The original documents are located in Box 22, folder "Natural Gas Shortage" of the John Marsh Files at the Gerald R. Ford Presidential Library.

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

August 6, 1975

MEMORANDUM FOR THE PRESIDENT

THRU: Rogers C. B. Morton

FROM: Frank G. Zarb

SUBJECT: Natural Gas Shortages

BACKGROUND

At your direction, the Energy Resources Council formed an interagency task force, directed by the Federal Energy Administration, to assess the magnitude of the upcoming natural gas shortage, its potential and likely economic impacts, and to recommend action to mitigate the problem.

This is a vital issue which affects our entire economy and we will continue to improve our analyses of the shortage and impacts, as well as provide further policy recommendations throughout the summer and fall.

The remainder of this memorandum summarizes our findings and recommendations. The attachment provides more details on the shortage, its economic impact and the policy recommendations.

THE SHORTAGE

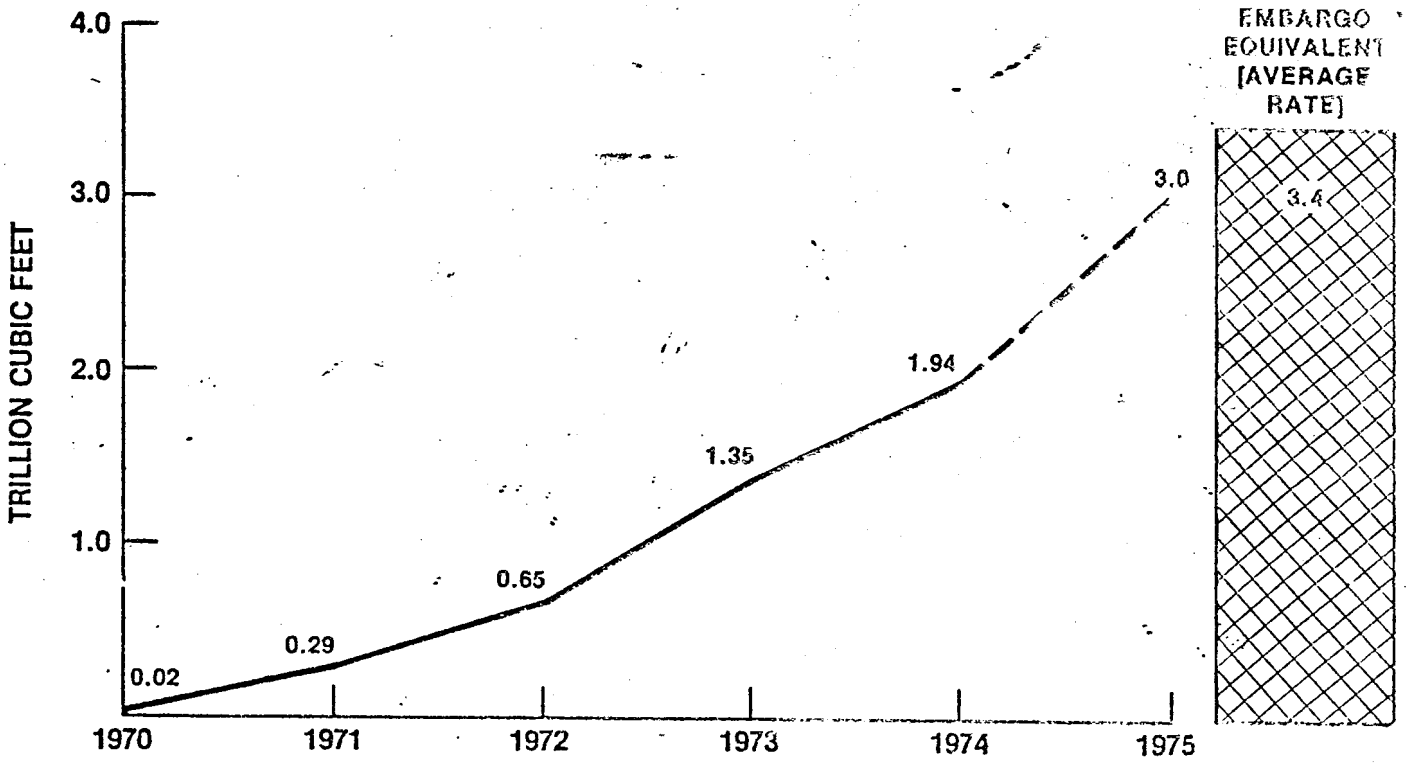
- The natural gas shortage has been growing rapidly.
  - In 1970, curtailments were 0.1 Tcf or less than 1 percent of consumption. Last year curtailments were up to 2.0 Tcf or 10% of total demand (see Figure 1).
  - For 1975 they are forecast to increase by 45% to 2.9 Tcf (about 15 percent of demand).
- The shortage is most severe in the winter.
  - This winter curtailments will be 1.3 Tcf, up from 1.0 Tcf last winter. This lower than expected increase is due to the lag in demand growth as the economy begins its upswing.
  - A very cold winter (once every 10 years) would raise the shortage to about 1.45 Tcf.
- Even with natural gas deregulation, which is our primary long term policy objective, shortages can be expected to grow in each succeeding winter for several years and could approach 1.9 Tcf in the 1976/1977 heating season.

ECONOMIC IMPACT THIS WINTER

- Because of the economic slowdown and much higher prices, no shortage and possibly a surplus exists in the intrastate markets, primarily Louisiana, Texas, and Oklahoma.
- Economic impacts last winter were very scattered and not significant nationwide. This was due to:
  - Alternate fuels were available and many gas consumers switched to propane and oil.
  - The economic slowdown and mild weather reduced demand.
  - Conservation programs were implemented in some local areas.
  - Some emergency natural gas deliveries were allowed under existing FPC authorities.

NATURAL GAS INTERSTATE GAS CURTAILMENTS

FIRM AND INTERRUPTIBLE



PRELIMINARY ESTIMATES FOR WINTER SEASON OF 1975-1976 INDICATE SHORTAGES AT AN ANNUAL RATE OF 15-25% [3-5 TCF]

- To the extent there were economic impacts, they were localized mainly in eastern and midwestern states.

- This coming winter the shortage will increase by about 0.3 Tcf and this is probably the most accurate measure of economic impact.

- This shortage is likely to be focused in about 15 states on the mid-Atlantic coast (from New York to Georgia) and the Midwest (including Ohio, Missouri, Indiana, and the farm belt), along with California.

  - Table 1 shows the potential economic impact in the most affected states. As indicated in this Table, the shortage in these ten states accounts for more than half the national total.

  - Local communities within these states are likely to feel an even greater impact where a factory, which is a major employer, may be forced to shut down or reduce output.

- The economic impact could be magnified many fold by a concurrent Arab embargo, as alternate fuels would be unavailable.

POLICY GUIDELINES

- Policy recommendations should at least cover the incremental shortage. However, because it will be growing in successive years and given the uncertain rate of economic recovery, the weather or Congressional response, actions to deal with the total shortage should be proposed.

- Recommending a comprehensive program will:

  - Put the President in the most desirable public position, even if we can scrape through with less than is requested of the Congress.

  - Take account of long legislative lead times for succeeding winters.

  - Reduce downside problems in the event of a simultaneous embargo.

- Specific policy recommendations should:

  ° Reduce demand and increase supply by national actions to alleviate the shortage to the extent practicable.

  ° Avoid a nationwide Federal allocation program, except in the event of an oil embargo.

  ° Take national action to assure that available supplies can move among customers and from intrastate to interstate markets.

  ° Set up effective Federal/State mechanisms to deal with the local problems -- primarily by State and local officials.

POLICY RECOMMENDATIONS

There are no decisions required at this time since your advisers agree on the broad administrative, legislative and tax initiatives we should take. Their impact is summarized in the table below.

