in TVA service area; amount may vary in particular locations due to rate level difference and application of special charges.

For the 12 months ending with June 1975, TVA's average residential rate was 1.76 cents per kilowatt-hour as compared with a national average of 3.04 cents per kilowatt-hour or TVA's rate was 42.1 percent lower than the national average.

For the 12 months ending with June 1975 TVA's average rate for all customers was 1.69 cents per kilowatt-hour as compared to a national average of 2.54 cents per kilowatt-hour or TVA's rate was 33.5 percent lower than the national average.

TVA rates also are lower than those of the neighboring utilities where similarities of marketing, usage, weather and economic condi-

tions exist. A typical example would be TVA residential rate R-2 for 1,000 kilowatt-hours, which is from 8.4 percent to 18.3 percent below the neighboring utilities, and TVA's C-2 industrial rate for 1,000 kilowatts and 400,000 kilowatt-hours ranges from 4.5 percent to 29.5 percent below the neighboring utilities.

AMOUNT OF THE PROPOSED INCREASE IN THE REVENUE BOND AUTHORIZATION

During the past 12 months, the amount of increase in the TVA revenue bond authorization has been under staff review by the TVA and the Office of Management and Budget, proposals for increases ranged from a minimum of \$5 billion to a maximum of removal of any statutory limit in the bonding authority.

The committee is recommending an increase of \$10 billion to bring the total revenue bonding authorization to \$15 billion. This is the same increase as recommended by Chairman Wagner of the TVA and endorsed by the Office of Management and Budget.

Any smaller amount will hamper the TVA in the statutory obligation to provide the region with ample supplies of electric power. This would inhibit the growth of the economy and the creation of the 70,000 new jobs which will be necessary over the next 20 to 30 years to assure that no young person will have to leave the region for lack of job opportunity. With any increase of less than \$10 billion, the TVA would be forced to seek additional authorization in 2 or 3 years, thus quite possibly requiring further legislation early in the 95th Congress, if the TVA is to adhere to its established record of responsible fiscal management.

Those who advocate eliminating any bond ceiling use three strong points. TVA's past record indicates the board would not be likely to issue bonds to finance more power generating capacity unless additional kilowatts of power were needed by valley power users. The reality of controls enforced by the capital markets would operate to discourage or prevent TVA from issuing bonds in a harmful or untimely manner. And, finally, Congress at present reviews TVA's programs on an annual basis with adequate statutory mechanisms for control.

The Committees' recommendation of H.R. 9472 is based on the following considerations:

(1) The \$10 billion increase, along with retained earnings, will provide for expected power construction program costs for facilities anticipated for completion to meet electric power needs of the region into the mid-1980's. Because lead time for planning and construction of generating plants is now about 8 to 10 years, TVA must have sufficient bonding authority to enable it to complete a plant before it can place firm orders for the necessary components. Without the authority, the TVA would be unable to comply with the requirements of the TVA Act to provide the region with ample supplies of electric power.

(2) When the original bond authorization of \$750 million was provided in 1959, it was expected to last for from 5 to 7 years. (H. Rept. No. 271, 86th Cong., 1st sess., p. 6.) The increase in the authorization to \$1.75 billion voted in 1966 was expected to last for 6 years. (H. Rept.

No. 1559, 89th Cong., 2d sess., p. 2.) It actually provided for 2 years less than that because of the cost increases and improved electric energy sales. The increase in the authorization to \$6 billion in mid-1970 was expected to service requirements for from 5 to 7 years. (H. Rept. No. 1278, 91st Cong., 2d sess., p. 4.) The shorter estimate proved more accurate.

These time periods corresponded with the approximate time requirements for planning and construction of generating facilities. More recent experience of the TVA, and other elements of the power industry, indicates 8 to 10 years lead time is required for the procedures involved in construction of major generating facilities. Thus, TVA's planning program extends for 10 years.

It would make no sense, in the committee's view, to provide for a shorter period of system growth now than Congress sought to provide in the three earlier authorizations. The practicability of the revenue bond financing method has been demonstrated by TVA's record of 16 years of successful operation under it. The committee believes that this record warrants sufficient congressional confidence to justify an increase that will last at least as long as the original authorization was intended to last.

