



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-137458

AUG 16 1977



LM103090

The Honorable Harley O. Staggers
Chairman, Committee on Interstate
and Foreign Commerce
House of Representatives

Dear Mr. Chairman:

You requested the General Accounting Office (GAO) to comment on H.R. 5862, a bill to establish a regional energy corporation with power to generate and purchase, integrate and pool, and market all the electric energy in the Pacific Northwest Region with emphasis on conservation of energy and a preferential rate for residential customers.

The proposed legislation would make significant changes in the present structure of the electric utility industry in the Pacific Northwest. The GAO is currently conducting a review of the electrical energy options for the Pacific Northwest. Included as part of this review is an analysis of the role and impact of Federal involvement in the Pacific Northwest electrical energy industry. We plan to complete our work in late 1977 and issue a report in early 1978. More detailed comments on H.R. 5862 could be provided as our review proceeds and is concluded. However, the following comments are provided at this time.

Section 3 creates a corporate body by the name of the Columbia Basin Energy Corporation (Corporation) to carry out the purposes of the legislation. An important purpose which is not provided by the legislation is that the Corporation should balance energy demands and generation options with national, State, and regional environmental quality objectives. This should be added to the bill as a purpose of the Corporation.

In addition, the bill does not require the Corporation to periodically report to the Congress and the people of the Pacific Northwest Region on the status of its programs. To provide the Congress and the people of the Pacific Northwest Region information on the status of its programs, the

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legislation should require the Corporation to prepare and publish annual financial reports and report annually on its programs to

- balance electricity supply and demand;
- conserve electrical energy;
- develop renewable energy resources;
- reduce the environmental impacts of its operations; and
- conduct R&D in energy-related technologies.

The legislation should also require the Corporation to periodically review its programs and goals, and make changes as appropriate.

The Corporation would market power at wholesale to both investor-owned and publicly-owned electric utilities, which would serve retail consumers and could also wholesale power to large industries. It would sell power under three rates, with a preferential lower rate for power that is rebid for residential housing, including schools and hospitals. This is inconsistent with the present policy of marketing Federal power. The preference customer clause in existing legislation has been interpreted as preference in rights to power but no preference in rates.

Such a preferential rate is also inconsistent with the Administration's National Energy plan. That plan would require utilities to phase out promotional rates and other rates that do not reflect full costs. In this regard, provisions of the legislation are also inconsistent. A purpose of the Corporation (section 3) is to maximize the potential for energy conservation while section 20 provides for the preferential (lower) rates to certain consumers. We agree with the Administration's plan to eliminate promotional electric rates and recommend the inconsistency in the legislation be revised to reflect this. Our work has shown that although there are substantial potentials for energy conservation, there is not enough public concern with the need for such conservation and low power rates would not help this situation.

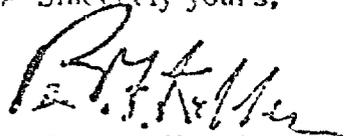
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Sections 9 through 15 and 17(a) assign responsibilities to the Secretary of the Interior. The bill is not clear, however, as to whether the Corporation would be within or independent of Interior. We believe that the Corporation should be within the new Department of Energy (DOE) since the Department of Energy Organization Act transfers the Bonneville Power Administration and other Federal power marketing agencies from Interior to DOE. The DOE oversight would assure that Corporation direction would adhere to national policy in such areas as conservation and environmental quality. Also, the position of the Administrator should be described more fully. It is unclear as to what his specific authorities and responsibilities are.

The bill is silent concerning the multiple uses of the Federal dam. Power generation is only one of the multiple uses of Federal hydro projects along with flood control, navigation, irrigation, and recreation. The bill needs to specify how these multiple uses will be operated and who will manage the operations.

Some suggested technical changes to H. R. 5862 are enclosed.

Sincerely yours,



Deputy Comptroller General
of the United States

Enclosure

The... of the Corporation...
...neville Lower
... of Reclamation
... Engineers (Corps) needs
... "functions
... Act," but the act
... "transfer" of any "functions,"
... transfers property and
... but neither transfers
... outright the principal
... namely, the 1937 Bonne-
... Regional Preference Act,
... River Transmission System
... of these functions for
... not a "transfer of
... functions"

If the... take over all the respon-
... and the Corps, clarifi-
... the employment rights
... of these agencies.

- (3) Section... compensation for Board
... current expenses but does
... level. We believe sec-
... establish an appropriate
... as a ceiling on com-
... of Board members.
- (4) Section 5(a) would authorize the Board to employ and
... compensation of personnel without regard to
... provisions of civil service laws. We are not aware
... personnel from these laws.
... ceiling on salaries and
... qualified personnel
... General Schedule. This
... compliance with EEO objec-
... and related Federal reg-
... lations.