

S. 932, ENERGY SECURITY ACT

AS TENTATIVELY AGREED TO BY THE
SENATE-HOUSE CONFEREES ON
MAY 21, 1980

In summary, on Wednesday, May 21, 1980, the Senate-House conferees on S. 932, the Energy Security Act, tentatively agreed to the following, subject to drafting of the necessary statutory language for final ratification on Monday, June 16, 1980.

SYNTHETIC FUELS (TITLE I)

Title I, Synthetic Fuels, is comprised of two parts: Part A, Development of Synthetic Fuels under the Defense Production Act of 1980, and Part B, the United States Synthetic Fuels Corporation Act of 1980.

UNITED STATES SYNTHETIC FUELS CORPORATION

The United States Synthetic Fuels Corporation Act of 1980 (Part B) creates an independent, wholly Federally-owned corporation called the United States Synthetic Fuels Corporation, and establishes national goals for the production of synthetic fuels in the United States of at least 500,000 barrels of crude oil equivalent per day by 1987, increasing to 2 million barrels per day by 1992.

The United States Synthetic Fuels Corporation is structured to be a Federally chartered financial enterprise and empowered to provide various forms of financial assistance to private sector applicants to permit achievement of the purposes of the Act. The financial structure of the Corporation has been formulated to provide a substantial degree of independence to its operations, while preserving the integrity of the Federal budgetary process.

The purpose of the United States Synthetic Fuels Corporation would be to foster, by financial assistance, commercial production, by private industry, of synthetic fuel which is obtained from coal (including lignite and peat), shale, tar sands (including heavy oil), and in the case of water, hydrogen, and which can be used as substitutes for natural gas and petroleum (including crude oil, petroleum products and chemical feedstocks). Also eligible for financial assistance would be facilities (a) used solely to produce mixtures of coal and petroleum for direct fuel use; (b) used solely for commercial production of hydrogen from water; and (c) any MHD (magnetohydrodynamic) topping cycle used solely for the commercial production of electricity.

The financial resources available to the Corporation over its 12-year lifetime would be up to a maximum of \$88 billion, subject to appropriations. Appropriations are to be deposited in the Energy Security Reserve (established by the Department of the Interior and Related Agencies Appropriations Act, 1980) in at least two installments. The first installment of \$20 billion is authorized upon enactment, and would be subject to appropriations. The second and subsequent installments would be authorized (up to a maximum of \$68 billion) by joint resolution, subject to appropriations.

Corporate Powers

The powers of the Synthetic Fuels Corporation are vested in a seven member Board of Directors to be appointed by the President and confirmed by the Senate for seven year staggered terms. The Chairman, who would be designated for an initial seven year appointment, must be full-time. The other six

Directors could be part-time. The Corporation can employ up to 300 full-time professionals. An annual authorization of \$35 million for administrative expenses and \$10 million for contract studies is provided.

A six member Advisory Committee also is established and is composed of the Secretaries of Energy, Interior, Defense and Treasury, the Chairman of the Energy Mobilization Board, and the Administrator of the Environmental Protection Agency.

Goals and Comprehensive Strategy

The Congressionally established national synthetic fuels production goals are at least 500,000 barrels of crude oil equivalent per day by 1987, increasing to 2 million barrels per day by 1992. The initial emphasis of the Corporation's activities will be to develop within a broad spectrum of financial and industrial firms experience with a technological diversity of processes, methods and techniques for commercially producing synthetic fuels from domestic resources, while, at the same time, developing the industrial base to undertake achievement of the national synthetic fuel production goals. The Corporation's initial authorization for this purpose is \$20 billion, subject to appropriations. (An initial appropriation of up to \$18,792,000,000 already is provided by P.L. 96-126.)

Within four years of enactment the Corporation is required to develop and submit to the Congress a comprehensive strategy for achievement of the national synthetic fuel production goals, which must be approved as a condition precedent to subsequent authorizations of appropriations. The comprehensive strategy, which must be accompanied by a financial or investment prospectus, would emphasize private sector responsibilities and describe how specific limitations will be placed on Federal involvement. In formulating the comprehensive strategy, the Corporation must consider the feasibility of meeting national defense fuel requirements utilizing synthetic fuel produced by synthetic fuel projects assisted by the Corporation.

Congressional approval of the comprehensive strategy would be by joint resolution under expedited procedures. Besides approval of the comprehensive strategy, the resolution would authorize budget authority up to an additional \$68 billion for the Corporation's synthetic fuel activities (for a maximum of \$88 billion). Given Congressional approval and subject to the availability of the necessary appropriations, implementation of the strategy would proceed. Similar 90-day expedited procedures would apply to any subsequent authorization requests by the Corporation until the full \$88 billion appropriation is approved. The Corporation cannot enter into any obligations for financial assistance which could expose the Federal government to a greater liability than \$20 billion prior to Congressional approval of the comprehensive strategy and appropriation of the necessary funds.

