



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

B-158701

DEC 14 1971

DEC 14 7

Dear Mr. Chairman:

By letter of July 26, 1971, you requested our comments on S. 2324, 92d Congress.

The subject bill proposes to establish a national power grid system, for the purpose of assuring an adequate and reliable low-cost electric power supply consistent with the enhancement of environmental values and the preservation of competition in the electric power industry.

Because of the proposed substantial expenditures for research and development provided for under section 104, the Senate Commerce Committee may wish to consider providing for the ownership and utilization of any patents stemming from these functions (cf. S. 1846, 92d Congress, file B-151071).

Section 105(a)(1) provides that, effective 180 days after enactment of the National Power Grid Act, all electric power generating and transmission facilities of the Bureau of Reclamation, Army Corps of Engineers, Southwestern, Southeastern, Bonneville and Alaska Power Administration will be transferred to the National Grid.

The proposed language does not specify whether multipurpose projects-- those which, in addition to providing electric power, provide water for municipal and industrial use, recreation and fish and wildlife purposes, irrigation, navigation and flood control--will be totally transferred to the National Grid or remain, in part, the administrative responsibility of the existing agencies. We suggest, therefore, that the proposed legislation be revised to clarify this issue and to prescribe the necessary mechanisms by which the proposed transfers are to be achieved. Related revisions would be required in section 105(a)(2). Also, we believe that the committee may wish to consider providing for maximum utilization of the existing manpower of the agencies whose generating and transmission facilities are to be transferred to the Grid.

Section 105(a)(3)(B) provides for the allocation of TVA's outstanding bonds between TVA and the National Grid, but is silent with respect to the allocation of the Government's investment in TVA. We suggest that this section be revised to provide for such allocation.

Under section 203(a)(2) officers and employees of the corporations may be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of title 5, United States Code, relating to

rh

764701/087660

B-158701

classification and General Schedule pay rates. We are not aware of any employment conditions which would justify pay rates for such officers and employees on a basis different than that in the General Schedule. Accordingly, we believe that the committee may wish to consider revising section 203 to make the provisions of title 5 applicable to the officers and employees of the corporations.

Section 203(a)(2) also provides authority for the bonding of officers and employees of each corporation in the discretion of the board of each corporation. This Office has consistently supported proposed legislation to provide that the Federal Government shall assume the risks of its fidelity losses. (See our reports to the Congress, B-59149, March 29, 1962, and B-8201, B-59149, April 13, 1970.) A bill to so provide, H.R. 8084, was introduced in the 92d Congress on May 5, 1971. Additionally, we understand that, effective July 1, 1971, the Postal Service, established by Public Law 91-375, discontinued the fidelity bonding of its officers and employees.

Section 205(a) provides that each corporation determine its own system of administrative accounts and the forms and contents of its contracts and other business documents. In order that the various corporations to comprise the Nation Grid will be able to report uniformly to the President and to others on its activities, consideration should be given to requiring that a uniform system of accounting and recordkeeping be adopted by the corporations.

Section 206 would authorize the corporations to issue bonds to assist in financing their activities. The aggregate outstanding bonds could not exceed \$15 billion at any time. Our Office has generally favored the financing of Government programs through direct appropriations because of the periodic congressional scrutiny and affirmative congressional action provided by the appropriation process that is not so readily available to the Congress under "back door" financing techniques. Also, we have observed over the years that interest rates on money obtained from the private sector through agencies other than the Treasury Department are generally higher than on funds obtained through regular public debt obligations with comparable maturities issued by the Treasury Department. For these reasons, the committee may wish to consider authorizing appropriations to finance the activities of the corporations or as an alternative, borrowing from the Treasury rather than the issuance of bonds to the public by the corporations.

Section 206(a)(2) exempts from the \$15 billion limitation the amount of outstanding bonds issued by a regional corporation and not guaranteed by the United States. Since regional corporations would be established

B-158701

by Federal law, it is unlikely that they would be viewed as financially independent entities; while not officially a guarantor of the subject bonds, the United States might well be looked upon as the prime supporter of the regional corporations' general financial stability. Consequently, we believe that some limitation should be placed upon the outstanding amount of all bonds issued by regional corporations, regardless of whether they are formally guaranteed by the Government.

Section 204(d) adds "any corporation established under the National Power Grid Act" to the list of agencies covered by the Government Corporation Control Act and by so doing makes the corporations established pursuant to the bill subject to all of the provisions of that act including the requirement for annual audit by the General Accounting Office.

Section 206 which provides for the issuance of bonds to the public by each corporation, authorizes audits by certified public accounting firms in addition to annual audits by the General Accounting Office as required by the Government Corporation control Act.

We believe that the requirement for annual audits and reports to Congress by the General Accounting Office will be unnecessary, and that the bill should authorize the General Accounting Office to review the operations of the corporation at the discretion of the Comptroller General to provide us flexibility in the use of our available manpower.

Accordingly, we suggest that the parenthetical statement on lines 5, 6, and 7 of page 21 of the bill be deleted and that a provision along the following lines be inserted in the bill, perhaps at the end of subsection (c) of section 206 (page 21 of the bill).

"Notwithstanding the requirements for annual audits and annual reports to the Congress thereon contained in sections 105 and 106 of the Government Corporation Control Act, the operations of any corporation established under the National Power Grid Act shall be subject to audit by the General Accounting Office at such times and to such extent as the Comptroller General may determine."

B-158701

As a technical matter, the word "rate" should be inserted before the word "provided" on page 13, line 8.

Sincerely yours,

(SIGNED) ELMER B. STAATS

Comptroller General
of the United States

The Honorable Warren G. Magnuson
Chairman, Committee on Commerce
United States Senate