

CHAPTER 2
STATE AND FEDERAL ENERGY POLICY
AND ADMINISTRATION
Gerald Okimoto

In the more than three years since the Arab oil embargo, a scramble to reorganize government and institute new policy has taken place. Generally speaking, the government has emphasized the following kinds of priorities: 1) assure the reliability of energy supply, 2) achieve the lowest cost to society for energy, 3) avoid economic and regional inequities, 4) safeguard the quality of the environment, and 5) minimize international problems due to energy. Based upon these priorities both federal and state governments have developed major programs.

Federal Energy Policy and Administration

On the federal level, several changes were made in the form of "new" agencies and commissions. Chief legislation in this regard was the Energy Reorganization Act of 1974, which established the Energy Research and Development Administration (ERDA), the Nuclear Regulatory Commission (NRC), and the Energy Resources Council (ERC). ERDA took on the research and administrative function on energy in order to reorganize and consolidate federal activities relating to the development and use of various sources of energy. The NRC took over the licensing and regulatory functions of the former Atomic Energy Commission, while the ERC attempted to co-ordinate energy matters at the presidential level, by bringing cabinet members, administrative heads, and commission and council chairpersons together to discuss energy policy. The proclaimed goal of the Council was to assure coherent and consistent recommendations to the President on energy policy.

During this period the Federal Energy Administration (FEA) was also created. The FEA's purposes include assuring the reliability of America's energy supply, and seeing that burdens from problems in the energy area would be borne with equity.

The functioning of these new authorities proved to be fragmented, overlapping and ineffectual, with more than 20 executive departments operating more than 250 energy data programs. Essential unity and coordination was a problem because of the division in responsibility and authority. This proved to be an added burden to the task of achieving advances on energy goals and policy.

Throughout the Nixon and Ford administrations, attempts were made to address energy problems through public appeals, legislative proposals, and projects such as Project Independence. However, progress in these areas was generally blocked by conceptual, political, or social barriers, while energy problems continued to develop. In fact, oil imports have recently been accounting for more and more of our energy demands as domestic production has fallen to an eleven year low. Also, inadequate policy in the area of natural gas became apparent in this winter's drastic regional supply problems. Thus, the need for a better governmental response to energy problems continues to be emphasized.

Throughout the presidential campaign of Jimmy Carter, promises for action were made in reference to energy policy, especially on the topics of conservation, nuclear reactors, and oil dependence. On April 18, 1977, President Carter came before the American people to present an energy plan in fulfillment of his promise for action. In that presentation, Mr. Carter outlined the conceptions and ideas which he felt were vital to the

needs of the country, and which urgently require the American people's understanding. Among these ideas were ten principles which laid the foundation for his plan. These principles include:

- 1) An effective energy policy is possible only if government takes responsibility for energy matters.
- 2) Healthy economic growth must continue.
- 3) The environment must be protected.
- 4) U.S. vulnerability to embargoes must be reduced.
- 5) Equal sacrifices must be made across regions, classes, interest groups, and industrial and consumer sectors.
- 6) Cornerstone: demand must be reduced through conservation.
- 7) Prices should generally reflect true replacement cost of energy.
- 8) The U.S. must conserve scarce fuels, and use plentiful ones.
- 9) Governmental policies must be predictable and certain.
- 10) The U.S. must start now to develop new unconventional sources of energy.

In addition to outlining these principles, Mr. Carter appealed for national coalition to achieve the following seven goals:

- 1) Reduce growth in demand to less than 2% annually.
- 2) Reduce oil imports from 16 billion to 6 billion barrels per day.
- 3) Achieve 10% reduction in gas consumption.
- 4) Insulate 90% of all residential and commercial buildings.
- 5) Establish petroleum reserve of one billion barrels.
- 6) Increase coal production from 600 to 1000 million tons per year.
- 7) Use solar energy in more than two and a half million homes.

In the plan, and central to the development of the kind of coherent energy policy and administration which Carter proposes, is the establishment of a new Department of Energy. The proposed new department will abolish the FEA, ERDA, the ERC, and the Federal Power Commission. It will also acquire and share powers with several significant authorities which relate to energy including: HUD, the Department of Defense, the Department of the Interior, the Department of Commerce, the Department of Transportation, the Department of Agriculture, the Interstate Commerce Commission, and the Security Exchange Commission. Within the new department there will be a Department Secretary (Schlesinger) with several under secretaries, and Economic Regulatory Administration, and Energy Information Administration, and a Board of Hearings and Appeals.²⁶ Thus set up, the President hopes the new Department of Energy will eventually implement the comprehensive energy plan which he has prepared.