Financial Assistance

The Corporation is empowered to provide financial assistance to the private sector for commercial synthetic fuel projects in the following order of decreasing priority:

- (1) purchase agreements, price guarantees and loan guarantees, up to 75 percent of the project costs;
- (2) loans up to 49 percent of initially estimated project costs unless such limits would prevent the financial viability of the proposed project in which case up to 75 percent would be authorized; and

(3) a minority equity interest, under partnership law, in a joint venture (where the government could provide up to 75 percent of project costs) for commercial modules prior to approval of the comprehensive strategy.

Multiple forms of financial assistance are authorized only if required for the viability of a project and necessary to satisfy the goals and purposes of the Act.

In awarding financial assistance the following limitations, among others, would apply: (a) due consideration must be given by the Corporation to promoting competition; (b) any specific tax credit directly associated with a project also must be taken into consideration in determining the need for financial assistance; and (c) before awarding loans and joint ventures, the Board must determine that purchase agreements, price guarantees and loan guarantees (i) will not adequately support the construction and operation of a synthetic fuel project or (ii) will restrict the available participants for such project.

In the case of loans and loan guarantees the Corporation is authorized: (a) to extend financial assistance, subject to appropriations, to cover (i) 50 percent of cost overruns up to 100 percent of the initially estimated project cost and (ii) 40 percent of additional cost overruns, subject to Congressional notification in the event that the project cost exceeds 250 percent of the estimate upon which the initial award of financial assistance was based; and (b) to award financial assistance to qualified concerns to refine the design of proposed synthetic fuel projects to improve the accuracy of the initial estimated costs on which loans and loan guarantees are awarded.

Up to two synthetic fuel projects located in the Western Hemisphere could receive financial assistance if (1) a class of resources will be utilized that is located in the United States but will not be subject to timely commercial production; (2) financial assistance also will be provided by the host country; (3) the synthetic fuel will be available on equitable terms to users in the United States; and (4) all technology, patents and trade secrets developed are available to citizens of the United States. This authority is only available prior to approval of the comprehensive strategy, subject to one-House Congressional disapproval and is limited to 10 percent of the available obligation authority of the Corporation.

Also the Corporation, under certain limited circumstances, would be authorized to acquire control or to purchase and leaseback synthetic fuel projects, subject to Congressional review and veto. Such control must be disposed of within five years after acquisition.

Corporation construction projects, which would be Corporation owned but contractor constructed and operated, would be authorized only prior to approval of the comprehensive strategy and only for one-of-a-kind facilities which employ technologies utilizing significant domestic resources, and only after no participant could otherwise be found who would be willing to proceed under one or more of the above forms of financial assistance. During this period, up to three such projects would be authorized on such a last resort basis, after 30 days notice of the Corporation's intent to establish such a Corporation construction project if no acceptable notice of intent to submit a proposal is received. No such projects would be authorized once the comprehensive strategy is Congressionally approved.

In the case of Corporation construction projects and joint ventures, the Corporation is required to consult with the affected Governors with respect to such project's development and related regulatory and other government activities.

Any synthetic fuels acquired by the Corporation through purchase agreements, joint ventures or Corporation construction projects, must be offered first to the Department of Defense for national defense needs before being offered to other Federal agencies and the private sector.

Treasury Operations

When the Corporation proposes to award financial assistance, it must notify the Secretary of the Treasury of its maximum liability under the proposed contract or other obligation agreement. Upon the receipt of notification from the Corporation that amount of borrowing authority in the Energy Security Reserve would be set aside and otherwise be unavailable to the Corporation. The Treasury, within 15 days, must certify to the Corporation that such amounts had been set aside at which time the proposed contract or other obligation agreement could be finalized.

For example, when the Corporation needs actual funds for administrative expenses or to support financial assistance such as loans, the Secretary of the Treasury would be authorized to purchase notes of the Corporation to the extent of its appropriated borrowing authority from the Energy Security Reserve in the United States Treasury. Notes would be retired from revenues or upon dissolution of the Corporation.

An initial appropriation of \$20 billion to the Secretary of the Treasury is authorized, as well as additional amounts upon approval of the comprehensive strategy up to a total of \$88 billion, in the aggregate. As mentioned, any appropriations are to be deposited in the Energy Security Reserve and available to the Corporation only so far as necessary to meet obligations.

