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The Honorable Jack Brooks
Chairman, Committee on
Government Operations
House of Representatives

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Dear Mr. Chairman:

In letters dated June 28, 1979, and July 10, 1979, you requested our comments on sections 505 and 514 of H.R. 4500 and sections 1005 and 1014 of H.R. 4622 respectively. As you know, sections 505 of H.R. 4500 and 1005 of H.R. 4622 would create a "Federal Fleet Gasohol Initiative" and sections 514 of H.R. 4500 and 1014 of H.R. 4622 would establish a "Federal Wind Utilization Program."

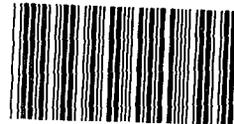
As agreed with your staff we limited our comments to the specific sections you requested and reviewed these sections from the standpoint of our past and ongoing work. In general, while we have no serious concerns, we are offering a number of suggestions to make these bills more effective.

THE FEDERAL FLEET
GASOHOL INITIATIVE

Sections 505 of H.R. 4500 and 1005 of H.R. 4622 are identical. If either is enacted, within 180 days of enactment, each Federal agency operating a fueling station for Federal civilian gasoline motor vehicles located in the United States would be required to dispense only gasoline incorporating 10 percent alcohol by volume. In addition, all agency heads would be required to make available for retail sale at any Federal retail gasoline supply outlet gasoline incorporating 10 percent alcohol by volume. All alcohol purchased to meet the requirements of these sections must be derived from sources other than fossil fuels.

We are nearing completion of an assignment which examines many of the issues surrounding the use of alcohol fuels. Based on our work to date, we have the following concerns with the "Federal Fleet Gasohol Initiative" specified in H.R. 4500 and H.R. 4622.

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- Sufficient amounts of alcohol may not be available to meet the demand created by the initiative.
- The bills ignore the possibility of using fuels containing more than 10 percent alcohol by volume.
- These bills would not allow the use of alcohol produced from coal.

Availability of gasohol
for Federal use

Over the past year, the demand for gasohol--10 percent alcohol/90 percent gasoline--has grown dramatically. For example, the number of retail outlets marketing gasohol has increased from a few to well over 800. To meet this demand, the production of alcohol for blending with gasoline has been increasing dramatically and, according to the Department of Energy (DOE), is now about 60 million gallons annually. Despite this rapid growth in production, a number of producers told us they are having difficulty producing enough alcohol to meet the demand. One even told us that his company is considering importing alcohol from Brazil.

If enacted, the "Federal Fleet Gasohol Initiative," as specified in H.R. 4500 and H.R. 4622, would create a significant new demand for alcohol virtually overnight (as stated in these bills, each Federal agency would be required to use only gasohol in Federal civilian motor vehicles within 180 days). This could cause problems for the growing industry in meeting this demand as well as create logistical problems in distributing this gasohol nationwide.

The new demand that will be created by this initiative is difficult to precisely determine because the Federal Government procures fuel for its fleet in a number of ways. Nevertheless, this new demand for gasohol could be substantial. For example, one way the Government supplies fuel for its motor vehicles is through the Defense Fuel Supply Center. This center purchases fuel in bulk quantity to be dispensed by both defense and civilian agencies. According to an official of the center, in fiscal year 1978, the center purchased about 45 million gallons of gasoline for use by civilian agencies alone. We estimate that the alcohol needed to make the 45 million gallons of 10 percent alcohol fuel (gasohol) could raise the demand for alcohol at least 7 percent over current production levels. Thus, it appears that purchases of the Defense Fuel Supply Center alone would significantly increase the demand for alcohol and lead to (1) higher

prices for gasohol, (2) availability problems, or (3) the undesirable situation of importing alcohol to meet demand.

In addition to the availability problem which might be caused by this increased demand, we also foresee logistical problems in distributing gasohol to all Federal fueling stations. Currently, gasohol is only available in slightly more than half the States--primarily agricultural ones. An infrastructure for supplying and distributing gasohol in the remaining States is not fully developed. Thus, problems might arise--in particular shortages--in requiring all Federal fueling stations nationwide to dispense only gasohol within 180 days.

