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THE WHITE HOUSE

WASHINGTON

June 11, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

BILL SEIDMAN

FROM:

JAMES E. CONNOR



The attached was returned in the President's outbox with the following notation to you:

-- I believe we should proceed - full speed -
with bill, any follow-up meetings, etc.

Do we need another meeting of EPB?

Please follow-up with the appropriate action.

cc: Don Rumsfeld

THE WHITE HOUSE
WASHINGTON

Bill Beckman

I believe we
should proceed - full
speed - with bill,
any follow-up meetings
etc.

Do we need another
meeting of CPB?



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D. C. 20461

June 10, 1975

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: ROGERS C.B. MORTON
FRANK G. ZARB

SUBJECT: Industry/State Regulator Reaction to Labor-
Management Committee Electric Utility Proposal

In response to your questions raised at Monday's meeting on the Labor-Management Committee's (LMC) Tax Incentive Proposals, a brief survey of utility executives and State regulatory commissioners was made to determine:

- the likelihood of these proposals achieving the desired results; i.e., restoring utility construction programs and creating needed jobs,
- whether or not these proposals could be publicly supported.

In presenting these proposals, no mention was made of the LMC, nor of the probability that these initiatives would be proposed by the Administration.

Both groups indicated that these proposals, if enacted, would have a significant influence on (a) inducing State regulators to grant two key elements of regulatory reform, (b) restoring utilities to their financial health, (c) restoring construction of coal and nuclear plants where deferral had been based on inability to finance, and (d) increasing employment. However, we wish to point out that none of the foregoing will take place overnight, although the proposals should provide significant inducement. Both groups, which included some of the key State regulatory commissioners, indicated they could support the plan publicly.

The effectiveness of the plan, and future public support, will depend upon the specific nature of the legislation. Critical to its effectiveness, in our opinion, is that the increased investment tax credit, depreciation of construction in progress, and amortization of pollution control and conversion costs be contingent upon the following:

- inclusion of construction-work-in-progress in the rate base
- normalization of the tax benefit.

As you recall, the foregoing were key elements of the original Administration proposal which was submitted to the Congress as part of the Energy Independence Act.

Further, to minimize unnecessary revenue impact, we suggest that the basis of the property for depreciation purposes be reduced by the amount of the investment tax credit. This would preclude a double tax benefit.