Impact of Recommended Program

	Savings Winter 1975/76 (Bcf)
Administrative	210
Legislative	375
Tax	600
Total	1185

- At your direction the executive branch agencies will implement the following administrative actions:

Action	Agency
° Establish an intensive and immediate energy conservation public education program to reduce inefficient uses of natural gas.	FEA

Action	Agency
° Complete hearings and approval process for new pipelines to transport interstate gas.	FPC
° Exhort gas producers to increase production from shut-in wells.	FEA
° Alter practices and priorities of natural gas use in utilities.	FPC; FEA
° Increased emergency use of stored gas as a result of FPC hearing conclusions.	FPC

- We are now drafting a Natural Gas Emergency Standby Act of 1975 to be submitted to the Congress upon its return containing the following provisions:

Titles	Agency
° Permit interstate pipelines to purchase gas from the intrastate market on an emergency 180 day basis at current market prices.	FPC
° Allow end-user purchases of uncommitted gas from the intrastate market at current market prices.	FPC
° Provide temporary standby authority to allocate natural gas between interstate pipelines as well as intrastate pipelines in the event of an embargo or similar emergency.	FEA; FPC
° Provide temporary authority to place a Federal moratorium, if needed, on all new residential, commercial, and utility connections of natural gas.	FEA; FPC
° Provide temporary authority to mandate electric utility and industrial boiler use conversion from gas to oil or coal.	FEA

Titles	Agency
° Provide temporary authority to ban use of natural gas for ornamental lighting.	FEA
° Provide authority to permit curtailed gas customers to purchase gas from uncurtailed gas customers at uncontrolled prices.	FPC

- In addition, FEA will continue as the lead agency to deal with natural gas contingency planning and, along with the Federal Power Commission, will convene a meeting with the Governors and key energy advisors in the most affected states in late August. At this meeting with the Governors, the magnitude of the problem, and potential Federal and local actions to mitigate the impacts will be discussed.

- The Administration will continue to press for an excise tax on natural gas use and insulation tax credits that were previously proposed in your State of the Union Message.

TABLE 1
ECONOMIC IMPACT IN MOST AFFECTED STATES

State	1974/75 Deliveries (Bcf)	1975/76 Reduction (Bcf)	1975/76 Reduction (%)	Reduction As % of 1973 Industrial Gas Consumption	% of State Employment In Natural Gas Using Industries	Total Gas Using State Industry Employment (In Thousands)
New Jersey	263	32	12%	41%	32%	717
Maryland	171	33	19	60	20	202
Virginia	134	27	20	50	9	116
North Carolina	134	39	29	41	33	552
South Carolina	123	17	14	20	29	227
Pennsylvania	723	60	8	17	23	854
Ohio	1072	98	9	22	29	996
New York	603	(4)	(1)	(3)	21	1249
Missouri	375	37	10	31	18	249
Iowa	169	29	17	22	14	101
Total (10 States)	3767	368				
% of U.S.	33%	54%				

NATURAL GAS ASSESSMENT

SHORTAGE

The natural gas shortage has been growing at an alarming rate in recent years. Demand for natural gas has steadily increased because of its clean-burning properties, low-cost, and until recently, accessibility. It is consumed by over 40 million residences, 3.4 million commercial establishments, and over 200,000 industrial users. While demand has increased, proved reserves have declined since 1967 and production peaked in 1973. The decline in production of 1.3 Tcf in 1974 is equivalent to over 230 million barrels of oil. Further, the regulated price in the interstate market (51 cents per thousand cubic feet) has resulted in a growing market share for the intrastate market where prices are unregulated (market share has shifted about 5 percent since 1970).

As demand increased and supply declined, shortages began to develop. In 1970, for the first time, interstate pipelines curtailed some of their customers. Curtailments (generally defined as requirements less deliveries) grew from 0.1 trillion cubic feet (Tcf) in the 1970/71 season (April-March) to 2.0 Tcf in 1974/75, as shown below:

TABLE 1
CURTAILMENT TRENDS

Year (April-March)	Annual Firm 1/ Curtailments (Tcf)	Heating Season (Nov.-Mar.) Curtailments (Tcf)
1970/71	0.1	0.1
1971/72	0.5	0.2
1972/73	1.1	0.5
1973/74	1.6	0.6
1974/75	2.0	1.0
1975/76 (expected)	2.9	1.3
1976/77 (forecast)	about 4.0	about 1.9

Even with natural gas deregulation, shortages are expected to grow in each succeeding winter for the next several years, although at a much slower rate than without deregulation.

The shortage was also felt in the intrastate market and curtailments were experienced in several producing states (e.g., Louisiana). In the last year, however, the increase in intrastate prices, economic slowdown, reduced refinery runs (many refineries use natural gas as fuel) and conservation have relieved the intrastate shortage and resulted in a temporary surplus. The major producing states are Texas, Louisiana, Oklahoma, California, New Mexico, and Kansas.

1/ Pipeline to pipeline curtailments not included in 1974-1976 data.

While curtailments are normally used to measure the shortage, the most appropriate and consistent measure of the problem we face this year is the reduction in deliveries this year over last year, plus any increase in demand. Deliveries are expected to decline this winter by about 350 billion cubic feet (Bcf), but demand is also expected to decline. Even assuming a normal winter the economic recovery will not be rapid enough to increase natural gas demand over last winter. With a normal winter, demand will be about 125 Bcf less than last winter; with a cold winter, it will be about level. Thus, the incremental shortage in this heating season over last year will be almost 250 Bcf.

ECONOMIC IMPACT

Natural gas shortages are distributed unevenly. Within one region or state, some areas may have adequate supplies while other areas are being severely curtailed, because the shortage depends upon a particular pipeline's supply situation. Although the average interstate pipeline reports curtailments of 19 percent of demand, some pipelines will have to curtail almost half their requirements. National macroeconomic estimates of the impacts of the shortage tend to understate its severity. Thus, rather than try to predict impacts on a national level, the task force has concentrated on the local areas most likely to be affected.

Last year, very little unemployment or plant shutdowns occurred as a result of natural gas unavailability. Most plant closings occurred because of the recession and many shutdowns were avoided by availability of alternate fuels (propane, butane, distillate or residual oil), emergency diversion of natural gas, mild weather or conservation. There were scattered examples of plant closings during the heating season in Virginia, North Carolina, New Jersey and other states, but in general, almost everybody was able to squeak through.

As a result of the analysis of last year's impacts, it is apparent that the major policy actions should concentrate on reducing the additional shortage expected in this heating season, maintaining the availability of alternate fuels, and preparing for even greater shortages next year.

The areas likely to experience the greatest economic impact this winter are the mid-Atlantic states stretching from Southern New York to Georgia and several midwestern states, such as Ohio,

West Virginia, Kentucky, Missouri, Illinois, Iowa, and Nebraska. California, which used over 1.5 Tcf last year could also experience substantial impacts.

In North Carolina, which is probably the most severely impacted state and is served primarily by the heavily curtailed Transcontinental Pipeline Co. (Transco), it is estimated that about two-thirds of the industrial customers will be cut off from natural gas. Most of these firms -- primarily textile, chemical, and glass -- do not have alternate fuel capability. In New Jersey, which is also heavily curtailed by Transco, the northern part of the state is relatively free of curtailments, while Southern New Jersey's chemical industries may be affected. Ohio's industrial curtailments could reach 60 percent, but most impacts will be experienced by smaller stone, clay, and glass industries in the central part of the state. Even in states that are not as short of gas, such as Indiana, a utility serving 50 small towns each with only one industry may have to shut down one-third of these plants.

In some communities the impacts could be especially severe. In Danville, Virginia last year, concerted action by local government officials, industry, and residential gas users avoided the shutdown of four major manufacturing plants (Dan River Textiles, Corning Glass Works, Goodyear Tire and Rubber's largest truck and airplane tire facility, and U.S. Gypsum) employing over 10,000 of the area's 50,000 residents. A massive public education media campaign and conversions to alternate fuels by a local hospital saved almost 15 percent of the city's heating requirements in about half the winter.

Since residential and commercial users receive first priority under Federal Power Commission guidelines, natural gas curtailments generally affect industry most. In particular, industries which cannot switch to alternate fuels or are not prepared to switch (such as chemicals, motor vehicle parts, textiles, fertilizer, and glass) may experience considerable impacts. Even when alternate fuels are available, their use will increase costs and will put some companies at a competitive disadvantage with companies in other states that are not experiencing curtailments.

As indicated in Table 2, more than half the reductions in deliveries will occur in ten states. In some of these states, the reduction in deliveries will be more than half the 1973 industrial gas consumption. Also, in some states, about one-third of industrial employment is in industries that use natural gas. Nevertheless, it should be recognized that availability of alternate fuels can substantially reduce the unemployment effects, but the accompanying higher priced fuel may result in economic problems.

TABLE 2

ECONOMIC IMPACT IN MOST AFFECTED STATES

State	1974/75 Deliveries (Bcf)	1975/76 Reduction (Bcf)	1975/76 Reduction (%)	Reduction As % of 1973 Industrial Gas Consumption	% of State Employment In Natural Gas Using Industries	Total Gas Using State Industry Employment (In Thousands)
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POLICY RECOMMENDATIONS

A wide range of potential Federal and local government policy actions has been reviewed. Every conceivable alternative was evaluated for its feasibility, possible energy and economic impact, ease of implementation, legislative requirements, and timing of effects.