Budgetary Aspects

All financial transactions between the Secretary of the Treasury and the Synthetic Fuels Corporation will be reflected in the budget of the United States. Thus the extent of actual borrowing by the Corporation from the Department of the Treasury (from the Energy Security Reserve) will be reflected as outlays of the United States Government.

The internal financial operations of the Corporation are not reflected in the Federal budget since it is to be an independent (off-budget) entity. However, the salaries and expenses of the Corporation, its contractual obligations, and its accounting system will be available for scrutiny through statutorily required annual and quarterly reports and audits as well as General Accounting Office review and audit.

Relationship to Other Laws

The Sunshine Act (5 U.S.C. 552b) would apply to the Corporation. Also the financial disclosure provisions of the Ethics in Government Act of 1978 (P.L. 95-521) shall apply to all directors, officers and certain employees of the Corporation.

Corporation construction projects would be subject to the EIS requirements of the National Environmental Policy Act and Federal, State and local environmental, land use and siting laws to the same extent as a privately sponsored project.

Davis-Bacon and Service Contracts Act would apply to loans and loan guarantees by the Corporation.

The recipients of financial assistance and the Corporation construction projects are required to provide for reasonable participation by small and disadvantaged businesses.

Termination

The authority of the Corporation to obligate funds would cease after September 30, 1992. And the Corporation must terminate its affairs by September 30, 1997. Upon termination the outstanding contracts for financial assistance would be transferred to the Secretary of the Treasury for administration.

DEVELOPMENT OF SYNTHETIC FUELS UNDER
THE DEFENSE PRODUCTION ACT OF 1950--(PART A)

Under the Defense Production Act Amendments of 1980 (Part A), before the Synthetic Fuels Corporation is fully operational, the President would have authority to offer (through the Department of Defense and other Federal agencies) purchase agreements, loans and loan guarantees to stimulate synthetic fuels development to meet national defense needs pursuant to a new section 305 of the DPA. Up to \$3 billion, subject to appropriations, is available for these activities. Once the Corporation is established, these DPA authorities will convert to a standby basis.

In the event of a national energy supply shortage threatening the adequacy of fuel supplies to meet direct defense and defense industrial base needs, these standby authorities could be activated on a specified Presidential determination to meet such needs. In addition to purchase agreements, loans and loan guarantees, these Presidential standby authorities, subject to appropriations in advance, include authority to install government owned equipment in private facilities and to install private equipment in government-owned facilities; to construct government-owned but contractor operated synthetic fuel projects; and to mandate fuel suppliers to provide synthetic fuel.

The existing non-synthetic fuel authorities of the Defense Production Act are amended to designate "energy" as a "strategic and critical" material.

BIOMASS AND ALCOHOL FUELS
URBAN WASTE
(TITLE II)

The Biomass Energy Act of 1980 establishes a comprehensive biomass and alcohol fuels program. Part A relates to activities of both the Department of Agriculture (USDA) and the Department of Energy (DOE) regarding all forms of biomass (including crops and crop waste, timber, animal and timber waste). Part B relates only to DOE urban waste activities.

BIOMASS AND ALCOHOL FUELS (PART A)

USDA is provided jurisdiction over all projects which annually produce less than 15 million gallons (or equivalent of other synthetic fuel) involving agricultural and forestry resources.

Both USDA and DOE, subject to concurrence of the other agency, are authorized to initiate those projects which produce over 15 million gallons per year using forestry resources, and those projects, owned and operated by cooperatives, which produce over 15 million gallons per year using agricultural resources. The other agency will be involved in a concurrence role as soon as possible.

DOE alone will have jurisdiction over all other alcohol and biomass projects which produce over 15 million gallons per year.

USDA and DOE would be required to prepare an overall Federal plan for biomass energy development within six months of enactment, which maximizes biomass energy production and is designed to achieve an alcohol production level of 60,000 barrels per day by the end of 1982. In addition, both agencies must submit by January 1, 1982, a comprehensive strategy for the period 1982 to 1990 which maximizes biomass energy production and use, and achieves an alcohol production level equal to not less than 10 percent of estimated gasoline consumption in 1990.

USDA will have authority to review DOE projects, on a consultation basis, for national, regional and local impact on agricultural supply, production and use, and likewise, DOE will have authority to review USDA projects for technical and national fuel policy considerations -- each agency will have 15 days in which to review the projects of the other agency, with 30 days for the other to respond before proceeding.

Priority for financial assistance and the most favorable financial terms available will be given to projects that use a primary fuel other than petroleum or natural gas in the production of biomass fuel, such as geothermal energy, solar energy, and cogeneration facilities, or which apply new technologies which expand the possible resources. However, this shall not be interpreted to exclude projects utilizing more traditional fuels.

