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SUBCOMMITTEE
INVITATION



EDWARD A. WIGMAN
CHIEF COUNSEL AND STAFF DIRECTOR

United States Senate

COMMITTEE ON
GOVERNMENT OPERATIONS
SUBCOMMITTEE ON REPORTS,
ACCOUNTING, AND MANAGEMENT
(PURSUANT TO S. RES. 111, 94TH CONGRESS)
WASHINGTON, D.C. 20510

16 July 1975

The Honorable Frank G. Zarb
Administrator
Federal Energy Administration
Washington, D.C. 20461

Dear Administrator Zarb:

This Subcommittee has legislative responsibilities concerning the President's proposed Utilities Act of 1975 (Title VII of S. 594). The Subcommittee also conducts Congressional oversight of the Federal Advisory Committee Act. Pursuant to these legislative responsibilities I have scheduled a hearing on 29 July regarding the President's Labor Management Committee and its recommendations regarding electric utilities, which were released by the President on 13 June.

You participated in the deliberations of this Committee. Your agency is also responsible for administrative actions being taken pursuant to the recommendations of the Committee. Therefore I request that you testify at the hearings, which will begin at 10 a.m. in 1318 Dirksen Senate Office Building. I have asked Secretary Dunlop to testify as the lead witness and would welcome your testimony immediately following his.

The Subcommittee is interested in certain procedural operations of the Labor Management Committee, which are not your responsibility. However I shall appreciate having your testimony as to FEA implementation of administrative actions, adjustments of timetables and revisions of environmental restrictions as recommended by the Committee.



Honorable Frank
20 July 1975
Page Two

Twenty copies of your statement should be delivered to Miss Jeanne McNaughton, chief clerk of the Subcommittee, in Room 161 Russell Senate Office Building, no later than 10 a.m. Monday, 28 July. An additional 80 copies should be brought to the hearing room.

I look forward to receiving your testimony.

Very truly yours,

Lee Harvey



PEA TESTIMONY



STATEMENT OF FRANK G. ZARB
ADMINISTRATOR
FEDERAL ENERGY ADMINISTRATION

before the

Subcommittee on Reports, Accounting and Management
of the
Senate Committee on Government Operations
July 31, 1975

Introduction

Mr. Chairman and distinguished members of the subcommittee, I appreciate the opportunity to appear before you today on behalf of recent actions taken by the Federal Energy Administration pursuant to the recommendations of the President's Labor-Management Committee.

Several months ago we appeared before you on behalf of the Utilities Act of 1975, Title VII of the Energy Independence Act. At that time, we urged support of this measure in order to combat the unprecedented financing crisis facing the electric utility industry. The financial aspect of the crisis has abated somewhat during the last few months but the utility industry continues to contend with financing problems and major uncertainties in regulatory, environmental, consumer and energy conservation issues.



One problem which is costly to consumers and adversely effects the Nation's energy and economic objectives, is the long lead time required to construct electric power plants.

In response to this situation, the President's Labor-Management Committee recommended and the President endorsed a series of legislative and administrative measures aimed at increasing electric utility construction and output. To quote the Committee's report:

"Since electric utilities require a number of years to get new plants on stream, the current slippage of schedules and cancellation of new facilities may be expected to result in future energy shortages and serious restrictions to economic expansion. It is imperative that there be substantial restoration of construction of electric utilities at once. Special measures are needed to shorten significantly the very long lead time which now exists between the design of a project and its completion."

Public announcement of the Committee's recommendations was made on June 13.

The major administrative action proposed by the Committee was the establishment of a "small task force of experts to discover the impediments to the completion of electric utility plants and to take steps to relieve the particular situation whenever possible." It was announced

that the task force would be formed on August 1.

I envision the task force as a positive, action-oriented group designed to alleviate problems impeding or delaying construction on a plant specific basis. The task force will focus on removing impediments, where feasible, to the construction of those power plants which have received approval for construction by state public utility commissions. The public's need for the energy exists, as evidenced by the state commissions' approvals. But, for a variety of reasons, the construction of the approved plants may have been delayed or postponed. Inevitably, when this takes place, it is the electricity consumer who suffers through higher utility rates. Inflation during periods of delay drives up the costs of construction. As costs increase, so does the amount of interest paid on the costs of construction. Thus, a much larger amount ultimately goes into the rate base when the completed plant is placed in service.

SURVEY EFFORTS

In anticipation of the formation of the task force, FEA, for the past month, conducted a preliminary fact-finding survey of power plant construction problems on a plant specific basis. The purpose of the survey was to provide an information base for the task force to use as it may deem appropriate. The task force may evaluate

these problems, verify them more extensively and make specific recommendations.

I want to emphasize that the survey effort was a simple fact-finding endeavor, not a problem-solving one. The project was initiated on June 18 with data collection completed by July 17. Within this very short time frame, a tremendous amount of data was accumulated, cross-checked, analyzed and condensed. A draft of the final report will be available by August 1.

The effort was manned by approximately 70 FEA staff members with assistance from the Office of Management and Budget, Federal Power Commission, and Nuclear Regulatory Commission. There were two major aspects of the project: (1) the field team interviews and meetings, and (2) the validation of interview data by Washington office personnel.

Prior to the actual interviews, preliminary data was gathered on each utility surveyed and a trial "run-through" of the interview process itself was held with Baltimore Gas and Electric Company on June 30, 1975. Immediately thereafter, the members of the field teams were briefed extensively on the substance, techniques, and intent of the survey.

At this same time, we contacted, by phone, telegram or letter, a number of industry representatives and public interest groups informing them of the survey and requesting their assistance. On July 3, we notified the National Governor's Conference and, on July 17, the National Association of Regulatory Utility Commissioners. On July 3, we sent a telegram to all State Public Utility Commissions explaining the purpose of the survey and requesting the assistance of state regulatory agencies in fact-finding and verification of data (see Attachment A). We notified the chairman of the FEA Electric Utility and State Regulatory Advisory Committees by phone. On July 8 a press release (see Attachment B) was issued.

On June 30, we sent telegrams (see Attachment C) to 72 major utilities with 230 generating units (see Attachment D). From July 7 to July 16, these utilities were interviewed in one of two ways:


- 44 utilities were visited by 10 field survey teams and interviewed at their offices, and
- 28 utilities were interviewed at meetings conducted at FEA Regional Offices.



The survey teams were assigned to areas roughly corresponding to the ten FEA regions. Each team attempted to visit a coal plant or a nuclear plant under construction, in addition to their general utility meetings. A sample copy of an interview data sheet is attached (see Attachment E).

In addition, the Consumer Affairs/Special Impact Representative in each of our 10 Regional Offices was requested to arrange to have our field teams meet with representative consumer and environmental groups in each Region. Although the survey teams met with 27 consumer and environmental organizations throughout the country. In two instances, special visits were made after the formal surveys had been completed to accommodate those groups requesting such a meeting. (A list of such groups is attached as Attachment F).