The policy options have been evaluated with the following basic guidelines:

- The intrastate market is likely to be saturated and some surplus gas may be available.

- The major problems to be solved now are a national shortage of 250-400 Bcf above last winter and several localized situations.

- Policy recommendations should try to accomplish more than the incremental shortage over last year, since weather could be severe, economic recovery could be more rapid than expected, and implementing these actions may take some time.

- There are a number of actions that must be taken to begin solving next year's growing problem.

- Federal policies should attempt to bring the national shortage to a manageable level, while providing assistance to state and local governments in solving their particular problems.

- We should ask for more than is really needed to manage the problem so that the Executive Branch can be postured as dealing fully with the shortage and to prepare for any unexpected events, such as an oil embargo.

- Recommend all actions that are good public policy even if they have greater impact than required, then proceed to add measures that are needed to deal with local problems.

- Natural gas allocation programs should be avoided except in the event of an oil embargo.

The recommended administrative and legislative policies shown in Table 3 can reduce this year's shortage by about 1.2 Tcf if the 37¢/mcf excise tax were enacted and by about 0.6 Tcf without the excise tax. The administrative actions save slightly less (about 210 Bcf) than the incremental shortage over last winter, but augmented by the legislative actions could relieve almost the entire shortage. These are Federal policy actions which make sense to initiate, can be implemented this year, and can reduce the shortage to a level below that of last year. These measures allow the marketplace to allocate supply to the maximum extent possible and contain few negative features. Consumer groups, however, are likely to claim that purchase of gas in the intrastate market for shipment via interstate pipelines is a backhand way of achieving deregulation of gas prices.

Some of the legislative authorities are needed on a standby basis or to cope with an even larger shortage next year. These actions involve a larger use of regulatory powers to conserve or allocate natural gas supplies. The greatest potential relief of the natural gas problem in the next few years could be achieved through forced conversions of power-plant and industrial boiler use of natural gas. About one-third of gas consumption continues to be used in the generation of steam (about 6 Tcf), mostly in the Southwest. With gas more plentiful in these areas because of higher prices, there have been few curtailments and little incentive to switch to oil or coal. Further, environmental restrictions and the capital cost to convert have deterred such shifts. Although mandatory conversions and moratoriums on new residential or commercial connections may be desirable public policy, it should be recognized that these actions will have considerable cost and would represent Federal intrusion into private decisions at the local level.

The allocation of natural gas has considerable allure on the surface. By allocating about 330 Bcf, the curtailment on almost every pipeline could be reduced to 25 percent. However, allocation presents several problems:

TABLE 3
POLICY RECOMMENDATIONS

ACTION	AGENCY	THIS WINTER'S EXPECTED GAS SAVINGS (Bcf)
ADMINISTRATIVE:		
° Expedite new pipelines	FPC	40
° Intensive public education program to reduce inefficient gas use	FEA	65
° Exhort production from shut-in wells	FEA	5
° Alter utility practices	FPC/FEA	50
° Increased emergency use of stored gas	FPC	50
LEGISLATIVE:		
° Stimulate and allocate propane	FEA	50
° Allow end-user gas purchases	FPC	75
° Allow 180 day emergency pipeline gas	FPC	250
° Standby allocation authorities	FPC	
° Permit swaps among end-users	FPC	
° Mandatory boiler use conversions	FEA	Minimal
° Moratorium on new residential, commercial, and utility gas connections	FPC	Minimal
° Ban on ornamental lighting	FEA	Minimal
PREVIOUSLY RECOMMENDED:		
° Natural gas deregulation	FPC	Minimal
° Insulation tax credits	Treasury	Minimal
° Excise tax on natural gas use	Treasury	600

- It represents a bail-out for poor planning in some areas and involves taking away gas from some pipelines which have previously managed to avoid substantial curtailments

- By removing gas from an area that had not experienced curtailments, economic problems could be created since users who would now be curtailed may not be at all prepared for such shortages and may not be able to secure or use alternate fuels. These problems may be larger than those being solved in the areas receiving allocated gas.

- Once the framework for an allocation system is in place, there is tremendous pressure to utilize it and special interests are built-up.

- The data base needed to allocate effectively is not yet available.

- Pipeline interconnections to support reallocations may not always be readily available.

Despite the cautions about allocation, such authorities may be desirable to deal with local emergencies and may be needed in the event of an oil embargo. If an embargo were to occur, the alternate fuels would be in extremely short supply, and the available gas will need to be allocated.

Some of the actions being proposed for next year could have an impact before the end of this year's heating season. Anything that can stimulate purchase and installation of insulation can reduce heating requirements and make more gas available for essential industrial use. Further, although most supply enhancement activities will take time to implement, some could pay off in 1976-1977.

The uneven distribution of natural gas shortages means that some states or local areas will experience adverse economic impacts while others will have no problem if these Federal actions are implemented. Rather than a Federal regulatory approach to solve these problems, it is suggested that local governments receive Federal guidance, but try to help themselves. It is recommended that the governors of the most severely impacted states and their energy advisers be invited to Washington

to meet with FEA and FPC and be given a thorough briefing of the expected problem and that a discussion of policies be carried out. A number of suggested local actions could be discussed at this meeting, including:

- The Federal government will provide each state with its entire data base concerning expected shortages and their impacts; monitor changes in supply, demand, and alternate fuels; and provide technical assistance to the states to help manage the problem.

- Intensive conservation programs for boiler use of natural gas, residential, and commercial users, including case histories of residential-industry cooperation. Boiler fuel use represents over 1/3 of the natural gas market.

- Use of surcharges for consumption above a certain base level used last year, along with rebates for consumption much less than last year. For example, there could be a 100 percent surcharge for consumption above 90 percent of last year's residential use, with some rebates for consumption below 80 percent of last year.

- Application of a voluntary "buy-back" procedure, in which pipelines buy back gas from users with alternate fuel capability at a price equal to the price of the alternate fuel (over $2.00 per mcf) and then sell the gas at the higher price to users without alternate fuel capability. This could be implemented by a state public utility commission.

- Greater use of peak load pricing to reduce peak consumption of electricity, which is often generated by natural gas.

In considering these recommended policy actions, a number of other alternatives were examined and rejected for a variety of reasons. A list of these options is given in Table 4.

TIMING OF ACTIONS

It is recommended that the following sequence of events take place by the time the Congress returns:

- Announce immediate implementation of administrative actions.

- Designate FEA as the lead Federal agency to deal with natural gas contingency planning and implementation.

TABLE 4

OPTIONS ELIMINATED FROM CONSIDERATION

Options	Reason for Elimination
Increase LNG imports from Algeria	There are no actions which can be taken by the government to increase LNG imports for the 75-76 winter heating season.
Negotiate increased imports from Mexico and Canada	There is little potential for increased imports from these countries.
Accept payment in-kind for production from federal lands and allocate to interstate pipelines most in need	Most royalty gas is presently sold to pipelines experiencing curtailments
Increase production from offshore shut-in wells	There is no way to significantly increase production from shut-in wells for the 75-76 winter through a regulatory approach.
Increase LNG imports from Alaska	Potential is too small (3-6 Bcf) in comparison to the expected opposition of the required legislation
Increase domestic production through in-field drilling in the Blanco-Mesaverde gas fields	Small potential per added drilling rig, and extreme difficulties in obtaining required drilling rigs
Increase production of the Hugoton gas field through override of Kansas gas production rules	Lead times for new compressors are too long, even if override of Kansas production rules could be obtained
Define and prohibit non-essential uses of natural gas consumed on-site by end-users in the residential and commercial sectors	Safe elimination of pilot lights would require excessive lead times and requires further analysis

- Invite Governors of most impacted states to a White House meeting in early September to discuss expected shortages and possible local measures to reduce its impacts.

- Submit legislative package to the Congress in early September containing immediate, standby, and longer-term measures.

The recommended actions, both immediate and standby could substantially reduce the impact of shortages and would be supplemented by existing emergency relief procedures.

August 11, 1975

MEMORANDUM TO: THE PRESIDENT

THROUGH: DON RUMSFELD

FROM: JACK MARSH

SUBJECT: GOVERNORS' MEETING

With the impending natural gas shortage that will impact more drastically on ten states, it occurred to me that consideration might be given to inviting the Governors of these ten states to the White House sometime after the return from Vail and before the Congress reconvenes on September 3.