(3) Sufficient authorization should be provided to leave no question concerning TVA's ability to meet the growing demands on its power system for a reasonable period. TVA can provide for these demands only if it has enough borrowing capacity to make firm contracts for required new generating capacity. If growth in demands for power should be at a higher rate than now estimated, even the \$10 billion may not be sufficient for the requirements of the decade. The homeowners and businesses dependent on TVA for power are entitled to plan purchases of heating and labor-saving electrical equipment with confidence on a longer-range basis. So, too, are homeowners and businesses in other areas of the country who, in a power emergency, could be directly affected by the power supply situation on the TVA system with which their own systems are interconnected.

Electricity is the lifeblood of our high energy civilization. It is imperative that industry and government work together in order to avert disruptions to the consuming public which could result if a significant segment of the industry were impeded in meeting its requirements. It would be short-sighted not to continue the long standing policy of providing adequate bond authority to assure that the TVA can do its part in contributing to reliability of the Nation's power supply.

(4) The 1959 legislation provides expressly that the principal of, and interest on, bonds issues by TVA shall be paid solely from TVA's net power proceeds, and that such payment is not an obligation of or guaranteed by the United States. Accordingly, the bonds are not part of the public debt, and an increase in the bond authorization to \$15 billion would have no effect on the debt ceiling.

(5) The increase in the bonding ceiling to \$15 billion is essential to continuation of the basic TVA electric power policy of providing ample supplies of electricity at the lowest possible cost. This has particularly valuable national benefits at the present time.

(a) The total Federal electric bill is less than it would be at average national rates because TVA can provide ample supplies of electric

power at the lowest possible cost for the significant Federal power requirements in the region.

(b) The electric power policy, established by the TVA act, encourages the engagement of electric power produced from coal, hydroelectric power, and nuclear fuel and thus reduces total national demand for natural gas and fuel oil.

(c) The reliability of the TVA system is of vital importance to electric power consumers in a large section of the Nation because of the interconnections and power exchange agreements with many of the other electric power suppliers. These arrangements enable all systems to have available adequate supplies of electric power at the least possible capital investment by the individual system.

(6) There are no disadvantages that the committee can see in providing an authorization of \$15 billion. If growth in power demands in the TVA system should for any reason be less than now anticipated, the only result would be that TVA would slow down its construction program and its issuance of bonds, and the authorization would last somewhat longer.

In summary, the committee is convinced that an increase in the authorization to less than \$15 billion would be inadequate, that strong reasons for an increase to at least this amount, and that such an increase would have no important disadvantages as compared to a lesser amount.

CHANGE TO ANNUAL PAYMENTS

Section (b) of H.R. 9472 concerns the time of payments by the TVA to the Treasury as a repayment of the original Federal investment and the annual interest equivalent payments on the outstanding principle amount of the investment. It does not alter the amount of the payments.

TVA was on an annual basis for payments to the Treasury, the same as other Federal Corporations, prior to the 1959 TVA amendments. The 1959 amendments provided for extensive new arrangements for TVA's financial affairs and one of the changes established semiannual payments to the Treasury.

By deletion of the December 31 payment date as provided in H.R. 9472, the TVA would be required to make the full payment before June 30.

The other Government Corporations such as Commodity Credit Corporation, Export-Import Bank, Federal Savings and Loan Insurance Corporation, and the Panama Canal Co., make their payments on an annual basis.

Since the extensive new financial arrangements established for TVA 16 years ago, the TVA has proven to be completely responsible in all financial obligations to the Treasury and to the bond holders.

By returning TVA to the normal annual payments of other Federal Corporations, TVA would have full use of the payment funds until the payment date as other similar Government Corporations do.

Section (b) of H.R. 9472 charges only the date of the payment, not the amount.

COMMITTEE VIEWS

The committee is aware of the broad support for this legislation in the TVA area and the urgent requirement to meet the power needs of

the entire areas. When the committee reported out the original self-financing bill in 1959, it was believed that the \$750 million ceiling on TVA bond financing would require a review and increase after a period of 5 to 7 years. In 1966 the committee provided authorization for an anticipated period of 6 years. The report submitted by the committee on the 1966 amendments noted at that time that this would permit the homeowners and the business enterprises of the region to plan for the future, confident that their power supply would continue to meet their demands.

Additional review and alteration of the bond authorization was anticipated by the committee when the 1970 amendment increased the ceiling to \$5 billion.

