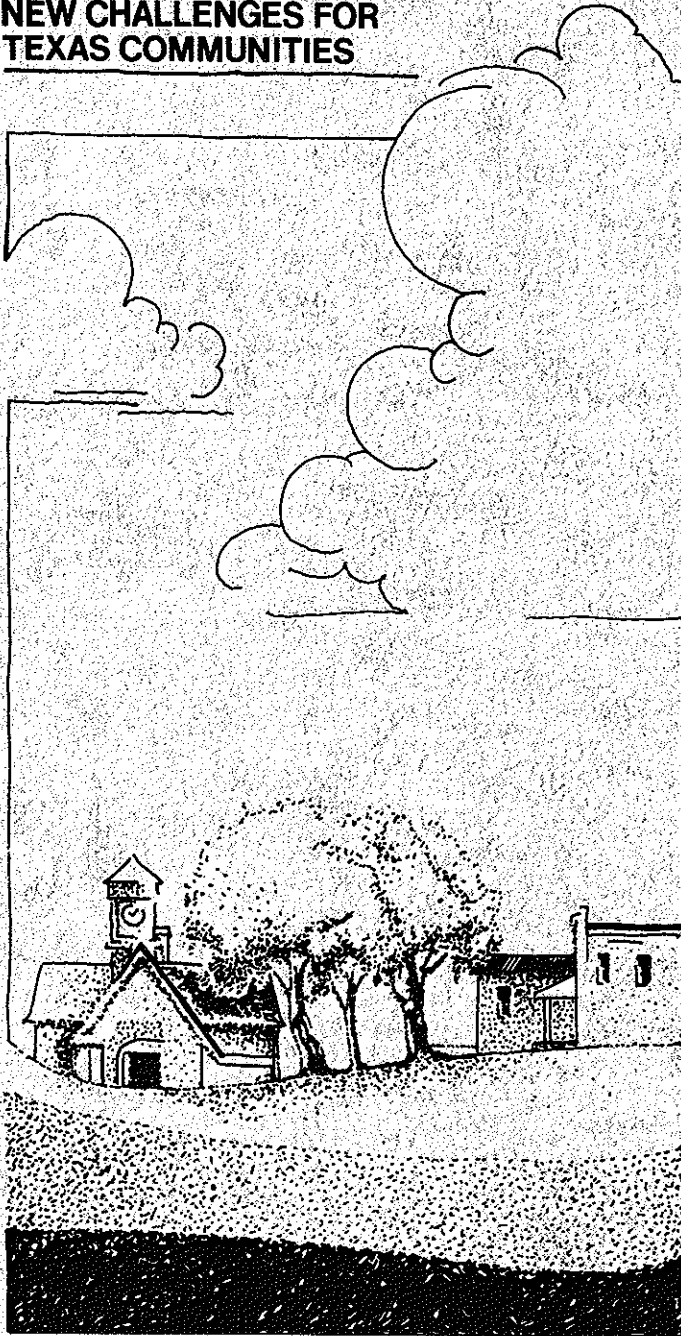


ENERGY DEVELOPMENT: **NEW CHALLENGES FOR** **TEXAS COMMUNITIES**



CONFERENCE SUMMARY • FEBRUARY 23-24 • TYLER, TEXAS
TEXAS ENERGY ADVISORY COUNCIL

PREFACE

The development of energy, particularly oil and natural gas, has provided much of the stimulus upon which the Texas economy has grown. As reserves of these two fuels decline, new energy resources must be developed. One of the resources receiving considerable attention in Texas is lignite.

The development of new energy resources like lignite is a source of both optimism and concern. One of the concerns expressed by many people is the environmental and social impact this development will have on rural communities. It was out of this concern that this conference was conceived. What will be the impacts? When and where will they occur? What can be done?

Credit for the success of the conference goes to the U.S. Departments of Interior and Energy for funding support and to the state agencies and their representatives who served on the conference planning committee:

Energy Advisory Council. David White
Railroad Commission J. Randel Hill
Department of Community Affairs Joe Harris
General Land Office Wayne "Red" Oliver
Advisory Commission Inter-
governmental Relations. Dan Caldwell
Center for Energy Studies, The University
of Texas at Austin. Sally Cook Lopreato

Special appreciation goes to Sheryl Harding of Research and Planning Consultants, Inc. of Austin for providing administrative and logistics support in the planning and execution of the conference, to Jennifer Evans for preparing the conference summary, and to Louise Flippin for providing assistance throughout the project.

This report, although stated in the first person, is a summary of speaker comments. Responsibility for accuracy of this summarization rests with the conference coordinator, David White. It is hoped that this summary of the conference conveys the viewpoints and ideas of people in Texas looking ahead to the development of new energy resources.

SESSION ONE

WELCOMING REMARKS

Milton L. Holloway, Executive Director,
Texas Energy Advisory Council

Welcome to Tyler, Texas and to this conference, "Energy Development: New Challenges to Texas Communities." The purpose of this conference is to provide a forum for discussion of both the opportunities and the problems ahead for Texas communities as we develop new energy sources and technologies to meet our growing demands. We hope the conference will provide you, the participants, with information you can take back to your communities and create an exchange of ideas and information among industry, state and federal agencies, local governments, and local community members. Above all, it is hoped that we will be able to increase the dialogue and the level of understanding of the benefits and costs of energy development.

OVERVIEW OF LIGNITE DEVELOPMENT IN TEXAS AND THE ROLE OF THE RAILROAD COMMISSION

Mack Wallace, Chairman of the Texas
Railroad Commission

Texas and the rest of the nation are at a turning point in the history of energy production and utilization. Production of oil and natural gas, long the backbone of Texas' economy, is now in decline. As a result, we must give high priority to researching and developing alternative energy supplies, particularly coal and lignite. Texas began mining coal and lignite in the early 1800's, but production declined when the oil boom of the 1920's hit.