This meeting would be somewhat like the meeting of the Northeastern Governors on energy, but would occur at the initiative of the White House. The purposes of the meeting are:

1) To explain to the Governors the dimensions of the problem and the reasons for the shortage.

2) To outline the recommendations of the Administration to try and address the problem.

3) To indirectly, through the Governors, obtain Congressional support from the states involved for the President's natural gas program and his energy program generally.

cc: FZarb
RMorton
JCannon
JFalk

August 12, 1975

MEMORANDUM TO: FRANK ZARB

FROM: JACK MARSH

Frank, please note the attached Schedule Proposal, which I mentioned to you on the phone. Rumsfeld tells me the President has approved it. Once a date has been selected, I think it would be helpful if you and your staff would prepare the talking points for the President. My suggestion would be along the following lines:

1) Short opening remarks by the President and general discussion of the issues and why he has invited them. This would also include a brief review of his total energy package, but special emphasis on the natural gas problem.

2) The President would introduce you, and you would lead off the FEA presentation, which would be a briefing conducted by you and members of your staff, similar to the one recently presented by Eric Zausner to the President. Reference should be made to homeowner and industrial impact indicating the effect on the job market.

3) This perhaps might be followed by a five minute presentation by Rog Morton who would turn the meeting back to the President.

4) The President then makes a call for action, and, in effect, to get the show on the road.

5) Ideally, 40 to 45 minutes should have elapsed, and this will lead to two types of discussion during the remainder of the meeting.

6) This discussion will take two forms:

   a. Short statements by each of the Governors and/or

   b. Question and answer period on the problems and solutions.

7) The last five minutes will be a Presidential summary of the situation, stating the consensus we hope to reach and setting out commitments and individual responsibilities.

If you have some suggestions of what you would like to get out of this meeting in the way of ad hoc task groups, etc., you might wish to perhaps incorporate them in the talking points. In this regard, I suggest that several of us get together Monday, August 25 to review just where things stand on the meeting.

JOM:cb

THE WHITE HOUSE

WASHINGTON

SCHEDULE PROPOSAL
DATE: August 12, 1975
FROM: Jack Marsh

MEETING: Ten Governors' States involved in natural gas shortage

DATE: To be determined between August 26 and September 2

PURPOSE:
1) To explain to the Governors the dimensions of the natural gas problem and the reasons for the shortage.

2) To outline the recommendations of the Administration to try and address the problem.

FORMAT: Cabinet Room

PARTICIPANTS: List of participants attached

DURATION: One hour planned with 30 minute buffer

REMARKS: Talking points to be supplied

PRESS COVERAGE: Press photo opportunity

STAFF: Frank Zarb
Rog Morton
FEA deputies

RECOMMEND: Jack Marsh
Frank Zarb

PREVIOUS PARTICIPATION: None

BACKGROUND:
1) Impending natural gas shortage will impact drastically on ten states. It is essential to focus attention on this problem in order that the area affected can be forwarned, and secondly, to develop those programs that will help alleviate to the extent possible the problem.

2) The natural gas question is an integral part of the President's program, and is presently being considered by the Congress. House and Senate Members

of the affected States have a vested interest in their States, and how they will be affected.

3) The Governors will have direct responsibility and can provide leadership to their citizens and to industry.

4) After brief introductory remarks to outline the dimensions of the problem and thank the Governors for their attendance, a briefing will be conducted by Representatives of FEA. This will be followed by a discussion.

PARTICIPANTS:

The President
The Vice President
The Honorable Hugh L. Carey (NY)
The Honorable Brendan T. Byrne (NJ)
The Honorable Milton J. Shapp (PA)
The Honorable James A. Rhodes (OH)
The Honorable Christopher S. Bond (MO)
The Honorable James E. Holshouser (NC)
The Honorable James B. Edwards (SC)
The Honorable Marvin Mandel (MD)
The Honorable Mills E. Godwin, Jr. (Virginia)
The Honorable Robert D. Ray (IO)
The Honorable C. B. Rogers Morton
Mr. James T. Lynn
Mr. James J. Cannon, III
Mr. James H. Falk
Mr. Donald Rumsfeld
Mr. Frank Zarb
Mr. Robert T. Hartmann
Mr. Philip W. Buchen
Mr. John O. Marsh, Jr.
Mr. Alan Greenspan
Mr. William Seidman
Mr. Ronald Nessen
Mr. William J. Baroody, Jr.
Mr. Eric Zausner
Mr. Robert Wolthuis
Mr. Rod M. Hills
Mr. John Hill
Mr. Richard B. Cheney

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2) The natural gas question is an integral part of the President's program, and is presently being considered by the Congress. House and Senate Members

of the affected States have a vested interest in their States, and how they will be affected.

3) The Governors will have direct responsibility and can provide leadership to their citizens and to industry.

4) After brief introductory remarks to outline the dimensions of the problem and thank the Governors for their attendance, a briefing will be conducted by Representatives of FEA. This will be followed by a discussion.

PARTICIPANTS:

The President
The Vice President
The Honorable Hugh L. Carey (NY)
The Honorable Brendan T. Byrne (NJ)
The Honorable Milton J. Shapp (PA)
The Honorable James A. Rhodes (OH)
The Honorable Christopher S. Bond (MO)
The Honorable James E. Holshouser (NC)
The Honorable James B. Edwards (SC)
The Honorable Marvin Mandel (MD)
The Honorable Mills E. Godwin, Jr. (Virginia)
The Honorable Robert D. Ray (IO)
The Honorable C. B. Rogers Morton
Mr. James T. Lynn
Mr. James J. Cannon, III
Mr. James H. Falk
Mr. Donald Rumsfeld
Mr. Frank Zarb
Mr. Robert T. Hartmann
Mr. Philip W. Buchen
Mr. John O. Marsh, Jr.
Mr. Alan Greenspan
Mr. William Seidman
Mr. Ronald Nessen
Mr. William J. Baroody, Jr.
Mr. Eric Zausner
Mr. Robert Wolthuis
Mr. Rod M. Hills
Mr. John Hill
Mr. Richard B. Cheney

August 15, 1975

MEMORANDUM TO: FRANK ZARB

FROM: JACK MARSH

Frank, you may wish to follow up on this with Jerry Jones. I have the Schedule request in.

JOM:cb

THE WHITE HOUSE

WASHINGTON

August 15, 1975

MEMORANDUM TO: JERRY JONES

FROM: JACK MARSH

Just touching base on the schedule proposal on the ten Governors on the natural gas problem. I have asked Frank Zarb and his people to follow up on this.

cc: FZarb
BWolthuis

OFFICE OF COMMUNICATIONS AND PUBLIC AFFAIRS

August 29, 1975

Possible Questions for Mr. Zarb for Face the Nation, Sunday, August 31

1. What is the President going to do about the anticipated natural gas curtailments this winter? What will FEA recommend that he do?

2. How did we get here on the natural gas crisis?

3. Why is the Administration opposed to allocation of natural gas? Has the Administration come out and said it is opposed to allocation of natural gas?

4. The Governors charge that the Federal Government has known about this problem for 6 years. How come we are waiting until it is a crisis situation?

5. How much more is natural gas going to cost this year than it did last year for the homeowner?

6. What can the President do now to alleviate the natural gas shortage this winter?

7. Are you thinking about emergency power for the President to have authority to intervene in case of serious shortage situations, another embargo?

8. What are we going to do about the problem of propane for the rural areas?

9. Will we have shortages of propane that will affect the food supply?

10. Is the Administration considering recommending to Congress continued controls on propane allocation?

11. Is there a realistic threat to crops from a propane shortage?

12. There have been reports that Senator Mansfield has been meeting with the President in recent days. Is there a possibility of working out an 11th hour compromise on oil decontrol?

13. Are you going to become Secretary of the Interior or the White House Chief of Staff?

14. What about Mobil Oil's statement in support of phased decontrol? Does this represent a crack in the traditional solid front of the oil industry?

15. What happens if price controls expire and then Congress overrides the veto? What will be the effect of the gap in price controls until they are reinstituted? Will the government still have any authority during that gap?

16. What happens to FEA with the lifting of price controls? Does it go out of business?

17. Since August, 1970, in your estimation, what have price controls done to or for the country?

18. What have price controls done to or for the oil industry?

19. With the lifting of price controls, what happens to the exhorbitant oil company profits? What steps are being taken to bring them in line?

20. Is the Administration going to ask for allocation of natural gas next year?

21. RE The Energy Resources Development Corporation proposal. What do you think about it? What do you think about the proposal specifically or the concept in general?

