The original documents are located in Box 14, folder "Federal Energy Administration" of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

FEA Extension

THE SECRETARY OF COMMERCE
WASHINGTON, D.C. 20230

April 27, 1976

Honorable Abraham A. Ribicoff
Chairman
Senate Government Operations
Committee
Washington, D. C. 20510

Dear Mr. Chairman:

Recently, the President transmitted a proposal to Congress to extend the Federal Energy Administration (FEA) from June 30, 1976, to September 30, 1979. I urge you to act expeditiously on the proposed extension of 39 months.

The extension is needed to assure that FEA will be able to continue its role within the Executive Branch in broad energy policy analysis and development and in energy conservation. Moreover, it is necessary to provide an institution capable of carrying out in an effective manner programs mandated by the Energy Policy and Conservation Act (EPCA).

These programs include:

- The continuation and orderly phaseout of petroleum price controls to be completed by May, 1979. The requested extension would continue FEA four months thereafter, thereby providing sufficient time to complete compliance audits of firms and to phase out compliance personnel.

- Initial implementation of the strategic petroleum reserve. The EPCA requires storage of 150 million barrels of petroleum by December, 1978, and eventual expansion to about 500 million barrels in seven years.

o The implementation of a number of new energy conservation programs including appliance labelling, State grants and industrial conservation.

In recommending an extension of FEA, the Administration wants to provide a stable agency environment where important national energy policies and programs can be carried out.

The prospect of an abruptly shortened life span for FEA would make it most difficult for the agency to attract and retain highly qualified personnel. Further, the Administration feels that any proposal to reorganize the Federal Government's energy functions--so soon after enactment of a major energy bill which placed substantial new responsibilities on FEA--would only serve to divert attention from implementation of key programs and from fulfillment of those responsibilities.

At the same time, we recognize that there may be considerable opportunity to improve the management of energy and related functions through reorganization. Eventual consolidation and streamlining may offer significant long term benefits. In moving ahead in this area, the Energy Resources Council (which I chair) and the Office of Management and Budget will undertake a thorough study of the organization of energy and related functions within the Executive Branch. This study will be completed in the coming months and will assess the advantages and disadvantages of alternative organizations. A study plan is now being developed. We will keep you advised on progress and would appreciate any suggestions you or your colleagues may wish to offer.

Elliot L. Richardson
Chairman
Energy Resources Council

cc: Senator Charles Percy
Congressman Harley Staggers
Congressman Samuel Devine
Congressman John Dingell
Congressman Clarence Brown

file

[June 1976]

THE WHITE HOUSE

WASHINGTON

DECISION

MEMORANDUM FOR: THE PRESIDENT

FROM: JIM CANNON

SUBJECT: FEA EXTENSION LEGISLATION

Issues

The issues for your consideration are:

- The position you wish to take on a bill introduced on June 18, 1976 by Congressman Dingell (H.R. 14394) to extend FEA for three months -- which is scheduled to be taken up by the House under suspension on Monday, June 21, 1976.

- Next steps for dealing in conference with the bills already passed by the House and Senate to extend FEA -- which bills include a large number of highly objectionable amendments.

Background

The House passed a bill on June 1 extending FEA for 18 months beyond its June 30, 1976 expiration date. The Senate passed a bill on June 16 extending FEA for 15 months. Twenty four amendments have been included. These are summarized briefly in an OMB analysis at TAB A. It identifies the most objectionable provisions, including:

- Energy conservation loan guarantee and insurance programs ($6.9 billion) sponsored by Senator Kennedy and 39 others (8 of the 16 Senate conferees were sponsors and 13 voted for it). Spending is authorized at $1 billion over the next three years. Included are authorities similar to those you proposed in January 1975 for weatherization assistance (but half administered by Community Services Administration) and building standards with sanctions. A summary of the Kennedy provisions are attached at TAB B.

- Sixty legislative day Congressional review for all FEA rules and regulations, with veto by concurrent resolution (House).

- Requirement that price and allocation be dealt with separately in petroleum product decontrol plans submitted to Congress -- which will hinder deregulation (House).

- New statutory energy information office within FEA with authority to:

  - obtain administratively protected data from BLS (thus threatening BLS' future ability to obtain data voluntarily).

  - begin immediately obtaining information from energy companies on revenues, profits, cash flow, investment, etc. (Senate).

- Broadening of coal loan guarantee program (Senate).

The Senate-passed extension bill also includes provisions to exempt stripper well and secondary-tertiary petroleum production from composite price controls. However, these amendments by Bartlett and Montoya are unlikely to survive in conference.

The Senate conferees are listed at TAB C. The House has not yet appointed conferees. Congressman Bud Brown joined Dingell as a sponsor of the 90-day extension bill. However, in a discussion with Charlie Leppert earlier today, Brown indicated that we should press for the conferees to act on a longer extension bill.

If FEA authority were to expire on June 30:

- functions transferred to FEA from other agencies would revert to those agencies (Office of Oil and Gas to Interior).

- new functions assigned to FEA in the Energy Policy and Conservation Act (EPCA) of December 1975 -- as well as policy analysis, conservation and oil price and allocation controls -- could be assigned as you determine.

- FEA Executive Level II, III, IV positions (total of 9) would be abolished.

Principal options for continuing FEA functions would be to: (a) recreate an energy office by Executive Order, (b) assign functions in tact to an existing agency, such as ERDA or Interior, or (c) distribute functions among several agencies.

The most serious problems from discontinuing FEA include: (a) disruption of current efforts to decontrol petroleum products and increase crude oil prices, (b) potential loss of management control over compliance programs and (c) administrative confusion.

Alternatives

Alt. #1. Signal strong opposition to the 90-day extension bill. Dispatch strong letter as early as possible Monday to the House and Senate which (a) urges that conferees meet quickly and report out a simple extension bill, and (b) states clearly our reasons for opposing the amendments that have been added by the House and Senate

- The principal argument for this approach is that, if successful, it will avoid another three months of protracted discussion over a large number of controversial energy provisions that are not needed, but which are likely to gain support as time passes because of their superficial appeal.

- The principal argument against this alternative is that, if unsuccessful, you might be faced with either:

  - an unacceptable conference bill that warrants a veto, thus leading to the expiration of FEA on June 30. (However, some of your advisers believe that this eventuality would put you in a good position to highlight Congressional irresponsibility on energy matters.), or

  - a simple 90-day extension bill on which a veto would be difficult to justify

Alt. #2. Signal that a simple 90-day extension bill would be preferable to a longer extension loaded with amendments. Dispatch a strong letter of opposition to the most objectionable provisions of the House and Senate passed bills and try to work out an acceptable compromise over the next 60-90 days.

- The principal argument for this approach is that it permits the least amount of confrontation over the next few weeks in attempting to resolve the issue.

- The principal argument against it is that it is more likely to lead to a bill with a large number of superficially attractive, but highly objectionable, energy provisions that would have to be dealt with in September.

Alt. #3. Do not signal a position on the 90-day extention at this time. Send a strong letter opposing objectionable provisions of the House and Senate bills. Reassess situation after two to three days. If the House has passed the 90-day extension, then signal strong opposition or seek a short (30 day) extension in the Senate as a means of keeping pressure on the Congress for an early decision on a longer extension bill.