Mining activity is again on the rise. The Texas Railroad Commission has issued five mining permits and three more are being processed. By 1985 production in Texas is expected to be three times as great as it was in 1977. Lignite is currently in demand for generation of electricity (3,410 megawatts of electrical capacity) and for the manufacture of activated carbon. In the future we can expect to see it utilized in producing synthetic

gases, liquid fuels, chemical feedstocks, and other processes.

Moving from dependence on foreign crude will not be easily done -- nor will it be done cheaply. Fortunately the state's nonpetroleum mineral reserves are substantial.

It is the job of the Texas Railroad Commission to maintain a proper balance between energy resource development and waste or harm to our minerals and land. The thrust of the Railroad Commission's new Surface Mining and Reclamation Division is regulation which enhances development of energy supplies without harm to the environment in which we live. We do not want to hinder the production of fuel in Texas. We do not want to hinder the production of fuel in the United States. We want to see this nation once again energy self-sufficient.

FEDERAL SURFACE MINING ACT AND THE ROLE OF THE OFFICE OF SURFACE MINING

Walter N. Heine, Director, Office of Surface
Mining Reclamation and Enforcement, U.S.
Department of the Interior

Today I would like to familiarize you with the Office of Surface Mining (OSM) -- how we came about and what we intend to do. OSM was created by the Surface Mining Control and Reclamation Act signed by President Carter in August 1977. The purposes of the act are to set up a nationwide program to protect society and the environment from the adverse effects of coal mining, to assist states in developing and implementing regulatory programs, and to promote reclamation of mined areas.

I do not think the act will have a serious adverse effect on lignite development in Texas; in fact, Texas should be among the states with the lowest reclamation costs.

A major area of concern is the potential impact of widespread surface mining on the hydrologic balance of the region. The potential for reduced recharge of freshwater aquifers such the Simsboro and degradation of ground and surface water quality should be of major interest to Texas.

An important aspect of the plan is the "state lead" concept: regulatory and reclamation activity will be carried out by the states, under programs approved by the Secretary of the Interior. Only when a state fails to submit an acceptable program will a federal program be implemented.

The Abandoned Mine Reclamation Fund is another significant element of the act: the fund will be gathered from fees assessed coal operators (for lignite, 10 cents per ton or 2% of the value at the mine, whichever is less). Each state with unreclaimed lands can receive 50% of the fees collected in the state. The state can use the funds in reclaiming mined land and eventually for community impact assistance.

The point of the law is to protect the environment, and so that, looking back, people will be able to say, "We didn't make another Appalachia out of Texas."

STATE SURFACE MINING ACT AND THE INTERIM FEDERAL PROGRAM

Ches Blevins, Legal Examiner, Surface Mining and Reclamation Division, Texas Railroad Commission

It is expected that the demand for Texas lignite will continue to increase and thus so will production. The 1975 Texas Surface Mining and Reclamation Act was passed to allow coal and lignite mining to fill this demand while preventing permanent adverse impacts.

The law requires a surface mining operator to acquire a permit from the Texas Railroad Commission, and the applicant must submit a complete reclamation plan to "restore the land affected to the same or substantially beneficial condition," as the law states.

For the most part the Texas law is not at variance with the 1977 federal Surface Mining Act; however, one of the main points of contention is over a federal provision on mining on prime farmland, and the State of Texas has filed a lawsuit questioning both the prime farmland definition and the inclusion of prime farmland performance standards in the interim regulatory program.*

The Texas Railroad Commission had adopted the federal standards into the state standards and has asked operators to voluntarily adopt them. The Commission sees no insurmountable hurdles preventing implementation of this regulatory program in Texas.

THE PERMITTING PROCESS

Mary Josie Smith, Chief of Permits and Research, Surface Mining and Reclamation Division, Texas Railroad Commission

Permitting is the means by which a company is either given or denied the opportunity to conduct surface mining operations. It is a mechanism by which affected parties, governmental entities, and companies may express their views on how mining operations should be carried out at a particular site.

A company wanting to mine coal or uranium in Texas fills out an application containing technical and environmental questions. Notices of the proposed permit and of any hearings are distributed within the permit area and published in a local newspaper. Affected persons have thirty days to submit comments and must notify TRC five days before a hearing that they wish to testify.

A permit may be denied for several reasons: infeasibility of the reclamation plan, violation of pollution or health and safety standards, designation of the land as unsuitable for mining, adversely affecting a public highway, or inability to produce a bond.

The strengths of this system are (1) the process has stated time limits and cannot drag out indefinitely, and (2) all staff recommendations are justified and recorded in writing.

The Texas Railroad Commission also sets standards and monitoring requirements for the mining operation. Some standards are site specific; others are specific to the process used, the region, and the quality of the mineral.

*Since completion of the conference, the Department of Interior has granted the Railroad Commission authority to determine a reasonable definition of prime farmland.

Texas is the only state with a permit process for *in situ* gasification, and a permit is now being processed for such an operation in the Carrizo aquifer area.

ENVIRONMENTAL STANDARDS AND UNSUITABLE LANDS (SECTIONS 515 AND 522 OF THE FEDERAL SURFACE MINING ACT)

MODERATOR: Mary Josie Smith, Chief of Permits and Research, Surface Mining and Reclamation Division, Texas Railroad Commission

Ed Imhoff, Environmental Planner and Physical Scientist, U.S. Geological Survey

John Alford, District Supervisor, Tyler District Office, Texas Railroad Commission

Chris Henry, Research Engineer, Bureau of Economic Geology, University of Texas at Austin

Dick White, Manager of Environmental Services, Texas Utilities Company

IMHOFF: The Texas surface mining reclamation program was, in my judgment, the best in the country before the federal law was enacted. The Texas act addressed the three principles that a mined area reclamation program should -- that it be conducted openly, fairly, and knowledgeably.

There is now a national program, and it is in its formative state. The federal Surface Mining and Reclamation Act does not handle all mining problems. The act is just one regulatory device in a whole mix of regulations, and without private entrepreneurship and input from other interests, including environmental, the act does not mean anything.

