

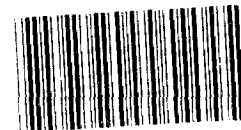
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REPORT BY THE U.S.

General Accounting Office

Status Of The Great Plains Coal Gasification Plant

Great Plains Gasification Associates proposes to construct a coal gasification plant in North Dakota. Parties opposing the financing arrangement approved by the Federal Energy Regulatory Commission petitioned the U.S. Court of Appeals. They opposed a surcharge to current gas customers to allow Great Plains to partially recover its construction costs and its debt and equity costs if the plant fails. The Court ruled that the Commission had no authority to approve such a package.



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Since the decision, various options have been considered to get the project going. Great Plains prefers restructuring the financing plan, which includes a \$1.8 billion loan guarantee from the Department of Energy.

GAO believes that Energy has completed some actions to comply with Public Law 95-238 which authorizes such loan guarantees, but questions the adequacy of its compliance in areas involving implementing regulations, congressional report requirements, and establishment of a synthetic fuels advisory panel.



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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

ENERGY AND MINERALS
DIVISION

B-202486

The Honorable James J. Blanchard
Chairman, Subcommittee on
Economic Stabilization
Committee on Banking, Finance
and Urban Affairs
House of Representatives

Dear Mr. Chairman:

Your February 4, 1981, letter (see app. III) requested a status report on the proposed \$1.5 billion loan guarantee to the Great Plains Gasification Associates for a high-Btu coal gasification project in Mercer County, North Dakota. You requested that we specifically address the following

- impacts on the project of the December 8, 1980, Federal Appeals Court decision declaring illegal certain financial terms approved by the Federal Energy Regulatory Commission (FERC) which were critical to the DOE conditional commitment to guarantee the loan;
- course of action presently preferred by DOE and Great Plains, and other options they have considered to revitalize the project since the court decision; and
- status of DOE compliance with loan guarantee requirements contained in the Department of Energy Act of 1978--Civilian Applications (P.L. 95-238).

Prior to the court decision, Great Plains hoped to finalize the loan guarantee by January 1981 and begin construction on the project in April 1981. Since the court decision, American Natural Resources (ANR), acting on behalf of Great Plains, has carried on an intensive effort to secure a loan guarantee under an alternative financing plan in order to avoid a delay in the planned construction start. ANR is optimistic that construction can still start in

April 1981, even though finalization of the loan guarantee has been delayed. Although some additional costs have occurred relating to restructuring and negotiating the financing plan, they could not be readily identified by ANR.

ANR considered a variety of options in addition to restructuring the project financing plan, including appealing the court decision, seeking a Federal legislative solution, and changing the project to produce liquids instead of gas. Because the consortium's primary interest is to continue to strive for a spring 1981 construction start, it chose to direct its efforts at restructuring the project financing plan. Discussions are ongoing on a new financing proposal between DOE, FERC, the Great Plains consortium members, and principal project opponents. In this new proposal, the estimated project cost would be \$2.4 billion with financing on a 75 percent debt, 25 percent equity basis. DOE will be evaluating a loan guarantee of \$1.8 billion to support the debt financing, and the project sponsors will provide \$600 million in equity financing. To recover the costs of the project once it is completed, the synthetic gas will be sold at a base price of \$6.75 per million Btu's--the middle of the range of prices being paid by interstate pipelines for unregulated, deep well natural gas--escalated over time. Appendix I of this report gives a detailed status of the project to date including the options considered by ANR to secure financing.

P.L. 95-238 set out basic terms and conditions for guaranteed financing. DOE either performed the required action itself or established conditions in the conditional commitment to ensure that Great Plains takes actions to comply with the terms of the law. DOE believes that it has satisfactorily completed several required actions. Although we generally agree with DOE, we question the adequacy of its compliance in areas involving implementing regulations, congressional report requirements, and establishment of a synthetic fuels advisory panel.

Representatives of DOE have had numerous discussions with all parties which have a legal/contractual relationship with the project, concerning the conditions set forth in the conditional commitment. However, many of the conditions involve legal/contractual issues which still are not fully developed at this time and cannot be developed until final negotiations are completed. Accordingly, we cannot fully determine compliance with the statute at this time.

Appendix II discusses the status of DOE actions to comply with the legislation.

Our review covered the period November 3, 1980, to March 6, 1981. To report on the actions taken to comply with P.L. 95-238, we reviewed DOE program documents and interviewed DOE officials to determine what actions were taken to meet these criteria.

We also reviewed the FERC opinions concerning the project, the appeals court decision, and other related documents and publications. We held discussions with officials in the Department of the Treasury; FERC; American Natural Resources, which has acted as the spokesman for the Great Plains consortium; and principal project opponents, which include the Office of Consumers' Counsel of Ohio, the State of Michigan, and General Motors Corporation.

In order to meet the request's time frame, we did not obtain agency comments. Further, as arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of its issuance. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,



J. Dexter Peach
Director



STATUS OF THE GREAT PLAINSGASIFICATION PROJECTAUTHORIZING LEGISLATION

The Department of Energy Act of 1978--Civilian Applications (P.L. 95-238, Feb. 25, 1978) amends the Federal Nonnuclear Energy Research and Development Act of 1974 ((Nonnuclear Act) P.L. 93-577, Dec. 31, 1974) authorizing the Department of Energy (DOE) to financially support alternative fuel demonstration facilities. A new section 19 was added to the Nonnuclear Act for the purposes of: (1) assuring adequate Federal support to foster a demonstration program to produce alternative fuels; (2) authorizing assistance through loan guarantees for construction, start-up, and related costs of demonstration facilities; and (3) gathering information about technical, economic, environmental, and social costs, benefits, and impacts of such demonstration facilities. Section 19 establishes criteria to be followed for granting loan guarantees for alternative fuel demonstration facilities. It also contains the requirement that the Comptroller General of the United States audit loan guarantee recipients at 6-month intervals from the date of enactment of P.L. 95-238.

Section 19 required that loan guarantee ceilings be provided in subsequent appropriations acts, which are not subject to fiscal year limitation. This ceiling was first provided in the Department of the Interior and Related Agencies Appropriations Act for fiscal year 1980 (P.L. 96-126, Nov. 27, 1979). This act appropriated over \$2.2 billion for DOE to carry out a financial incentive program to expedite domestic alternative fuel production. It made \$500 million of these funds available for a loan guarantee reserve to finance construction of alternative fuel production facilities pursuant to the authority of the Nonnuclear Act and provided that not more than \$1.5 billion in loans is guaranteed.

