The original documents are located in Box C42, folder "Presidential Handwriting, 6/21/1976 (1)" of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

THE WHITE HOUSE
WASHINGTON

Jim -

Understand that they have now decided that this is not going to be a Presidential Message - Probably from Hill or Lynn ----

Trudy 6/21/76

THE WHITE HOUSE
WASHINGTON

TO: JIM CONNOR

FROM: JIM CANNON

This memo went to the President via Dick Cheney Saturday night.

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) 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

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).

Try to keep in

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

MC 9 ______ 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 ~~attachment~~ TAB B 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 guide-lines for State regulatory commis-sions	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 ser-vices 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, proce-dures, and methods for the accounting for and measurement of all phases of production and mar-keting 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.