Texans should pay attention to Section 522 in the national act on petitioning. As it is now being structured, an interested party, the petitioner, can demand that a mining permit be denied. Within ten months a hearing is held, and the regulatory authority hands down a decision within sixty days. Petitioners can appeal that decision. How the process is eventually set up will greatly affect how

cumbersome and time-consuming the permitting process under the new law will be. This page-and-a-half section in the federal act will have important effects, and I recommend you pay close attention to the regulations that result from it.

ALFORD: Five lignite mines are now in operation in Texas, and at all but one of these is used on-site for electric power generation. Surface mining in Texas is classed as area mining, not contour mining, as is practiced in much of Appalachia.

The TRC District Office in Tyler monitors the mine during its operation. Ditches, sumps, and retention ponds are required to prevent contamination of the water of the region. Every two weeks an operating site is inspected, and samples are collected and analyzed to ensure conformance with prescribed standards.

When lignite is removed, topsoil is not stockpiled separately. The strata are mixed, and no major ill effects have been noticed from this practice. TRC regulations require reclamation within one year. Land is recontoured and commonly sprigged with coastal bermuda or a temporary crop cover is planted. The mine operator has responsibility for reclamation for four years after mining.

HENRY: The Bureau of Economic Geology is preparing a series of maps to document the environmental context of lignite resources in Texas. The maps will show substrate, soil type, geomorphology, geologic process, and the negative vegetation. The Wilcox Formation in East Texas is the best source of lignite in terms of both quality and quantity.

The sections of the federal Surface Mining Act which bear strongest on Texas lignite development are sections 515 and 522, which deal with land capabilities, floodprone areas, aquifers, aquifer recharge areas, and prime farmland provisions. These environmental maps should provide information necessary to deal with these two sections in the future.

WHITE: Texas Utilities has been involved in lignite development and land reclamation since the

Big Brown plant at Fairfield was begun in 1968. The company has evolved an approach to reclamation and a philosophy regarding it. In particular, it is important that regulations on lignite mining be site specific. Rainfalls, soils, terrain, and vegetation vary widely among potential sites, and regulation must take these differences into account.

Reclamation planning and research continues through the thirty-five to forty-year lifetime of a lignite mine. The phases involved include initial planning and core sampling, ecological surveys of the site, mapping of vegetation and land use, soil research, and planting research.

The Texas law is flexible and site oriented, and it is hoped that the federal law, as carried out in Texas, will also be flexible.

SESSION TWO

OPENING REMARKS

Jimmy Mankin, State Representative from Kilgore, Texas

The Southwest Regional Energy Council, composed of the states of Texas, Arkansas, Louisiana, New Mexico and Oklahoma, provides a formal mechanism for sharing information on energy related activities in energy policy issues which affect the Southwest region and the nation. The Council feels that a comprehensive energy policy must correct the imbalance in supply and demand resulting from federal energy pricing and trade policies. A comprehensive energy policy must provide for the production of additional supplies from all traditional sources and the timely development of alternative sources of supply as well as the conservation of existing supplies.

Within the state of Texas, the House Committee on Energy Resources is currently involved in interim studies on various energy related issues of concern to the state. Among the issues currently being studied by the Committee are agricultural uses of energy, deepwater port facilities, nuclear waste storage facilities, and the impacts of municipal power pools on local communities. This study of municipal power pools may be

particularly pertinent to the discussions of this conference. This study has not yet been started.

ENERGY DEVELOPMENT IN TEXAS

Milton L. Holloway, Executive Director,
Texas Energy Advisory Council

The economy of the nation is forecast to continue to grow during the coming decade, although at a slower pace than in the 1960's. The prospect for Texas is particularly optimistic because relocation of industries is expected to continue due to availability and price of energy, low labor costs, and low taxes.

Continued economic growth will mean increased energy consumption. Higher prices, conservation, and increased public awareness will probably slow the growth rate somewhat, but it will most certainly continue to increase. TEAC forecasts that Texas energy consumption will grow at an average of 3% annually over the next 25 years. An increasing portion of that energy will come from coal and uranium. Shipping of coal from out of state and lignite mining within Texas are both expected to increase. By 1985 our coal imports are likely to reach 30-40 million tons per year; the current level is 5 million. Lignite production will grow from the present level of 17 million tons per year to 50-60 million tons in 1985. Accompanying these trends will be more coal-fired power plants, more coal trains rumbling through the state, and possibly new coal slurry pipelines and other facilities. (See the map of existing and planned power plants in Texas.)

Where will most of this development occur? Lignite-related development will tend to take place close to the lignite deposits. Because of the economies of scale and supply availability, petrochemical expansion will continue to take place along the Gulf Coast. However, in both cases this development will tend to increasingly occur away from large cities and in rural areas.

The impacts of these facilities on small, local communities will be somewhat different from what we have experienced in the past in energy development in Texas. There is a need to anticipate the tangible effects of the development I have been

describing and to learn how they will affect local communities. Most importantly, we must plan ways of increasing the net benefits of these new facilities, not only to those who will consume the products, but also to those who live in the small communities absorbing the direct impacts.

COMMUNITY IMPACTS FROM ENERGY DEVELOPMENT

OFFSHORE OIL: COMMUNITY PERSPECTIVES (FILM)

Although this film discussed the community impacts of offshore development of oil and gas along the Gulf Coast, many of the same growth phenomena are associated with the rapid development of other energy resources. Morgan City, Louisiana, which has been a center of offshore oil and gas development for over 30 years, has undergone substantial change during this period. The influx of people attracted by energy related jobs has provided substantial economic growth for the community but has challenged local governmental officials who must provide services for this population. Morgan City's ability to cope with energy related impacts was learned from actual day to day experiences. As a result of the experiences of Morgan City and other communities impacted by energy developments, Port O'Connor, Texas, the site of recent offshore development, has the opportunity to better plan for and manage its future growth.

Once growth and community impacts were viewed as byproducts of economic development. Now techniques have been developed making it possible to examine beforehand the signs of growth and its potential impacts. If the signs are recognized, communities can be better prepared to manage what the future brings.