Subsequently, the Congress increased the loan guarantee reserve and the loan guarantee award ceiling to \$1 billion and \$3 billion, respectively, in the fiscal year 1981 continuing appropriations legislation (P.L. 96-369, Oct. 1, 1980). This act permitted a reallocation of the \$2.2 billion appropriated under P.L. 96-126. It authorized DOE to transfer up to an additional \$500 million to the loan guarantee reserve from the \$1.5 billion P.L. 96-126 had made available for purchase commitments and price guarantees.

To date, although DOE has not issued any loan guarantees under P.L. 95-238 for construction of alternative fuel production facilities, it has issued a conditional commitment to guarantee a \$1.5-billion loan to the Great Plains Gasification Associates (Great Plains) for a coal gasification project.

GREAT PLAINS PROJECT DESCRIPTION

Great Plains proposes to construct and operate a coal gasification plant in Mercer County, North Dakota. The cost of the project is currently estimated at about \$2.4 1/ billion (in 1980 dollars). The plant will have a production capacity of 125 million cubic feet per day 2/ of high-Btu (British thermal unit) gas, equivalent to about 22,000 barrels of oil per day. This synthetic gas is a direct substitute for natural gas and will be marketed through an interstate network of gas pipelines. The completion date for the plant is 1984, provided construction begins in spring 1981.

The process employed to convert the coal to gas will be the Lurgi-pressurized, fixed bed gasification process 3/ with Lurgi methanation. 4/ Coal mines adjacent to the plant site will supply 14,000 tons per day of lignite to the plant through surface mining operations by Coteau Properties

1/The estimated capital cost of the project is \$2.0 billion (\$1.6 billion for project construction and \$0.4 billion for financing during construction). The \$2.4 billion includes a 20-percent financial contingency factor.

2/While the plant would have a design capacity of 137.5 million cubic feet per day, it is expected to operate at 91 percent of capacity on an annual basis.

3/In this process, crushed coal is reacted under pressure with oxygen and steam producing a synthetic raw gas which is treated to remove impurities such as tar and heavy oils. The treated gas is then passed through a catalytic process that modifies its composition. The process ends with removal of other impurities leaving a purified synthesis gas.

4/The Lurgi methanation process involves passing the synthesis gas over beds of nickel catalyst which convert carbon monoxide and hydrogen to methane (natural gas is about 80 percent methane). The gas is then compressed and dehydrated to meet pipeline quality specifications.

Company. Basin Electric Power Cooperative will provide all the electric power requirements of the gasification plant. Water needs of approximately 6,000 acre-feet ¹/ per year will be obtained from nearby Lake Sakakawea under a service agreement with the Department of the Interior's Bureau of Reclamation.

GREAT PLAINS PROJECT BACKGROUND

In the early 1970s American Natural Resources Company (ANR), a Detroit, Michigan, holding company involved in such activities as natural gas exploration, production, transmission, storage, and sales anticipated a potential need for synthetic natural gas. It wanted to ensure its customers a continuous source of future gas supplies. In 1973, Michigan Wisconsin Pipe Line Company, a subsidiary of ANR, began design work for the Mercer County, North Dakota project. In 1975, American Natural Gas Coal Gasification Company (ANG) was formed to construct and operate the facility.

In 1975, ANG filed an application with the Federal Power Commission (now the Federal Energy Regulatory Commission (FERC)) requesting a certificate of public convenience and necessity for a 250 million cubic feet per day synthetic gas plant. In March 1976, during administrative hearings on the proposal, ANG scaled down the plant production capacity to 125 million cubic feet per day to reduce the problems associated with constructing and financing this massive project and the potential associated socioeconomic impact. When these hearings were concluded, the prospects for prompt enactment of loan guarantee legislation, which would have provided the necessary financial support for the debt portion of the project's financing requirements, seemed favorable. When loan guarantee legislation was not passed by the Congress in the fall of 1976, ANG requested the Federal Power Commission Administrative Law Judge to defer a decision on its certificate pending efforts to spread the financial burden of the project by inviting the participation of other major gas systems in the coal gasification project. The judge granted ANG's request.

After extensive negotiations, in the spring of 1977, Peoples Gas Company (now Peoples Energy Company) joined the project as an equal partner with ANR Gasification Properties

¹/An acre foot is the quantity of water (43,560 cubic feet) that would cover one acre to a depth of one foot.

Company (ANR Properties) 1/ to share both the financial burden and the plant's output.

Additional evidence showing the impact of co-ownership was received at hearings that began in December 1977. At this time a Federal loan guarantee was still an integral part of the project financing plan. At the conclusion of the hearings in March 1978, however, the likelihood of such guarantees was not promising. As an alternative, DOE officials suggested that if other gas pipeline companies were brought into the project and a consortium were formed, DOE would recommend the approval by FERC of tariff and financing conditions that would provide consumer credit support against the risks of project failure and would otherwise contribute to the financiability of the project. Consequently, ANR Properties and Peoples expanded the ownership to include affiliates of three additional gas pipeline companies, forming the Great Plains consortium. 2/

In June 1978 Great Plains submitted a new financing proposal to FERC, having made two significant alterations to the proposals previously submitted on the project. First, the project would be justified before FERC not as a gas supply project, but as a demonstration project designed to test the technical, environmental, and economic viability of a coal gasification plant. Secondly, the sponsors proposed tariff provisions in which gas consumers would, in effect, guarantee the repayment and the interest on the debt in all circumstances, and the repayment of and return on equity

1/ANG continued as project administrator responsible for plant construction and operation.

2/The partnership consisted of (1) ANR Gasification Properties Company, an affiliate of Michigan Wisconsin Pipe Line Company--both of which are controlled by ANR; (2) PGC Coal Gasification Company, an affiliate of Natural Gas Pipeline Company of America--both of which are controlled by Peoples Energy Company; (3) Columbia Coal Gasification Corporation, an affiliate of Columbia Gas Transmission Corporation--both of which are controlled by Columbia Gas System, Inc.; (4) Tenneco SNG, Inc.--a subsidiary of Tenneco, Inc., one of whose divisions is Tennessee Gas Pipeline Company; and (5) Transco Coal Gas Company, an affiliate of Transcontinental Gas Pipe Line Corporation--both of which are controlled by Transco Companies, Inc.

invested in the project if the sponsors demonstrated prudent management.