- The principal arguments for this approach are that:

  ° it would defer problems that might accompany the expiration of FEA.

  ° it keeps your options open to accept a short-term extension (30-90 days) during which Frank Zarb could try to get an acceptable conference bill.

- The principal arguments against this alternative are that:

  ° it merely defers the date of confrontation.

  ° It provides more time for opponents to line up support for superficially attractive provisions that may emerge from the conference.

Recommendations and Decisions

______________ Buchen, Cannon, Friedersdorf, Greenspan, Hartmann, Marsh, O'Neill, Seidman	Alt. #1. Strongly oppose 90-day extention and dispatch a letter urging early conference and simple 18-month extension.
______________ (No votes)	Alt. #2. Signal that a simple 90-day extension would be preferable to a longer extension loaded with amendments. Work to clean up the bills in conference over the next 90 days.

____________________ Zarb (Hill) — Alt. #3. Do not signal a position on the 90-day extension now. Reassess situation after 2 or 3 days and then take hard line or go for 30-day extension in the Senate.

Frank Zarb is in Japan. John Hill indicates that he is confident that Frank feels very strongly that FEA should not be allowed to terminate on June 30. He also believes that an acceptable compromise can be worked out on the energy conservation provisions.

Attachments

TAB A

Attachment 1
6/17/76
Lum

FEA Act Extension

	House Bill	Senate Bill	Comment
1. Length of extension	18 months	15 months	
2. Author. for 1977 funding	Basically, same as Pres. bud., but authorizes $62.5M for regulatory programs instead of $47.8M, and $13.1M for rate demos as opposed to $0.	Basically, same as Pres. bud., but auth. $40.6M for conserva. instead of $12.6M, and $10M for rate demonstrations.	No cause for veto.
3. $3 million solar commercialization authorization	Stricken from bill on the floor.	Amendment adopted by Senate.	No cause for veto.
4. Computer services to public on Project Indep. Eval. Model	Approved by House. FEA required to provide computer time on reimbursable basis for those who want to run PI model on computer.	No provision.	Places FEA in competition with private firms in providing computer services.
5. Transfer of FEA functions when Act expires	No provision.	° storage to Interior ° policy analysis to ERC ° data collection to Commerce ° voluntary and mandatory conservation to Commerce ° coal conversion to EPA ° price controls to FPC ° allocation to Interior ° international programs to State	
6. Appliance labelling program	No provision.	Transferred to Commerce.	Richardson wouldn't sign letter opposing.
7. Plan and report on energy and natural resources reorganization	No provision.	Due to Congress by 12/31/76.	
8. ERC extension	No provision.	To Sept. 30, 1977.	

	House Bill	Senate Bill	Comment
9. Annual report on Federal conservation programs	No provision.	Approved by Senate. 1st report due 7/1/77.	Could require special analysis for energy. Will give FEA conservation staff opportunity to propose new programs.
10. Joint annual report by FEA-ERDA	No provision.	Single report required to maximum extent feasible.	
11. 15-day EPA review of FEA regulations affecting the quality of the environment	No provision.	Percy amendment to delete was approved. Review period remains at 5 days.	
12. 60-day Cong. review of FEA rules and regulations	Adopted on floor by 226 to 147. Congress can veto any FEA regulation by concurrent resolution within 60 days.	No provision.	Cause for veto, but FEA thinks will be dropped in conference.
13. Separate plans to exempt price and allocation decontrol of petroleum products	Adopted on floor by 200-175.	No provision.	Possible cause for veto.
14. Restrictions on retroactive use of new interpretations of regulations to bring civil actions or remedial orders against marketers of petroleum products	Adopted on floor in objectionable form.	Percy amendment adopted. FEA believes it will bring this issue into line with FEA compliance manual.	

		House Bill	Senate Bill	Comment
15.	Kennedy amendments re: energy conservation	No comparable provision.	See TAB B ~~attachment~~ for details.	Cause for veto.
16.	Haskell amendment to establish Office of Energy Info. & Analysis	No provision.	Adopted 46-45. Creates separate office in FEA: - headed by level 5 confirmed by Senate. - authorizes 10 new supergrades. - requires annual supply-demand forecasts for 1, 5, 10, 15, and 25 years, not subject to FEA review. - requires line-of-commerce reporting by major energy companies of revenues, profits, cash flow, investments, etc. - gives FEA, and thus Congress, access in law to BLS data now protected administratively.	Possible cause for veto.
17.	Coal loan guarantees (Randolph)	No provision.	Extends eligibility for loan guarantees to expansion of existing underground coal mines and reopening of closed mines.	Possible cause for veto.
18.	Entitlements for small refineries in construction phase (Allen)	No provision.	Benefits Wallace & Wallace firm in Alaska.	Established firms would be subsidizing refineries built by competitors.
19.	Stripper well exemption (Bartlett)	No provision.	Amendment adopted 61-29. Exempts strippers from composite price controls.	
20.	Secondary-tertiary production exemption (Montoya)	No provision.	Amendment adopted 58-35. Exempts from composite price controls.	
21.	BTU tax study	No provision.	Required by 1/31/77. FEA must evaluate need for and impact of.	

	House Bill	Senate Bill	Comment
22. Voluntary rate structure guidelines for State regulatory commissions	No provision.	FEA required to prepare such within 180 days and update annually.	
23. Grants to States for consumer office representation at State rate hearings	No provision.	$2M in 1977.	
24. TVA consumer services office (Brock amendment)	No provision.	Independently operated consumer services office established by TVA would qualify for assistance under #22 above.	
25. Uniform system of standards, procedures, and methods for the accounting for and measurement of all phases of production and marketing of crude oil.... (Cole)	No provision.	Amendment approved by Senate.	

TAB B

Kennedy Energy Conservation Amendments

- Authority for FEA to guarantee up to $4 billion in loans and other obligations made to businesses, State and local governments, and non-profit institutions. At least 40% -- $1.6 billion -- would be directed to governments and non-profit institutions. Workers making conservation improvements must be paid at prevailing wage rates.

- Revolving fund for Small Business Administration to make energy conservation loans ($300 million) and subsidy payments ($60 million).

- New HUD Title I program for insuring home improvement loans ($2.5 billion) and interest subsidies ($500 million over 3 years).

- New State energy conservation grant program, including requirement that States provide energy audits at no cost to homeowners. Energy audits are prerequisite for HUD loans; however, States can have "audits" that only require homeowners to fill out a questionnaire.

- Weatherization assistance for low-income families to be implemented through the Community Services Administration. At least 50% of funds go to community action agencies.

- Energy conservation standards for new buildings. Same as original Administration bill. Includes sanctions, except for Hawaii.

Total spending authorization for these programs is $1 billion over 3 years. This includes only $120 million to cover loan defaults.

TAB C

Senate Conferees on FEA Extension Act

Government Operations

Ribicoff
Jackson
Metcalf
Glenn
Percy
Javits
Brock

Banking

Proxmire
Cranston
Tower

Commerce

Magnuson
Hollings
Pearson

Interior

Church
Haskell
Hansen

Note: 13 of the 16 Senators voted for the Kennedy energy conservation amendment, and 8 were sponsors.

cc: Schleede

THE WHITE HOUSE

WASHINGTON

June 21, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JIM CANNON

FROM: JIM CONNOR JEC

SUBJECT: FEA EXTENSION LEGISLATION

The President reviewed your memorandum on the above subject ~~(undated)~~ 6/19/76 and approved the following alternative:

Alternative #1 - Strongly oppose 90-day extension and dispatch a letter urging early conference and simple 18-month extension.