GROWTH IN THE SMALL COMMUNITY

Michael O'Hare, Associate Professor,
Department of Urban Studies and Planning,
Massachusetts Institute of Technology

A small town is a delicate social structure and a complicated social structure. It is not prepared for a rapid inflow of people. When a large facility is

started near a small town, most of the problems it causes can be traced to the rapid population growth that occurs.

One of the early effects noticed is that public services are inadequate in quantity -- not enough housing, stores, or laundromats. Another effect is that services become inadequate in quality -- for example, police, already having their hands full, are called on to deal with problems previously handled informally and they do a bad job of it. A fourth effect is that the newcomers change what the town thinks of itself and wants for the future -- they have a different view of the town's future and past, as well as of where they want to be in three years.

These effects occur, first of all, because of a short-term shortage of public funds. The state limitations on bonding power do not allow anticipation of a large population influx. Boundary mismatch can be another problem: if the new facility is located in one county and the community receiving the impacts is in another, tax money will not be going where it is needed. The time lag between making new tax assessments and putting the funds to use in expanding facilities and services is another headache. Yet another problem is the increase of per capita governmental costs because of the extra facilities, services, and professional staff that are needed. To help solve the staffing problem, the state could make available consultants (city planner, police planner, sanitary engineer) to these impacted community governments on a fractional consulting basis. The professional planner would work for the state but consult in several communities.

Most property owners benefit greatly from this kind of development, but some people really suffer. When the value of property doubles or triples, Aunt Milly finds she cannot afford the room she has rented for twenty years. Strife within families occurs. Uncle Fred becomes a millionaire and Uncle Bill is barely hanging on. The family Christmas dinner is not going to be the same occasion. People on fixed incomes suffer from the rise in the cost of living, and sales decline for farm equipment companies when much of the land in the region is converted from farming to strip mining. Many of these problems cannot be eliminated simply by giving the local government

money.

The community should remember that it is in a negotiating position. What the community offers is a resource just as necessary to the making of electricity as the coal or lignite is, and the community should keep in mind what it thinks is a fair compensation for that resource.

PERSPECTIVES ON ENERGY DEVELOPMENT IN TEXAS

LOCAL PERSPECTIVES -- MT. PLEASANT

Floyd Socia, City Manager of Mt. Pleasant

Mt. Pleasant was a sleepy little community of 9,000 people before Texas Utilities Company began building its Monticello strip mine and power plant facility. The new city council knew we would have problems and knew we had to create financing to solve them.

To build our new \$3 million water plant, bond financing was needed. A city government must prove it has one and one-half times the revenue necessary to meet the payments on such bonds, and the rates must have been in effect for a full year before the Attorney General can approve the bond sale. So the city government got approval from the people for 40% higher water and sewer rates, which made Mt. Pleasant's rates among the highest in the state. After being in effect for a year, the Attorney General reviewed the audit report and approved the bonds. A year and a half after that, Mt. Pleasant had its new water plant -- but not before it discovered it also needed a new lake, which was also eventually built.

Now we have the planning personnel, the higher water rates, the new water plant, and the new lake. But the Texas Water Quality Board is going to file suit to make us come into compliance with a new set of standards. By 1980 the northeast sewer plant must double its capacity, which would cost \$0.5 billion and raise the rates by \$4.55 to a level higher than any other water rates in the state. And even if we start now, Mt. Pleasant cannot beat the deadline for compliance.

Similar, but less severe problems have also

occurred in the areas of building, roads, and zoning. The Industrial Generating Company (IGC) of Texas Utilities Company has been very cooperative and has contributed a great deal of revenue to the city, but it has been the source of problems. For instance, Mt. Pleasant has a police force of seventeen. Starting salary is \$600-650 per month. Starting pay for an IGC laborer is \$800 per month. So we lose two or three of our trained patrolmen and firemen every so often. We cannot compete anymore. We have been forced to pay very high salaries to get adequate planning personnel, as well. These personnel problems hit all at once.

When a development like this happens to a community, they talk about "controlling the growth" or "planning for the growth." That is hogwash. You grab the tail and hang on. If it comes out good, you get credit. If it comes out bad, you have to start looking for a job somewhere else.

LOCAL PERSPECTIVES -- MATAGORDA COUNTY

Bert Huebner, County Judge, Matagorda County

Energy facilities more and more are being located in rural areas, and what is happening in Matagorda County is an example of this trend. Matagorda is an agricultural county located on the Gulf Coast about 80 miles southwest of Houston. The population is about 27,000 people, many of whom live in Bay City or Palacios.

In 1971 Houston Power and Light, Central Power and Light, the City of Austin and the City of San Antonio decided to build a nuclear power plant, and began acquiring land in Matagorda County in 1973. In June 1973 they announced their plan to build two 1,250-megawatt units costing more than \$1 billion, to come on line in 1980 and 1982.

We, the county government, were given no prior notice of this project, and we certainly could have used a headstart on the problems. Opposition from the people of the county centered not on the nuclear plant itself, but on the fact that the project

took 12,352 acres of prime farmland out of production, and built on part of it a 7,500 acre lake. The public will not have access to the lake.

As common sense would tell you, there is lots of good and lots of bad in a situation of this kind -- land prices and crime rates both doubled. The construction workforce of 3,100 has temporarily increased the population of the county by 10-15%. (The permanent workforce will be only 200.) The project has affected the roads, schools, hospital, social system, and police. The jail has been particularly hard hit, and a bond issue is being planned for the purpose of expanding it.

A real bomb came when San Antonio and Austin declared their 45% share of the plant is exempt from *ad valorem* taxes under a statute passed by the Texas Legislature in 1971. This position is being challenged in court. A county government cannot tax for more than it needs, nor can it tax for less than it needs. So unless the issue is resolved otherwise, the proportion of tax revenue that would have come from San Antonio and Austin's share will have to come from somewhere else, probably from the people of Matagorda County and the customers of the other plant owners in Houston and elsewhere.

In sum, an important point to remember is that it takes a government much longer than a private company to get something planned, budgeted, approved, and accomplished. Time is a valuable commodity when a community must react to change. But given time, we can handle it.