Federal Motor Vehicles

The Federal government is required to use gasohol in any motor vehicle capable of using gasohol, which it owns or leases. Exceptions apply where gasohol is not available in reasonable quantities or at reasonable prices, or where the President finds an exemption is necessary to protect the national security.

Motor Vehicle Study

The Secretary of Energy in consultation with the Secretary of Transportation, within nine months of enactment, is directed to submit to Congress a study on whether legislation is needed to require that any new motor vehicle be capable of operating

on gasohol or on pure alcohol; and to address institutional barriers that inhibit the widespread marketing of gasohol, including requirements for specified amounts of alcohol in all gasoline.

Natural Gas Priorities

For purposes of natural gas supply priority under section 401 of the Natural Gas Policy Act, the term "essential agricultural use" shall, for a period of five years from the date of enactment, include sugar refining for production of alcohol; and the use of natural gas in the distillation of fuel grade alcohol from food grains or biomass by existing facilities which do not have the installed capability lawfully to burn coal.

Standby Allocation

The Emergency Petroleum Allocation Act of 1973 is amended to require the President to exercise his standby allocation authority if he finds that significant quantities of alcohol suitable for use in motor fuel would not otherwise be used for that purpose because of an unavailability of refined petroleum products with which the alcohol would be blended. Specifically, where the President finds such situation exists, he shall use his authority to allocate crude oil to specific refiners or petroleum products to gasoline marketers so that the available alcohol will be blended into motor fuel. Consideration is to be given to quality control in refinery operations affected by the President's actions under this provision so as to avoid disruption of the markets for crude oil or refined petroleum products, and to avoid causing unreasonable increases in the price of alcohol.

URBAN WASTE (PART B)

A new Office of Energy from Municipal Waste will be established in DOE with responsibility for continuing the existing urban waste program with minimal disruption and reorganization.

General criteria for providing commercial financial assistance include:

- (a) giving priority funding to commercialization of technologies which can displace oil or gas;
- (b) using the amount and type of assistance that will minimize potential liability of the Federal government; and
- (c) providing assistance only to facilities which are both technically and economically feasible.

Financial assistance for construction projects may be in the form of loans and loan guarantees not to exceed 75 percent of total capital costs.

Price support loans may be provided to new and existing urban waste facilities under certain conditions. Price support loans will be available only for recovery energy or fuel products actually produced, sold to a buyer and used. Authority to grant price support loans terminates December 31, 1994.

In addition, the Secretary has the discretion to provide price supports with no repayment of principal and interest for new facilities.

FINANCIAL ASSISTANCE

The Title II authorizations for Fiscal Years 1981 and 1982 are, in the aggregate, \$1,200,000,000 for the comprehensive biomass and alcohol fuels activities (Part A), and \$250 million for urban waste activities (Part B).

Specifically, under Part A \$600 million will be available for USDA activities (including up to \$200 million for small-scale biomass energy projects of less than one million gallons per year) and \$600 million will be available for DOE activities, other than urban waste (including not less than \$500 million to the DOE Office of Alcohol Fuels for financial assistance to alcohol fuel projects). The remaining DOE authorization, \$100 million, shall be available for biomass energy systems development.

ENERGY TARGETS (TITLE III)

Title III requires the President to prepare and submit annually as a separate title of the Department of Energy Annual Authorization bill, energy targets for net imports, domestic production, and end-use consumption, after considering conservation, for the years 1985, 1990, 1995, and 2000 together with supporting data and a statement of all assumptions adopted in preparing the targets.

The purpose of Title III is to establish a process for the Congress to debate and vote on, and the President approve, a comprehensive and internally consistent set of energy targets for the United States during the first sessions of the 97th and 98th Congresses. During the 97th Congress only, special procedures would be established to insure that a vote on the initial targets is obtained in each House.

The energy targets shall be considered goals that are not binding on the Congress or any of its Committees or on the Executive Branch. They shall not be, nor have the effect of, law.

No new funds are authorized for preparation of the energy targets.

RENEWABLE ENERGY INITIATIVES (TITLE IV)

The Omnibus Solar Commercialization Act of 1980 establishes incentives for the use of renewable energy resources to coordinate information dissemination and outreach programs and to promote the use of renewable energy resources, and establishes a three-year pilot program to promote local energy self-sufficiency.

INFORMATION DISSEMINATION AND OUTREACH SERVICES

The Secretary of Energy is directed to coordinate solar and conservation information dissemination activities funded by the DOE and report annually to the Congress on the status of such activities, including providing a summary of how the services of DOE are coordinated with services in other agencies.