Several of these organizations expressed skepticism about the purpose of the survey and the proposed task force. Many initially did not want to participate in our meetings or found the limited time frame inconvenient. We encouraged their participation and attempted to work out a schedule agreeable to all parties. Our survey teams emphasized that the FEA role in this effort was that of a listener. We urged them to be honest and open about their problems and suggestions.



In our offices in Washington, we met with representatives of the construction industry, equipment manufacturers and representatives of various financial institutions (see Attachment F).

To support the efforts of our teams in the field, a central office staff was organized and manned with experts assigned to particular generic problem areas. Interview data was transmitted daily by facsimile from all over the country. The data was then compiled, cross-checked and verified with others familiar with the presumed source of the problem. For example, if a utility cited a certain environmental regulation as an impediment to a construction project, the FEA staff member would discuss the problem with a contact at EPA and get the "other side of the story," so to speak.

After verification of the data as indicated, the survey staff prepared an analysis and discussion of each generic problem, its background and recommendations. This report is being printed now and will soon be available to the public.

SURVEY RESULTS

Basically, the survey produced no great surprises or revelations. It is apparent that there are no quick



or easy solutions to plant delay problems. The survey did, however, provide a front-line forum for people to present their ideas and comments. Both utilities and public interest groups emphasized to us the need for meaningful communication and a continuing forum for dialogue. The very existence of the task force could prove to be a positive step in this direction.

The survey data revealed that current delays in construction are primarily due to:

- 1) financing problems,
- 2) demand uncertainties and
- 3) regulatory processes based on legislative requirements.

None of these problem areas is amenable to rapid solution by the task force. Other areas, such as labor and equipment shortage problems, were cited infrequently as the causes of delay. If, however, the economic situation changes, these problems will likely multiply.

The time available for the survey and its basic intent limited extensive documentation. We concentrated, instead, on determining the validity of the generic problems and delineating the specific problems of each plant surveyed.

CONCLUSION

We believe that this survey effort has been a positive thrust forward in its own right, as well as

as a solid starting point for the Task Force. We did not set out to solve any problems or to pre-empt local actions. We did attempt to compile as much factual information as we could on delay problems confronting specific plants.

The Task Force should begin its work with a strong informational base. Utility input is essential to any proposals for resolution of delay problems, but the Task Force, to be effective, needs input from all groups with knowledge concerning specific problems impeding construction of plants in the advanced planning or construction process.

Construction delays are caused by a variety of factors in varying degrees and combinations. No one factor operates in a vacuum. Instead, each is formed and molded by the particular environment in which it exists. The proposed solution, therefore, must recognize the unique circumstances of each plant. For this reason, every effort must be made to precisely identify the specific problem faced by each plant. Since different people have different perspectives, every effort was made to discuss problems with as many knowledgeable people as possible.

In the final analysis, it is the consumer who stands to benefit from the actions of the Task Force. Construction delays and postponements are costing consumers millions annually in the form of higher rates when the plant is finally placed in service. We are all aware of the effect inflation has had on labor and construction costs in recent years. Consider this in light of the time needed to license, design and construct a nuclear plant. Ten years of rapidly increasing costs! These costs must be paid somehow, and this readily translates into higher rates and irate consumers. The risk and economic costs to society of having a plant on line one year early are far less than those resulting from a one year delay.

We do not claim that the Task Force will be able to restore the days of cheap electric power. But we do believe that, by expediting construction projects, the inordinate costs of delay will be minimized. And the consumer will ultimately benefit through lower electricity rates.

Since many of the delayed plants surveyed are coal or nuclear, eliminating construction impediments will have a positive effect on national energy policy as well. Putting these plants on line quickly will help to reduce reliance on our scarce, expensive and insecure

supplies of oil and gas. We will thereby advance our National energy goals as well as strengthen our economy through efforts to assure adequate future supplies of power.

The FEA will continue to provide any support requested by the Task Force. We believe that the constructive, positive action evidenced by the survey will continue with the functioning of the Task Force. All parties involved thus far in this effort have much to gain and much to contribute. The use of electric power is becoming more and more important. Now is the time to channel its development in a positive manner to the benefit of all groups, and ultimately to the benefit of the Nation's energy future.

OUTLINE



TALKING POINTS

INTRODUCTION

- Title VII, Utilities Act -- response to financial crisis
- Crisis over, but uncertainty persists
- Major problem -- construction lead time
- Response to this -- Labor-Management recommendations -- June 13 -- legislative and administrative
- Administrative -- formation of Task Force
 - will be aimed at removing impediments
 - therefore, lower costs and lower rates

SURVEY EFFORT

- Preliminary, fact-finding survey of construction problems on a plant specific basis
 - to provide an information base for the task force
 - initiated on June 18, survey completed July 16, with final report expected tomorrow (August 1)

SURVEY RESULTS

- No surprises or revelations
- Emphasized need for meaningful communication
- Current delays in construction due to
 - financing
 - demand uncertainties
 - regulatory processes
- Other problems may come to the forefront
- Concentrated on determining validity of generic problems and delineating plant specific problems

CONCLUSION

- Survey has been positive thrust forward in its own right, as well as starting point for Task Force
- Did not set out to solve problems or pre-empt local actions
- Task Force needs input from all groups with knowledge of specific delay problems
 - necessary to center on concrete, specific problems

- Consumer will benefit
 - for example -- a nuclear plant takes 10 years for approval and construction -- this means steadily increasing costs and rates
- Positive effect on National energy policy
 - putting coal and nuclear plants on line quickly will reduce our reliance on oil and gas
- FEA will enthusiastically support the efforts of the Task Force
- This effort will channel the future development of electric power to the benefit of all groups

LMC RECOMMENDATIONS



UNITED STATES DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY

June 12, 1975

TO: Alan Greenspan
James Lynn
Rogers C. B. Morton
L. William Seidman
William E. Simon
Frank Zarb ✓

FROM: John T. Dunlop *JTD*

The attached constitutes a final draft of the statement to be released by the President tomorrow morning. If there are any further comments or changes, I would appreciate your giving those inputs directly to Bill Seidman and a copy to me.



DRAFT PRESIDENTIAL STATEMENT ON THE LABOR-MANAGEMENT
COMMITTEE'S RECOMMENDATIONS FOR LEGISLATIVE AND ADMINISTRATIVE
MEASURES CONCERNING ELECTRIC UTILITIES -- JUNE 13, 1975

Today, I am releasing the text of the Labor-Management Committee's unanimous recommendations for legislative and administrative measures to increase electric utility construction and output.

Having carefully reviewed these recommendations, I accept and endorse them because they can make a significant contribution in reducing the Nation's dependence on oil imports and in conserving scarce natural gas supplies.

Additionally, an expansion in electric utility construction and production will provide solid, long-range employment which will be highly beneficial to the country. An increase in electrical utility capacity will also contribute significantly to economic expansion.