INDUSTRY PERSPECTIVES -- LIGNITE DEVELOPMENT

John Dorsett, General Superintendent, Martin Lake Generating Station, Texas Utilities Company

The growing demand for electricity is creating a need for new generating stations. In 1930 only 10% of energy consumed was in the form of electricity; now the figure is 30%, and by the year 2000 the figure is forecast to be 50%.

Texas Utilities, through its three operating companies, has built a series of new lignite

generating facilities to serve its 4 million customers. We know that we do not build and operate a generating station in a vacuum; it does have an impact on the local community. The generating station adds 400 to 500 families to an area. They need new housing, schools, city services, and support businesses, and they are people who plan to stay with the company and who care about their new hometown.

When Texas Utilities plans a new facility, we meet with community leaders, city officials, school superintendents, chamber of commerce members, and other local groups; an ongoing program of communication with these groups is maintained.

Texas Utilities does two things to mitigate adverse impacts on a community; (1) taxes are prepaid to ease the strain on the local government's budget, and (2) financial counseling and planning aid are offered. In addition, where possible, building materials are always purchased from local businesses.

We have one of the most successful land reclamation programs in the country. After mining the soil is reclaimed, recontoured, and returned to productivity; the lakes associated with our facilities are all stocked for public fishing, and four are used as county or state parks. Three are municipal water supplies.

Texas Utilities has three lignite facilities at different stages of operation or construction: the Big Brown plant near Fairfield in Freestone County, the Monticello plant near Mt. Pleasant in Titus County, and the Martin Lake plant near Henderson in Rusk County. I have been involved in community impact planning in all three locations.

One of our most difficult early tasks is convincing people that the influx of population is really going to occur, particularly, persuading skeptical developers to build housing for our employees.

Changes occur in the community: new homes, shopping centers, schools, sewer facilities, parks, civic centers, and businesses are built. Deposits at local banks typically double.

The process has real problems and real benefits. Together the community leaders and Texas Utilities can see that the growth is as beneficial, orderly, and pleasant as possible.

INDUSTRY PERSPECTIVES -- GENERAL COMMENTS

George McGonigle, Vice-President and Operations Manager, Friendswood Development Corporation

When growth impacts are discussed, certain issues recur: the boom-bust cycle, inadequate housing, strained public facilities and services, strangers intruding or taking over, higher taxes, more traffic and noise, more crime. The newcomers usually get the blame.

I think there are secondary issues. The real, primary issues are:

- Do all interested parties have good information on each other's operations, needs, and wants?
- Do local public and private institutions have the capacity to cope with growth and the demands made upon them as a result of growth?
- Is there a framework within which all the interested parties can gather and work together?
- How is the decision made about how the costs will be distributed?

Underlying all these issues of mutual trust and confidence. If trust does not exist, it must be created. The newcomers have the burden of proof, and we in industry must address ourselves to how we can gain the trust and confidence of a community -- and keep it.

Early in their internal planning process, industry can deal with this problem by locating the project staff in the affected community and letting them be visible and active. This type of commitment shows the people of the community that the company's employees are there to stay and are

willing to live with the problems themselves.

Industry can work with consultants and contractors to minimize the dislocations caused by their temporary peaks. The costs of locating and taking care of the contractor's employees oftentimes can be figured out and worked into the contractor's specifications. It is best to carefully plan an adequate budget for these kinds of impact problems, because it is hard to go back to management and ask for extra funds later.

Energy facilities have benefited many communities in Texas, and exposing local leaders to other communities with similar facilities can very effectively allay rumors.

In the long term growth pays off economically, but in the short term it is tough to handle. Mutual trust and confidence are the most important tools for doing it.

STATE PERSPECTIVES

Joe Harris, Coordinator of County Programs, County and Rural Services Division, Texas Department of Community Affairs

The Texas Department of Community Affairs (TDCA) is a cosponsor of this conference, and we hope it will produce many useful ideas and information that you, local officials and industrial representatives, and we, state and federal agency representatives, can use to work together.

Texas has abundant energy resources, good land, good water, good climate, and energetic, progressive people. All these things contribute to the good life we have here in Texas and to some degree we all have taken that good life too much for granted. We are the foremost energy-producing state, the foremost energy-consuming state, and the foremost growth state in the nation. Energy has been the keystone of the Texas economy for fifty years and will continue to be so through the coming transition.

The types of new energy developments in Texas that we can expect are: coal and nuclear electricity generating plants, lignite mining operations, petroleum importing and refining facilities,

strategic petroleum reserves, geothermal facilities, commercialization of solar and other alternative technologies, and expanded exploration and production of oil and gas.

Much of the impact of the new energy development in Texas will be felt in rural communities, and it is already being felt. For instance, in 1970 about 150 of the 254 counties in Texas were declining in population. In mid-1976, according to the U.S. Bureau of the Census, more than half of those counties had reversed the trend and started growing. Many of these counties host energy developments.

The small communities usually have never had experience with rapid growth before, and so they lack the capability for dealing successfully with the complex problems associated with such growth. Local officials typically respond on a catch-up or crisis basis. Regulatory authority does not exist or is not fully used at the local level in dealing with these problems.

We in state agencies are trying to prepare ourselves to help local communities with these coming problems. TDCA is mandated to provide technical assistance, funding assistance, and other program needs to local governments. There are several thousand local government entities in Texas, and we do the best we can. We will try to help any local government that comes to us. If we cannot help directly, we have resources at other state agencies, federal agencies, and universities than can be brought to bear. We sincerely offer our services to you.

FEDERAL PERSPECTIVES

John Daly, Director of National Energy Policy and Special Projects, U.S. Department of Energy

A new national energy plan must be submitted in April 1979, and a new research and planning effort called the National Energy Supply Strategy will be supplying data for it. These are two principal projects the Department of Energy (DOE) will be undertaking in the near future.

The National Energy Supply Strategy is a

mechanism for making accurate projections of energy consumption and production and gross national product. It will be a strategy on which to base DOE programs, budget, research, and regulations.

The strategy will be carried out in three phases:

1. Now-1985 -- Improve contingency planning for events like a potential oil embargo or coal strike.
2. 1985-2000 -- Reform and streamline energy regulation.
3. Post 2000 -- Plan energy research and development, including an outreach program to involve state and local governments and outside interested parties in the decision-making process.