FERC agreed to evaluate the project and the proposed tariff provisions using research, development, and demonstration criteria. Although the usual justification for a demonstration plant is the need to demonstrate the technical feasibility of a new process or technique, FERC believed a broader focus for demonstrations was permissible if there were non-technological uncertainties (i.e., ultimate cost, environmental impacts, institutional problems, and governmental regulatory process) that also needed resolution.

Finally, FERC Opinions 69, 69A, and 69B were issued on November 21, 1979, January 21, 1980, and June 27, 1980, respectively. These opinions provided approval for a project financing plan which incorporated most of the sponsors' specific financing proposals, including

- ratepayer guarantees for repayment of debt whether the project should succeed or fail for any reason.
- ratepayer guarantees for repayment of the sponsors' equity investment together with a 13 percent annual return, even if the project should fail or be terminated, so long as the sponsors' investments were prudent.
- ratepayer surcharge during construction to cover all interest expenses on debt, financing charges, taxes, other carrying charges, and a 13-percent return on the sponsors' equity investment during the period.
- a tariff provision in which the cost of the synthetic gas would be rolled-in 1/ with other sources of gas purchased by the pipelines.

Additionally, because the sponsors had expressed their willingness to restructure the financial aspects of the project if Federal financial assistance became available, FERC held them to that position by requiring the submission of a revised financing plan if and when any financial assistance, such as a

1/Rolled-in pricing is the cost of gas to customers based on the cost of gas supplies from all sources. Therefore, the synthetic gas cost would be averaged with the other sources of gas supply purchased by the pipelines.

loan guarantee, is authorized. For instance, if a loan guarantee secured by project assets were available, the need for consumer repayment of guaranteed debt, in the event of project failure, would be eliminated.

FERC's willingness to permit ratepayer support of this project was based upon Federal Power Commission Order No. 566, "Research, Development, and Demonstration; Accounting; Advance Approval of Rate Treatment." Order No. 566 sets out procedures and guidelines for advance assurance of rate treatment for research, development, and demonstration expenditures for jurisdictional companies.

FERC contended that the Great Plains project would be supported by consumers of about one-third of the Nation's interstate gas, and any burden would be small and would be justified by the benefits to those consumers. FERC stated that one-third of the Nation's gas consumers is a sufficient sharing of costs and benefits to meet the requirements of public convenience and necessity. FERC Opinions 69, 69A, and 69B were acceptable to Great Plains and would have permitted project financing.

Since ANG had already expended approximately \$32 million of its own funds for the project and was reluctant to spend any additional funds while this regulatory process was proceeding, DOE, between September 1979 and March 1980, provided funds to ANG totaling \$25 million 1/ to maintain project continuity. These funds were provided for preconstruction engineering design and procurement activities.

The financing package was challenged in March 1980. Four parties petitioned for reconsideration of the FERC opinion in the United States Court of Appeals for the District of Columbia Circuit. The four were the General Motors Corporation, the State of Michigan, the Office of Consumers' Counsel of Ohio, and the Public Service Commission of the State of New York. Two major objections to the financing approved by FERC were

--the provision for a surcharge to the existing natural gas customers which would allow consortium members to

1/Of these funds, \$3 million was provided under the Department of Energy Appropriations Act for fiscal year 1979. The remaining \$22 million was provided under P.L. 96-126.

partially recover construction costs before the plant is completed and

--the provision allowing Great Plains to recover debt and equity costs from their customers if the plant fails.

The opposing parties argued that the Federal Government, not the consumer, ought to support projects of national significance. The court deliberation promised Great Plains at least another year's delay in securing a financing arrangement and starting construction.

In its next attempt to secure the project financing, ANR turned again to a loan guarantee. Although funding for alternative fuels projects under the Nonnuclear Act had been authorized in November 1979, regulations implementing the legislative criteria did not become effective until April 1980. Soon thereafter on May 9, 1980, ANR submitted an unsolicited application to DOE requesting a \$250 million partial loan guarantee to cover first-year construction costs. On May 27, 1980, DOE accepted the application, and in July 1980, it granted Great Plains a conditional commitment to guarantee a \$250 million loan.

At the time the \$250 million conditional commitment was issued, there was a reasonable expectation the FERC decision would be sustained, or that the remaining portion of the debt financing would be available from the Synthetic Fuels Corporation 1/ so that construction and operation of the project would not be interrupted. When it subsequently became apparent that financing based on the FERC tariff or financing from the Synthetic Fuels Corporation would not be available in time, Great Plains decided to seek further assistance from DOE. In September 1980, Great Plains submitted an amended application for a \$1.5-billion loan guarantee to cover the debt for 75 percent of the total estimated project

1/The Energy Security Act (P.L. 96-294, June 30, 1980) established the Synthetic Fuels Corporation to provide financial incentives for the development of alternative fuels facilities.

costs. 1/ DOE issued a conditional commitment for the \$1.5-billion loan guarantee to the project in November 1980 which required that the pending lawsuit be resolved favorably. However, this is not what occurred.

Federal Appeals Court ruling

The Federal Appeals Court issued its decision on December 8, 1980. It stated that FERC has no regulatory jurisdiction over any aspects of synthetic gas development prior to its commingling with natural gas. Therefore, FERC has no authority to approve a ratepayer-based financing package for construction of the Great Plains facility which covers expenditures incurred prior to the commingling with natural gas. Thereby, the court decision prevented compliance with the \$1.5-billion DOE loan guarantee to the extent it relied on certain aspects of the FERC approved tariffs.

The same court ruled in 1975 2/ that FERC (then the Federal Power Commission) had no jurisdiction over the production, sale, or transportation of coal gas prior to its commingling with natural gas. However, it did confirm at this time, FERC's jurisdiction over the transportation and sale of commingled synthetic gas and added that this jurisdiction gave it inferred authority and responsibility to look into "all factors bearing on the public interest."

FERC interpreted this inferred authority as allowing the use of its rate setting and certification tools for the purpose of arranging financing for, and regulating the construction of the Great Plains project. The Federal Appeals Court did not agree with this.

It argued that the inferred authority only permits FERC to "consider" all factors in reaching its decision, not to establish and regulate the "factors" themselves. It also stated that authority to consider all factors bearing on the "public interest" does not imply authority to issue orders regarding any circumstances in which FERC's regulatory tools

1/The total installed cost of the gasification project was, at that time, estimated to be about \$2 billion (1980 dollars), which includes a 20-percent contingency factor. The project financing plan contemplates financing on a 75 percent debt, 25 percent equity basis.

