The original documents are located in Box 13, folder "Energy - Meeting with the President, March 25, 1976" of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

MEETING WITH THE PRESIDENT
ON FEA ISSUES
Thursday, March 25, 1976
2:00 p.m.
The Oval Office

THE WHITE HOUSE

WASHINGTON

March 25, 1976

MEMORANDUM FOR: JIM CANNON

FROM: GLENN SCHLEEDE

SUBJECT: Comments on FEA Budget Issues being discussed at the 2:00 p.m. meeting with the President.

I have looked over the OMB book and have the following comments and recommendations:

ISSUE #1: State Conservation Grants.

- I recommend the OMB position.

- The real issue on this one is not money; it's how far FEA goes in promoting "innovative" energy conservation actions.

Glenn: Don't understand this logic.

- I strongly favor the OMB position -- which focuses the FEA program on five mandatory areas rather than spreading the effort more broadly -- because:

  - FEA conservation staff people seem to have a virtually uncontrollable tendency to try to force their values and good ideas on others -- states, industry, private individuals, etc. In the process, they involve themselves in problems and decisions that should be handled at the State and local level or by individuals. Examples (increasing the number of police officers and getting people in every home to fill out an energy conservation questionnaire for computer analysis).

  - the marginal contribution from the "innovative" energy conservation ideas -- beyond what will be achieved by price, mandatory actions, and numerous voluntary programs already underway.

    It's very doubtful that the marginal benefit will be worth the cost, particularly if you consider FEA interference in others' decisions as one of the costs.

ISSUE #2: FEA Staffing for regulatory compliance program.

. I recommend the OMB position.

. The issue involves both the extent of audit coverage and the time required to perform each audit.

. I agree with OMB's apparent conclusion that the marginal contribution of additional and more detailed audits -- beyond what could be performed by the people OMB would allow -- doesn't justify all the added staff FEA wants.

. The public perception arguments run both ways and are worth noting:

  - The recent Wall Street Journal article critical of FEA's rapid growth has spawned other articles and editorials. Within the past few days, mail has begun coming to the President critical of FEA's growth.

  - On the other hand, FEA is under pressure to try to recover money that may have been obtained through cheating on FEA's controls. Senator Kennedy has held hearings on this.

ISSUE #3: Strategic Storage Program

. I haven't had time to look at this one in sufficient detail. My impressions are as follows:

  - It is important to move ahead with the program and to make -- and be perceived as making -- a concerted effort. A strategic storage system has a lot of psychological value and could have some practical value if we have another embargo.

  - We should make clear that we are serious about implementing the program.

  - The targets set by the recent law are unrealistic and, if met, would be unnecessarily costly -- as OMB points out.

  - The targets set by FEA are unrealistic.

  - What FEA is seeking is a commitment that has the effect of relegating costs to a lower order consideration. It's seldom that such an approach works out in the long term interest of the Nation.

. My recommendation would be to:

  - Follow the OMB recommendation as to intended schedule.

- Do a better job than OMB has done so far in describing our intentions for the public. FEA should be charged with doing this once the decision is made by the President.

. I should point out that the second recommendation may be hard to pull off because the dispute between FEA and OMB has already found its way into the Press.