The National Energy Supply Strategy will incorporate base assumptions of the cost and availability of world oil, environmental constraints, regulatory requirements, transportation, and commercialization of nonconventional resources. It should be in place by Christmas 1978.

In the area of local impact assistance, the President is considering alternative policy options to address this matter. DOE has prepared a report outlining the energy impacts issue and recommends that, rather than redirecting existing money away from large communities, new funds be appropriated for locally impacted communities.*

The state of Texas has made significant progress in identifying and quickly addressing some of the very hard, critical energy issues facing this nation. I take Texas as an example that proves that the state and the federal government can work together in addressing the problems we all share.

*Since completion of the conference, the "Energy Impact Assistance Act of 1978" (S. 1493) has been introduced into Congress to provide federal financial and technical assistance to energy impacted areas.

SESSION THREE

KEYNOTE ADDRESS

Bill Hobby, Lieutenant Governor of Texas

It is a pleasure to participate in this conference on "Energy Development: New Challenges for Texas Communities," and I hope that each of us leaves here with a greater understanding of the energy situation as it faces Texas' communities.

None of the legislation passed by the Congress since the energy crisis in 1973 has helped improve our domestic energy situation. In fact, many of the new governmental regulations have decreased the supply of domestic energy. And the President's present energy program depends on an increased supply from foreign sources.

I am concerned that the failure of Congress to deal effectively with the energy problems facing us is having the effect of reduced public conviction that there is, in reality, a crisis in energy. The situation is truly grave. We simply are not going to have the luxurious use of energy during the next 35 to 40 years that we have today. We cannot meet the fantastic energy demands through the year 2000 without yearly increasing the energy imported from outside our borders. Today more than 45% of oil used in the United States is imported.

The development of energy resources will demand our attention for many years to come. The benefits of new energy development will inevitably be accompanied by new problems for local government. An era of construction has already begun with the building of nuclear power plants in Matagorda and Somerville Counties; the construction of lignite-fired power plants in East, Central, and South Texas and coal plants throughout the state; and expansion of the state's refining capacity along the coast in order to accommodate increasing imports of foreign crude oil.

Wherever development occurs, it generates new job opportunities, more business activity, and increased property values and tax revenues for local governments and for the state. Many people

will benefit, not only from the availability of new energy sources, but also from the economic activity involved in producing energy. One need look only as far as Tyler -- or Houston -- to see the impact energy development can have.

The key to coping with the problems of energy development lies in the cooperation of the public and private sector. Public officials at all levels must be aware of the potential problems caused by energy development and be fully informed of the potential solutions. Officials of the energy industry, assisting local businesses and financial institutions, must also understand the problems and play a key role in the necessary planning, cooperation, and communication in the local community.

At the state level, Texas has provided and will continue to provide programs to assist you in this necessary planning process. Over the past several years, the Energy Advisory Council has provided an outstanding forum for coordinating the planning efforts of the state in the development of our energy resources. We invite you to bring your concerns for your community to this council.

Texas has adopted many programs of technical assistance at both the state and regional level of which you can avail yourselves. Organizations such as the Regional Councils of Government, Regional Education Service Centers, and area or district offices of many of our state agencies can play a key role in assisting your areas. This assistance can range from putting you in touch with the appropriate state or federal agencies to providing on-the-spot technical planning support.

Let me close by emphasizing the goals for energy development which Texas should face in the next several years. First, our goal should be development of the state's natural resources without placing unnecessary burdens on local governments or lessening our quality of life. We have been able to do this in the past and I believe we can continue to do so. Because of the size and location of this development, our second goal must be intergovernmental coordination and industry cooperation. I promise you my help and encouragement in trying to reach these goals.

PLANNING WORKSHOP

MODERATOR: Sally Cook Lopreato, Director of Social Systems Analysis Division, Center for Energy Studies, University of Texas at Austin

Edward Mattingly, Chairman, Fayette County Resource Development Committee

Tom Smyser, Director, Physical Planning, East Texas Council of Governments

William Landrum, County Judge, Titus County

MATTINGLY: Fayette County is unusual in that it is rich in lignite and uranium and in oil and natural gas reserves as well. Four years ago the Lower Colorado River Authority and the City of Austin decided to build a power plant seven miles east of La Grange in the county. Public meetings were held and plans went ahead, but a concern arose that the county had no way to influence the project nor the development of the county's energy resources.

The county commissioners decided to develop a planning process. Two general approaches can be taken to this process: (1) get a grant, hire a consulting firm, compile information, and publish a report; or (2) get the people of the community involved by soliciting their views and support.

The commissioners combined these approaches by first collecting data on the resources of the county with the aid of graduate students from the Department of Regional Planning of Texas A&M University, as well as help from TDCA and the Capitol Area Planning Council. In the public hearing stage the two main interests heard from were industrial development and historic preservation. Although it was difficult to motivate interest and to resolve the conflicts that did develop, the thrust of the effort was successful in creating an early warning network about development in the area and a method of ongoing reevaluation.

SMYSER: The East Texas Council of Governments (COG) serves fourteen counties in

East Texas. In January 1973 the COG initiated a small-community planning program. This program allows a community of fewer than 5,000 to develop: (1) a ten-year master plan covering housing, transportation, land use, community facilities, and so forth, and (2) a six-year capital improvements plan, which outlines the means of achieving the goals set out in the master plan. The maximum cost of the program to the community is \$2,000, and a committee appointed by the city council usually carries it out with COG assistance.

To date, 18 comprehensive plans have been developed, and 14 have been implemented. Three of those communities have found the plans useful in mitigating the impacts of new energy-related developments. The program shows that planning does not always cure, but it often alleviates a community's problems.

LANDRUM: Titus County is the location of two electric utility power plants and is a rich lignite and farming area. Because of lignite development alone, assessed property values have gone from \$21 to \$79 million in four years. When Texas Utilities Company bought the mining area and then the water reserve area, an influx of dollars occurred, population shifted, and land values went wild. It was necessary to build or relocate schools, bridges, and roads.