2/Alice Henry v. FPC, No. 74-1045, (D.C. Cir., July 28, 1975).

might be useful. Further, it stated that in carrying out its responsibilities, FERC must recognize that a need for Federal regulation does not give FERC jurisdiction that the Congress had not granted. The court then concluded that FERC had exceeded its authority in attempting to create a ratepayer-based financing package for the construction of a commercial-size coal gasification plant, since its rate-setting and certifying power were not granted to it for that purpose.

The court further stated that recent congressional activity concerning synfuels supports its conclusion that FERC acted without proper authority. It said that the Congress has repeatedly declined to permit extension of FERC authority into the synthetic gas area. On the other hand, it said the Congress had recently authorized a different entity, the Synthetic Fuels Corporation, to undertake the tasks which FERC sought to perform through questionable use of its regulatory tools. Thus, the court set aside the FERC order.

A loan guarantee of \$1.5 billion would have allowed Great Plains to finance the project without any requirement for consumer repayment of the guaranteed debt in the event of the project's abandonment. However, the terms of the DOE conditional commitment still assumed that certain aspects of the FERC financing scheme, including the consumer surcharge during the construction period, would be an integral part of the project's financing. When the court invalidated this assumption, by rejecting the FERC financing package, ANR, acting for Great Plains, had to develop an alternative proposal to secure the loan guarantee.

ANR considers options to
previous financing plan

ANR has carried out an intensive effort to secure financing for the project. The amount already invested in the project ^{1/} has spurred its efforts. A variety of options were considered and analyzed by ANR to revitalize the project. These included

--appealing the court decision,

^{1/}As of February 28, 1981, about \$106 million has been spent on the project. Of this amount \$18 million came from Peoples, \$25 million came from DOE, and the remainder (\$63 million) came from ANR.

- seeking a Federal legislative solution,
- changing the project to produce synthetic liquids instead of gas, and
- restructuring the project financing plan.

Because ANR's primary interest is to have a spring 1981 construction start for the project, it has chosen, at this time, to direct its efforts at restructuring the project financing plan. A discussion of ANR's considerations and actions on the options follows.

Judicial and legislative solutions

Although Great Plains has requested a rehearing of the District Court of Appeals decision, ANR estimates that a final ruling could take as long as 2 years. Likewise, even though ANR has sought congressional extension of FERC jurisdiction to include synthetic natural gas, ANR officials believe, in view of past congressional positions, that a legislative resolution is unlikely to take place in time to allow a spring 1981 construction start. As noted on page 9, the Congress had made repeated decisions not to extend FERC jurisdiction to synthetic gas.

Changing to a liquefaction plant

ANR officials stated that no detailed analysis was made of whether the project should be changed to produce synthetic liquids rather than gas. However, the ANR Board of Directors, faced with continuing project expenditures--currently averaging \$7.5 million per month--dictated that, either project construction will start in the spring of 1981, or the project will be cancelled. This ultimatum from the board, according to ANR officials, precludes a switch to a liquefaction plant because additional engineering requirements ^{1/} would not allow a spring construction start. ANR spokesmen explained that, even if the additional engineering only required a few

^{1/}ANR spokesmen were not aware of specific engineering needs because no evaluation has been done; however, they suggested that changes might involve different pressures, different size piping, and plant reconfiguration.

months, the construction delay would be a year because local climatic conditions are such that a complete (spring through fall) construction season is needed to build an enclosed facility that would allow winter construction.

Other factors they cited as weighing against switching the plant to liquids included (1) additional costs which ANR estimates at from \$100 to \$200 million for additional production and processing units needed for a liquids plant and (2) additional time needed to secure financing and/or to seek additional or different partners for equity investment.

While the above considerations may preclude a switch at this time, ANR officials agreed that some of the effort they have put into the gasification project could also facilitate the construction of a liquids plant. First, the site is available. Also, a majority of environmental and permit requirements would apply. ^{1/} In addition, an estimated 70 to 80 percent of a liquefaction plant would be identical to a gasification plant. Specifically four of the five major production and processing units of the gasification plant are identical to the first four of the seven units which would make up a liquefaction plant.

Restructured financing plan

ANR has pursued this option as its primary focus. As discussed on page 10, an important reason for its decision is the critical nature of the spring construction start. As its first effort, ANR offered an alternate financing plan for its synfuel plant at a settlement conference held in December 1980. Key provisions included:

--no surcharge to consumers during construction,

^{1/}At the Federal level, additional requirements would involve some modification of the existing Environmental Impact Statement and a new application for Public Convenience and Necessity. In three instances there would be no change required. At the State and local levels it would involve modification of 7 permits/plans, notification of changes for 2 permits/plans, and 2 new requirements (an operating permit and a radioactive measuring device permit). In 10 instances there would be no change.

--no recovery of principal and interest on the project--
but the right to seek recovery of equity if the
project is abandoned prior to the sale or delivery
of gas,

--an increase in the annual rate of return on equity
from 13.0 percent to 17.5 percent,

--an increase of \$400 million in total project costs
(to make up for the revenues lost when the construc-
tion surcharge was eliminated). The \$400 million
represents:

1. a \$300-million increase in DOE's loan
guarantee (from \$1.5 billion to \$1.8
billion) and
2. a \$100-million increase in sponsor equity
(from \$500 million to \$600 million). This
amounts to a 20-percent increase in each
partner's equity share, (from \$100 million
to \$120 million each).

While this plan eliminated the surcharge that would
have been collected from customers during the construction
phase, it still assumed that the sponsors' return on equity
would begin to be amortized continuously as soon as the
project produced any gas. The amortized amount (only pre-
liminary estimates exist at this time) would be recovered by
being rolled-in to the price charged to all consumers of this
gas. Therefore, the Office of Consumers' Counsel of Ohio (OCC)
formally rejected ANR's proposed settlement. In statements
in the press, lawyers for the State of Michigan and General
Motors Corporation also rejected the proposed settlement.

In rejecting the offer the Counsel said, "This office
cannot agree to bind future Ohio ratepayers to an unknown cost
of gas priced on a rolled-in basis as provided in the Great
Plains' proposal. OCC is willing to agree to advance approval
by the Federal Energy Regulatory Commission of the sale of the
commingled gas. However, we cannot agree to tariff provisions
to apply in the future under unknown conditions, with no
limiting safeguards for consumers."