In addition the following notation was placed alongside the following paragraph:

"Try to keep in."

- Paragraph from page 2 of memo -
"The Senate-passed extension bill also includes provisions to exempt stripper well and secondary-tertiary petroleum production from composite price controls. However, these amendments by Bartlett and Montoya are unlikely to survive in conference."

Please follow-up with appropriate action.

cc: Dick Cheney

Energy

THE WHITE HOUSE

WASHINGTON

June 22, 1976

MEMORANDUM FOR: JAMES CANNON
JAMES CAVANAUGH

FROM: GLENN SCHLEEDE

SUBJECT: FEA Extension

The FEA 90-day extension was defeated in the House:

190 for
216 against.

A two-thirds vote would have been required to pass.

Energy

FEA Extension

THE WHITE HOUSE

WASHINGTON

July 15, 1976

MEMORANDUM FOR: HONORABLE FRANK ZARB

FROM: JIM CANNON

SUBJECT: Congressman Bud Brown's Request for Presidential Letter to Conferees on FEA Extension Bill

Briefly, the attached letter to the President suggests that he:

- Give conferees on the FEA extension bill a firm position on each issue in Conference.
- Urge the Conference to reach agreement quickly on an acceptable bill.
- Seek a simple extension through December 31, 1977 (already agreed to by Conferees) if agreement on other provisions is not possible.
- Proceed with creation of an FEO if an acceptable bill isn't forthcoming -- holding off on further action until after the November election.

How would you like to proceed in putting together a proposed letter for the President to consider? I assume it should be ready to go to the President on Monday, given the short time available for the Conference to act.

cc: Secretary Richardson
Max Friedersdorf
Jim Lynn

file
Energy

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461
August 10, 1976

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR JAMES CANNON
MAX FRIEDERSDORF
ALAN GREENSPAN
CARLA HILLS
THOMAS KLEPPE
JAMES LYNN
ELLIOT RICHARDSON
ROBERT SEAMANS
L. WILLIAM SEIDMAN
WILLIAM SIMON
RUSSELL TRAIN

FROM: FRANK ZARB

SUBJECT: RECOMMENDATIONS ON FEA EXTENSION BILL

Enclosed is a copy of an analysis of the FEA Extension Legislation. Please forward any comments on the paper, as well as your votes, to me by 2 p.m., Wednesday, August 11.

LIMITED OFFICIAL USE

Told Zarb's secretary: JMC approves signing before Pres. leaves for Convention

MEMORANDUM FOR

LIMITED OFFICIAL USE

THRU:

FROM:

SUBJECT: H. R. 12169/ S. 2872: Legislation Extending the FEA

BACKGROUND

Monday,

The House and Senate conferees have now completed action on the FEA extension and a bill has been sent to you for signature or veto by August 23.

As you recall, you originally asked for a simple 39 month extension of FEA. The Senate and House passed bills which extended FEA for a shorter period of time (15-18 months, respectively) and contained numerous amendments, many of which were extremely objectionable. In general, the bill ultimately reported by the conferees:

- contains some highly desirable changes, sponsored by Senator Bartlett, to the EPCA pricing provisions for crude oil;
- authorizes two more of the original 13 titles of your own energy program in largely the same form;
- includes several questionable or undesirable conservation programs, albeit considerably improved from original versions in the Senate passed FEA extension.

This memorandum provides a description of the major provisions of the bill, indicates changes from the original versions, provides an analysis of its various impacts (on oil production, the economy and the budget), states the reasons for signing and vetoing the bill, and records the recommendations of your various advisors.

MAJOR PROVISIONS IN THE BILL

The major provisions of the bill are outlined below; a more detailed description is given in Tab A.

- <u>Federal Energy Organization</u>

  - Extends the Federal Energy Administration until December 31, 1977.

  - Extends the Energy Resources Council until September 30, 1977.

  - Requires the ERC to prepare a plan for the reorganization of the Federal government's activities in energy and natural resources by December 31, 1976 and revised plan by April 15, 1977.

- <u>Domestic Oil Pricing</u>

  - Exempts first sale of domestic stripper well crude oil from price and allocation controls.

  - Changes the 3% production incentive factor for crude oil mandated in the Energy Policy and Conservation Act to the difference between the 10% rate and the rate of inflation; thus, the crude price escalator, which would be 10% regardless of the inflation rate, could be approximately 1 1/2% greater than is currently the case.

- <u>Conservation</u>

  - Requires HUD to develop and promulgate mandatory thermal efficiency standards for all new residential and commercial buildings; less stringent than proposed in your original legislation in that the sanctions cannot be implemented until a proposal to do so has been approved through a concurrent resolution of Congress.

  - Provides $200 million in grants to States over a three year period for the insulation of homes of low-income, elderly persons, and Indian tribes. This measure is essentially identical to your weatherization program, with the exception of an additional $35 million over the life of the program.

  - Establishes a $200 million <u>demonstration program</u> to test various mechanisms (grants, low interest loans, interest subsidies, etc.) for encouraging energy conservation improvements or use of renewable resources, such as solar heating and cooling, in existing residential buildings. The amount of the incentive cannot exceed $400 for any energy conservation measure or $2000 for any renewable resource measure.

- Authorizes up to $2 billion in obligation guarantees to provide conservation investments for industry, small businesses, and non-profit institutions.

- Supplements the State energy conservation program contained in the EPCA by authorizing $105 million in next three years, and provides greater flexibility to the States than allowed in the EPCA.

- Provides a statutory authorization of $13 million for FEA's existing electric utility rate demonstration programs to test innovative rate structures and load management techniques and to intervene in State utility commission rate making proceedings.

- Authorizes up to $2 million in State grants to help establish or fund consumer offices to assist consumers in their presentations before State commissions.

° Other Provisions

  - Requires the ERC to prepare an annual report on national energy conservation beginning July 1, 1977.

  - Authorizes $3 million for a solar commercialization and utilization program.

MAJOR DELETIONS OR CHANGES FROM ORIGINAL BILLS

Although the bill still contains several undesirable or questionable provisions, it is substantially improved from the bills originally passed by the House and the Senate. Some of the major changes or improvements made by the conferees include the following:

° Construction of Small and Independent Refineries

  The conference eliminated the Senate provision which extended entitlements to persons engaged in the construction of new oil refineries.

° Congressional Review of Rules, Regulations, 60-Day Layover

  The conference removed a troublesome provision which would have required that all regulations likely to have significant impact be submitted to both Houses of Congress for a 60 legislative day review period, subject to disapproval by concurrent resolution.

- Energy Conservation Obligation Guarantees

  The conference limited considerably the scope, size and discretion of original Senate amendments to provide $4.3 billion in loan guarantees and interest subsidies of $60 million to industry, non-profit institutions, and small business for conservation investments.

- Energy Data Collection

  The conference deleted a provision which would have required the collection of energy information of a financial nature from companies in the energy industry.