I will take steps promptly to create the task force the Committee recommends to tackle the problem of delays in the completion of utility plants. In view of the long lead time on construction, completion of plants now in advanced stages of planning or under construction must have top priority.

I appreciate the constructive contribution of labor and management working together. The time has come for government

to cooperate in the same spirit in addressing and resolving the Nation's problems. I thank the Committee for its continuing work and appreciate its efforts in the national interest.

Gerald R. Ford

(A list of the President's Labor-Management Committee members and a copy of the Committee's statement of May 21, 1975, are attached.)



Members

President's Labor-Management Committee

Labor

I. W. Abel, President
United Steelworkers of America

Murray H. Finley, President
Amalgamated Clothing Workers of America

Frank E. Fitzsimmons, President
International Brotherhood of Teamsters

Paul Hall, President
Seafarers International Union

Lane Kirkland, Secretary-Treasurer
AFL-CIO

George Meany, President
AFL-CIO

Arnold Miller, President
United Mine Workers of America

Leonard Woodcock, President
United Auto Workers

Management

Stephen D. Bechtel, Jr., Chairman
Bechtel Group of Companies

Richard C. Gerstenberg
General Motors Corporation

John D. Harper, Chairman
Aluminum Company of America



Reginald H. Jones, Chairman
General Electric Company

R. Heath Larry, Vice Chairman
U. S. Steel Corporation

Rawleigh Warner, Jr., Chairman
Mobil Oil Corporation

Arthur M. Wood, Chairman
Sears, Roebuck & Company

Walter B. Wriston, Chairman
First National City Bank



May 21, 1975

Electric Utilities

At the end of 1974, it is estimated that electric utilities had deferred or cancelled the construction of 106 nuclear plants (114,000 megawatts) and 129 coal-fired plants (74,413 megawatts). This extensive postponement in construction schedules of coal and nuclear power plants that are needed to meet the nation's energy demands for 1980 and 1985 seriously jeopardizes our national objective of lesser dependence on imported oil. It also threatens continued economic growth, promises to restrain essential job creation and inhibits measures to reduce unemployment. Since electric utilities require a number of years to get new plants on stream, the current slippage of schedules and cancellation of new facilities may be expected to result in future energy shortages and serious restrictions to economic expansion. It is imperative that there be substantial restoration of construction of electric utilities at once. Special measures are needed to shorten significantly the very long lead time which now exists between the design of a project and its completion.

The President's Labor-Management Committee recommends a number of administrative and legislative measures to get this basic and strategic sector of the economy moving.



Special Legislative Proposals

1. The President's Labor-Management Committee earlier recommended that the investment tax credit for utilities be increased from 4 percent to 12 percent a year. The Congress increased the investment tax credit to 10 percent for a two-year period. The Committee still believes the 12 percent figure is appropriate and, in the case of electric utilities, this credit should be extended indefinitely and apply to construction work in progress to stimulate this vital sector which promises to present capacity problems for many years. This proposal is designed to stimulate non-oil and non-gas facilities.

2. In view of the length of time required to complete the construction of electric utility installations, the Federal government should permit depreciation for tax purposes on construction expenditures as made, provided such costs are included in the rate base.

3. The five-year, fast write-off of pollution control facilities should be extended by legislation beyond its present expiration date of December 31, 1975. The fast write-off of pollution control facilities reduces the financing costs of the construction of electric utility units. Fuel conversion costs should receive the same treatment.

4. The Nuclear-Indemnity Coverage law (Price-Anderson Act) should be extended.



5. The urgent need for equity capital in the electric utility industry should be met by a legislative provision that dividends which are reinvested in new issue common stock of the company have tax deferred.

The Committee recommends that the above legislative proposals be incorporated in a single piece of legislation in view of the special need for greater electric utility capacity and the long lead time required to complete plants and get them in operation.

Administrative Action

The Federal government should establish a small task force of experts, with assistance drawn from labor and management with experience in the field of utility construction, to serve as troubleshooters, to discover the impediments to the completion of electric utility plants and to take steps to relieve the particular situation wherever possible. The difficulties will vary from case to case; the problems may include unreasonable environmental restrictions and delays in processing papers, financing, regulatory delay, collective bargaining disputes, production delays in component parts, scheduling of manufactured components, design issues, etc. This task force can expedite the completion of electric utility plants and getting power on stream.



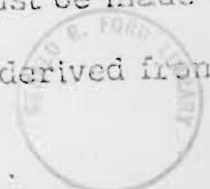
Immediate Improvement in the Policies and Actions
Regarding the Usage of Coal and Nuclear Energy

1. Coal

- a. Make a major effort toward increasing the domestic production use of coal to generate power, including the development of economic means of moving either western low-sulphur coal, or the generated power, to the required market areas.
- b. A timetable should be considered for the conversion of oil/gas fueled power plants to coal.
- c. The government should reduce the uncertainties on coal usage by encouraging the development of technology to minimize pollution and environmental concerns regarding coal mining and coal use and by reducing the economic uncertainties in the mining and use of coal. This should encourage increased long-term investment in mining which in turn should stimulate employment.

2. Nuclear Energy

- a. The nation should make every effort to capitalize on the benefits of two decades and billions of dollars of public and private efforts in nuclear power development. While the initial investment costs for nuclear energy are high, it offers the cheapest form of electricity in the long run. Every effort must be made so that the percentage of electric power generation derived from



nuclear sources by 1980/1985 is greatly increased from current levels. It is estimated that 10 to 15 million construction labor hours are required for each nuclear unit installed.

- b. Specific government action is required in the following areas:
- Promote the public acceptance of nuclear power.
 - Resolve the uncertainties regarding the nuclear fuel cycle, e. g., long-term nuclear waste disposal, plutonium usage, spent fuel storage and reprocessing.
 - Streamline the nuclear regulatory licensing process to reduce the lead time for getting plants into production. The current lead time is about 8 to 10 years.

Review and Articulate the National Energy
Interest with State Regulatory Agencies

- a. The Federal government needs to find an appropriate and realistic approach to get the national energy issues and interests before state regulatory agencies when they have their hearings on utility needs.
- b. We must provide for prompt and reasonable action on rate applications.
- c. New and innovative rate schemes, such as peak load pricing and rates designed to foster conservation, should be thoroughly studied and evaluated to determine the true impact on the various

sectors of the economy.

Environmental Considerations

Stretch out, as necessary, present environmental restrictions on energy production and use to reduce energy consumption and facilitate expansion of domestic energy output. This is basically a matter of timetables, not of objectives. The advance of technology and development of clean energy sources can permit realization of environmental objectives.