No legislation exists to allow a county to plan early or significantly influence this type of energy-related development. The companies plan carefully and quietly, and you do not know it until they are there. However, a planning process can be set up, and the first step is gathering information about the county's natural resources. An inventory will make obvious what resources exist and will eliminate much of the element of surprise when development begins.

Educate the public with these facts and the known facts of development. A company will be willing to help in this stage to regain a good public image. Use all the assistance available: Titus County has used the COG, local industry, Chamber of Commerce, Texas Department of Community Affairs, Texas Department of Agriculture, the U.S. Department of Housing and Urban Development, and universities.

County government is historically not a planner -- they plan from one election to another. However, if a commission puts its plans in writing, the succeeding commission will tend to feel bound to follow.

LOPREATO: TDCA cannot initiate contact with a county they think needs help. The county must contact them, not *vice versa*.

AUDIENCE MEMBER: The issue is a tradeoff of a few people getting a windfall versus the benefits to the community of being able to plan early. Legislation has been discussed that would require utilities to keep an updated list of alternative sites for their future plants. Maryland has such a site bank. There is justification for such a system because utilities are monopolies and we regulate monopolies for the public good.

AUDIENCE MEMBER: The Department of Water Resources has funds for communities to conduct water quality projects.

AUDIENCE MEMBER: Because of competition for workers, industries and utilities will eventually become not so willing to surprise communities and much more willing to cooperate in planning with the community to make it a place where workers will want to live.

AUDIENCE MEMBER: If a community is coping poorly, studies have shown that the problem is reflected in 15 to 35% higher labor costs for the industry or utility involved. So the company has a real stake in the struggles of the community.

COOPERATION WORKSHOP

MODERATOR: Red Oliver, Assistant Director, Environmental Management Program, General Land Office of Texas

Larry Leistritz, Associate Director, North Dakota Regional Environmental Assessment Program

Robert D. Johnson, Member, Galveston Bay Conservation and Preservation Association

Gary Catron, Project Manager, RPC, Inc.

John Dorsett, General Superintendent, Martin Lake Generating Station, Texas Utilities Company

SITTING IN: George McGonigle, Vice-President and Operations Manager, Friendswood Development Corporation

OLIVER: When big industry moves into an area, a very legitimate gripe is always made, "Why doesn't industry sit down and talk with us? Why do they wait so late?" Some other questions a local community should ask are: Are local public and private institutions capable of handling impact? Does the framework exist for all parties to sit down together? What process is there for distributing costs? These are the kinds of questions we should address in this workshop.

MCGONIGLE: This matter of communication is not simple. In the early stages of a uranium mining venture, for example, plans are very tentative while evaluation and surveying are going on. When the community asks questions, they cannot get good answers. Then they get upset and believe the company is withholding information, but actually, that information does not really exist.

In another situation, a community may have several energy development companies beginning operations in the area. The community might feel the companies should get together, coordinate their planning, and form a single entity the community can easily deal with. However, that kind of activity is illegal, not to mention unethical. It would be a violation of the Sherman Act and similar laws.

So a community must be inventive in dealing with this problem. An Economic Development Administration grant would be a good vehicle for planning, as would a community development foundation, or the industrial committee of the local chamber of commerce.

JOHNSON: The Galveston Bay Conservation and Preservation Association is involved in administrative and legal proceedings dealing with a Friendswood development near Galveston Bay.

Friendswood sold tracts to petrochemical and chemical companies for plants sharing a common system of sewerage, waste treatment, and environmental controls. They did a great job of explaining the three-phase project to the local governments. We have got to give them good marks.

However, another tract was acquired, and concern arose over the possibility of the prevailing winds bringing pollution from the industrial development to the residential neighborhood and the Houston Yacht Club area.

We learned that American Hoescht had been granted a permit for its plant in this second tract from the Texas Air Control Board (TACB). We had not been informed of the permit hearing, and we are appealing it. This is the first time a TACB permit has been appealed, and the case is setting precedents all of you will have to follow in dealing with the Air Control Board. We are also involved in a hearing on B.F. Goodrich's original permit for a plant in that area.

These agencies do not have much experience yet with citizen input and involvement and have not yet well defined their purposes and procedures in this area -- which has been frustrating for us.

I think a direct confrontation between a community and the operators of a new facility is an extremely valuable thing, and much better for both parties than the decision being trusted to some board someplace.

DORSETT: People are not conditioned for change; they have not had to cope with it. When a company convinces the people their project is viable, they will start preparing for it. But delays can hurt a company's credibility with the community. You must get to the leaders, tell them what to expect, especially in terms of the workforce, and keep them updated. I think growth is something good. We have discussed a lot of the problems it causes, but the good outweighs the bad.

CATRON: Grimes County and the Texas Municipal Power Agency are locked in a legal battle now, partly because the local landowners

feel they were caught by surprise and not given any information about the developer's intentions or the consequences of the project. Another issue is the facility's tax-exempt status. Even in a very cooperative effort, as is occurring in Mt. Pleasant, there are still inconveniences, delays, housing problems, and even hardships for certain people.

How do you deal with these inevitable impacts? An intensive local participation in planning and decision-making is one successful approach. The local community helps decide what happens -- it is not just a passive recipient of impacts. It organizes itself and decides what it wants in terms of facilities and programs. And in a sense it becomes a negotiating partner, not an adversary.

An advantage of this approach is it avoids the overloading of the local government structure. And the process is important because the people of the community, whether they agree with the results or not, realize they were included and they are heard.

In Houston a natural resources council is being discussed which would be formed of citizens representing all interests to advise government and industry on air and water quality and a whole range of natural resource issues. This may not always be the best approach, but where possible, it will be a very effective way to deal with these issues.

LEISTRITZ: North Dakota has been confronting the same issues of rapid development as Texas. Some of the small communities have experienced as much as 60% growth in two years because of coal development.

