

May 12, 1972

Mr. J. K. Horton
Chairman of the Board
Southern California Edison Company
P.O. Box 800
Rosemead, California 91770

Dear Jack:

Enclosed is a letter to you summarizing my thoughts on the Electric Power Research Institute. You have my permission to send copies, if you wish, to others in the ERC. I am also sending a copy to Shearon Harris because of his personal interest in this matter.

You expressed interest in the Conference Board meeting recently held in New York. I am enclosing a copy of the agenda for your information. I believe a transcript of this meeting should be available shortly.

If any further information would be helpful to you, please phone me.

Sincerely yours,

Chauncey Starr
Dean

CS:dg
encl.

May 12, 1972

Mr. J. K. Horton
Chairman of the Board
Southern California Edison Company
P.O. Box 800
Rosemead, California 91770

Dear Jack:

During our recent conversation, you asked me to outline some of my thoughts on the Electric Power Research Institute. Although at this early stage, the potential values and limitations of EPRI cannot be clearly foreseen, the following represents my initial conception of what it might be.

Public Status

The EPRI will be a quasi-public corporation with a particularly sensitive ethical responsibility as a trustee of public funds. Although presumably the individual state public utility commissions would approve the contributions of each operating utility to EPRI, there will in fact be no official public body directly responsible for reviewing its activities. Nevertheless, because it will undoubtedly be subject to public scrutiny, it should be prepared to publicly justify its activities.

Purposes

The stimulus for the formation of EPRI arises from the clear need of the national electric utility industry to focus its dispersed resources on important technological developments whose scope and duration are beyond the range of traditional vendors. EPRI's formation, however, also provides the utility industry with a central source for public education and for focused participation in governmental planning and development of national policies for the energy industry. EPRI must be concerned with all energy systems, because the electric power utilities live within a national framework determined by the interplay of all energy related interests.

Assuming EPRI conducts its affairs in a manner appropriate for a public trustee, it should be accepted as a credible participant in the making of national policies. A continuing indication of complete objectivity, thoroughness, and intellectual integrity in EPRI's work would quickly

establish such public confidence. I believe that it would be important to involve in EPRI's studies not only technical specialists but also those deeply concerned with environmental and social impacts. EPRI could thus provide a device for making such opinion leaders a party to national problem solving. If such a program were successful, the resulting support of a broad intellectual community could be an important element in the influence of EPRI nationally, and it would become a symbol of the utility industry's sense of social responsibility.

Returning to the technological purposes of EPRI, one of our great problems nationally is to bridge the gap between research concept and commercial availability of advanced technological systems. I conceive that EPRI could become a sponsor or participant with manufacturers, utilities, and government agencies to stimulate the development of such commercial processes and hardware.

Thus EPRI could have as its purposes the following:

- I. Technological
 1. Support advanced concepts.
 2. Aid pilot plant and prototype development of near-term technology.
- II. National Planning
 1. Objective source of analysis and of assessment of national technological options.
 2. Objective spokesman for the role of electricity (and energy generally) in our social development.

Potentials

If EPRI functioned successfully in achieving these purposes it should become a national leader in developing energy policies. At the present time both the various energy sectors and government agencies are so uncoordinated that the development of a rational national energy program has been very difficult. The need for coordinating leadership is now so great and so evident that serious suggestions have been made to establish a federal agency for this purpose. The potential for an EPRI leadership role would be enhanced if its annual funds were purposefully used in consort with manufacturers and government agencies, so that these funds would have a leveraged effect in their application.

Organization

It is my understanding that the president of EPRI will report to a Board of Directors of the Electric Power Research Institute which will be identical with the Electric Research Council. The president of the EPRI should have reporting to him a group of managers responsible for administering the bulk of the funds allocated to the various technological areas (as outlined in the ERC study). Because of the magnitude of the R&D programs, the day to day administration of these programs requires full-time rather than part-time review, and this would be the line function of the managers. I would suggest that each such manager have as staff to him an advisory task force selected from the utility industry. Anticipating EPRI annual funds at the \$100,000,000 or greater level, the EPRI

administration might justify an expenditure of about \$3,000,000 per year. While some of this staff should be permanent, the bulk of the staff should be on two to three year leaves from major organizations and universities. Such an arrangement would provide the electric utility industry with an opportunity for broadening the experience of their ablest employees, and also provide a much needed educational exposure for members of the university community.

The president should also have reporting to him, in parallel with the R&D function, an analyses staff, or "think tank", for the conduct of broad studies of electrical and energy systems. The "think tank" might justify an expenditure of up to \$10,000,000 per year in order to provide a complete in-house balance of technological, economic, and environmental specialists, as well as solicited studies in universities, and elsewhere. Again, the personnel should be on a rotational or assignment basis. This "think tank" would provide the vehicle for arranging national and international symposia and meetings. In its early days, the RAND organization provided this kind of strength to the Air Force and traditionally, Bell Laboratories has performed this function for AT&T.

I do not conceive of EPRI having its own hardware laboratories. I believe there are ample facilities in industry, universities, government institutes and non-profits for almost any type of R&D program. I would expect that with very little encouragement these institutions would be pleased to increase their facilities if research support could be counted on.

The allocation of the bulk of the annual funds would follow the general plan proposed in the ERC program study. Because the near-term needs of the electric utilities for technological improvements will always be pressing, perhaps half of the annual funds should be allocated to co-sponsoring the pilot plant and prototype development of near-term processes and half to advanced concept development. This would undoubtedly have to be determined year to year. Co-sponsored programs require pragmatic solutions to the issues of proprietary interest, patents, and all the customary questions which arise when a non-profit public organization collaborates with a profit-making industry. There are many ways of meeting these problems and I would not anticipate this being a serious hurdle.

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The above summarizes my broad conceptions of EPRI. There are, of course, numerous details which will have to be resolved early in its formation such as location, personnel and administrative policies. Although these can be time consuming, I do not believe they represent substantial policy questions and could be addressed after the broader concepts have been agreed upon.

Of course, I would be very pleased to discuss this subject further with you and the other members of the ERC. I am sure such discussions would be fruitful in adjusting or developing these concepts.

Sincerely yours,

Chauncey Starr