22. How big do you think the OPEC price rise will be?

23. Could you explain to us what FEA does as opposed to what ERDA does?

24. Is there any chance that a strip mining bill as it concerns reclamation may be presented to the Congress this term?

25. What was accomplished with the President's meeting with the Governors last week (since some came away unconvinced and denounced your program after the meeting)?

26. Governor Shapp last week said that he still didn't know whether the energy shortage is real or contrived. How to you respond to that?

27. Governor Shapp also called for a White House investigation of the gas industry. Will the White House undertake one?

28. What is the chance of another embargo?

29. What is our supply position in the event of another embargo compared to the last one?

30. Do you confirm John Hill's statement that the price of gasoline will not exceed 65¢ a gallon?

31. What would be the overall economic impact of an embargo?

32. Would decontrol have any immediate assistance in mitigating the effects of an embargo?

33. What steps would you have to take in the event of another embargo?

34. Why can't the Administration decide what it wants to do economically and get the various agencies together?

35. Are the Administration's monetary policies consistent with its energy policies?

36. Do you have disarray in your agency as witnessed the sloppy way your natural gas policy is being formed, as reported in the Evans & Novak column last week?

37. FEA issued a report last week with figures indicating that a total of some 6.4 million people's jobs might be affected nationwide by the natural gas shortage. What is the Administration going to do to alleviate this tragic situation?

38. What would be the impact of the gas shortage on heating homes?

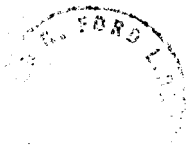
39. To what degree can industry shift from gas to other fuels? What is FEA doing to encourage that?

40. Is gasoline going to be 90¢ by the end of the year?

41. To what degree is conservation working? How much less gasoline or oil are we using this year than last year?

42. What will be the effect of decontrol on the independent refiner and marketer?

43. Will the Administration allow independents to be run out of business?



44. Why doesn't the Federal Government crack down on Detroit?

45. Why is the thrust of the Administration's conservation program mostly voluntary rather than mandatory? When will it crack down and "bite the bullet"?

46. In view of the very serious problems that have been troubling many cities, how can you in good conscience continue to support weakening and delay in the Clean Air laws?

47. Is FEA still attempting to get electric utilities to switch to coal and will the coal be available?

48. Do you project shortages of any other fuels besides natural gas, and do you project enough availability of alternate fuels to make up for the lack of natural gas?

49. How serious, in your view, are the wildcat strikes in the coal fields and how much longer are you going to let it go on before you intervene?

August 29, 1975

MEMORANDUM TO: DON RUMSFELD

FROM: JACK MARSH

In the meeting that the President had with the Governors concerning the natural gas situation, one of the subjects that came up most frequently related to the federal research program in the field of energy, particularly oil shale.

In response to these comments the President indicated that he would get into this matter, and ascertain what the situation was, thereby, indicating at least interest in a strong oil shale research program.

I pass this on for whatever follow-up you deem appropriate.

JOM:cb

energy

September 4, 1975

MEMORANDUM FOR: RUSS ROURKE

FROM: JACK MARSH

Get Bob Wolthuis to get FEA to furnish the fact sheets that were used in briefing the Governors on the natural gas shortage last week and have him get them to John Rhodes and Bud Brown. Frank Zarb told me he would make them available to them.

In this regard, tell Wolthuis to use his own discretion in seeing that it gets to other energy leaders who would like to have this type of information. This should be House and Senate leaders on both sides of the aisle.

JOM/dl

M

EXECUTIVE SUMMARY

THE SHORTAGE

- The natural gas shortage has been growing rapidly.
  - ° In 1970, curtailments were 0.1 Tcf or less than 1 percent of consumption. Last year curtailments were up to 2.0 Tcf or 10% of total demand.
  - ° For 1975 they are forecast to increase by 45% to 2.9 Tcf (about 15 percent of demand).
- The shortage is most severe in the winter.
  - ° This winter curtailments will be 1.3 Tcf, up from 1.0 Tcf last winter. This lower than expected increase is due to the lag in demand growth as the economy begins its upswing.
  - ° A very cold winter (once every 10 years) would raise the shortage to about 1.45 Tcf.
- Even with natural gas deregulation, which is the greatest potential policy solution, shortages can be expected to grow in each succeeding winter for several years and could approach 1.9 Tcf in the 1976/77 heating season.

ECONOMIC IMPACT THIS WINTER

- Because of the economic slowdown and much higher prices, no shortage and possibly a surplus exists in the intrastate markets, primarily Louisiana, Texas, and Oklahoma.
- Economic impacts last winter were very scattered and not significant nationwide. This was due to:
  - ° Alternate fuels were available and many gas consumers switched to propane and oil.
  - ° The economic slowdown and mild weather reduced demand.
  - ° Conservation programs were implemented in some local areas.
  - ° Some emergency natural gas deliveries were allowed under existing FPC authorities.

- To the extent there were economic impacts, they were localized mainly in eastern and midwestern states.

- This coming winter the shortage will increase by about 0.3 Tcf and this increment is probably the most accurate measure of economic impact.

- This shortage is likely to be focused in about 10-15 states including the mid-Atlantic coast (from New York to South Carolina), and others such as Ohio, West Virginia, Pennsylvania, and Kentucky.

    ° The potential economic impact is concentrated in these states because the particular pipelines in these areas are the most short of supply and because of a higher concentration of industrial use in some of these areas.

    ° Local communities within these states are likely to feel an even greater impact where a factory, which is a major employer, may be forced to shut down or reduce output.

- The economic impact could be magnified many fold by a concurrent Arab embargo, as alternate fuels would be unavailable.

NEXT STEPS

- The President will announce his decisions on policy actions to mitigate the shortage within the next few weeks.

- FEA has made available to the States its preliminary assessment of the natural gas shortage. In about a month, the FEA will produce and make available the first results from its more sophisticated and continuous data and forecasting systems before the start of the heating season. These systems will assess the size of the shortage for each major distributor of gas in the country, each end user's alternate fuel capability and will forecast the shortage regionally based upon economic and weather conditions.

TAB 1

THE NATURAL GAS SHORTAGE:
A PRELIMINARY REPORT

AUGUST, 1975

FEDERAL ENERGY ADMINISTRATION
OFFICE OF POLICY & ANALYSIS

THE NATURAL GAS SHORTAGE

Introduction

In May, President Ford directed the Energy Resources Council to assess the magnitude and possible impacts of this winter's natural gas shortage and to recommend policy actions to deal with the shortage.

This report, coordinated by the FEA, is a preliminary assessment of the natural gas problem and its impacts. Final policy recommendations will be issued shortly and a complete monitoring, forecasting, and data system will be operational before the start of the heating season.

Natural Gas Trends

The natural gas shortage has been growing at a rapid rate in recent years. Demand for natural gas has steadily increased because of its clean-burning properties, low-cost, and until recently, accessibility. After World War II, the availability of abundant supplies of natural gas -- most of it found in the search for oil -- and improved quality of pipe for high-pressure, long-distance delivery enabled the gas utility industry to expand rapidly and widely. Marketed gas production increased from four trillion cubic feet (Tcf), in 1946, to eight Tcf by 1952 and continued to grow at a 6.5 percent average annual rate in the 1950's and 1960's (see Figure 1 for natural gas trends).

Natural gas production peaked in 1973 at 22.5 Tcf and declined significantly for the first time in 1974 to 21.2 Tcf, a decline of almost 6 percent. Last year's production decline is equivalent to over 230 million barrels of crude oil. Reserve additions failed to equal or exceed production for the seventh straight year and gas reserves in the lower 48 states are now at their lowest level since 1952. The only major reserve additions in recent years has been the Alaskan reserves of 26 Tcf added in 1970 (see Figure 2 for reserve and production trends).

The U.S. natural gas system is composed of producers, interstate and intrastate pipelines, distributors, and end-users (see Figure 3). Interstate pipelines supply about two-thirds of the approximately 20 trillion cubic feet (Tcf) consumed annually in the U.S. Domestic production is concentrated in six states (Texas, Louisiana, Oklahoma, California, New Mexico, and Kansas), with most of this production in Texas and Louisiana. Consequently, most of the intrastate pipelines are found in these states.