In view of these concerns, if either bill is enacted we would prefer to see it contain a more reasonable time frame for agencies to comply or, as an alternative, a provision that only Federal agencies' fleets and retail outlets in those areas where gasohol is available be required to comply within the proposed 180 days.

Potential of using fuels
with higher percentages
of alcohol

Different alcohol/gasoline mixtures can be effectively used as fuels. The mixture of 10 percent alcohol and 90 percent gasoline is known to work effectively in existing gasoline-fueled vehicles. A somewhat higher percentage of alcohol (as much as 20-25 percent) can also be used in existing vehicles without significant modifications to the engine. To use much higher percentages of alcohol in fuels would require, according to DOE officials, significant modifications to present gasoline-fueled vehicles.

Both H.R. 4500 and H.R. 4622 would mandate the use of only fuels containing 10 percent alcohol and would appear to exclude those fuels with a higher percentage of alcohol. We recognize that the specific mixture of 10 percent alcohol/90 percent gasoline (gasohol) is the most practical at this time because of the limited availability of alcohol and also because the mixture is commercially available. However, over the next few years alcohol is expected to become much more plentiful. Accordingly, the Federal Government may wish to use a higher percentage of alcohol in their fuel or even demonstrate the use of an all alcohol fuel. We believe these options should not be excluded by law. We, therefore, prefer

these bills to require the use of fuels containing "no less than 10 percent alcohol by volume" rather than only "10 percent alcohol by volume."

Alcohol from coal

Alcohol for use as a fuel extender can be produced from a variety of domestic resources. Ethanol, or grain alcohol, can be produced from the fermentation and distillation of grains and other agricultural products and wastes. It can also be produced from petroleum products. Methanol, or wood alcohol, can be produced from natural gas, coal, wood, and urban wastes. Either ethanol or methanol can be added to gasoline to extend fuel supplies.

H.R. 4500 and H.R. 4622 would require that alcohol purchased to meet the requirements of the act be derived from sources other than fossil fuels. We agree that care should be taken to ensure that the act does not inadvertently promote the use of alcohol derived from natural gas or other petroleum products. In view of the present limited availability of alcohol and the huge potential of coal, however, we do not believe the act should preclude the use of alcohol produced from coal. Accordingly, we would prefer the language of the bill be changed to require the alcohol to be derived from "sources other than petroleum or natural gas."

FEDERAL WIND UTILIZATION PROGRAM

Sections 514 of H.R. 4500 and 1014 of H.R. 4622 are almost identical, and if enacted would establish a program within 60 days for the accelerated procurement and installation of wind systems for power production in Federal facilities. Our primary concern with such a program is one of timing with the initiatives contained in section 513 of H.R. 4500 and section 1013 of H.R. 4622.

These latter sections require the Secretary of Energy to initiate and conduct an application and system design study with appropriate Federal agencies to determine the potential use of wind systems at specific Federal installations. The study, according to the bills, is to include an analysis of those sites that are currently cost effective for wind energy systems, as well as those which would be cost effective at expected future market prices. In addition, a detailed plan for installing wind energy systems at Federal agencies is to be presented to the Congress within 12 months following the enactment of the act.

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It appears to us that in regard to each bill one section would require an almost immediate program for installing wind systems in the Federal sector while another section would require within 12 months the development of a detailed plan for installing such systems at Federal agencies. Thus, we believe this situation could lead to the program being implemented before a detailed plan is developed.

A To avoid this situation, we would prefer to see the detailed implementation plan developed and submitted to the Congress before initiating the purchase and installation of wind energy systems at Federal facilities.

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As arranged with your office, copies of this letter will be sent to interested parties and will be available to the public on request.

Sincerely yours,

R.F. WILSON

Deputy Comptroller General
of the United States