- Energy Conservation Assistance for Existing Dwelling Units

  The conference reduced the assistance provided for conservation installation in existing units from $500 million to $200 million. In addition, the program was changed to a demonstration program with considerable flexibility. Implementation of the program could be stretched out over several years and could be terminated if the tax credits included in your bill and passed by the Senate and House are ultimately approved.

- Energy Efficiency Performance Standards for New Houses and Commercial Buildings

  The original Senate-passed provision was revised in conference to include thermal efficiency standards for new homes and commercial buildings with less strict sanctions to leverage implementation of such standards by State and local governments than included in your original bill and the bill reported by the Senate. Performance standards would be transmitted by the President to the Congress which would have to pass an approval resolution in order for the sanctions to take effect.

SUMMARY IMPACTS OF THE BILL

The bill will affect the domestic energy situation, consumer prices, oil industry revenues, and the budget. The major impacts are summarized below.

° <u>Impacts on Domestic Energy Situation</u>

The pricing amendments, which exempt stripper well oil from price controls and increase production incentives will have a considerable impact. It is anticipated that these provisions will stimulate application of expensive enhanced oil recovery techniques. A major effect of the stripper well provision is to bring oil from stipper wells back to the market price as it was before the enactment of the Energy Policy and Conservation Act last December. This provision will free 70 percent of the nation's wells from crude oil price controls.

The conservation measures in the bill are expected to have a small impact on energy demand in buildings, utilities, and industry.

As indicated in Table 1, the pricing and conservation provisions could reduce oil imports by about 100,000 barrels per day in 1977 and about 500,000 barrels per day in 1979. In the long-term, the demonstration of tertiary recovery could be an important factor (potential of over one million barrels per day by 1985). The conservation measures have little effect before 1980, but could save over 250,000 barrels per day thereafter.

TABLE 1

ESTIMATED IMPACTS ON DOMESTIC ENERGY SITUATION (1977-1979)
(Thousands of barrels per day)

	1977	1978	1979
Production increase	100	250	450
Reduction in demand	50	50	50
Import Savings	150	300	500

° <u>Impacts on Prices and the Economy</u>

The effects of this bill on domestic prices will be minimal and will take some time to be felt in the marketplace. All domestic crude oil prices will increase about 3% a year above EPCA levels for the remainder of the 40 month price control program. This increase would affect petroleum product prices initially by about one-third of a penny per gallon. If the entire increase were passed through to the consumer, average household expenditures for petroleum would go up about $10 next year. However, past experience indicates that full pass-throughs will not occur.

Oil company revenues are likely to increase by about $1 billion in 1977 and $1.5 billion in 1978. These increased revenues will stimulate production and exploration and provide greater tax revenues.

The macroeconomic effects of the bill will be very small. Real GNP would be virtually unchanged in 1976 and could decline by about 0.4% in later years. Unemployment rates would not be measurably affected and inflation would increase, after two years, by about 0.3%.

° <u>Potential Budget Impacts</u>

The total expenditures <u>authorized</u> in this bill amount to about $600 million over a three year period, excluding FEA authorization (see Table 2). Actual appropriations could, and likely would be considerably below these authorized amounts.

<u>REASONS TO ACCEPT THE CONFERENCE BILL</u>

The major reasons for accepting the conference bill include:

- The pricing provisions will accomplish a number of objectives:

  -- remove controls from all stripper wells (about 70% of all U.S. wells); thus relieving over 350,000 operators of substantial regulatory burdens and restoring the rollback in prices they experienced after last December's energy act.

LIMITED OFFICIAL USE

TABLE 2
EXPENDITURES AUTHORIZED IN THIS BILL
(Millions of Dollars)

Category	FY77	FY78	FY79	No Year
Electric utility rate design initiatives	13	--	--	
Grants for consumer services offices	2	--	--	
Grants for energy conservation standards for new buildings	5	--	--	
Weatherization assistance	55	65	80	
State conservation plans	25	40	40	
Homeowners incentives demonstration program	--	--	--	200
Industrial obligation guarantee (defaults)	--	--	--	60
Total	100	105	120	260

LIMITED OFFICIAL USE

-- provide increased revenues to industry of about \$1 billion in 1977 and \$1.5 billion in 1978 which can be used to increase production and exploration.

-- give FEA the ability to provide incentives for high cost production (such as tertiary recovery) and to fix some inequities in current system (such as California heavy oil problem).

-- will move domestic price closer to world oil prices at the end of price controls, increasing the chance for decontrol.

-- pricing provisions could reduce imports by as much as 100,000 barrels per day in 1977 and a half million barrels per day in 1979.

-- achieve price increases and production incentives without a significant economic impact (prices would rise by less than half a cent per gallon).

-- puts Congress on record for approving 10 percent price escalator, just six months before it has to vote on whether to let the production component of the escalator continue throughout the period of controls.

- The conservation measures contained in the bill include two parts of your original energy program -- building standards and weatherization -- in largely the same form you sent them to Congress. With enactment of these provisions, 7 of the 13 titles of your original Energy Independence Act will be law.

- The troublesome conservation provisions have been constrained considerably over their initial versions and would demonstrate action on a popular issue.

- The bill has fairly good bipartisan support and is supported by many oil state Congressmen as well as Northern Congressmen.

- Achieves an extension of FEA and removes the temporary FEO from the Executive Office of the President.

REASONS TO REJECT THE CONFERENCE BILL

Major reasons for rejecting the conference bill include the following:

- Some of the conservation measures in the bill add further bureaucracy and regulations, while achieving fairly small energy savings.

- The budget implications of the bill's conservation measures are several hundred million dollars, although they are not likely to be funded at those levels.

- The pricing provisions (other than stripper well exemption) mean little if the GNP deflator rises above 7 percent.

- In addition to several questionable or marginal conservation programs, the bill includes other undesirable measures, such as the $2.0 million authorization to provide States with grants to fund consumer groups to intervene in State regulatory commission hearings.

- Some members of the public will view the extension of FEA as an example of temporary agencies staying in existence forever; however, the Executive Order creating the FEO does not alleviate their concern.

RECOMMENDATIONS OF ADVISORS

The views of your advisors are indicated below:

- Advisors favoring signing
  -
  -
  -
  -

- Advisors favoring a veto
  -
  -
  -
  -

LIMITED OFFICIAL USE

TAB A

LIMITED OFFICIAL USE

TAB A

MAJOR PROVISIONS IN H. R. 12169

Federal Energy Organization

- Extends the Federal Energy Administration until December 31, 1977.
- Extends the Energy Resources Council until September 30, 1977.
- Requires the ERC to prepare a plan for the reorganization of the Federal government's activities in energy and natural resources by December 31, 1976 and revised plan by April 15, 1977.
- Establishes a distinct Office of Energy Information and Analysis within FEA to be headed by a Director appointed by the President and confirmed by the Senate (Executive Level IV).

Domestic Oil Pricing

- Exempts first sale of domestic stripper well crude oil from price and allocation controls.
- Actual volume of stripper well oil would be initially imputed into the national composite price at $11.63; it may then increase along with the average per barrel increase of all oil remaining in the composite.
- The 3% production incentive factor for crude oil mandated in the Energy Policy and Conservation Act could be increased up to the difference between the 10% rate and the rate of inflation.
- Any increase in the 3% production incentive factor could be specifically utilized for increasing enhanced recovery, adjusting heavy crude gravity differentials and for other purposes which would increase domestic production.