ENERGY INITIATIVES IN NEW AND RENOVATED FEDERAL BUILDINGS

The National Energy Conservation and Policy Act is amended to require the Secretary of Energy to use a 7 percent discount rate and marginal fuel costs in calculating the life-cycle costs of conservation and solar investments in Federal buildings.

ENERGY SELF-SUFFICIENCY INITIATIVES

A three-year energy self-sufficiency program, with a \$10 million authorization in Fiscal Year 1981, shall be established to demonstrate energy self-sufficiency through the use of renewable energy resources in one or more States in the United States. Within 180 days of enactment, the Secretary of Energy is required to prepare a detailed program plan, and within one year of enactment, submit to the Congress suggested legislative initiatives needed to implement the plan.

PHOTOVOLTAIC

The Federal Photovoltaic Program in the National Energy Act is amended by expanding the definition of "Federal facility" to incorporate greater flexibility in the deployment of photovoltaic systems, and by exempting certain program activities from the rulemaking requirements of the Administrative Practices Act.

SMALL-SCALE HYDROPOWER INITIATIVES

The small-scale hydropower provisions in the National Energy Act are amended to expand the definition of small-scale hydropower facilities for a maximum capacity of 15 megawatts to 30 megawatts, and to include the case of a turbine which is associated with a natural water feature without the need for any impoundment. Additionally, the Federal Energy Regulatory Commission is allowed under the Federal Power Act to exempt projects below 5 megawatts from certain licensing requirements on a case-by-case basis.

The Secretary of Energy is required to promulgate regulations to implement the financial assistance programs for small-scale hydro in the National Energy Act within six months, and to prepare a study of Federal small-scale hydro commercialization programs. Additionally, an extension is provided of the \$110 million authorization in the National Energy Act for each of the two fiscal years 1981 and 1982.

SOLAR ENERGY AND ENERGY CONSERVATION (TITLE V)

SOLAR ENERGY AND ENERGY CONSERVATION BANK

A Solar Energy and Energy Conservation Bank will be established in the Department of Housing and Urban Development (HUD) to provide subsidized loans to persons who make energy conservation improvements or install solar applications in residential or commercial buildings. The new Bank will exist until September 30, 1987, with the same corporate powers as the Government National Mortgage Association.

The Bank will have a President, an Executive Vice President for Energy Conservation, an Executive Vice President for Solar Energy, and will be governed by a Board of Directors. The Board will be composed of the Secretaries of HUD (designated as Chairperson), Energy, Treasury, Agriculture and Commerce. Serving the Board will be Advisory Committees on Solar Energy and Energy Conservation.

The Bank will be authorized to make payments to local financial institutions willing to provide below-market rate loans or a principal reduction on loans to borrowers for solar and conservation improvements. Eligibility for subsidized loans would depend upon both the income of the borrower and the type of structure to be improved.

Assistance for energy conservation improvements would be provided to owners and tenants of existing one-to-four-family residential buildings whose household income does not exceed 150 percent of area median income levels (approximately \$25,000). The maximum subsidy available for a single-family residence would range from 20 percent of the project cost (with a \$500 limit on the subsidy) for borrowers with incomes between 120-150 percent of area median (approximately \$20,000-\$25,000) to 50 percent of the cost (with a \$1,250 limit on the subsidy) for borrowers with incomes below 80 percent of area median (approximately \$13,500). The following table summarizes the maximum subsidy levels based on income for one-to-four-family residential buildings:

Income Level Of Borrower	Maximum Subsidy Levels (Dollars)			
	1 unit	2 units	3 units	4 units
<80% of area median	50% up to \$1250	up to \$2000	up to \$2750	up to \$3500
80 - 100% of area median	35% 875	1390	1915	244
100 - 120% of area median	30% 750	1200	1650	210
120 - 150% of area median	20% 500	800	1100	144

Subsidy levels for conservation improvements also would be established for multi-family and commercial buildings at a maximum subsidy rate of 20 percent of cost up to \$400 per unit for multi-family buildings, and 20 percent of cost up to \$5,000 for commercial buildings.

Assistance for solar energy projects would be provided to owners or builders of residential and commercial buildings. For one-to-four family residential buildings the maximum subsidy would be:

--60 percent of cost for owners whose income is below 80 percent of area median income (approximately \$16,000);

--50 percent of cost for owners whose income is between 80-160 percent of area median income; and

--40 percent of cost for owners whose income is above 160 percent of area median income (approximately \$32,000).

For a single residence, the maximum subsidy would be \$5,000. For a two-unit residential building, the maximum subsidy would be \$7,500; and for a three-to-four-unit building, the maximum subsidy would be \$10,000.