At this point ANR decided that there was no use in con-
tinuing discussions on this settlement proposal and began
designing another financing plan proposal.

Reclassification of
the gas

ANR next proposed to have the gas reclassified as new unregulated gas. Unlike previous financing schemes which guaranteed Great Plains could recover all its costs of production, this proposal put the sponsors' equity at greater risk by setting a specific price for the gas.

Under the proposal, the five pipeline companies affiliated with the consortium would buy the synthetic gas at a base price of \$6.75 per million Btu's in 1980 dollars. The amount is the equivalent of the January 1981 price of No. 2 fuel oil, and around the middle of the range of prices being paid by interstate pipelines for unregulated, deep well natural gas. The \$6.75 base price then would be escalated over time at a rate, half of which is based on the producers' price index ¹/_{and} half on the future increases in the price of No. 2 fuel oil.

Shortly after ANR announced the reclassification proposal, Columbia Gas System, Inc. pulled out of the project, thereby reducing the consortium from five to four companies. A Columbia spokesman told us that the withdrawal was a reaction to the increased risk position of sponsor equity in the financing proposals made subsequent to the court's rejection of the FERC approved financing plan.

FERC, the remaining Great Plains consortium members, and the project opponents met on the reclassification proposal during mid-February 1981. DOE officials stated that they have been kept apprised of these discussions by Great Plains. Although discussions are still ongoing, an ANR official expressed much optimism that this proposal would soon be acceptable to all parties involved. If the settlement is reached, DOE officials estimated that the loan guarantee would be finalized in May 1981. However, ANR officials indicated that they would start construction in April 1981, using sponsor equity funds, as long as there was a favorable indication that DOE would grant the loan guarantee. This April construction start was established prior to the

¹/The producers' price index is compiled by the Department of Labor's Bureau of Labor Statistics. It reflects the average change in the 1967 price of 2000 produced (manufactured or grown) commodities.

December court decision; therefore, ANR foresees no major adverse impact from the court decision.

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In summary, if the latest financing proposal is approved the estimated project cost would be \$2.4 billion with financing on a 75 percent debt, 25 percent equity basis. DOE will be evaluating a loan guarantee of up to \$1.8 billion to support the debt financing, and the project sponsors will provide up to \$600 million in equity financing. To recover the costs of the project once it is completed, the synthetic gas produced will be sold at a base price of \$6.75 per million Btu's escalated over time at a rate, half of which is based on the producers' price index and half on the future increase in the price of No. 2 fuel oil. As of March 6, 1981, Great Plains is still negotiating the financing arrangements and DOE is awaiting Great Plains' submittal of an amended application.

STATUS OF COMPLIANCE WITH LEGISLATION

Criteria for administering the program on loan guarantees for alternative fuel demonstration facilities are set in section 19 of the Federal Nonnuclear Energy Research and Development Act of 1974 (P.L. 93-577), as amended by the Department of Energy Act of 1978--Civilian Applications (P.L. 95-238). Implementing regulations became effective April 9, 1980.

Regarding the Great Plains project, an unsolicited application and an amendment to it, were presented to DOE in 1980 requesting a loan guarantee. The original application was for \$250 million to cover the debt during the project's first year of construction. The amendment asked that the amount be increased to \$1.5 billion, to cover the entire debt portion of the project.

The original application was accepted for evaluation and consideration by DOE on May 27, 1980. An evaluation panel was established consisting of representatives from Procurement, the Controller, General Counsel, and the environmental, conservation, and technical areas. The Director of High-Btu Coal Gasification was designated the panel chairman. The panel was to analyze the application for its compliance with the law and regulations and prepare an evaluation report for the Deputy Under Secretary of Energy. Designated as the selection official, he was to approve or disapprove the application.

On July 10, 1980, an evaluation panel report 1/ was submitted to the Deputy Under Secretary of Energy recommending conditional approval of the application. The recommended approval was based on technical feasibility, likeliness of financial success, unlikeliness of regulatory or environmental barriers, and the importance of the project to national energy goals. On July 18, 1980, the Deputy Under Secretary approved the application. He also approved a conditional commitment to guarantee the \$250-million loan which listed 37 conditions which Great Plains was required to meet before DOE would finalize the loan guarantee. The conditions were categorized into financial requirements;

1/Report of Evaluation Panel on the Unsolicited Application for Loan Guarantee Assistance Requested by the ANG Coal Gasification Company, July 10, 1980. (ANG submitted the application on Great Plains' behalf.)

collateral requirements; construction, operation, and maintenance; licenses and permits; and Federal compliance.

An amended application was submitted to DOE on September 18, 1980, asking that the amount be increased to \$1.5 billion. For this application, the same evaluation panel was reestablished, but the Acting Under Secretary of Energy was designated as the selection official. Reaching the same conclusions as it had with the first application, the panel recommended conditional approval 1/ to the Acting Under Secretary who concurred on November 19, 1980. At this time a conditional commitment to guarantee the \$1.5 billion loan was approved. This commitment contained 42 conditions which included most of the 37 previous conditions plus additional others dealing primarily with financial documentation and collateral requirements.

On November 26, 1980, a task force was formally designated to assure satisfactory compliance with conditions, make required statutory and regulatory findings, and negotiate financial and related transaction documents. The two co-chairmen were the Director of the Geothermal Loan Guarantee Office in DOE's San Francisco Operations Office, and the Director of the Office of Financial Incentives. 2/ As with the evaluation panels, most major DOE management functions were represented. In addition, two officials of the Department of the Treasury were included to assist in negotiating the financial conditions.

P.L. 95-238 set out basic terms and conditions for guaranteed financing. In order to report on the actions to comply with the legislation, taken as of March 6, 1981, we reviewed major criteria set forth in P.L. 95-238. We then reviewed DOE program documents--including the latest evaluation panel report and conditional commitment--and interviewed DOE officials to determine what steps were taken to meet these criteria. Basically, DOE either performed the required action itself or established conditions in the conditional commitment to ensure that Great Plains takes actions to comply with the terms of the law. DOE believes

1/Report of Evaluation Panel on the Unsolicited Application for Loan Guarantee Assistance Requested by the ANG Coal Gasification Company, November 13, 1980.

2/Currently, the task force is chaired by the Director of the Office of Financial Incentives.

that it has satisfactorily completed several required actions. Although we generally agree with DOE, we question the adequacy of its compliance in areas involving implementing regulations, congressional report requirements, and establishment of a synthetic fuels advisory panel.