LIMITED OFFICIAL USE

Conservation

- Requires HUD to develop and promulgate mandatory thermal efficiency standards for all new residential and commercial buildings.

- Provides $200 million of grants to States over a three year period for the insulation of homes of low-income, elderly persons, and Indian tribes.

- Establishes a $200 million demonstration program to test various incentive mechanisms (grants, low interest loans, interest subsidies, etc.) for encouraging energy conservation improvements or use of renewable resources, such as solar heating and cooling, in existing residential buildings. The amount of the incentive cannot exceed $400 for any energy conservation measure or $2000 for any renewable resource measure.

- Authorizes up to $2 billion in obligation guarantees to promote conservation in industry including profit, non-profit and public institutions.

- Authorizes an additional $105 million over three years to the State grant conservation program contained in the EPCA.

- Authorizes $13 million for electric utility rate demonstration programs to test innovative rate structures and load management techniques and to intervene in State utility commission rate making proceedings.

- Authorizes up to $2 million of State grants to help establish or fund consumer offices to assist consumers in their presentations before State commissions.

Other Provisions

- Requires FEA to implement guidelines for use in hardship and inequity cases before the FEA.

- Prohibits the Administrator of FEA from maintaining a civil action or issuing a remedial order against certain marketers where regulations are being applied retroactively and the marketer has relied in good faith upon interpreting such rules, regulations or rulings in effect on the date of the alleged violation.

- Requires the ERC to prepare an annual report on national energy conservation beginning July 1, 1977.

- Authorizes $3 million for solar commercialization and utilization program.

- Requires the FEA to submit pricing and allocation decontrol plans separately but allows such plans to be submitted concurrently.

LIMITED OFFICIAL USE

THE WHITE HOUSE

WASHINGTON

REQUEST

August 11, 1976

MEMORANDUM FOR: JIM CANNON

FROM: GLENN SCHLEEDE

SUBJECT: FEA Extension Bill

As I indicated earlier by phone, Frank Zarb is now pushing to have the FEA Extension Bill signed before the President leaves for the convention.

The principal arguments for moving quickly seem to be:

-- Getting this piece of business completed and behind him.

-- Shows the President's enthusiasm for the additional relief from crude oil price controls; specifically, the stripper well exemption and loosening of the production incentive factor in future crude oil price increases.

-- The bill includes provisions similar to two of the President's proposals; i.e., (a) $200 million in grants to States for insulation of homes of low-income and elderly people, and (b) thermal efficiency standards for new residential and commercial buildings.

On the other hand, there are the following arguments against the bill, and more specifically, against signing it before the convention. The bill calls for:

-- Substantial new spending programs including:

° The $200 million grants program for insulation of homes of low-income and elderly people.

° The $200 million demonstration program grants, low interest loans, interest subsidies, etc, for energy conservation and solar heating in homes.

- ° The $2 billion obligation guarantee authority for energy conservation in industry, small business and non-prolift institutions.

- ° Increased funding for State energy conservation programs.

- ° $2 million in State grants to assist consumers in making presentations to State commissions (funding for interveners).

-- Federal Government involvement in energy activities is increased.

-- Sets up a new Director of Energy Information in FEA with considerable independent authority to collect and release information to the public. In effect, the Director reports to the Congress.

-- Increase FEA authority to intervene in State Regulatory Commission proceedings.

Attachment

Assessment - Key Provisions - FEA Extension Bill

PROVISION TITLE	Description of Authority	ASSESSMENT
Title I		
1. Limitation on discretion of Administrator	° Requires that separate plans for decontrol of price and allocation be transmitted to Congress for review.	° Would impair and potentially block plans to decontrol price and allocation controls on gasoline since price decontrol is likely to be accepted but allocation may not be. Further restricts flexibility in decontrol which goes against the intent of the EPCA.
2. FEA Extension	° Extends FEA to 12/31/77 retroactive to 7/30/76.	° Consistent with Administration proposal; may be legal question on retroactive to 7/30/76.
3. Establish Office of Energy Information & Analysis	° Establishes statutory office in FEA with Level IV Director subject to Senate confirmation. - Requires Administrator to delegate information gathering and analysis authorities to Director but Administrator may also delegate same authority elsewhere. - Director is independent of Administrator. Reports directly to Congress, must issue statistical reports without other Executive Branch review. - Director's original budget request must be presented to Congress if it differs from President's budget. - Establishes requirements for broad analytic capability, broad range of reports and models. - Provides for expanded authority over access to energy information gathered by other Federal agencies. - Requires annual audit by Professional Audit team -- the Chairman picked by GAO and one member from each of the following: CEA, FPC, SEC, FTC, BLS, and Commerce.	° Establishes a Director in FEA to manage overall energy reporting and analysis. Requires the FEA Administrator to delegate information authorities to the Director. Administrator may also delegate same authorities a second time to somebody else (on important policy analysis issues, the Administrator will probably delegate a second time). ° Establishes an elaborate framework of requirements for reports and analytic capability. A substantial increase in FEA resources would be necessary to meet the requirements and duplicate delegation. ° The Director would be independent of the Administrator and Administration in a number of ways: - reports directly to Congress; - releases reports on energy without any (by statute) review by other Executive Branch employees; and - budget request if different from President's must be transmitted to Congress. ° This provision appears to set up a Director with considerable resources and control over a broad range of energy data collection and analysis. The Director is more accountable and responsible to Congress than the President. More analysis is needed but this provision has major implications regarding President's authority and control over the Executive Branch.

PROVISION TITLE	Description of Authority	Assessment
4. Solar commercialization	° $3 million authorization for FEA to promote solar power.	° Places FEA in the solar commercialization business. Funds (if appropriated) could be used for a range of activities, grants, etc.
5. Extend life of ERC	° Extends statutory life of ERC from 10/76 to 9/30/77.	° No problem.
6. Comprehensive Energy Conservation Report	° Requires ERC to prepare comprehensive report on energy conservation.	° Could build pressure for ERC permanent staff.
7. Stripper well exemption	° Exempts stripper wells from price and allocation controls.	° Would cause the price of one million barrels per day of stripper production to rise from $11.63 per barrel to about $13.00 per barrel, increasing oil industry income by half a billion dollars at the expense of consumers which would be .4¢ per gallon. This is expected to have a relatively minor effect on production, since the higher prices will be partially offset by cuts in production to qualify for stripper status. Has the effect of raising the composite National price of oil by 2%, or 15¢ per barrel. Approximately 70% of U.S. producing wells are stripper wells, accounting for 15% of domestic production.
8. Increase in production incentive adjustment	° The price increase allowed by February 1977 is raised to 10% from the present EPCA which provides for GNP deflator increases plus 3% (but not over 10%). The price increase is intended to go first for increasing the prices for low gravity California crudes, and for encouraging high cost tertiary production.	° Since inflation is expected to be 5.5% in 1976, the net effect is an increase of 1.5% in crude prices, or about 25¢ per barrel. This increases petroleum industry income by $750 million at the expense of consumers which would be .6¢ per gallon. The increased prices are expected to result in a small increase in production, although 1 1/2% is too small to have much impact. By taking care of politically powerful California producers, and tertiary production, the ability to gain the support of these blocks for increases in the composite price is lost.