The maximum subsidy for multi-family (5 or more units) residential buildings would be 40 percent or \$2,500 per unit. For commercial buildings (including certain agricultural buildings), the maximum subsidy would be 40 percent or \$100,000. Builders would be eligible for up to 40 percent subsidies at the limits specified above. Any subsidy for a subsequent owner could not cause the combined subsidy to exceed the builder limit.

Solar Energy and Energy Conservation Bank authorizations include \$2.5 billion for fiscal years 1981-1984 for conservation purposes, and \$525 million for fiscal years 1981-1983 for solar purposes. Up to \$10 million in fiscal year 1981 and \$7.5 million in fiscal year 1982 and thereafter would be available annually out of each appropriation to promote the solar and conservation loan programs:

RESIDENTIAL ENERGY CONSERVATION GRANTS

A Residential Energy Conservation Office would be established within the Department of Energy to supervise a State-run grant program in which the Federal government would share the cost of residential energy conservation measures.

A matching grant program for energy conservation expenditures is set up for persons whose income is 80 percent of the area median income or below. Under the grant program, the Solar Energy and Energy Conservation Bank could set a maximum subsidy level of 50 percent of the cost of conservation measures up to a maximum of \$1,250 (1 unit), \$2,000 (2 units), \$2,750 (3 units) or \$3,500 (4 units), and \$1,000 per unit in multi-family buildings. No grant would be provided unless it applies to a total conservation expense of at least \$250.

The Conservation Bank would require a grant applicant to provide the lending institution with 50 percent of the cost of the conservation project, or to certify that such amount will be available upon completion of the project when the grant is made to the installing contractor. For any person who will perform the work or purchase the materials directly, similar assurance of financial resources would be required. The financial institution shall provide the grant by means of a check payable to the supply company from which the materials are to be purchased. Also, persons receiving grants would be required to complete a simple application form.

No less than 15 percent of the funds authorized for conservation under the Solar Energy and Energy Conservation Bank will be reserved for residential energy conservation grants.

RESIDENTIAL ENERGY EFFICIENCY PROGRAM

The National Energy Conservation Policy Act (P.L. 95-619) is amended to authorize the Secretary of Energy to establish a program to ascertain the conservation effectiveness of contracting with private energy conservation companies to conduct systematic residential audits and install energy conservation measures throughout defined geographic areas. Such companies would be compensated under contracts with State or local agencies according to energy actually saved.

Initially, up to four demonstration projects could be authorized, with DOE reporting to Congress after two years on progress of the demonstrations. Participation in the program is voluntary. Public hearings must be held before the program is undertaken.

A utility would contract with one or more energy conservation companies to purchase saved energy at a price and over a period of time determined by negotiation. The price would be based on the value of the energy saved over the contract period.

The Federal Energy Regulatory Commission would be authorized to prescribe rules to exempt under certain conditions the sale or transportation of conserved natural gas from certain laws in order to promote greater residential energy efficiency.

The energy conservation companies must undertake a house-by-house, block-by-block retrofit of homes in designated areas. The companies must be independent of the utility and selected in a fair, open and nondiscriminatory manner.

Funding for the demonstration projects would be authorized at a total of \$10 million for fiscal years 1981 and 1982. Funds could be paid only to States or local units of government.

UTILITY RESIDENTIAL CONSERVATION PROGRAMS

The conference agreement includes several amendments to the portion of the National Energy Conservation Policy Act (NECPA) which requires the nation's larger electric and gas utilities to establish "utility programs" offering residential customers inspections and management services in arranging for the installation of certain residential energy conservation measures. -- These amendments provide for --

- a removal of the Federal prohibition in NECPA on the financing of residential energy conservation measures by utilities;
- assurance that utilities will seek funds for the financing of utility programs from local financial institutions as well as traditional sources of funds;
- elimination of Federal rules with respect to utility cost recovery under utility programs with one exception: the charge to a customer for an inspection under any utility program may not exceed \$15;
- establishment of one year manufacturers', suppliers' and installers' warranty requirements for measures installed under any utility program; and
- modification of the Federal prohibition in NECPA on utility supply or installation of residential energy conservation measures to permit utilities to subcontract with qualified independent firms for such supply or installation provided that these activities meet certain tests related to preservation of competition.

ENERGY AUDITOR TRAINING AND CERTIFICATION

The Secretary of Energy is authorized to make grants to States to support training and certification of energy auditors of residential and commercial buildings. The Secretary also shall develop training standards, sufficiently flexible to permit innovation in training and auditing techniques, to be used by the States receiving assistance.