Growth in U.S. Natural Gas Consumption 1920 - 1974

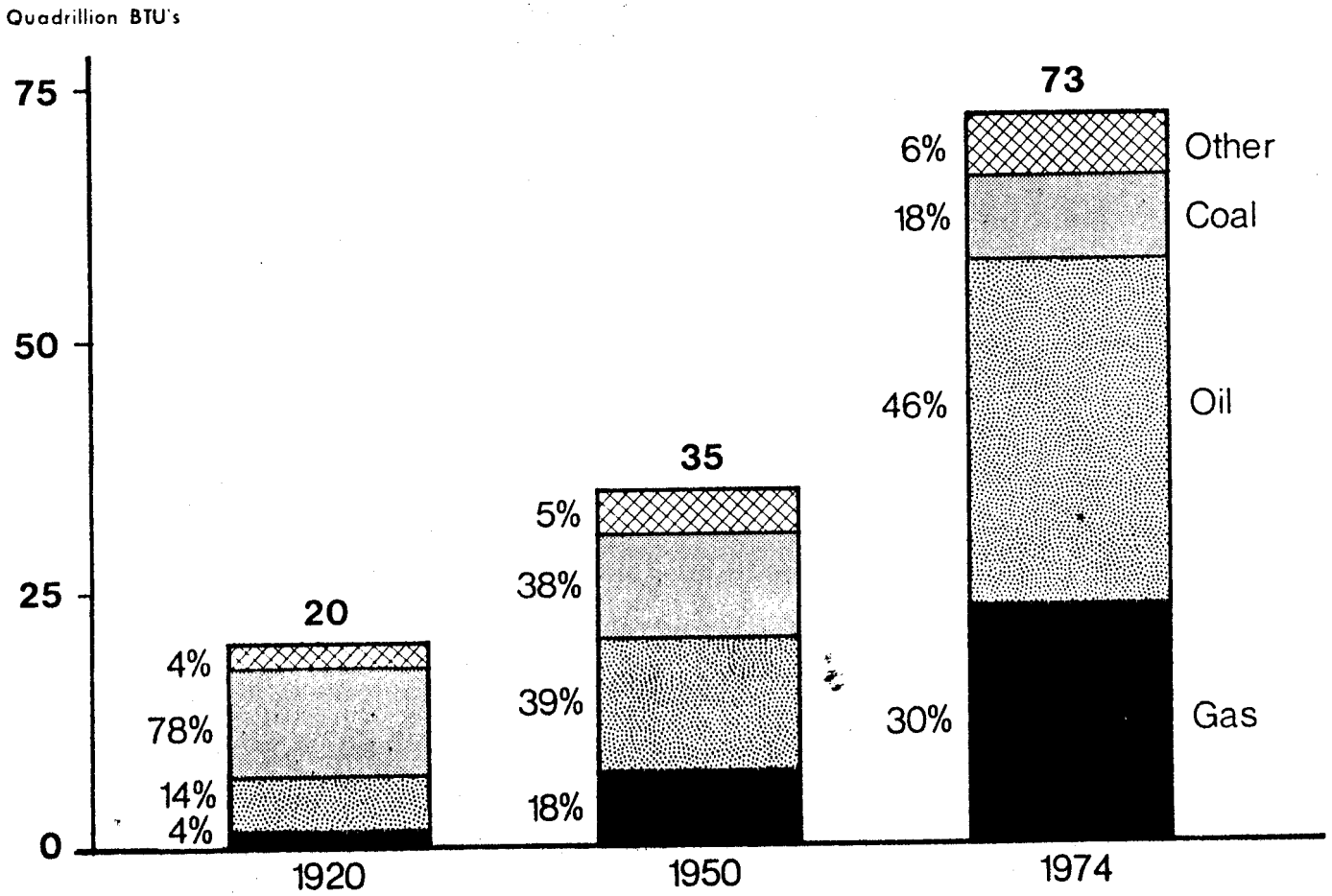


FIGURE 1

U.S. Natural Gas Reserves (Excluding Alaska)

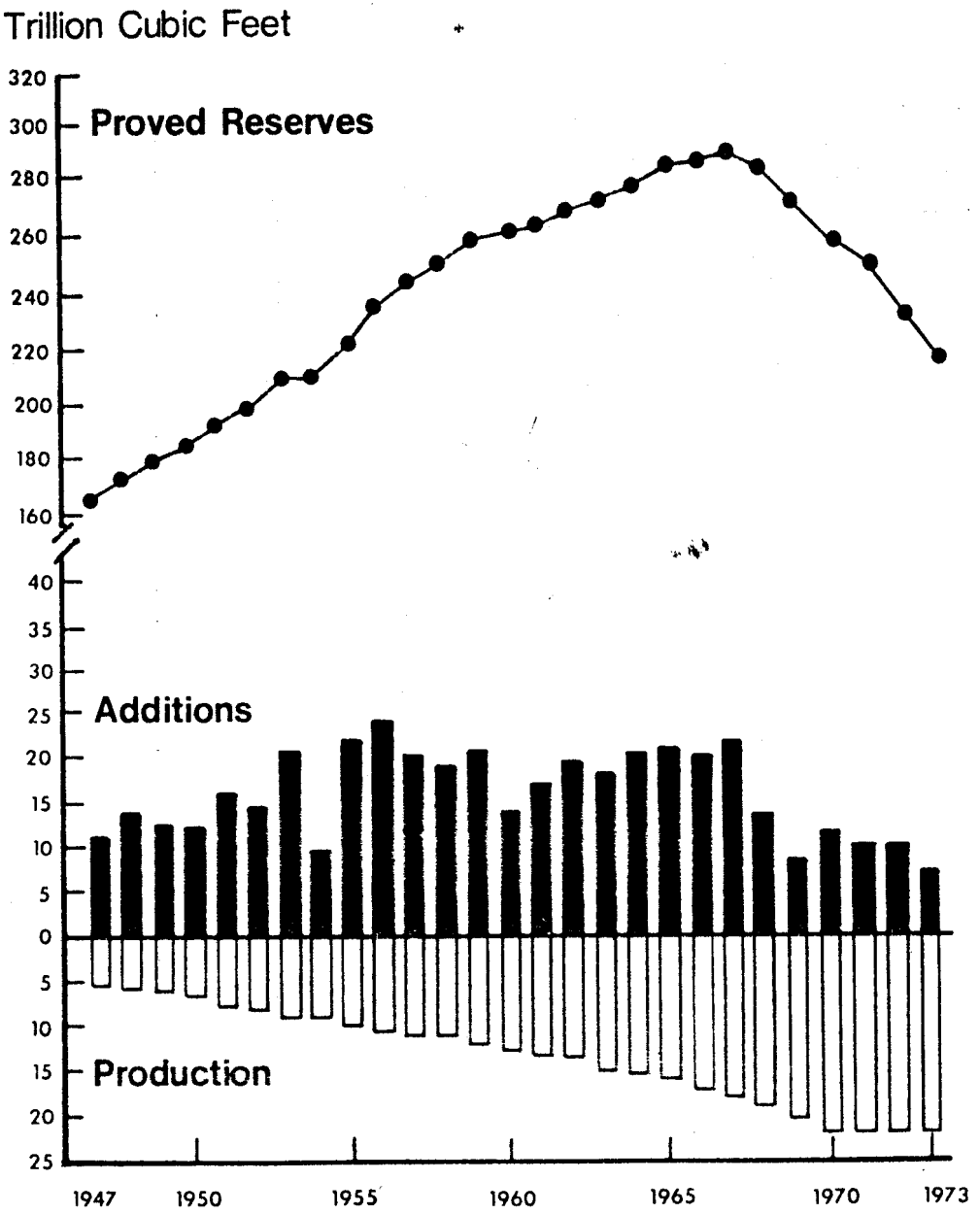


FIGURE 2

Overview — U.S. Natural Gas System [Bcf]