PROVISION TITLE	Description of Authority	Assessment
9. Reorganization study, plan ° recommendations	° Requires Chairman ERC to complete a study of the energy and natural resources function and to submit a comprehensive report along with Presidential recommendations on a reorganization proposal. Report is to include: - principal laws and directives that constitute energy and natural resource policy - prospects of developing and consolidated national energy policy - major problems & issue of existing energy and natural resource organizations - options for energy and natural resource organization - overview of resources for energy and natural resources - recent proposals for a national energy & natural resource policy - relationship of energy to other national objectives	° The outline of study appears to go beyond the present study, e.g., prospects for developing a national energy policy. This will require the preparation of a special report for Congress.

Provision Title	Description of Authority	Assessment
Title II		
1. Electric Utility Rate Design Initiatives	° Requires FEA to	
	(1) submit proposals to Congress for redesign of utility rate structures that would "encourage energy conservation, minimize the need for new generating capacity, and minimize costs to customers." - Proposals must include load management techniques, rate proposals encouraging efficient use of fuel, and rate proposals creating incentives for utility system reliability. - Proposals required to be sent to Congress 12/31/76, so Congress can direct "further action" by law.	(1) Requires utility rate design models to be submitted to Congress. May constitute a major first step toward broader Federal involvement and control over electric utility rate making -- an area traditionally under State and local jurisdiction. Many of the provisions would lay groundwork for Dingell's electric utility rate reform bill, which the Administration is on record as opposing. Could be the beginning of national electrical power rate regulation.
	(2) fund electric utility rate demonstrations.	(2) FEA has funded $4.9M State level demonstration program with FY75 and 76 funding. OMB in FY77 provided funds for evaluation of the effectiveness of these programs, but no further demonstration funds. This requires funding further programs even though the effectiveness of such programs is not known.
	(3) to intervene in State utility rate proceedings.	(3) Authorizes FEA to intervene in State regulatory rate proceedings when requested. Depending on how "intervene" is interpreted, this provision could present risks. FEA intervention up to now has been to explain broad national policy such supporting adequate rates of return for financially troubled utilities. The intent of this bill may be to have FEA intervene on behalf of consumers, conservation, etc.
	° $13.1 million total authorization: $12.1 million for utility rate demonstration projects and $1 million for intervention in State regulatory proceedings.	

Provision Title	Description of Authority	Assessment
2. Grants for Offices of Consumer Services	° Authorizes FEA to make grants to States that would be used to fund Offices of Consumer Services which would advocate "position most advantageous to consumers" at utility regulatory proceedings. - $2 million grants. - TVA can also set up independent office to represent consumers.	° Places the Federal Government in the position of funding and organizing consumer groups at the State level. Raises fundamental questions about the Federal role vis-a-vis State rate regulation. What is the Federal Government trying to do? -- promote conservation? promote independence? promote cheap electricity? promote consumer movement in any direction? Why shouldn't the Feds fund all interest groups -- utilities, businesses, consumers, State regulators, manufacturers of power equipment, environmentalists? This provision will promote a further confused Government!

Provision Title	Description of Authority	Assessment
Title III		
1. Building Energy Conservation Standards	° Requires HUD Secretary to develop and promulgate energy conservation standards for new residential and commercial buildings. These standards are to be implemented through State and local building codes. However, HUD has overall responsibility for enforcement and can exempt areas from the standards	° Basically, the Administration's proposal, but with undesirable changes including: 1. Congress' approval of the sanctions. 2. Significantly altered implementation of the sanctions: a. Instead of just State certification, a hierarchy of approval (city, county, and State review) subject to HUD's review of each level. b. Allows area exception applications and requires HUD to review each one.

Provision Title	Description of Authority	Assessment
Title IV, A Weatherization Assistance to Low-Income persons who own or rent their residences		° Similar to the Administration's proposal but with some significant differences:
	° Total of $200 million authorization for FEA over 3-year period.	- The funding authorization of $200 million exceeds $165 million Administration request.
	° States are given 90 days to file an application with FEA. If filed and accepted, the State then administers the program and may allocate to local governments, Community Action Agencies, etc. If a State fails to file or does so in an unacceptable way as determined by FEA, then any government entity inside the State including CAA's can make application and if approved, administer the program in their respective areas. If FEA disapproves an application, a public hearing is required and the applicant has recourse through the courts.	- There is a substantial opportunity for CAA's to participate either through a State administered program or directly with FEA where a State fails to administer a program. State inaction is rewarded by FEA absorbing the costs of administering programs through various entities that will apply.
	° The bill provides a $400 maximum grant per dwelling with option for State advisory committee to increase the maximum.	- $400 maximum per dwelling exceeds the average material cost of $125 used by the Administration. Applying a rate of $400 per dwelling, the cost of the program would be in the range of $500 million. The limit in statute will almost guarantee substantial future cost increases.
	° Eligibility is as follows: age limit for elderly is 60 years and over, low-income defined as either by OMB or Social Security Act (AFDC and SSI programs) or related State law; 5 different definitions for handicapped.	- Expanded eligibility will further increase costs. Expanded eligibility also dilutes the President's attempt to focus assistance on the most needy. Using the OMB income guidelines, the Administration's bill would have included over 5 million families eligible for assistance. FEA estimates that the expanded definition will increase the eligible population by at least 20%. We believe that such assistance should be targetted on a worst-first basis.
	° In addition to conservation materials (e.g., storm windows, insulation) up to $50 per dwelling is allowed for equipment, e.g., thermostat heating equipment, etc.	- May create pressure for increasing size of manpower program, although manpower trainees are cheaper labor than union construction workers.
	° Installation can be by manpower training participants and public service employment workers.	° In sum, the provision will add substantially to program costs originally estimated at $165 million and include Community Action Agencies in the program.

Provision Title	Description of Authority	Assessment
Title IV, B		
Supplemental State Conservation Grants	° Requires the Administrator to make grants up to a total of $105 million for supplemental program added to the existing State conservation grant program already established by the Energy Policy and Conservation Act at the $150 million level. ° New mandatory programs for States to implement to be eligible for supplemental funds include: - continuing public education about costs and energy savings for energy conservation measures and renewable resource measures; - providing public information about planning, financing, installing, and monitoring effectiveness of these measures; - completing energy audits at no cost to homeowners and renters; - completing energy audits at reasonable cost to industry, non-profit institutions, and others; and - providing effective coordination among various local, State, and Federal energy conservation programs. ° Other programs that FEA may require States to include are: - program to prevent unfair and deceptive practices related to energy conservation; - periodic verification of costs of energy measures; - assistance for energy-consumer cooperatives; and - advisory committee.	° This is a major expansion of Government's role (albeit at the State level for administration) in monitoring the use of energy by individuals and businesses. It also places the States in the business of completing energy audits which is now largely private sector function. ° Funding for supplemental grant program may be understated since energy audits alone could easily cost far more than $105 million will buy. FEA estimates that homeowner energy audits range from low cost of $50 million to high cost of $4 billion. Low cost based on States mailing Project Conserve questionnaire to 40 million homeowners at $1 each. High cost based on engineers making on-site inspections costing $100 each. States may have flexibility to decide nature of audits, and significant pressure for funding increases may occur once the States and homeowners take advantage of the free audits. To date, we have no evidence that Project Conserve questionnaires are effective energy audits. ° The energy audits will be used to funnel applicants to HUD and FEA for grants, loans, loan guarantees. With an energy audit that shows energy savings greater than cost for conservation equipment, the applicant (homeowner, slum lord, business, hospital, school) is automatically eligible for Federal financial assistance. ° This approach runs counter to the Administration policy and principles for energy. It disregards the marketplace as the primary mechanism for equalizing energy supply/demand relationships and instead relies on massive Government assistance as the best means for reducing energy consumption. There is proof that price increases dampen energy demand. There is no proof that financial assistance will do the same.