In hearings and continuing review, the committee finds the TVA has been faithful to the letter and the spirit of the Tennessee Valley Authority Act. TVA has been responsive to the regional and national needs. TVA has been responsible in management of fiscal affairs. In actions and programs, the TVA has been a splendid reflection of the attitudes and aspirations of the people of the region and of the Nation.

Ample need exists for increasing from \$5 billion to \$15 billion the amount of revenue bonds which the Tennessee Valley Authority may have outstanding to finance additions to the power system and that the TVA payments to the Treasury should be made on an annual basis as provided in H.R. 9472.

VIEWS OF THE FEDERAL AGENCIES

TENNESSEE VALLEY AUTHORITY,
Knoxville, Tenn., September 3, 1975.

HON. CARL ALBERT,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: I am pleased to transmit to the Congress proposed legislation to amend the Tennessee Valley Authority Act by raising to \$15 billion the ceiling on TVA's authority to issue revenue bonds.

This \$10 billion increase is required to complete construction of a number of electric generating facilities presently under construction or proposed for construction to meet the projected electric energy needs of the Tennessee Valley region. The intent of this proposed legislation is to fully fund needed power generating equipment, including the following generating stations: Cumberland Steam Plant; Raccoon Mountain Pumped-Storage Project; Browns Ferry, Sequoyah, Watts Bar, and Bellefonte Nuclear Plants; the proposed Hartsville Nuclear Plant; nuclear plants being considered for the Yellow Creek and Phipps Bend sites as well as an additional generating facility.

These facilities are essential to assure that the growth of the economy and creation of jobs is not inhibited by the lack of an ample supply of electric power in the Tennessee Valley area. Without an increase in borrowing authority these facilities now under construction and the three planned nuclear plants cannot be completed and TVA will not be able to continue to carry out its responsibility to meet the needs for electricity in its area. For this reason I respectfully urge Congress to give early and favorable consideration to this proposed legislation.

The Office of Management and Budget has advised that there would be no objection to the presentation of this proposal to the Congress from the standpoint of the President's program.

Very truly yours,

AUBREY J. WAGNER, *Chairman.*

A BILL To amend section 15d of the Tennessee Valley Authority Act of 1933 to increase the amount of bonds which may be issued by the Tennessee Valley Authority

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence of subsection (a) of section 15d of the Tennessee Valley Authority Act of 1933, as amended (16 U.S.C. 831n-4), is amended by striking out "\$5,000,000,000" and inserting in lieu thereof "\$15,000,000,000."

COMPLIANCE WITH CLAUSE 2(1) OF RULE XI OF THE RULES OF THE HOUSE OF REPRESENTATIVES

(1) With reference to clause 2(1)(3)(A) of rule XI of the Rules of the House of Representatives, no separate hearings were held on the subject matter of this legislation by the Subcommittee on Investigations and Review, however, the Committee on Public Works and Transportation held a hearing on this subject matter which resulted in the reported bill.

(2) With reference to section 308(a)(1)(C), H.R. 9472, as reported, provides no financial assistance to State and local governments.

(3) With respect to clause 2(1)(3)(C) of the Rules of the House of Representatives, the Committee has not received an estimate and comparison prepared by the Director of the Congressional Budget Office under section 403 of the Congressional Budget Act.

(4) With respect to clause 2(1)(3)(D) of rule XI of the Rules of the House of Representatives, the Committee has not received a report from the Committee on Government Operations pertaining to the subject matter.

(5) With reference to clause 2(1)(4) of rule XI of the Rules of the House of Representatives, the following information is provided:

The legislation provides that the TVA may issue up to \$10 billion in additional revenue bonds to help finance construction, repair and improvement of electric power generating and transmission facilities. The bonds would be issued in incremental amounts by the TVA as the construction work proceeds over a 10-year period. This is almost the same level of construction and the same rate of bond financing the TVA has followed for more than 5 years.

Without the authorization to continue the power construction program, alternate, more expensive sources of energy would have to be secured by residents, businesses, industries and the federal government for power requirements within the 80,000 square mile area.

Approximately 9,000 construction jobs are directly involved in the TVA power program. Because the legislation will make available additional sources of power, new industrial development will be possible within the service region and thus additional jobs will be created.

Accordingly, the Committee has determined that the enactment of this legislation will not have an inflationary impact on prices and costs in the operation of the National economy.