North Dakota has two major programs to deal with these problems. One is REAP, Regional Environmental Assessment Program, created in 1975. REAP's aim is to gather data and serve as an information clearinghouse for local community leaders facing these problems. A second effort is a coal impact fund supported by part of the state's coal severance tax. This fund program gives grants to communities experiencing unusual costs because of coal development, and it is a flexible, pragmatic program with a minimum of red tape.

The North Dakota Legislature has also set up a

state public utility siting process to require prior disclosure of plans and an open permitting process. These programs have been effective in North Dakota, and I am optimistic about the ability of the state to handle its coal impact problems.

INTERNAL FINANCING WORKSHOP

MODERATOR: Dan Caldwell, Senior Research Associate, Texas Advisory Commission on Intergovernmental Relations

Lynn Moak, Staff Representative, Lieutenant Governor's Office

Allen Burt, President, Heritage National Bank

Wade Schott, Research and Planning Consultants

Floyd Socia, City Manager, Mt. Pleasant, Texas

MOAK: This conference is timely as Texas develops new energy resources. It is important to remember, however, that energy development has occurred previously in the state without state assistance or state directives. This energy development has been a positive economic occurrence for these communities.

Cooperation at the local level that addresses energy growth as a whole could result in offsetting many of the direct impacts for local governments. The state could ultimately examine certain facets of energy development such as tax-exempt property, but I do not think that the state ought to be a financial guarantor for local governments.

Specific possibilities that could assist local communities in meeting energy related growth are: (1) intergovernmental contracts, (2) payments in lieu of taxes, (3) transfers of service from one government to another -- service responsibility, and (4) technical assistance through various state agencies, the Councils of Government and the Regional Education Centers.

BURT: Growth needs are so strong and broad that every segment of the financial community should participate in meeting these needs. Our

bank since its beginning has been aggressive in originating long term single family loans as well as commercial and industrial loans. Commercial banks should be active in these efforts and back up the savings and loans and life insurance companies, the traditional sources for these loans. If necessary, banks need to be confronted with any absences of civic duty in the community, making them aware of the needs that must be met.

All types of lenders and the housing and real estate field should be prodding builders and general contractors to use energy saving techniques.

SCHOTT: It is important to be aware of the housing and facilities siting requirements of new energy resources. Planners can be of assistance to local communities in plotting planning efforts to meet energy related growth.

SOCIA: When a lignite development comes to town a lot of things happen. The results are a mixed bag. There is a need to expand local infrastructure. In the case of Mt. Pleasant real estate costs increased, accident rates are a problem because of police understaffing, and higher local wages resulted due to the wage rates paid at the plant. On the other hand local banks and savings and loans have increased their assets, and citizen participation in community affairs has increased. If a community is not aware there can be divisions between newcomers and the original citizens over the costs of community growth.

Lignite development has been good for Mt. Pleasant. The costs of meeting increased community size can really be a potential burden for local taxpayers and create a much more complicated planning environment for city officials.

AUDIENCE: Often local financial institutions are not sensitive to local problems such as central business district decline and housing shortages. Our real problem is to get them actively involved.

AUDIENCE: There are real problems in local intergovernmental cooperation. In many cases individual local governments go their own way. In some instances there would be a real savings of the taxpayers dollars if cooperative actions were

undertaken, such as participation in the evaluation of property for the county, school districts and local cities. I am impressed with Mr. Socia's description of city-county cooperation in Titus County and Mt. Pleasant. Other counties and communities could benefit from such an example.

Local communities are often wary of federal government financial assistance because of the many strings attached. In some cases the community ends up paying more than they had originally anticipated.

EXTERNAL FINANCING WORKSHOP

MODERATOR: Joe Harris, Coordinator of Rural Services, Texas Department of Community Affairs

Hugh Davis, Director, Heart of Texas Council of Governments

Marvin Hagemieir, Director of Planning, Economic Development Administration, Southwest Regional Office

Bourley Clanton, Department of Housing and Urban Development, Southwest Regional Office

John Gosdin, Resources Coordinator, Governor's Budget and Planning Office

HAGEMIEIR: The Economic Development Administration has numerous Economic Development Districts throughout the state. These districts are set up on the basis of economic indicators such as low growth and population out-migration. As such, many of the EDA programs are not applicable to lignite growth areas. Texas has not been competitive in obtaining infrastructure loans for energy related rapid growth areas because (1) competition for scarce EDA funds is carried out on a national basis, and (2) Texas has experienced minimal economic impacts from energy development in relation to other energy impacted areas in the county.

Title IX of the Economic Development Act may offer some assistance to local energy impacted communities in Texas. Part of this section

addresses the problems associated with local infrastructure inadequacies during periods of rapid growth and a sudden influx of population. This program offers loans for infrastructure development to such local communities.

GOSDIN: The Governor's Budget and Planning Office administered the Coastal Energy Impact Program which was created in 1976 as part of amendments to the Coastal Zone Management Act of 1972. Three types of assistance are offered: planning grants, grants for environmental or recreational loss, and loans and bond guarantees.

It appears that the loan and bond guarantee provisions are not useful to most local governments unless the interest rates on these loans and bond guarantees are comparable or lower than the interest rates communities could receive on their own. Although there is a lot of money in terms of congressional appropriations, it is not in a useable form. Even if less dollars were appropriated by Congress under the planning and environmental/recreational loss provisions, this would be more useful than the bond guarantees or loan provisions.

CLANTON: The Department of Housing and Urban Development's principal contribution to the resolution of energy impacted areas would come in three forms: (1) assisted housing for low income persons, (2) comprehensive planning grants, and (3) discretionary small cities' grants to meet community facilities problems.

DAVIS: Local communities face several major hurdles in coping with energy development. In order to deal more effectively, communities must receive greater forewarning of planning developments and must seek greater control and influence in the planning process. The state should provide such a forewarning mechanism through the permitting process and should work closely with federal agencies to make available front-end funding for impacted communities.

A major problem encountered by local and regional planners is the inaccuracy of population and unemployment figures used in determining state and federal fund allocations.

AUDIENCE: The local Council of Governments can be extremely helpful to small communities in planning and in using the various federal programs available to small communities.