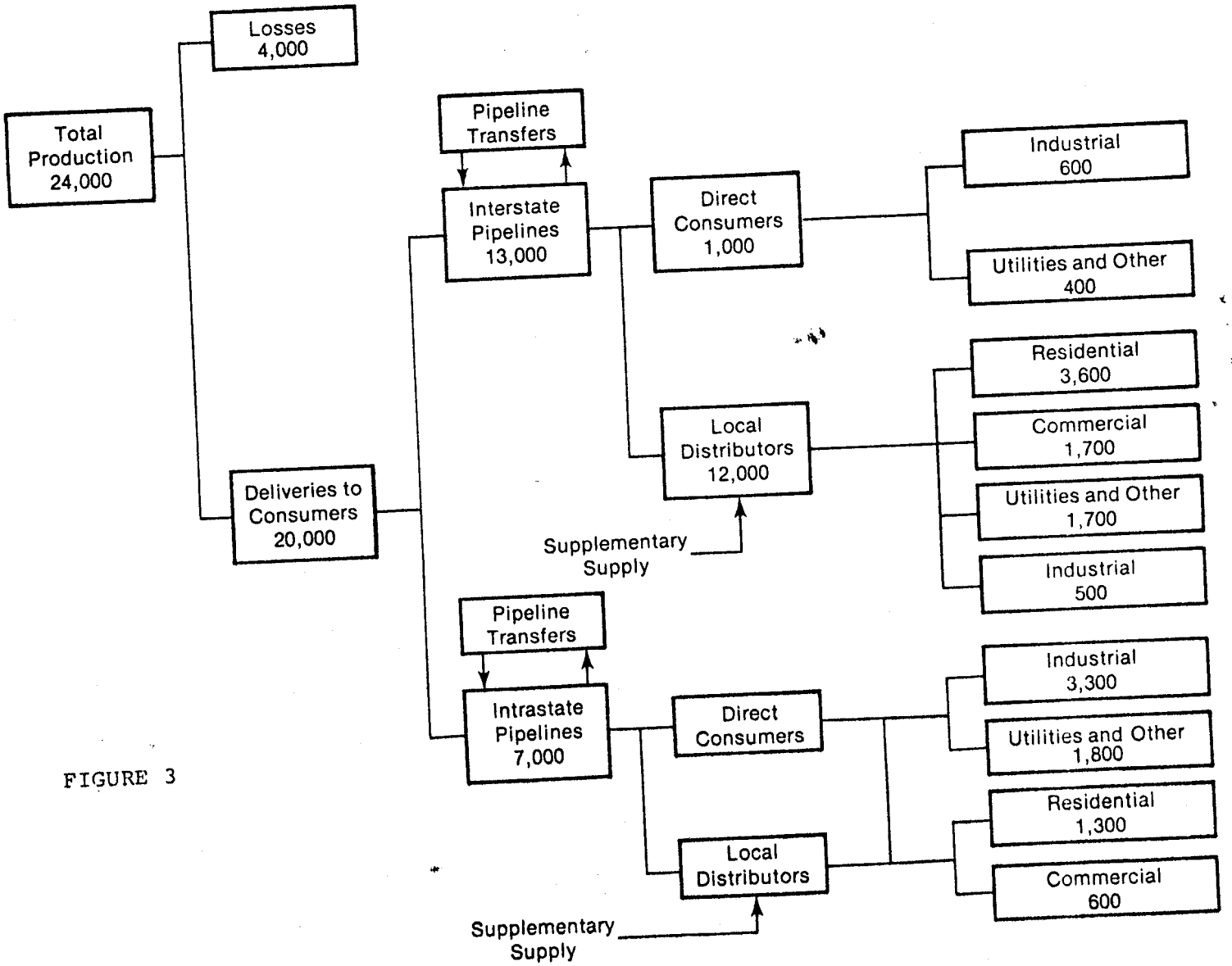


FIGURE 3

Natural gas now represents about one-third of the total energy consumed by the Nation and almost one-half of the non-transportation uses -- an amount twice that supplied by either oil or coal. It is consumed by over 40 million residences, 3.4 million commercial establishments, and over 200,000 industrial users.

Natural gas is predominantly consumed by industry, as indicated below:

residential use	24.5%
commercial use	11.6%
industrial use	46.2%
electric power	16.5%
other	1.2%

Most of the residential use of natural gas is for space heating (over 70 percent) and water heaters (about 20 percent). The largest industrial gas users are chemical and allied products (about 24 percent), petroleum and coal products (16 percent), and primary metal industries (about 13 percent). Almost 40 percent (about 3.5 Tcf) of the industrial gas use is as a boiler fuel in the chemical, petroleum, food, and paper industries. Gas consumption plays an important role as a feedstock and process fuel in the manufacture of ammonia, fertilizer, and methanol.

The greatest percentage of natural gas use occurs in the West South Central census region (Texas, Louisiana, Oklahoma, and Arkansas), which consumes over 30 percent of the natural gas used and which also accounts for more than 50 percent of gas used in electric utilities. The smallest use of natural gas occurs in New England, which uses less than 2 percent of the gas. Boiler fuel gas use remains over 1/3 of the gas market and is substantial in the West South Central and Mountain States where intrastate gas is more plentiful. (See Figure 4 for the distribution of natural gas consumption in each region.)

Regional Distribution of Natural Gas Consumption, 1974

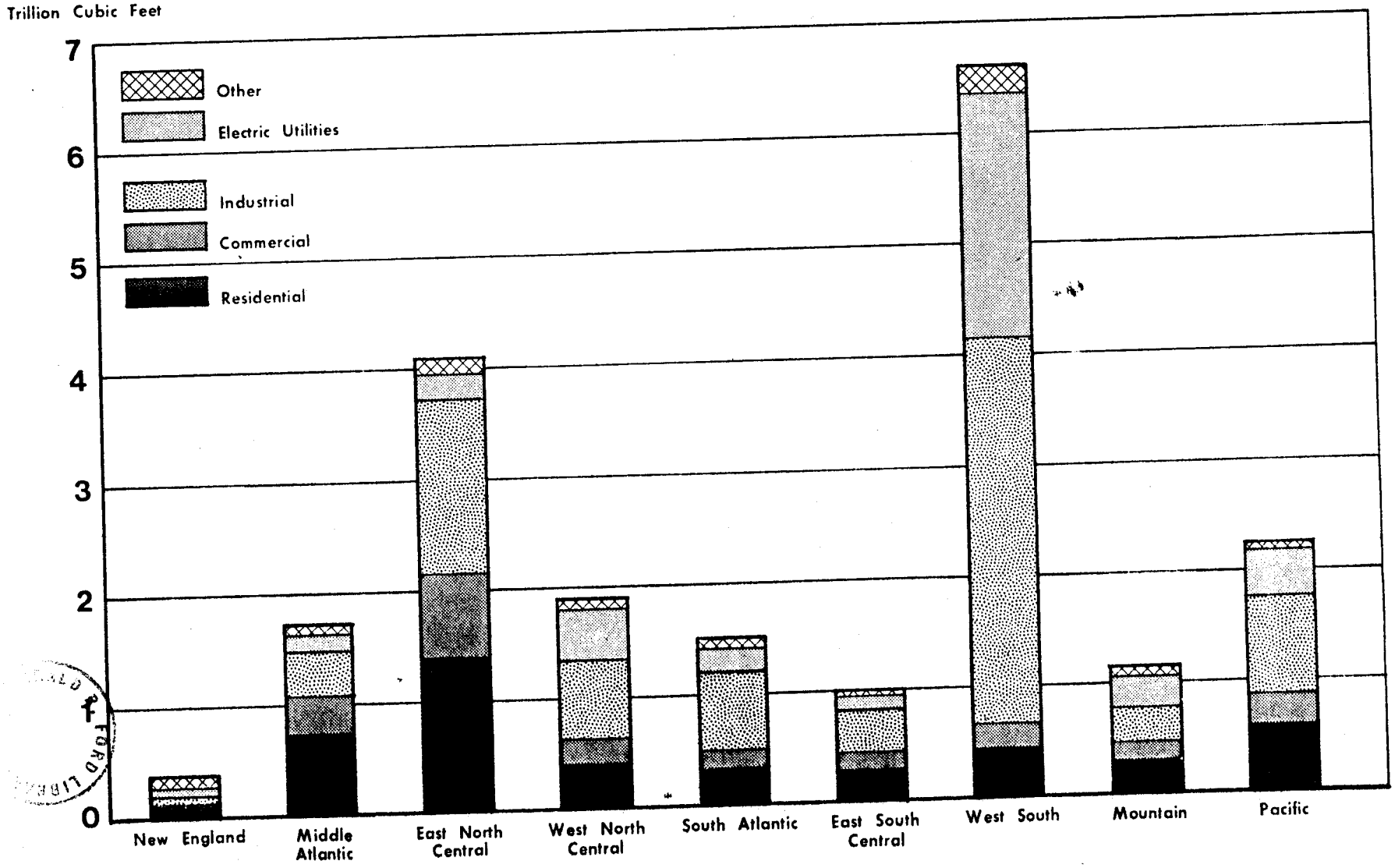


FIGURE 4

The Growing Shortage

In the 1970's, the demand for gas has exceeded its supply. Many gas distribution companies have found it necessary to deny gas service to new customers and to curtail some customers. Additionally, the Federal Power Commission has set priorities on gas use (see Table 1 for priority list). The highest priority users -- residential and small commercial customers and industrial use for plant protection, feedstock, and process needs -- are the last to be curtailed in times of shortage.