COST OF THE LEGISLATION

In accordance with rule XII(7) of the Rules of the House of Representatives, it has been determined that there are no costs to the United States in carrying out H.R. 9472, in fiscal year 1976 and each of the following 5 years.

VOTE

The committee ordered the bill reported by voice vote.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman) :

SECTION 15d OF THE TENNESSEE VALLEY AUTHORITY ACT OF 1933

SEC. 15d. (a) The Corporation is authorized to issue and sell bonds, notes, and other evidences of indebtedness (hereinafter collectively referred to as "bonds") in an amount not exceeding **[\$5,000,000,000]** *\$15,000,000,000* outstanding at any one time to assist in financing its power program and to refund such bonds. The Corporation may, in performing functions authorized by this Act, use the proceeds of such bonds for the construction, acquisition, enlargement, improvement, or replacement of any plant or other facility used or to be used for the generation or transmission of electric power (including the portion of any multiple-purpose structure used or to be used for power generation) ; as may be required in connection with the lease, lease-purchase, or any contract for the power output of any such plant or other facility ; and for other purposes incidental thereto. Unless otherwise specifically authorized by Act of Congress the Corporation shall make no contracts for the sale or delivery of power which would have the effect of making the Corporation or its distributors, directly or indirectly, a source of power supply outside the area for which the Corporation or its distributors were the primary source of power supply on July 1, 1957, and such additional area extending not more than five miles around the periphery of such area as may be necessary to care for the growth of the Corporation and its distributors within said area : *Provided, however,* That such additional area shall not in any event increase by more than 2½ per centum (or two thousand square miles, whichever is the lesser) the area for which the Corporation and its distributors were the primary source of power supply on July 1, 1957 : *And provided further,* That no part of such additional area may be in a State not now served by the Corporation or its distributors or in a municipality receiving electric service from another source on or after July 1, 1957, and no more than five hundred square miles of such addi-

tional area may be in any one State now served by the Corporation or its distributors.

* * * * *

(e) From net power proceeds in excess of those required to meet the Corporation's obligations under the provisions of any bond or bond contract, the Corporation shall, beginning with fiscal year 1961, make payments into the Treasury as miscellaneous receipts on or before [December 31 and] June 30, of each fiscal year as a return on the appropriation investment in the Corporation's power facilities, plus a repayment sum of not less than \$10,000,000 for each of the first five fiscal years, \$15,000,000 for each of the next five fiscal years, and \$20,000,000 for each fiscal year thereafter, which repayment sum shall be applied to reduction of said appropriation investment until a total of \$1,000,000,000 of said appropriation investment shall have been repaid. The said appropriation investment shall consist, in any fiscal year, of that part of the Corporation's total investment assigned to power as of the beginning of the fiscal year (including both completed plant and construction in progress) which has been provided from appropriations or by transfers of property from other Government agencies without reimbursement by the Corporation, less repayments of such appropriation investment made under title II of the Government Corporations Appropriation Act, 1948, this Act, or other applicable legislation. The payment as a return on the appropriation investment in each fiscal year shall be equal to the computed average interest rate payable by the Treasury upon its total marketable public obligations as of the beginning of said fiscal year applied to said appropriation investment. Payments due hereunder may be deferred for not more than two years when, in the judgment of the Board of Directors of the Corporation, such payments cannot feasibly be made because of inadequacy of funds occasioned by drought, poor business conditions, emergency replacements, or other factors beyond the control of the Corporation.

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Ninety-fourth Congress of the United States of America

AT THE FIRST SESSION

*Begun and held at the City of Washington on Tuesday, the fourteenth day of January,
one thousand nine hundred and seventy-five*

An Act

To amend section 15d of the Tennessee Valley Authority Act of 1933 to increase the amount of bonds which may be issued by the Tennessee Valley Authority, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the first sentence of subsection (a) of section 15d of the Tennessee Valley Authority Act of 1933, as amended (16 U.S.C. 831n-4), is amended by striking out "\$5,000,000,000" and inserting in lieu thereof "\$15,000,000,000".

(b) The first sentence of subsection (e) of section 15d of the Tennessee Valley Authority Act of 1933, as amended (16 U.S.C. 831n-4), is amended by striking out "December 31 and".

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*

November 21, 1975

Dear Mr. Director:

The following bills were received at the White House on November 21st:

- H.R. 12
- H.R. 2343 ✓
- H.R. 3922 ✓
- H.R. 8841
- H.R. 9472 ✓

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C.