The actual plan is a bit lengthy and complex and includes proposals on auto efficiency, building efficiency, energy information systems, energy industry competition, state and local participation in energy policy, assistance for low income persons, oil and natural gas pricing policies, coal development, nuclear development, and unconventional source development, specifically including solar energy.²⁷ Truly, the plan is comprehensive. However, because it is so encompassing there has been a great deal of clamor and objection to to specifics of the plan. The question of how much of the plan will survive congressional approval remains to be answered.

Though there may be numerous criticisms of parts of the plan from special interest groups and those who subscribe to different future energy scenarios, the fact of the matter is that America is long over due for some form of comprehensive, inclusive, and coherent energy policy. Clearly, the most important aspect of Mr. Carter's plan is that it seriously and intelligently addresses this urgent need for governmental action.

Energy Administration in California

In a fashion comparable to the federal example, California made its own response to the "energy crisis". In 1974, the Warren-Alquist Act laid out the guidelines for the establishment of the California Energy Resource Conservation and Development Commission (ERCDC). The Energy Commission was established for the following purposes: 1) regulating power plant siting, 2) setting energy conservation standards for buildings and appliances, and 3) sponsoring research on factors affecting energy production and use (including alternative and new sources). To accomplish these purposes, the five member Commission employs a staff divided into five divisions, Energy Facilities Siting, Conservation, Energy Assessment, Alternative Implementation, and Administrative Services.

Of particular interest to this paper are the activities of the Alternative Implementation and the Conservation divisions of the ERCDC. As of March 30, 1977 there were 25 projects being conducted under the auspices of the Alternatives division, including projects on geothermal, alternative fuel development, and particularly solar energy. In the Conservation division there are 38 projects, including projects on energy conservation in buildings and appliances, industries and utilities, government, city and regional planning, and emergency planning, education and technical assistance. ⁶ Together the two divisions compile an impressive list of projects indicative of the state's sincerity to conserve present sources of energy and explore future possibilities.

At age two years and five months, the state Energy Commission is just spreading its wings. Many of the projects in the Conservation and the Alternatives divisions have completion dates in the months ahead. With the prospect of a new federal energy plan, the state Commission may get an added boost from big brother in terms of project support and new programs to institute. On the whole, the state's organizational structure appears to be well devised and headed in a positive direction to meet California's energy policy needs.

There is one criticism I will make in reference to the Energy Commission. It seems that the projects it supports and the documents it produces are primarily for the eyes of the commissioners and the Governor, along with a relatively small group of people on the Commission's mailing list. The link between the Commission and the public is apparently somewhat remote. Of particular concern is the ultimate impact of the Alternatives and Conservation division's findings. Though the Commission has published good documents such as "When, Why and How to Convert Your House to Solar Energy" and has apparently moved to distribute the book to book stores, it is unclear whether similar works and findings will be made so generally available.

On the state level there is one other governmental body which I would like to mention in regard to energy administration, the State Public Utilities Commission (PUC). Though the PUC was not established to meet the energy problems of the seventies, it certainly plays a key role in the area of energy consumption. Because the PUC regulates the electric and gas utilities, its influence and surveillance can assist the state in moving toward energy goals. For instance, through the rate structure the PUC can provide incentives toward conserving energy by making it more expensive to use in higher quantities (as opposed to rates which were discounted for larger users). The PUC can work directly with the utilities to encourage programs like the selling of

insulation for homes through the utilities (all utilities do except PG&E). Further, the PUC can conduct its own investigations into energy alternatives and possible programs. In fact, the Commission is presently conducting independent solar and insulation investigations.

In sum, at the governmental level, the energy picture for California and the nation is taking new directions. Efforts are being aimed at making improvements in the way we use and develop energy. With the federal plan still in limbo, it is premature to make any specific conclusions on that level. It does seem, however, from media information that establishment of the Department of Energy is reasonably assured, and that some form of energy policy will emerge from the Carter proposals.

On the state level it appears we have a good authority in the Energy Commission. It appears active and is promoting projects which may prepare us well for the future. The PUC also appears to be making some positive contributions towards conservation, greater efficiency and even alternative proposals.

Though I have painted a fairly optimistic picture of the energy scene as far as the public sector is concerned, the importance of the private sector cannot be underestimated. In fact, a recent ERDCDC publication on "California Energy Trends and Choices" states that for the present "in the absence of change the corporate plans, and the government's likely reaction to them are the future". With such a note one may wonder what magnificent plans are really worth unless they are truly comprehensive, forceful, and complete.