Representatives of DOE have had numerous discussions with all parties which have a legal/contractual relationship with the project concerning the conditions set forth in the conditional commitment. However, many of the conditions involve legal/contractual issues which are still not fully developed at this time and may not be clearly defined until negotiations have been completed. Accordingly, we cannot fully determine compliance with the statute at this time. The following sections will discuss:

- Actions reported completed by DOE pursuant to P.L. 95-238.
- Actions taken on other major criteria which DOE intends to complete by placing conditions on the applicant in the conditional commitment.
- Actions which DOE does not intend to complete.
- Actions required by P.L. 95-238, but repealed by other legislation.

ACTIONS REPORTED COMPLETED

Use of competitive bidding

Although the law requires that, to the extent possible, loan guarantees be awarded on the basis of competitive bidding within a technology area, the Great Plains' application and amendment which DOE accepted were unsolicited. However, DOE made an effort prior to its acceptance to ascertain if there was competition for the project.

The \$250 million loan guarantee application was received by DOE on an unsolicited basis; however, DOE determined that no other high-Btu gasification project was in a position to compete in terms of readiness to begin construction. Upon receiving the unsolicited proposal, DOE published a notice in the Federal Register requesting comments from the general public and specifically from any person who wanted to propose a competitive project. DOE received comments from

three groups ^{1/} and two individuals. Although two comments opposed DOE's acceptance of the unsolicited application, no comment was received from anyone who wished to compete for a high-Btu gas loan guarantee, and no comment was received from any party who knew of a competitive project.

In August 1980, Great Plains entered into discussions with DOE regarding increasing the loan guarantee to \$1.5 billion to cover the entire debt portion of the project cost. In an August 26, 1980, draft solicitation for financial assistance proposals for commercial-size synthetic fuels projects under the Nonnuclear Act, DOE stated that it was considering increasing the Great Plains loan guarantee to \$1.5 billion. In the August 29, 1980, Commerce Business Daily, DOE asked for public comments on the draft solicitation. No comments were received that indicated a desire to compete against the Great Plains project. On September 18, 1980, an amended application was received by DOE asking for a \$1.5-billion loan guarantee for the Great Plains project.

While the application and amendment received were unsolicited and were not a part of an open competitive solicitation process, DOE did take steps to determine if other coal gasification projects could compete with the Great Plains project.

Necessity of guarantee to encourage financial participation

The law requires that DOE determine that the guarantee is needed to encourage financial participation. DOE made this determination when it found private long-term financing was not available.

FERC had approved a tariff for this project which provided financing without a Federal loan guarantee. However, FERC, in granting this approval stated that a revised financing plan must be submitted if and when any Federal financial assistance such as a loan guarantee became available.

The FERC tariff, since rejected by the U.S. Court of Appeals, allowed essentially interim financing for a maximum

^{1/}The groups were the National Wildlife Federation, the National Counsel of Synthetic Fuels Production, and the Engineering Societies Commission on Energy, Inc.

period of 10 years, which is normally associated with interim construction loans. Longer-term financing had not been obtained for the project, and Great Plains indicated that lenders had declined to finance on a long-term basis until either Federal guarantees were available or the project proved technically sound. Therefore, DOE determined that the project was eligible for a loan guarantee because complete financing of the project was unavailable.

Separate fund in the Department of the Treasury to administer program

The law states that a separate fund be created within the Treasury which shall be available to DOE without fiscal year limitation for the purpose of carrying out the Federal loan guarantee program. Funds were not appropriated for the program until the enactment in November 1979, of the Department of the Interior and Related Agencies Appropriations Act for fiscal year 1980 (P.L. 96-126). This act specified an amount not to exceed \$500 million ¹/ for a reserve to cover any defaults from loan guarantees issued under the provisions of the Nonnuclear act to finance the construction of alternative fuels production facilities. It further stated that the amount to be guaranteed could not exceed the aggregate of \$1.5 billion. The amount of funds held in reserve for loan guarantees issued under the Nonnuclear act and the aggregate amount that could be awarded were increased to \$1 billion and \$3 billion, respectively, by the fiscal year 1981 continuing appropriations legislation (P.L. 96-369).

Review of construction and operation plans

The law requires that DOE review and approve the plans of the applicant for the construction and operation of the facility. These plans were submitted to DOE and approved during its review of the Great Plains loan guarantee application.

¹/The loan guarantee reserve is a part of the \$19 billion, Energy Security Fund established under P.L. 96-126, to stimulate domestic commercial production of alternative fuels.

Use of guarantees for component parts

The law states that no loan guarantee shall be available under this subsection for the manufacture of component parts for demonstration facilities. The proposed Great Plains loan guarantee is clearly not for the manufacture of component parts, but for the construction of an entire plant, a high-Btu coal gasification plant.

Citizenship requirements

The act requires that applicants be citizens or nationals of the United States. A corporation, partnership, or firm will only be considered to be a U.S. citizen if it satisfies certain requirements of control set out in the Shipping Act of 1916, as amended (46 U.S.C. 802). In essence, the controlling interest of the corporation must be in the hands of U.S. citizens. A review by DOE indicates that the requirements are met.

The review consisted of analyzing the makeup of the applicant's corporate partners and their annual reports. The annual reports, filed with the Securities and Exchange Commission, contain the names and citizenship status of each stockholder holding a 10 percent or more share of corporation stock. Also, a DOE official stated that the partnership must again certify its U.S. citizenship in signing the final mortgage agreement for the loan.

Consent of Indians for use of their lands

The law requires that DOE, in the case of a project being located on Indian lands, obtain written consent from the appropriate Indian tribe. The DOE Final Environmental Impact Statement for the Great Plains Project, dated August 1980, stated that the closest Indian lands were 8 miles from the project site. Therefore, DOE determined that Indian tribe approval was not required.