Provision Title	Description of Authority	Assessment
Title IV, B (cont.)	° The energy audits are to be used to determine eligibility for HUD $200 million demonstration program (loans/grants) and FEA $2 billion obligation guarantee program. ° Funds must be allocated among States by EPCA formula which includes portion distributed on basis of energy savings.	

Provision Title	Description of Authority	Assessment
Title IV - Part C		
1. **HUD $200 million for demonstrating energy conservation grants and loans**	° Requires HUD to have a national program to demonstrate grants and loans for energy conservation improvements. Requires HUD to provide assistance for wide variety of residents (those living in different geographical areas, climates, types of dwellings, different income levels, owners and tenants) to provide a representative profile for developing a future, full-scale program. $200 million spending for demonstration phase only. Provides grants of 20% (up to $400) of energy conservation improvements (including storm windows and insulation) and 25% (up to $2,000) of renewable resource systems (including solar systems and windmills).	° Basically, HUD's fallback proposal (OMB opposed) for a demonstration program, but the authorization was increased from $10M to $200M over a 2-year period. HUD's proposal did not limit the grant share of improvement cost, but did target the program to low and moderate income families. The proposal has been broadened to include renters in addition to homeowners. ° Residential/commercial energy consumption has actually reduced 3% since 1973. This reversed the previous trend of increasing consumption, where prior to 1973, the rate of growth averaged 3.8%/year. This shows price incentives for energy conservation already exist and a significant amount of conservation has already occurred. ° The grant approach differs from the Administration's tax credit proposal for homeowners in a basic way. Tax credit requires no new bureaucracy and uses simple rule on who is eligible and for how much. ° Congress anticipates longer-term, wider-scale program since the $200 million is only the first installment which funds only the program demonstration.

Provision Title	Description of Authority	Assessment
TITLE IV, D FEA $2 billion in Obligation Guarantees for Energy Conservation	° Authorizes $2 billion in authority for FEA to make obligation guarantee - authority is permissive--"FEA may make" - guarantees and commitments to guarantee loans, bonds, notes, etc. Authority to make new commitments expires 9/30/79. - large corporations, small businesses, partnerships, State and local governments and non-profit institutions are eligible - Guarantees can be made for 2 categories: a) limited to energy-related conservation improvements to structures, buildings and equipment, e.g., such as more efficient heating/cooling equipment as opposed to production equipment whose primary responsibility is to produce products. This could include storm windows, more efficient heating/cooling plants, etc. Equipment improvements could be almost anything whose primary function is to save energy. b) limited to renewable resource measures for energy, e.g., solar plants, windmills, geothermal, others. - obligation amount may include cost of energy audit but cannot exceed 90% of the total cost of the measure. No guarantee can exceed $5 million and it must be repaid in 25 years. - FEA can be required to pay the lendor if the borrower's payment is delinquent by 90 days. - workers installing energy measures must be paid prevailing wage rates. (Davis-Bacon Act) - obligation must be less than 25% of fair market value of building or industrial plant. - $60 million authorized to cover defaults assuming a low 3% default rate.	° This program is largely targeted at the industrial/commercial sectors although State/local/nonprofit institutions are eligible. - Neither FEA nor the Congress has been able to show that energy savings can or will be achieved through loan guarantees. Energy consumption in the industrial sector for the first quarter of 1976 is 6.7% below the 1973 level (prior to the sharp fuel price increase) even though GNP (constant dollars) is slightly higher. We believe this data shows that industry is significantly more energy efficient today than 3 years ago when consumption was growing at an average rate of 2.6% annually. We calculate energy efficiency to have improved by 18% in the last 5 years. - Universities, which are typical nonprofit organizations, have reduced energy consumption by 17% in the last 5 years. ° Loan guarantees are designed to overcome problems of obtaining capital in the private markets. They do not provide significant financial incentive to change the economics of making a particular investment. Treasury advises that at present, the private capital markets are functioning well, e.g., capital is available for worthy credit risks/purpose. For these reasons, the loan guarantee will either: - supplant private credit since it does reduce risks to lenders. - attract applicants who are not credit worthy. In the latter case, the potential for default is high either because the investments are not sound or because the borrower isn't or a combination of both. We seriously doubt the effectiveness of a loan guarantee incentive in reducing energy consumption.

Provision Title	Description of Authority	Assessment
TITLE IV, D (Cont)	- FEA is authorized to charge up to a 1% fee of the amount of loan guarantee on a discretionary basis.	° FEA would require substantial staff to administer the program. Property appraisals, energy audit records, financial audits of defaults would be required. SBA has 1800 full-time staff to make new loan and guarantee approvals of $2.7 billion per year. Using this as a rough equivalent, FEA would probably need 600-700 positions for FY 78 and FY 79 (assuming $1 billion of new approvals per year). Some of this could be paid by charging a fee. ° The default estimate of $60 million or 3% of the authorization appears low compared to other Federal programs. SBA for example averages 6-8% in this area. Using SBA experience and assuming $2 billion in guarantees are made, the loss on defaults could be as much as $120-$160 million. This assumes that any assets recovered are consumed by interest/judicial/administrative expenses.

THE WHITE HOUSE
WASHINGTON

Keep a copy of the FEA letter that will be sent out.

Mr. Cannon does not like auto-penned. He will sign personally.

Hold Per JMC [illegible]

CLEARANCE SHEET

DATE: 10/1/76

JMC ACTION
Required by: ASAP

STAFF RESPONSIBILITY SCHLEEDE

SUBJECT: FEA CONTINGENCY PLANS AND DRAFT RESPONSE TO PUBLIC

RECEIVED FROM: ______ DATE RECEIVED: ______

STAFF COMMENTS:

DRAFT LETTER FOR JMC CONSIDERATION AND APPROVAL ATTACHED.

QUERN/MOORE RECOMMENDATION:

✓ APPROVE

___ REVIEW & COMMENT

___ DISCUSS

CANNON ACTION: DATE:

Material Has Been:

___ Signed and forwarded

✓ Changed and signed

___ Returned per conversation

___ Noted

JMC
JIM CANNON

Comment:

THE WHITE HOUSE

WASHINGTON

October 1, 1976

MEMORANDUM FOR: JIM CANNON

FROM: GLENN SCHLEEDE Glenn

SUBJECT: RESPONSES TO COMMENTS FROM THE PUBLIC ON DRAFT CONTINGENCY PLANS

John Hill has advised me that no plans will be sent to the Hill before the Congress adjourns and ~~he~~ and Zarb are satisfied with the wording of this letter. Do you approve? If so we will proceed with getting the letters typed by correspondence.