SENATOR METCALF'S
STATEMENTS



Congressional Record

PROCEEDINGS AND DEBATES OF THE 94th CONGRESS, FIRST SESSION

Vol. 121

WASHINGTON, WEDNESDAY, JULY 9, 1975

No. 107

Senate

FEA "INFORMATION SURVEY"

Mr. METCALF. Mr. President, on June 13, the President of the United States released the text of his Labor-Management Committee's recommendations to increase electric utility construction and output.

Under the heading of "Administrative Action" was the recommendation that:

The Federal Government should establish a small task force of experts, with assistance drawn from labor and management with experience in the field of utility construction, to serve as troubleshooters, to discover the impediments to the completion of electric utility plants and to take steps to relieve the particular situation wherever possible.

I am told that this task force is to be established around the first of next month.

Meanwhile, the Federal Energy Administration, in preparation for establishment of the task force, has a bunch of people running around the country doing an "information survey" on the problems.

A pair of their people flew into Montana last night and will leave there tonight. They came from Idaho, where they met with officials of the Idaho Power Co. and are spending the day with officials of the Montana Power Co., whose president announced that they were coming. According to information from FEA, their people are meeting with 45 utilities this week.

Neither State officials nor local groups, who are interested in the problem of strip mining and coal gasification, were notified that the FEA was doing an "information survey." FEA did not notify either Senator MANSFIELD or me.

Asked about this today, an FEA public affairs spokesman said they "have a press release coming out now." The FEA "survey" crew will have come and gone by the time those most directly concerned are notified of the visit.

Mr. President, as I have further information on the Federal Energy Administration working in the dark, I will share it with my colleagues.

S-12126-27





Congressional Record

PROCEEDINGS AND DEBATES OF THE 94th CONGRESS, FIRST SESSION

Vol. 121

WASHINGTON, THURSDAY, JULY 10, 1975

No. 108

FEA: IN THE DARK—II

Mr. METCALF. Mr. President, yesterday I called to the attention of my colleagues that the Federal Energy Administration was doing an "information survey" of the problem of electric utility construction and output.

This information survey apparently involves only FEA representatives and the utility companies. There is either no or belated notice to officials of State governments, which may have laws covering utility construction, or to local groups interested as they are in Montana in the problems of strip mining and coal gasification.

I said yesterday that as I had additional information on the FEA saving energy by working in the dark. I would share it with my colleagues.

Today I have for the Record an announcement of the FEA information survey by the President of the Montana Power Co. It appeared in the Helena, Mont., Independent Record of Sunday, July 6. The article quotes the company president as saying that the survey team would find in Montana a "pile of redtape as high as Montana's big sky" and that he hoped the President's task force could find a way to cut it. The "pile of redtape" to which the company official refers is provided for by State law.

Two days after the FEA "information survey" was announced by the utility concerned, the FEA got around to issuing a press release on the subject.

I ask unanimous consent that the newspaper article and the FEA press release be printed in the Record.

There being no objection, the material was ordered to be printed in the Record, as follows:

FEA WANTS TO KNOW ABOUT COLSTRIP DELAYS

BUTTE.—A Federal Energy Administration (FEA) survey team will begin investigation next week into delays in construction of Montana electric generating plants, specifically the proposed Colstrip units 3 and 4.

The team, said Montana Power president Joe McElwain, will gather information for use by a federal task force formed by President Gerald Ford "to discover impediments to the completion of electric utility plants and to take steps to relieve this particular situation whenever possible."

Colstrip is the site of two 350-megawatt generating units and the proposed site of two additional units of 700 megawatts, planned by the Montana Power Co. and four other Northwest utilities.

McElwain pointed out that delays in construction of generating plants are being investigated throughout the nation. "Utilities are experiencing delays, caused by problems that range from regulatory foot-dragging to financial, to unreasonable environmental restrictions."

The power company president pointed out that his company would be bound twice by the 1973 Utilities Act, which would require compliance with environmental standards before operation, as well as during it.

McElwain said he believed that investigation by the FEA survey team would discover a "pile of red tape as high as Montana's big sky", and that he hoped the President's task force could find a way to cut it.

FEDERAL ENERGY NEWS,

Washington, D.C., July 8, 1975.

TEAMS TO SURVEY POWERPLANT CONSTRUCTION PROBLEMS

Seventy utility companies which are experiencing delays in construction of vital new facilities will be surveyed to determine the source of their problems, the Federal Energy Administration announced today.

Utilities with three or more problem plants will be visited by FEA survey teams this week, and representatives of other major utilities will meet with agency officials at FEA regional offices July 14 and 15, to provide needed data.

FEA Administrator Frank G. Zarb said, "the purpose of this survey is to provide a comprehensive base of information for a task force (members yet to be named) on utility construction problems which will begin operation on August 1."

The task force was recommended by the President's Labor-Management Committee in its recent meeting at the White House, and the recommendation was adopted by President Ford.

"Because powerplant expansion is a necessary forerunner of an improved national electrical energy capacity, these construction problems take on major significance," Mr. Zarb said. "We are pleased to assist the task force in gathering this necessary information."

Key executives of major utilities have pledged their support to the data collection effort. Other Federal agencies, including the Departments of Labor, Commerce and Interior, the Office of Management and Budget, the Federal Power Commission and the Environmental Protection Agency, are providing vital assistance. Industry suppliers, architectural engineering firms, and investment bankers will meet with FEA representatives this week.

Cooperation from the public and private sectors will make this program a major step toward resolving the long-range problems confronting the future development of utilities, Administrator Zarb noted.



Congressional Record

PROCEEDINGS AND DEBATES OF THE 94th CONGRESS, FIRST SESSION

Vol. 121

WASHINGTON, FRIDAY, JULY 11, 1975

No. 109

FEA IN THE DARK—III

Mr. METCALF. Mr. President, as I have pointed out in the past 2 days, the Federal Energy Administration is saving energy by working in the dark.

The agency had a group of the troop in Montana on July 8, the same day they got around to issuing a press release saying that the agency would send somebody into a State which had acted responsibly in the area of electric utility construction and output.

The FEA press release came 2 days after the president of the Montana Power Co., was in print with the announcement of the visit, that the information survey team would find a pile of redtape as high as Montana's big sky and that he hoped the President's task force on utility construction could find a way to cut it.

The visit of the FEA troop prompted a telegram from the Northern Plains Resource Council, a grassroots organization opposing Montana Power Co., proposals to build two more huge electric generating units in southeastern Montana.

In the telegram, Wallace D. McRae, NPRC chairman, said the initial announcement by the president of the Montana Power Co., and the visit by FEA gumshoes without any communication with State or local groups gives the impression of Federal intervention into State matters.

Mr. McRae continued:

FEA is apparently only interested in the power company point of view, disregarding State and citizen input from the outside.

I sent a copy of this telegram to FEA Administrator Zarb with a request for his comments.

Mr. President, I ask unanimous consent that the telegram referred to, and previous correspondence on the President's Labor-Management Committee recommendation be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

BILLINGS, MONT., July 8, 1975.

