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LOGISTICS AND COMMUNICATIONS
DIVISION

B-178205

AUG 11 1975

[Role of GSA in Utility Rate Cases]

The Honorable John E. Moss
House of Representatives

Dear Mr. Moss:

By letter of March 19, 1975, you forwarded a January 27, 1975, letter written by Gerald L. Parsky, Assistant Secretary of the Treasury, to Arthur F. Sampson, Administrator of General Services.

In his letter Mr. Parsky suggested that the General Services Administration (GSA) refrain from intervening in forthcoming utility rate cases involving price increases for the Potomac Electric Power Company (PEPCO). Mr. Parsky said that PEPCO urgently needed the requested price increase due to increased costs of fuel, construction, and financing. He added that he would like to discuss with Mr. Sampson GSA's minimizing its intervention in other cases where low rates jeopardize the electric utilities' financial health.

You requested that we seek answers to the following questions.

1. Has the Department of the Treasury any jurisdiction over such a situation, particularly as an advocate for higher utility rates for private companies?
2. Does Mr. Parsky's letter constitute an attempt to interfere with GSA's role in protecting the Government against higher utility rates?
3. Would Mr. Parsky's letter and Treasury's position, if successful, result in higher utility bills for the Government?
4. Does Mr. Parsky's letter constitute more than an attempt to offer an unsolicited opinion to another Federal department?

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Concerning Mr. Parsky's authority for, and intent in, suggesting to Mr. Sampson that GSA refrain from intervening in the PEPCO rate hearings, as well as other rate cases, we believe Mr. Parsky acted within the scope of his authority as the Assistant Secretary of the Treasury, responsible for assisting in formulating and implementing the Treasury's position in the areas of trade, energy, and financial resources policy coordination. His office would have an interest in actions that may financially affect public utilities. Further, the law and regulations appear to envision consultation between GSA and other Federal agencies regarding GSA's intervention in rate cases.

Section 201(a) of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 481), requires the Administrator of General Services to represent Federal executive agencies in public utility proceedings before Federal and State regulatory bodies when it is advantageous to the Government in terms of economy, efficiency, or service. Section 205(h) of the act (40 U.S.C. 486) reads:

"The Administrator [of General Services] shall advise and consult with interested Federal agencies with a view to obtaining their advice and assistance in carrying out the purposes of this Act".

Concerning proceedings before regulatory bodies section 101-36.202 of 41 C.F.R. (1974) states as follows:

"Pursuant to the provisions of section 201(a) (4) of the Property Act, with respect to proceedings involving public utility rates or service before Federal and State regulatory bodies, executive agencies shall refer to GSA for consideration all complaints and petitions proposed to be brought before such regulatory bodies. Executive agencies shall submit full information concerning the proposed action. GSA will determine, on the basis of the information so submitted and the then existing arrangements, whether it will handle the proceedings in cooperation with other interested agencies, or delegate the handling of the proceedings to the referring agency, depending on which course of action is deemed to be in the best interest of the Government".

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Through June 1975 GSA held a series of meetings with representatives of the Treasury and the Federal Energy Administration to develop an appropriate interagency mechanism by which the Administrator, in fulfilling his responsibility under the law in public utility rate hearings, may consider the views of agencies having major programmatic interests.

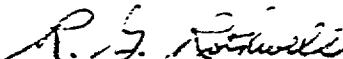
The agencies (GSA, Department of Defense, Federal Energy Administration, Treasury, and the Environmental Protection Agency) are developing an interagency agreement which would set up a mechanism by which GSA, in performing its statutory function, may solicit and consider the views of interested executive agencies.

Concerning the question about higher utility bills for the Government, we are unable to speculate what the specific effect of GSA's participation in rate hearings will be. Other intervenors participating in the rate hearings may succeed in making an effective case against a proposed rate increase, even without GSA's intervention.

GSA did participate in the subject PEPCC rate hearings before the Public Service Commission of the District of Columbia. It submitted written testimony on the proposed \$48.2 million rate increase to the Commission on July 2, and 7, 1975. The testimony was prepared by GSA and by a private consultant under contract with GSA. GSA also cross-examined PEPCO witnesses on testimony they filed with the Commission. At the time of our review a decision had not been reached in the proposed \$48.2 million rate increase in the District of Columbia. The Commission denied PEPCO's request for a temporary rate increase.

In the Maryland and Virginia rate cases, GSA did not submit testimony but did cross-examine witnesses. In Maryland, PEPCO asked for additional gross annual revenues of \$47,600,000 and was granted \$20,018,000. In Virginia, PEPCO asked for additional gross annual revenues of \$3,035,000 and was granted \$2,040,768.

Sincerely yours,



or
P. J. Shafer
Director

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