Environmental Impact Statement

Any project receiving a loan guarantee must prepare an Environmental Impact Statement (EIS) pursuant to the requirements of the National Environmental Policy Act of 1969. On August 8, 1980, DOE notified the Environmental Protection Agency that it had adopted the EIS's prepared by other Federal agencies, pursuant to the Council on Environmental Quality's

regulations implementing the National Environmental Policy Act. The statements, which were republished by DOE along with a statement that there were no changes in circumstances that would cause a significant adverse environmental impact and thus require preparation of a supplemental EIS are:

- ANG Coal Gasification Company, North Dakota Project Final Environmental Impact Statement. Bureau of Reclamation, U.S. Department of the Interior, January 20, 1978. This document deals with the plant site proper and associated operations such as water needs. Federally-sponsored water projects have been built in the area by the Bureau of Reclamation.
- ANG Coal Gasification Company, North Dakota Project. Supplement to the Department of the Interior's Final Environmental Impact Statement. Federal Energy Regulatory Commission, April 1978. This document deals with the location of the project's gas pipeline. Interstate gas pipelines are regulated by FERC.
- Final West-Central North Dakota Regional Environmental Impact Study on Energy Development. United States Department of the Interior, Bureau of Land Management and State of North Dakota, October 1978. This document deals with regional energy development and socioeconomic matters. Powerplants which had been constructed in the Mercer County area and gas pipelines are, in part, on Federal lands.

These three documents were adopted and issued as the Great Plains Gasification Project, Mercer County, North Dakota. Final Environmental Impact Statement, August 1980.

On August 15, 1980, the Environmental Protection Agency published a public notice of this action in the Federal Register. In addition, DOE mailed copies of the final EIS directly to approximately 650 parties. These parties included Federal and State agencies, environmental groups, and individuals known to have an interest in the project. On November 10, 1980, DOE published a Record of Decision in the Federal Register, stating that it has completed its review and concluded that the benefits of the project outweigh the potential environmental impacts, and that it has decided to proceed with its participation in the project. Publication of this Record of Decision represents the last step of the EIS process required by the National Environmental Policy Act.

Establishment of regulations

The law requires that DOE establish regulations for the loan guarantee program in consultation with the Secretary of the Treasury within 180 days of the law's enactment.

DOE's regulations did not take effect until April 18, 1980--20 months after the due date. DOE officials stated the required 6-month time frame was unreasonable for issuance of regulations on such a complex program.

Annual reports to the Congress

The law requires that DOE submit a report to the Congress within 180 days of enactment, with updates at least annually, recommending the best opportunities for implementing a Federal financial assistance program for demonstrating production and conservation of energy. The reports are to include (1) a study of the purchase or commitment to purchase by the Federal Government of all or a portion of the products of any alternative fuel facilities constructed pursuant to the program and (2) a comprehensive plan and program to acquire information and to evaluate the environmental, economic, social, and technological impacts under section 19.

The Secretary of Energy submitted a letter report to the Congress on September 15, 1978, in response to this requirement. This letter did not, however, contain comprehensive recommendations on the opportunities to implement a program of Federal financial assistance. It stated that these recommendations should be formulated within the context of an integrated national energy plan. In addressing Federal purchase of products from alternative fuel facilities, the report stated that the Department has carried out preliminary investigations into its potential role. Further, it stated that guaranteed Federal fuel purchase agreements or commitments to purchase could be effective in fostering private action to develop alternative fuel facilities. In regard to the comprehensive information plan and program, the letter addressed these issues in terms of a general proposed approach because no appropriations had been made for such programs.

The National Energy Plan of 1979 discusses individual supply, demand, and limitations of conservation, oil, gas, coal, nuclear power, and solar and other inexhaustible energy sources. The plan also addressed how programs relate to the overall energy problem and to other policies and programs. It recognizes the geological, technical, economic, and

environmental uncertainties and presents overall strategies for dealing with these uncertainties in the future.

When P.L. 96-126 was passed in November 1979, which appropriated funds for activities under section 19 of P.L. 95-238, more frequent reporting requirements were placed on DOE. The reports, to be submitted semiannually to the Congress, were to detail activities carried out under the appropriations. The June 1980 report discussed the basic strategy that DOE had used in implementing the program through the issuance, in February 1980, of solicitations for feasibility studies and cooperative agreements. The report also described the content and structure of solicitations which had been made, proposals received to date, the evaluation approach, and anticipated schedule. A similar report was made in November 1980 which expanded the information regarding solicitations to include loan guarantees, purchase commitments, and price guarantees.

In addition, DOE has addressed the reporting requirement of P.L. 95-238 by inclusion of 3-page appendixes in its comprehensive annual reports to the Congress. These appendixes discuss DOE's efforts to establish an administrative framework to implement financial assistance programs.

In summary, although DOE has addressed its reporting requirements in general terms, the reports still do not contain specific recommendations, studies, or comprehensive plans for the alternative fuel demonstration program as described in section 19 of P.L. 95-238.

ACTIONS DOE INTENDS TO COMPLETE BY PLACING CONDITIONS ON THE APPLICANT

The following legislative criteria, mostly pertaining to legal or financial matters, have not yet been complied with. However, they are represented by conditions agreed to in the \$1.5 billion conditional commitment approved on November 19, 1980.

Reasonable assurance of repayment

The law requires that DOE determine that there will be a continued reasonable assurance of full repayment of the loan. DOE believed that the financing plan approved by FERC, which included a tariff, would provide continued reasonable assurance of repayment.

In its November 1980 conditional commitment, DOE included a requirement that FERC orders approving a tariff be fully implemented, providing for repayment of the guaranteed debt, a surcharge for interest on the guaranteed debt incurred during construction, and the funding of cost overruns by recourse to the consumers. However, on December 8, 1980, the U.S. Court of Appeals of the District of Columbia decided that FERC acted without statutory authority and set the FERC orders aside. DOE is currently conducting discussions with the interested parties to determine if other methods could be established which would ensure a market at competitive prices, so that the debt can be repayed. As discussed in appendix I, ANR has proposed that the price of the synthetic natural gas be set at the price of deep-well natural gas plus escalators. DOE is currently analyzing the viability of this proposal. It must be recognized that this proposal is subject to greater risk in terms of whether it can guarantee repayment, since the price of synthetic natural gas is unknown at this time.

Default

The law requires that loan guarantee agreements include requirements to protect the interest of the United States in case of default and to have available all the patents and technology necessary to operate the plant. According to DOE, the Great Plains application presents complex default problems, because of the numerous parties involved in the project. Until agreement is reached on the terms and conditions of the guaranteed agreement and other related documents, compliance with the default provisions cannot be fully analyzed. The issuance of the guarantee will be subject to the negotiation of satisfactory contract provisions which would include default provisions.