Senator LEE METCALF,
Dirksen Senate Office Bldg.,
Washington, D.C.:

The July 5 Billings Gazette ran an AP story quoting MPC President McElwain as saying that an FEA survey team would begin

investigation this week into delays in construction of Colstrip 3 and 4.

We have learned that the FEA officials were in Colstrip today conducting a preliminary investigation for President Ford's Labor/Management Task Force. "McElwain said he believed that investigations by the FEA survey team would discover "a pile of red tape as high as Montana's big sky", and that he hoped the President's Task Force would find a way to cut it."

The appearance of McElwain's press release and the visit by FEA officials to Colstrip gives the impression of Federal intervention into State matters. Any Federal intervention in the process that has begun under the Montana utility siting act and the consideration of Colstrip 3 and 4 would be most improper.

We have also learned that FEA did not initiate any contact with State agencies or citizens groups involved in the Colstrip decision. FEA is apparently only interested in the power company point of view, disregarding State and citizen input from the outside. We find this posture highly inappropriate.

We would appreciate knowing what you can discover about FEA's intentions in regards to Colstrip 3 and 4, and the findings of this investigation. More information will follow by mail. Identical telegram sent to Senator Mansfield.

Sincerely,

WALLACE D. McRAE,
Chairman, Northern Plains Resource
Council.

MONTANA POWER CO.,
Butte, Mont., June 19, 1975.

Re: The President's Labor-Management Committee recommendations regarding the electric utility industry.

HON. LEE METCALF,
U.S. Senate, Dirksen Senate Office Bldg.,
Washington, D.C.

DEAR LEE: For your convenience, I am enclosing a copy of the President's statement of June 13th releasing the May 21st recommendations of the President's Labor-Management Committee containing recommendations as to what should be done to enable the utility industry to finance the enormous construction program which it has scheduled thereby reducing the nation's dependence on oil imports, conserving scarce natural gas supplies, and providing additional present and long-range employment, which is so important in this nation at this time.

I have personally worked diligently in the utility industry in support of proposals such as those contained in the Labor-Management Committee's recommendations.

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I am and have been gravely concerned that in the absence of legislative and administrative measures such as contained in the Labor-Management Committee's recommendations that utilities throughout this nation, including our Company, would not in the long-run be able to finance the large coal-fired steam-electric plants and coal gasification plants which are so essential to the future of this nation.

I urge you to give very serious consideration and attention to the Labor-Management Committee's recommendations.

Thanks, and with best wishes.
Sincerely,

JACK CORETTE.

STATEMENT BY THE PRESIDENT

Today, I am releasing the text of the Labor-Management Committee's recommendations for legislative and administrative measures to increase electric utility construction and output.

Having carefully reviewed these recommendations, I accept and endorse them because they can make a significant contribution in reducing the Nation's dependence on oil imports and in conserving scarce natural gas supplies.

Additionally, an expansion in electric utility construction and production will provide solid, long-range employment which will be highly beneficial to the country. An increase in electric utility capacity will also contribute significantly to economic expansion.

I will take steps promptly to create the task force the Committee recommends to tackle the problem of delays in the completion of utility plants. In view of the long lead time on construction, completion of plants now in advanced stages of planning or under construction must have top priority.

I appreciate the constructive contribution of labor and management working together. The time has come for Government to cooperate in the same spirit in addressing and resolving the Nation's problems. I thank the Committee for its continuing work and appreciate its efforts in the national interest.

(A list of the President's Labor-Management Committee members participating in the formulation of this statement and the Committee's statement on May 21, 1975, is attached.)

MEMBERS OF THE PRESIDENT'S LABOR-MANAGEMENT COMMITTEE PARTICIPATING IN THE FORMULATION OF THIS STATEMENT

Labor

I. W. Abel, President, United Steelworkers of America.

Murray H. Finley, President, Amalgamated Clothing Workers of America.

Frank E. Fitzsimmons, President International Brotherhood of Teamsters.

Paul Hall, President, Seafarers International Union.

Lane Kirkland, Secretary-Treasurer, AFL-CIO.

George Meany, President, AFL-CIO.

Leonard Woodcock, President, United Auto Workers.

Management

Stephen D. Bechtel, Jr., Chairman, Bechtel Group of Companies.

Richard C. Gerstenberg, General Motors Corporation.

John D. Harper, Chairman, Aluminum Company of America.

Reginald H. Jones, Chairman, General Electric Company.

R. Heath Larry, Vice Chairman, U.S. Steel Corporation.

Rawleigh Warner, Jr., Chairman, Mobil Oil Corporation.

Arthur M. Wood, Chairman, Sears, Roebuck & Company.

Walter B. Wriston, Chairman, First National City Bank.

ELECTRIC UTILITIES

At the end of 1974, it is estimated that electric utilities had deferred or cancelled the construction of 106 nuclear plants (114,000 megawatts) and 129 coal-fired plants (74,413 megawatts). This extensive postponement in construction schedules of coal and nuclear power plants that are needed to meet the nation's energy demands for 1980 and 1985 seriously jeopardizes our national objective of lesser dependence on imported oil. It also threatens continued economic growth, promises to restrain essential job creation and inhibits measures to reduce unemployment. Since electric utilities require a number of years to get new plants on stream, the current slippage of schedules and cancellation of new facilities may be expected to result in future energy shortages and serious restrictions to economic expansion. It is imperative that there be substantial restoration of construction of electric utilities at once. Special measures are needed to shorten significantly the very long lead time which now exists between the design of a project and its completion.

The President's Labor-Management Committee recommends a number of administrative and legislative measures to get this basic and strategic sector of the economy moving.

SPECIAL LEGISLATIVE PROPOSALS

1. The President's Labor-Management Committee earlier recommended that the investment tax credit for utilities be increased from 4 percent to 12 percent a year. The Congress increased the investment tax credit to 10 percent for a two-year period. The Com-

(more)



3.
mittee still believes the 12 percent figure is appropriate and, in the case of electric utilities, this credit should be extended indefinitely and apply to construction work in progress to stimulate this vital sector which promises to present capacity problems for many years. This proposal is designed to stimulate non-oil and non-gas facilities.

2. In view of the length of time required to complete the construction of electric utility installations, the Federal government should permit depreciation for tax purposes on construction expenditures as made, provided such costs are included in the rate base.

3. The five-year, fast write-off of pollution control facilities should be extended by legislation beyond its present expiration date of December 31, 1975. The fast write-off of pollution control facilities reduces the financing costs of the construction of electric utility units. Fuel conversion costs should receive the same treatment.

4. The Nuclear-Indemnity Coverage law (Price-Anderson Act) should be extended.

5. The urgent need for equity capital in the electric utility industry should be met by a legislative provision that dividends which are reinvested in new issue common stock of the company have tax deferred.

The Committee recommends that the above legislative proposals be incorporated in a single piece of legislation in view of the special need for greater electric utility capacity and the long lead time required to complete plants and get them in operation.