Glenn - ok. as edited

Should we assume that you want them auto-penned with your name if that is feasible. There are more than 500 letters.

Attachment

I will sign them personally. Jim

ADMINISTRATIVELY CONFIDENTIAL

THE WHITE HOUSE

WASHINGTON

September 27, 1976

MEMORANDUM FOR: JOHN HILL

FROM: GLENN SCHLEEDE Glenn

SUBJECT: RESPONSES TO COMMENTS FROM THE PUBLIC ON DRAFT CONTINGENCY PLANS

We now have well over 500 letters and telegrams on the draft contingency plans for conserving energy. Most are on the weekend fuel sales restrictions, but there are a few on the restrictions on on-site advertising signs.

We must get a response out soon on these letters. Would you please give me your comments and suggestions on the attached draft by phone as soon as possible so that we can get the responses moving.

Thanks.

Attachment

Dear ________:

Thank you very much for your recent letter (telegram) concerning the draft energy conservation contingency plans developed by the Federal Energy Administration (FEA).

The Energy Policy and Conservation Act of 1975 requires that conservation plans be developed, published for public comment, submitted to the Congress for consideration and, if approved, kept in readiness in the event of a serious energy supply interruption.

Unfortunately, the United States is vulnerable to serious economic disruption from another embargo because of our growing dependence upon imported oil. This problem cannot be corrected until the Congress approves the remaining elements of the comprehensive energy policy and program proposed by the President.

The draft plan you cited is one of five published for comment by the FEA. I have been informed by FEA Administrator Zarb that he has received extensive comments on the plans. Mr. Zarb has indicated that he is giving special attention to problems ~~such as~~ you [redacted] presented, and that none of the plans will be submitted to Congress until the next session because of the need for additional review. ~~and because of the early adjournment of the Congress this year~~.

The President is committed to press for approval of the remaining parts of the comprehensive energy policy and program that he has proposed, so that we regain energy independence and are no longer subject to the threat of economic disruption from an embargo. He is also committed to assuring that concerns such as you have expressed will be considered fully before decisions are made by the Administration. I appreciate your taking the time to bring them to our attention.

Sincerely,

the

OCTOBER 26, 1976

MEMORANDUM FOR: JIM CANNON ~~ALLEN MOORE~~

FROM: DENNIS BARNES Dennis

SUBJECT: Response to complaints about FEA contingency conservation plans

We would like approval of a letter for Mr. Cannon's signature which we can send to some 500 people who have written Mr. Cannon complaining about proposed FEA energy conservation contingency plans.

A response was approved earlier by Glenn Schleede, John Hill and, I believe, Mr. Cannon. However this version did not leave sufficient room at the bottom for the inside address.

A slightly shortened version of the first letter is enclosed. Attached to it, for comparison, is a marked-up version of the first letter.

If you can approve the revision, we can get many, if not all of the letters prepared today. We have already put all of the addresses on tape so that we can have the entire letter typed automatically.

THE WHITE HOUSE

WASHINGTON

October 26, 1976

Dear Mr. Rumplestilskin:

Thank you for your recent letter concerning the draft energy conservation contingency plans developed by the Federal Energy Administration(FEA).

The Energy Policy and Conservation Act of 1975 requires that such plans be developed, published for public comment and submitted to the Congress for consideration. If approved, they are kept in readiness for a serious energy supply interruption.

The draft plan you cited is one of five published for comment by FEA. The FEA has received extensive comments and is now considering the problems you and others identified. Because of the need for additional review, none of the plans will be submitted to Congress this year.

It is unfortunate that emergency measures must be considered, but the United States is still vulnerable to serious economic disruption from an embargo. The problem of growing dependence on imported oil will not be solved until the Congress approves additional energy measures.

The President is committed to press for approval of the remaining actions needed to achieve energy independence. He is also committed to assure that concerns such as you have expressed ~~be~~ are considered fully before final decisions are made. I appreciate your taking the time to bring the problems to our attention.

Sincerely,

James M. Cannon
Assistant to the President
for Domestic Affairs

Mr. James Rumplestiltskin
President
International Hotel Corporation
12345 Motel Street
Plains, Georgia

orig'l

Dear _____________:

Thank you very much for your recent letter ~~(telegram)~~ concerning the draft energy conservation contingency plans developed by the Federal Energy Administration (FEA).

ok 3

The Energy Policy and Conservation Act of 1975 requires that conservation plans be developed, published for public comment, submitted to the Congress for consideration and, if approved, kept in readiness in the event of a serious energy supply interruption.

ok 4

must consider drastic steps in the event of another embargo because we are

Unfortunately, the United States ~~is~~ vulnerable to serious economic disruption from another embargo because of our growing dependence upon imported oil. This problem ~~cannot be corrected until~~ the Congress approves the remaining elements of the comprehensive energy policy and program proposed by the President.

underlying will not be solved until

The draft plan you cited is one of five published for comment by the FEA. I have been informed by FEA Administrator Zarb that he has received extensive comments on the plans. Mr. Zarb has ~~and~~ and ~~indicated~~ that he is giving special attention to the problems you identified. ~~presented, and that~~ None of the plans will be submitted to Congress until the next session because of the need for additional review.

The President is committed to press for approval of the remaining ~~parts of the comprehensive energy policy and program that he has proposed, so that we regain energy independence and are no longer subject to the threat of economic disruption from an embargo.~~

actions needed to achieve energy independence.

He is also committed to assuring that concerns such as you have expressed will be considered fully before decisions are made by the Administration. I appreciate your taking the time to bring them to our attention.

legitimate · final · on contingency plans

Sincerely,

James M. Cannon
Assistant to the President
for Domestic Affairs

INSIDE ADDRESS

THE WHITE HOUSE

WASHINGTON

October 29, 1976

MEMORANDUM FOR: ALLEN MOORE

FROM: DENNIS BARNES Dennis

SUBJECT: LETTERS FROM MR. CANNON RE FEA ENERGY CONTINGENCY PLANS

The first three of some 450 letters are attached. You may want to look these over now so that we can make any changes in the master tapes.

Would you prefer receiving only the signature letter and a carbon or everything which is included with the letters attached?

We will be bringing the letters to you for Mr. Cannon's signature in batches of about 50. Let me know if he decides that an autopenned signature would be more practical.

Two people will be working all day on the letters, so that we should be able to count on finishing up sometime early tomorrow.

Attachment.

THE WHITE HOUSE

WASHINGTON

November 1, 1976

1976 NOV 1 PM 12 22

MEMORANDUM FOR: ALLEN MOORE

FROM: DENNIS BARNES Dennis

SUBJECT: FEA ENERGY CONTINGENCY PLAN LETTERS

The last nine letters for Mr. Cannon's signature are attached.

Note that the top letter is a response on behalf of the President. The first and last paragraphs of the letter have been altered accordingly.

By my count we will now have sent out 493 letters.

I still have 12 letters with incomplete return address information, 25 copies for Mr. Cannon of letters to Frank Zarb, 6 copies to Mr. Cannon of other letters, and 3 newsletters without accompanying letters.

Attachments.