It should be noted that the owners of certain patents, trade secrets, and other technology rights necessary for construction and operation of the plant are third parties which are not sponsors of the subject project. A DOE official stated that DOE has required Great Plains to negotiate agreements with these third parties so that, in case of a Great Plains default, the permission to use necessary patents, trade secrets, and other technology rights required to complete the project will be available to the Federal Government. An ANR spokesman told us he anticipates no problem reaching these agreements with the third parties.

Dependence of guarantee on project costs

The law requires that the amount guaranteed to the borrowers should not exceed an amount equal to 75 percent of the project cost as estimated at the time the guarantee is issued. It also requires that DOE charge a fee to cover administrative expenses of the guarantee and that this fee be at least 1 percent of the outstanding indebtedness covered by the guarantee.

A cost analysis of the project has been completed. However, there must be a determination of what portions of the requested funding are eligible for inclusion in a DOE-guaranteed loan. For example, DOE must decide whether it can allow the start-up costs of the coal mine to be included and is seeking additional data before it determines what pipeline construction costs are eligible.

Collateral

The law requires that the obligation not be subordinated to any other financing. In the case of Great Plains, DOE is complying with the provision by requiring that the guaranteed loan be secured by a first and superior lien on the assets of the project and that the project assets not be employed as collateral for any other debt incurred by the project without DOE's consent. DOE intends to establish its rights to project assets in the final loan agreement.

Maturity of obligation

The maximum maturity of the obligation should not exceed 20 years or 90 percent of the projected useful economic life of the physical assets of the demonstration facility covered by the guarantee, whichever is less. The final structure of the loan will comply with the requirement, according to DOE.

Community impact evaluation

In addition to providing financial assistance for large-scale alternative fuel projects, the law provides extensive authority to DOE to give assistance to the local community to mitigate the impact of such projects. This assistance includes planning assessment grants, management grants, loan guarantees, direct loans, tax payment guarantees, and inclusion of assistance costs in the costs of the project. While a great deal has been accomplished regarding Mercer

County community impact assistance, no funds for this purpose have been authorized pursuant to P.L. 95-238 authority.

Construction in the Mercer County area has been underway since 1975 on a number of powerplants, and funds to analyze the impacts and develop the strategies to mitigate these impacts have been made available through several sources including the North Dakota Coal Impact Office, the Environmental Protection Agency, the Department of Agriculture's Farmer's Home Administration, and DOE. Funds have been used to procure such items as housing, fire-fighting equipment, roads, recreation facilities, and schools.

Availability of information
to the public

The law requires DOE to make available to the public and other Federal agencies the information it maintains on the projects in a manner that will facilitate its dissemination. Such disclosure must be consistent with provisions of the Federal law safeguarding disclosure of confidential business information. DOE is preparing a monitoring plan in conjunction with Great Plains which will specify what types of information will be generated. DOE officials informed us that Great Plains will be required to report the project information periodically and submit such reports to DOE's Technical Information Center in Oak Ridge, Tennessee, which will make the reports available upon request.

INCOMPLETE ACTIONS WITH
NO CONDITIONS

Establishment of a panel to advise
on socioeconomic, environmental,
and health and safety matters

The law established a panel to advise DOE on matters including, but not limited to, the impact of the projects on communities, States, and Indian tribes; the environmental and health and safety effects of such projects; and the measures to prevent or mitigate their impacts. The panel shall include the Governors (or designees), and representatives appointed by DOE of Indian tribes, industry, environmental organizations, and the general public. DOE officials stated that this panel was not established due to the limited level of activity in the past related to constructing large synthetic fuel projects. At this point, no plans exist to establish a panel since it is likely that DOE will not retain

its responsibility in synthetic fuels commercialization activities.

ACTIONS REQUIRED BY P.L. 95-238
BUT REPEALED BY OTHER LEGISLATION

Congressional approval

The law requires that the Congress approve any loan guarantee exceeding \$50 million unless it is specifically authorized by later legislation. It requires that a guarantee not be finalized prior to the expiration of 90 calendar days from the date on which a full and complete report on the guarantee is submitted to the Chairmen of the House Committee on Science and Technology and the Senate Committee on Energy and Natural Resources. P.L. 96-126, which provided fiscal year 1980 appropriations for loan guarantees for alternative fuel facilities, stated that the act itself could be deemed to satisfy the congressional approval requirement. The Department of the Interior and Related Agencies Appropriations Act for fiscal year 1981 (P.L. 96-514) removed the requirement that approval of the closing of the loan would be subject to a 90-day period prior to its finalization.

Attorney General and Federal
Trade Commission concurrence

The law requires that any loan guarantee proposal be reviewed by the U.S. Attorney General and the Federal Trade Commission for the purpose of evaluating the impact of the loan guarantee on competition and concentration in the production of energy. The Congressional Reports Elimination Act of 1980 (P.L. 96-470) repealed this requirement.

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 OF THE
 COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

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February 4, 1981

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Honorable Elmer B. Staats
 Comptroller General
 of the United States
 U.S. General Accounting Office
 441 G Street, NW
 Washington, DC 20548

Dear Mr. Staats:

As you know, the Department of Energy Act of 1978--Civilian Applications (P.L. 95-238), which authorized a program of loan guarantees for alternative fuel facilities, requires that GAO audit loan guarantee recipients at 6-month intervals from the date of enactment (February 25, 1978). On December 8, 1980, DOE conditionally committed a \$1.5 billion loan guarantee to the Great Plains Gasification Association for a high-Btu coal gasification plant in North Dakota--the first such commitment under the provisions of P.L. 95-238. DOE originally anticipated that the loan guarantee for this project would be finalized in early 1981; thus, GAO would have been required to report on the program by February 25, 1981. However, certain financial terms of the conditional commitment have been declared illegal by a U.S. Court of Appeals and final approval of the loan guarantee is uncertain at this time.


Although GAO is not required to conduct an audit of the program at this time, I would appreciate receiving a report on the status of the Great Plains project. Specifically, the following should be addressed:

- Status of DOE compliance with loan guarantee requirements of P.L. 95-238;
- Impact of the court decision on the project in terms of timing, cost, etc.; and
- Course of action presently preferred by DOE and Great Plains, and other options which have been considered to revitalize the project.

Honorable Elmer B. Staats
Page 2
February 4, 1981

Because of the Subcommittee's interest in maintaining close oversight on the future direction of this project, I would appreciate receiving your report as soon as possible but no later than March 15, 1981. If you have any questions at this time, please contact Mr. Norman G. Cornish of our staff.

Sincerely,



JAMES J. BLANCHARD
Chairman

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