ADMINISTRATIVE ACTION

The Federal government should establish a small task force of experts, with assistance drawn from labor and management with experience in the field of utility construction, to serve as troubleshooters, to discover the impediments to the completion of electric utility plants and to take steps to relieve the particular situation wherever possible. The difficulties will vary from case to case; the problems may include unreasonable environmental restrictions and delays in processing papers, financing, regulatory delay, collective bargaining disputes, production delays in component parts, scheduling of manufactured components, design issues, etc. This task force can expedite the completion of electric utility plants and getting power on stream.

IMMEDIATE IMPROVEMENT IN THE POLICIES AND ACTIONS REGARDING THE USAGE OF COAL AND NUCLEAR ENERGY

1. Coal:

a. Make a major effort toward increasing the domestic production and use of coal to generate power, including the development of economic means of moving either western low-sulphur coal, or the generated power, to the required market areas.

b. A timetable should be considered for the conversion of oil/gas fueled power plants to coal.

c. The government should reduce the uncertainties on coal usage by encouraging the development of technology to minimize pollution and environmental concerns regarding coal mining and coal use and by reducing the economic uncertainties in the mining and use of coal. This should encourage increased long-term investment in mining which in turn should stimulate employment.

2. Nuclear Energy:

a. The nation should make every effort to capitalize on the benefits of two decades and billions of dollars of public and private efforts in nuclear power development. While the initial investment costs for nuclear energy are high, it offers the cheapest form of electricity in the long run. Every effort must be made so that the percentage of electric power generation derived from nuclear sources by 1980/1985 is greatly increased from current levels. It is estimated that 10 to 15 million construction labor hours are required for each nuclear unit installed.

b. Specific government action is required in the following areas:

Promote the public acceptance of nuclear power.

Resolve the uncertainties regarding the nuclear fuel cycle, e.g., long-term nuclear waste disposal, plutonium usage, spent fuel storage and reprocessing.

Streamline the nuclear regulatory licensing process to reduce the lead time for getting plants into production. The current lead time is about 8 to 10 years.

REVIEW AND ARTICULATE THE ENERGY INTEREST WITH STATE REGULATORY AGENCIES

a. The Federal government needs to find an appropriate and realistic approach to get the national energy issues and interests before state regulatory agencies when they have their hearings on utility needs.

b. We must provide for prompt and reasonable action on rate applications.

c. New and innovative rate schemes, such as peak load pricing and rates designed to foster conservation, should be thoroughly studied and evaluated to determine the true impact on the various sectors of the economy.

ENVIRONMENTAL CONSIDERATIONS

Stretch out, as necessary, present environmental restrictions on energy production and use to reduce energy consumption and facilitate expansion of domestic energy output. This is basically a matter of timetables, not of objectives. The advance of technology and development of clean energy sources can permit realization of environmental objectives.

S-12414-15





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No. 112

Senate

FEA IN THE DARK—IV

Mr. METCALF. Mr. President, three times last week I called to the attention of my colleagues that the Federal Energy Administration apparently is ignoring State and local people as the agency does an "information survey" to "discover the impediments to the completion of electric utility plants" in this country.

My previous statements appear in the CONGRESSIONAL RECORD issues of July 9 at page S12126, of July 10 at page S12264, and of July 11 at page S12414.

My statement of July 11 included a telegram from Chairman Wallace D. McRae of the Northern Plains Resource Council, a grassroots organization opposing Montana Power Co. proposals to build two more huge electric generating units in southeastern Montana.

I have just received additional material from Mr. McRae, who makes several allegations. Among them are:

First, a Federal agency sent an "information survey" team into a State that has acted responsibly in the area of utility construction without timely notification to either the State government or local people concerned.

Second, the president of the local utility, who made the announcement of the visit and who was apparently in charge of the "information survey" gave the people on the ground 10 minutes to talk to members of the "information survey" team.

Third, "the executive branch of the Federal Government is attempting to interfere in State matters." "The veiled threat of Federal intervention imposes not only overt pressure on State government, but also subtle pressure upon State officials and citizens boards who are now in the process of making decisions related to energy development in the State of Montana."

This brushoff of State and local people should be read in context with the FEA press release issued on July 8, which concluded with these words:

Cooperation from the public and private sectors will make this program a major step toward resolving the long-range problems confronting the future development of utilities, Administrator Zarb noted.

On July 9 I sent Administrator Zarb a copy of the telegram from Mr. McRae.

I have today sent Mr. Zarb a copy of the additional material supplied by Mr. McRae. If and when he can find his way around in the dark to give me a report on this, I shall share it with my colleagues.

Mr. President, I ask unanimous consent that the letter and attachments to which I have referred be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

NORTHERN PLAINS RESOURCE COUNCIL,
Billings, Mont., July 9, 1975.

Senator LEE METCALF,
Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR METCALF: This is a follow-up letter to the telegram we sent to your office on July 7 concerning the visit of a Federal Energy Administration survey team to Colstrip. We thank you for your continuing help and for the help we received from Brit Englund.

As we said in our telegram, the July 5 Billings Gazette carried an Associated Press story quoting Montana Power Company President Joe McElwain as saying that an FEA survey team would be here in Montana to begin an investigation for President Ford's Labor/Management Committee into delays in construction of Colstrip units 3 and 4. According to McElwain, the survey team would discover "a pile of red tape as high as Montana's big sky" and that he hoped the President's task force would find a way to cut it. (a copy of the Gazette story is enclosed)

On Monday, July 7, we called state officials and other citizen's organizations to ascertain what others knew of the FEA survey team and their activities in Montana. To our great dismay we discovered that no one in Montana knew any more than was in the newspaper article. That evening we discussed this matter with Ray Dockstader and Brit Englund. Again, neither of them knew anything of the visit, although Brit said he would get in touch with FEA the next day. In the meantime, the word had gotten around Colstrip that Western Energy Vice President Paul Schmechel would be in Colstrip on July 8 with the FEA survey team.

On July 8, Brit discovered that the FEA was in Montana to do preliminary work for the Labor/Management task force and would be seeing only MPS officials. That same morning, I called Colstrip Project Manager Martin White and requested to be

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included in the tour and discussion. White checked with his superiors and called me back with an "invitation." Don Bally, NPRC Board of Directors' member, Bill Gillin, President of the Rosebud Protective Association, and I went to see the FEA officials upon their arrival in Colstrip. There were five people from FEA: Curt Jones, team leader from the Washington, D.C. office, two staff members from the Denver office and two from the Seattle office. Accompanying them were Martin White, Paul Schmechel, Jim Rogers and Joe McElwain. McElwain informed us that we had only ten minutes to talk with the FEA people. We first asked what they were doing in Montana. They said that the President was very concerned about jobs and energy development. Mr. Jones said that for that reason, the President has created the Labor/Management Committee. I pressed Jones on this point until he admitted to me that he was more concerned about energy than about jobs. He also said that his primary interest was in Colstrip 3 and 4. McElwain immediately interjected that FEA was also very interested in Colstrip 1 and 2 and in the Buffalo Rapids hydroelectric project.