An "energy audit" is an onsite inspection by a trained and certified auditor of a residential or commercial building to evaluate, and provide useful information on the various energy-related aspects of the building, as appropriate. The energy audit may deal with the potential of the building for improved energy efficiency, for enhanced utilization of renewable resources, and for switching from one fuel source to another, and may include actions by the auditor to improve the energy efficiency of, or to make other energy-related improvements in the building.

Training and certification programs would be managed by the States and conducted by States, local or regional governments, utilities, or private firms.

To be eligible for financial assistance under the auditor training program, the Governor must submit an application to the Secretary of Energy, containing such information as the Secretary may require. The application shall also contain an assurance that the financial assistance provided will be used to supplement State or local funds, and to the extent practicable, to increase the amounts of such funds that would be made available in the absence of Federal funds for carrying out the purpose of the auditor training program.

Funding for this program is authorized at \$10 million for fiscal year 1981 and \$15 million for fiscal year 1982, which shall remain available until expended.

INDUSTRIAL ENERGY CONSERVATION

The Secretary of Energy is authorized to accelerate research, development, and demonstration of energy productivity in industry not to exceed \$40 million for each of fiscal years 1981 and 1982, in addition to funds authorized for this activity in other measures for high pay-off Industrial Conservation Demonstration projects under the existing DOE program.

WEATHERIZATION GRANT PROGRAM

The low-income weatherization assistance program authorized by Title IV of the Energy Production and Conservation Act (P.L. 94-385) would be amended to limit administrative expenses to not more than 10 percent of any weatherization grant and not more than one-half of such amount may be used by any State for such purposes.

The Secretary of Energy also would be authorized to increase the \$800-per-dwelling-unit-limit to not more than \$1,600 to secure installation of weatherization materials where the Secretary determines that an insufficient number of volunteers, training participants and public service employment workers are available.

For any dwelling unit, the limit on the cost of making incidental repairs necessary to make the installation of weatherization materials effective is increased from \$100 to \$150.

The priority for the management of local weatherization programs given to Community Action Agencies is repealed. However, a preference is given to a CAA to continue managing a weatherization program where it has demonstrated that its program is an effective one.

GEOHERMAL ENERGY (TITLE VI)

The Geothermal Energy Act of 1980 establishes financial assistance programs in DOE to promote exploration and confirmation of geothermal reservoirs, and provides funding for feasibility studies and construction of specific geothermal projects.

DOE is also directed to conduct a reservoir insurance study in cooperation with the insurance and reinsurance industry.

A total of \$85 million in Federal loans and loan guarantees for geothermal reservoir confirmation is authorized for Fiscal Years 1981 to 1985 (including \$5 million for FY 1981 and \$20 million for each fiscal years 1982 through 1985). In addition, \$5 million is authorized for feasibility studies in FY 1981. Funding for construction loans is deferred until FY 1982.

A number of other amendments were made to ease the regulatory burdens on small geothermal plants and to provide special help for direct heat utilization projects.

STUDIES (TITLE VII)

ACID PRECIPITATION

The Acid Precipitation Act of 1980 would establish an interagency task force to conduct a comprehensive ten-year research program to identify the causes and effects of acid precipitation. The Acid Precipitation Task Force would be jointly chaired by the Administrators of the National Oceanic and Atmospheric Administration (NOAA) and the Environmental Protection Agency (EPA) and the Secretary of Agriculture.

The comprehensive plan for the ten-year program shall encompass a number of programs including, identifying the sources of atmospheric emissions contributing to acid precipitation; establishing and operating a nationwide long-term monitoring network to detect and measure levels of acid precipitation; research in atmospheric physics and chemistry to facilitate understanding of the processes by which atmospheric emissions are transformed into acid precipitation; and analyzing the information available in order to formulate and present periodic recommendations to Congress and the appropriate agencies about actions to be taken to alleviate acid precipitation and its effects.

For the purpose of establishing the Task Force and developing the comprehensive plan there are authorized to be appropriated \$5 million to NOAA to remain available until expended.

Authorization of appropriations for the succeeding nine years for the comprehensive ten-year plan and program will be provided in subsequent authorization acts. The total sum of dollars authorized shall not exceed \$45 million except as may be specifically provided.

CARBON DIOXIDE STUDY

The Director of the Office of Science and Technology Policy (OSTP) shall enter into an agreement with the National Academy of Sciences to carry out a comprehensive study on the projected impact of fossil fuel combustion, coal conversion and related synthetic fuels activities, and other sources on the level of carbon dioxide in the atmosphere. This study should also include an assessment of the economic, physical, climatic and social effects of such impacts.