We then asked Mr. Jones about the propriety of having an FEA survey team in Montana while the state was in the process of deciding the fate of Colstrip 3 and 4. We also asked if Mr. Elwain's statement that they were here to cut through the red tape was accurate.

Jones evaded that question by stating that there were many types of red tape, including, for example, financial difficulties. McElwain said that one of the things they had been discussing with the FEA officials was a way the federal government could help finance operations like Colstrip 3 and 4.

Jones also said that FEA was preparing a report for the Labor/Management Committee based on a questionnaire which was recently sent to utilities all over the country. I asked to see a copy of that questionnaire, but was told that I would receive a copy of the report only. Jones told me that once the report was completed, it would be analyzed, then they would determine what agencies of state government they would contact.

We are concerned about the FEA survey team's visit to Montana and about the way FEA allowed Montana Power to use this visit for MPC's gain. First of all, by allowing McElwain to announce the visit, the implications in the July 5 story are that the executive branch of the federal government is attempting to interfere in state matters. This veiled threat of federal intervention imposes not only overt pressure on state government, but also subtle pressure upon state officials and citizen boards who are now in the process of making decisions related to energy development in the State of Montana. FEA has allowed itself to be grossly manipulated by Montana Power. It wasn't until the day after the visit that FEA provided any public information.

Second, according to survey team leader Jones, FEA's report on impediments to energy facility construction will be based upon utility company information only. Along these same lines is the fact that no state officials or citizens in Montana were informed of the visit. Quite frankly, the only reason we were allowed to participate at all is because we pressured power company officials. FEA insisted that its report was being prepared for the Labor/Management Committee.

Yet one of the first organizations with which we talked was the Montana State AFL-CIO, who like everyone else in the State knew nothing of the visit. The only conclusion we can draw is that FEA is only concerned with the utilities' opinions regarding state laws constraining their activities. By receiving only one point of view, FEA will be unable to establish the basic parameters of this important issue. As I am sure you know, there are many knowledgeable people in this state who could assist FEA in determining basic problem areas.

We also question the designation of FEA as staff for the Labor/Management Committee. Clearly, FEA's executive authority and basic commitment is to expedite energy development and to alleviate any possible obstructions including labor negotiations, material supply, state laws and availability of capital. This commitment, coupled with their apparent lack of concern for state and local jurisdiction, makes us very uneasy about the role the federal government may be taking in regard to Montana's future energy development and the future of our state.

Anything you can do to help us in this matter would be greatly appreciated.

With best regards,

WALLACE D. McRAE, *Chairman.*

COLSTRIP DELAY TO BE PROBED

BUTTE.—A Federal Energy Administration (FEA) survey team will begin investigation next week into delays in construction of Montana electric generating plants, specifically in the area of proposed Colstrip units three and four.

The team, said Montana Power president Joe McElwain, will gather information for use by a federal task force formed by President Gerald Ford "to discover impediments to the completion of electric utility plants and to take steps to relieve this particular situation whenever possible."

Colstrip is the site of two 350,000-kilowatt generating units and the proposed site of two additional units of 700,000-kilowatts, planned by the Montana Power Company and four other northwest utilities.

McElwain pointed out that delays in construction of generating plants were being investigated throughout the nation. "Utilities are experiencing delays, caused by problems that range from regulatory foot-dragging to financial, to unreasonable environmental restrictions."

The power company president pointed out that his company would be bound twice by the 1973 Utilities Act, which would require compliance with environmental standards before operation, as well as during it.

McElwain said he believed that investigation by the FEA survey team would discover a "pile of red tape as high as Montana's big sky", and that he hoped the President's task force could find a way to cut it.

ZARB MAY HEAD ATTACK ON UTILITY-SITING DELAYS

HELENA.—The Ford administration, at the reported firing of powerful business and labor leaders, could be gearing up for an assault on nationwide utility-siting delays.

And there are indications that such a drive could be spear-headed by a maturing Federal Energy Administration now administered by Frank Zarb.

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Earlier this year, Ford assembled a 15-member labor-management committee reportedly asked to investigate nationwide delays in the construction of energy facilities.

The committee, which included Rawleigh Warner Jr., chairman of the Mobil Oil Corp., and United Steelworkers Union president I. W. Abel, recommended creation of a presidential task force to combat the delays.

Other advisory-committee members included Teamsters Union president Frank Fitzsimmons, AFL-CIO chief George Meany and United Auto Workers president Leonard Woodcock.

Management representatives included Richard Gerstenberg, president of General Motors Corp.; John D. Harper, president of the Aluminum Co. of America; and R. Heath Larry, vice-chairman of U.S. Steel.

Committee objectives, as outlined at the recent National Governor's conference in New Orleans, called for expanded data on utility-construction delays; talks with delay-affected industrial organizations; an outline of possible anti-delay actions and an estimate of the benefit of those actions.

The first step began this week, with FEA teams, armed with lengthy questionnaires, visiting the sites of utility-construction delays throughout the country.

In Montana, a five-member team visited Colstrip, the site of a proposed \$1 billion mine-mouth generating complex. Construction of the two generating plants at Colstrip has been hamstrung in lengthy hearings before Montana's Board of Natural Resources and Board of Health.

Permission to construct the twin 700-mega-watt, coal-fired generators is sought by the Montana Power Co. and four Pacific Northwest utilities. The consortium contends that so-called Colstrip units 2 and 4, which would generate enough electricity to power a city of one million, are needed to meet future regional energy demands.

Prior to arrival of the team, Zarb sent a telegram to Montana Power officials, according to Montana Power information officer Robert Amick.

Amick said Zarb's July 1 telegram stated: "Your cooperation in this first step of positive, action-oriented program is appreciated."

After visiting the proposed construction site on the eastern Montana plains, the FEA team was to interview Montana Power officials, said Jack Hallowell, Montana's state-federal FEA coordinator.

The teams, which Hallowell said were scheduled to visit the sites of Colstrip-type delays throughout the country, are to report back to Ford by July 19.

"They have to recommend to the President by July 19 what they see in the way of a solution or possible solutions or some possi-

ble action for the President to recommend," Hallowell said.

"Then, I understand he is to appoint a task force to carry out the recommendations," Hallowell said.

FEA officials in Washington, D.C., said the survey teams have no authority outside of the power of persuasion to institute delay-cutting procedures.

Ford has yet to announce what powers he will give the task force, which Montana Power's Amick said was to become effective Aug. 19.

"You could speculate that this could be a new role for the FEA or a stronger role for the FEA," Hallowell said when asked if Ford might use the energy administration to spearhead the anti-delay drive.

"Mr. Zarb is quite close to the President, and maybe the agency is beginning to get a few more whiskers," Hallowell said.