A report including major findings and recommendations resulting from the study shall be submitted to the Congress not later than three years after enactment of this Title.

The determination as to the expenses which will be required to conduct this study shall be made by OSTP but shall not exceed \$3 million, of which at least 80 percent of the amount appropriated shall be provided to the National Academy of Sciences.

STRATEGIC PETROLEUM RESERVE (TITLE VIII)

The conferees tentatively agreed to require the Federal Government to commence filling the Strategic Petroleum Reserve (SPR) at a minimum average rate of 100,000 barrels per day. In addition, if this specified SPR fill rate is not achieved, then any production from Naval Petroleum Reserve No. 1 (Elk Hills) must be sold or exchanged so as to be stored in the SPR. Exceptions to this fill requirement would apply if at least 500 million barrels of crude oil are stored in SPR, where the Elk Hills oil is sold to small refiners under section 7430(d) of title 10 of the U.S. Code, if (a) the oil is produced to prevent a reduction in the amount of ultimate recovery from the Elk Hills reserve, or (b) the oil is produced for national defense purposes under section 7422(a) of title 10, U.S. Code.

The conferees also tentatively agreed to:

--remove the one year contract limitation on sales of associated gas from the Naval Petroleum Reserve;

--authorize the President to provide with appropriate reimbursement, petroleum directly or by exchange from the Naval Petroleum Reserves to the Department of Defense for their petroleum product needs. The small refiner set aside in existing law would be preserved. Exchanges of oil would not be subject to Federal procurement statutes.

--DOE's authority to obtain oil for the SPR would be made more flexible, including authorizing DOE to conduct exchanges of Naval Petroleum Reserve oil or other oil for the SPR without having to follow the usual procurement laws and regulations and eliminating the requirement that DOE submit amendments to the Strategic Petroleum Reserve Plan prior to taking actions authorized under this Act.

SUMMARY OF AUTHORIZATIONS

In summary, the authorizations in the Energy Security Act (S. 932) are as follows:

(By fiscal years, in millions of dollars)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>Other</u>
TITLE I	20,000 ^{1/}	--	--	--	--	68,000 ^{2/}
TITLE II	1,450 ^{3/}	^{3/}	--	--	--	--
TITLE III	--	--	--	--	--	--
TITLE IV	120	110	--	--	--	--
TITLE V	360 ^{4/}	880 ^{5/}	1,025 ^{6/}	875 ^{7/}	--	--
TITLE VI	10 ^{8/}	20	20	20	20	--
TITLE VII	5	^{9/}	^{9/}	^{9/}	^{9/}	45 ^{9/}
TITLE VIII	--	--	--	--	--	--
	<u>21,945</u>	<u>1,010</u>	<u>1,045</u>	<u>895</u>	<u>20</u>	<u>68,045</u>

1) Up to \$3 billion, subject to appropriations, is available for synthetic fuels projects under the Defense Production Act (Part A).

2) Upon Congressional approval of the comprehensive strategy, up to an additional \$68 billion could be authorized for a total of \$88 billion.

3) Authorizations for Fiscal Years 1981 and 1982, are, in the aggregate, \$1.2 billion for the comprehensive biomass and alcohol fuels activities (Part A), and \$250 million for urban waste activities (Part B).

Under Part A, \$600 million will be available for USDA activities, and \$600 million will be available for DOE activities.

4) Title V authorizations for Fiscal Year 1981 include the following amounts for:

Conservation	\$ 200 million
Solar	100 million
REEP	10 million (total for FY '81 & '82)
Auditor Training	10 million
Industrial	<u>40 million</u>
	\$ 360 million

5) Title V authorizations for Fiscal Year 1982 include the following amounts for:

Conservation	\$ 625 million
Solar	200 million
REEP	(included in FY 1981)
Auditor Training	15 million
Industrial	<u>40 million</u>
	\$ 880 million

6) Title V authorizations for FY 1983 include the following amounts for:

Conservation	\$	800 million
Solar		<u>225 million</u>
	\$	1,025 million

7) \$875 million is authorized for the Energy Conservation and Solar Energy Bank for conservation purposes only.

8) Title VI authorizations for FY 1981 include \$5 million for geothermal reservoir confirmation, and \$5 million for feasibility studies.

9) \$45 million is authorized under Title VII for fiscal years 1982-1990 for the comprehensive ten year acid precipitation research program.

Disclaimer: This summary was prepared by the Staff of the Committee on Energy and Natural Resources of the U.S. Senate for information purposes only and does not fully present the tentative conference agreement as of May 21, 1980. The final agreement of the conference will be reflected in the conference report only.

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