Zarb is the third man to be the nation's so-called "energy czar" since former Colorado Gov. John Love headed what was then called the Federal Energy Organization.

Treasury Secretary William Simon was the first man to head the organization under the name of the Federal Energy Administration, and Zarb replaced John Sawhill at the helm after the latter had a falling out with Ford over gasoline-taxation policy and left to become president of New York University.

Ford's energy policy has included repeated calls for massive development of Western coal reserves and two vetoes of congressional strip-mining and reclamation bills.

The sustained vetoes appear to be a clear indication that Ford and the energy industry have the power to keep utility companies free of stringent federal controls.

[From the Great Falls Tribune, July 9, 1975]

"PRESSURES BUILDING" AGAINST ENERGY DEVELOPMENT DELAYS

(By James Robins)


HELENA.—The Ford administration, at the reported urging of powerful business and labor leaders, could be gearing up for an assault on nationwide utility-siting delays.

And there are indications that such a drive could be spearheaded by a maturing Federal Energy Administration now administered by Frank Zarb.

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United Steelworkers Union president I. W. Abel, recommended creation of a presidential task force to combat the delays.

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The sustained vetoes appear to be a clear indication that Ford and the energy industry have the power to keep utility companies free of stringent federal controls.



SECRETARY DUNLOP'S
STATEMENT



Testimony of T. Dunlop, Secretary of Labor, before
the Senate Committee on Government Operations

Mr. Chairman, in response to your request, I am delivering this statement in my capacity as Coordinator of the President's Labor-Management Committee. I will discuss the genesis of the Committee, briefly review the nature of its activity, and summarize its major recommendations.

Every President since John Kennedy has found it useful to have some mechanism through which he could obtain the views of principal labor and management representatives on issues of industrial peace and economic policy.

On September 30, 1974, President Ford announced at the economic summit meeting the formation of the President's Labor-Management Committee. The purpose of this Committee is to make recommendations to the President with respect to policies for labor, management or the government which will promote free and responsible collective bargaining, industrial peace, sound wage and price policies, higher standards of living, increased productivity and related manpower policies, and such other matters which could contribute to the longer-run economic well-being of the Nation.



He also announced as members:

George Meany, President
AFL/CIO

I. W. Abel, President
United Steelworkers of America

Murray H. Finley, President
Amalgamated Clothing Workers of America

Frank E. Fitzsimmons, President
International Brotherhood of Teamsters

Paul Hall, President
Seafarers International Union

Lane Kirkland, Secretary/Treasurer
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Arnold Miller, President
United Mine Workers

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U. S. Steel Corporation

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Arthur M. Wood, Chairman
Sears Roebuck and Company

Walter B. Wriston, Chairman
First National City Bank

He also announced that I would serve as Coordinator of the
Committee. The membership of the Committee has not changed

since September 30th, and I have continued to serve as Coordinator, in addition to my duties as Secretary of Labor.

The Committee has met five times: On November 11, 1974; December 18, 1974; December 30, 1974; April 24, 1975; and May 21, 1975. Also, an organizational gathering was held on October 3, 1974. The President has attended at least a portion of each meeting except the December 30, 1974 meeting.

The deliberations of the Committee are predominantly oral as opposed to written; the written material that is required by law has been prepared for each meeting on a timely basis and made available to the public. The minutes were prepared by me following each meeting and fairly reflect the results of the discussion at each meeting. The fact that statements and opinions are not assigned in the minutes to individual committee members has been the normal practice in similar committees. The Committee's guidelines prohibiting public statements regarding the Committee's activities by anyone other than the President or myself were adopted by the Committee members themselves.

The Committee has considered the following subjects: wage and price policies, industrial relations policies, which are appropriate in the light of economic forecasts; long-term federal policy options to encourage capital formation, including tax policy options; and national energy policy and related matters.

On December 30, 1974, the Committee issued two statements: one on tax policy, the other on national energy policy. In the former, the Committee stated that it was essential to promptly increase the purchasing power of low and middle income people in order to increase consumption and at the same time stimulate business to invest and create more jobs. In order to achieve this end, the Committee recommended: (1) a reduction in individual income taxes effective January 1, 1975 to create increased purchasing power estimated to be approximately \$15 billion a year through a \$70 tax credit per exemption and 5% reduction in tax after the exemption credit with a maximum total reduction of \$375 per return and (2) an increase in the investment tax credit rate to 12% across the board on domestic investment aggregating approximately \$5 billion a year. This action was essential in the Committee's view to restore consumer and business confidence and to turn the direction of the economy around. In addition, the Committee recognized that additional measures would be needed to foster the growth of capital formation and investment and the growth of purchasing power to produce more jobs over the longer term.

In the second statement on national energy policy, the Committee proposed an energy policy directed towards establishing reliable sources of energy free from any foreign embargo, assuring economic vitality, achieving

high employment, and maintaining a rising standard of living. Conservation, in the Committee's view, was essential to an effective policy. The Committee felt that the present environmental restrictions on energy production and use should be stretched out over time to reduce energy consumption and to facilitate immediate expansion of domestic output and that the timetable on environmental objectives should be carefully reviewed in relation to energy needs. The Committee statement urges that greater emphasis should be placed upon increasing the supply and use of coal and nuclear power, and on increasing domestic oil and natural gas supplies; accelerating government assistance for research and development, including the construction of prototypes for new energy facilities; reversing the recent tendency to cut back on fossil fuel and nuclear facilities. This latter problem was of special concern to the Committee and formed the subject of its third set of recommendations to the President.

The Committee's statement on electric utilities issued on May 21, 1975 offered suggestions designed to stimulate the construction of power plants by electric utilities. The Committee felt that the extensive postponement in construction schedules of nuclear and coal-fired power plants that has occurred during 1974 would threaten economic growth, inhibit measures to reduce unemployment, and result in future energy shortages. To deal with this critical problem, special measures were proposed to get this basic and strategic sector of the economy moving.

The Committee's proposals covered both legislative and administrative actions. Legislative suggestions included: that the investment tax credit for electric utilities be increase to 12% from the present 10%, and that this change be extended indefinitely and applied to equipment already being built; that the current five-year, fast write-off of pollution control facilities be extended beyond its expiration date of December 31, 1975; that stockholders be given an incentive to buy more utility stock by allowing them to defer tax payments on dividends they receive for a given utility if they reinvest those dividends into new issue common stock of that utility; and that the Price-Anderson Act, which indemnifies utilities against nuclear power plant accidents be extended. The statement also suggested that a small Federal task force of trouble shooters be administratively created to investigate bottlenecks in the construction of individual plant. Such bottlenecks might include unreasonable environmental restrictions, financial problems, collective bargaining disputes, parts shortages and other problems. The Committee report also recommended that the Nation stretch out, as necessary, present environmental restrictions on energy production and use.

Mr. Chairman, this concludes my prepared statement.