Curtailments (generally defined as requirements less deliveries) grew from 0.1 trillion cubic feet (Tcf) in the 1970/71 season (April-March) to 2.0 Tcf in 1974/75, as shown below:

TABLE 2
CURTAILMENT TRENDS

Year (April-March)	Annual Firm 1/ Curtailments (Tcf)	Heating Season (Nov.-Mar.) Curtailments (Tcf)
1970/71	0.1	0.1
1971/72	0.5	0.2
1972/73	1.1	0.5
1973/74	1.6	0.6
1974/75	2.0	1.0
1975/76 (expected)	2.9	1.3
1976/77 (forecast)	4.0	about 1.9

1/ Pipeline to pipeline curtailments not included in 1974-1976 data.

While firm natural gas requirements of 9.0 Tcf are projected for the winter heating season (November 1975 to March 1976), the firm curtailments of 1.3 Tcf exceed last year's curtailments during the same period by 30%. Corresponding figures for the year (April - March) indicate curtailments of 2.9 Tcf, which is 45 percent worse than last year.

For many years, interstate and intrastate gas sold at about the same price. Within the last ten years, intrastate prices have increased more quickly than the regulated interstate prices and this has led to a change in the share of the market held by interstate and intrastate distributors (market share has shifted about 5 percent since 1970). Since the intrastate gas can be sold at higher prices, more exploration has been occurring in the intrastate area. In fact, in the last five years over 90 percent of the reserve additions have been in the intrastate area; whereas in the preceding five years only one-third of reserve additions were intrastate (see Figure 5).

TABLE 1

Federal Power Commission
Natural Gas Curtailment Priorities

1. Residential, small commercial (less than 50 MCF on a peak day) .

2. Large commercial requirements (50 MCF or more on a peak day), firm industrial requirements for plant protection, feedstock and process needs, and pipeline customer storage injection requirements.

3. All industrial requirements not specified in 2, 4, 5, 6, 7, 8, or 9.

4-5. Firm industrial requirements for boiler fuel use where alternate fuel capabilities can meet such requirements.

6-9. Interruptible requirements where alternate fuel capabilities can meet such requirements.

Average Annual Net Reserve Additions to Interstate and Intrastate Pipelines

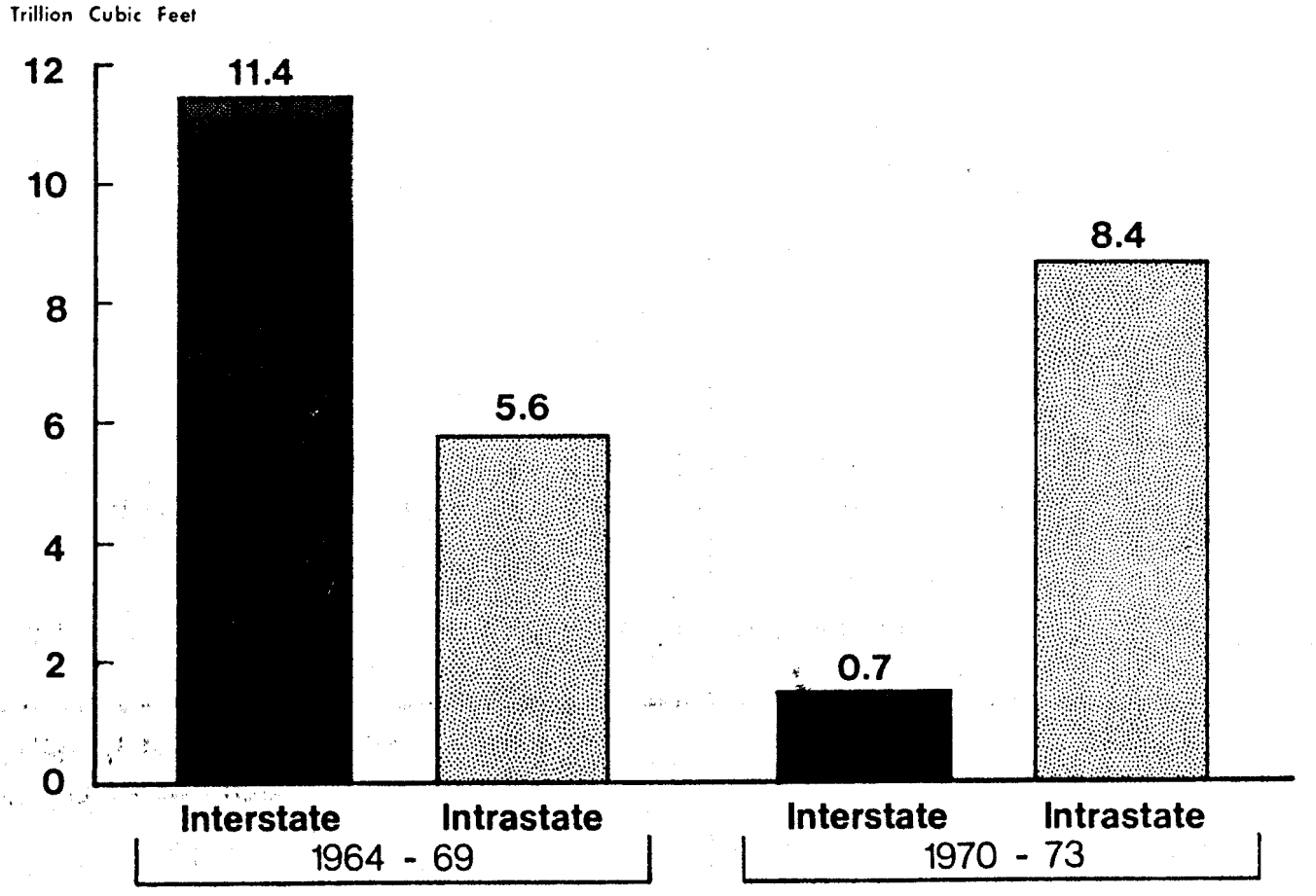


FIGURE 5

Pipelines are not only linked to specific fields, but are linked to specific distribution areas as well. Of the 48 interstate pipeline companies reporting, five major interstate pipelines represent nearly 80% of the volume of projected curtailments and less than half the total requirements. These pipelines are: Columbia Gas Transmission Corp.; El Paso Natural Gas Co.; Texas Eastern Transmission Co.; United Gas Pipeline Co.; and Transcontinental Gas Pipeline Corp. As indicated in Table 3, each of these pipelines projects curtailments to exceed firm requirements by more than 20 percent; but others such as Consolidated Gas Supply, Michigan-Wisconsin Pipeline, and Natural Gas Pipeline have very small curtailments. The map shown in Figure 6 indicates that a few key pipelines experiencing substantial curtailments serve the most affected states.

Thus, natural gas shortages are distributed unevenly. Within one region or state, some areas may have adequate supplies while other areas are being severely curtailed, because the shortage depends upon a particular pipeline's supply situation.

While natural gas deregulation is a major remedy for the problem, shortages are expected to grow in each succeeding winter for the next several years, although at a much slower rate than without deregulation.

Last year's shortage was also felt in the intrastate market and curtailments were experienced in several producing states (e.g., Louisiana). In the last year, however, the increase in intrastate prices, economic slowdown, reduced refinery runs (many refineries use natural gas as fuel) and conservation have relieved the intrastate shortage and probably resulted in a temporary surplus.

While curtailments are normally used to measure the shortage, the most appropriate and consistent measure of the problem we face this year is the reduction in deliveries this year over last, plus any increase in demand. Curtailments, which are generally requirements less delivery, are defined differently by different pipelines and thus there may not be a uniform description of the problem within the same state. Deliveries are expected to decline this winter by about 350 billion cubic feet (Bcf), but demand is also expected to decline. Even assuming a normal winter the economic recovery will not be rapid enough to increase natural gas demand over last winter. With a normal winter, demand will be about 125 Bcf less than last winter; with a cold winter, it will be about level. Thus, the incremental shortage in this heating season over last year will be between 225-375 Bcf.

TABLE 3

Firm Requirements and Deficiencies for Ten Largest Interstate Pipelines

	'75 – '76 Projected			'74 – '75 Actual
	Firm Requirements [Bcf]	Deficiency	Percent Deficient	Percent Deficient
Columbia	849	235	28	21
United	710	320	45	39
El Paso	606	148	24	17
Tenneco	592	70	12	14
Natural Gas Pipeline	527	0	0	0
Michigan-Wisconsin	505	17	3	0
Transco	497	180	36	26
Texas Eastern	501	117	23	20
Consolidated	432	19	4	3
Panhandle Eastern	361	86	24	16

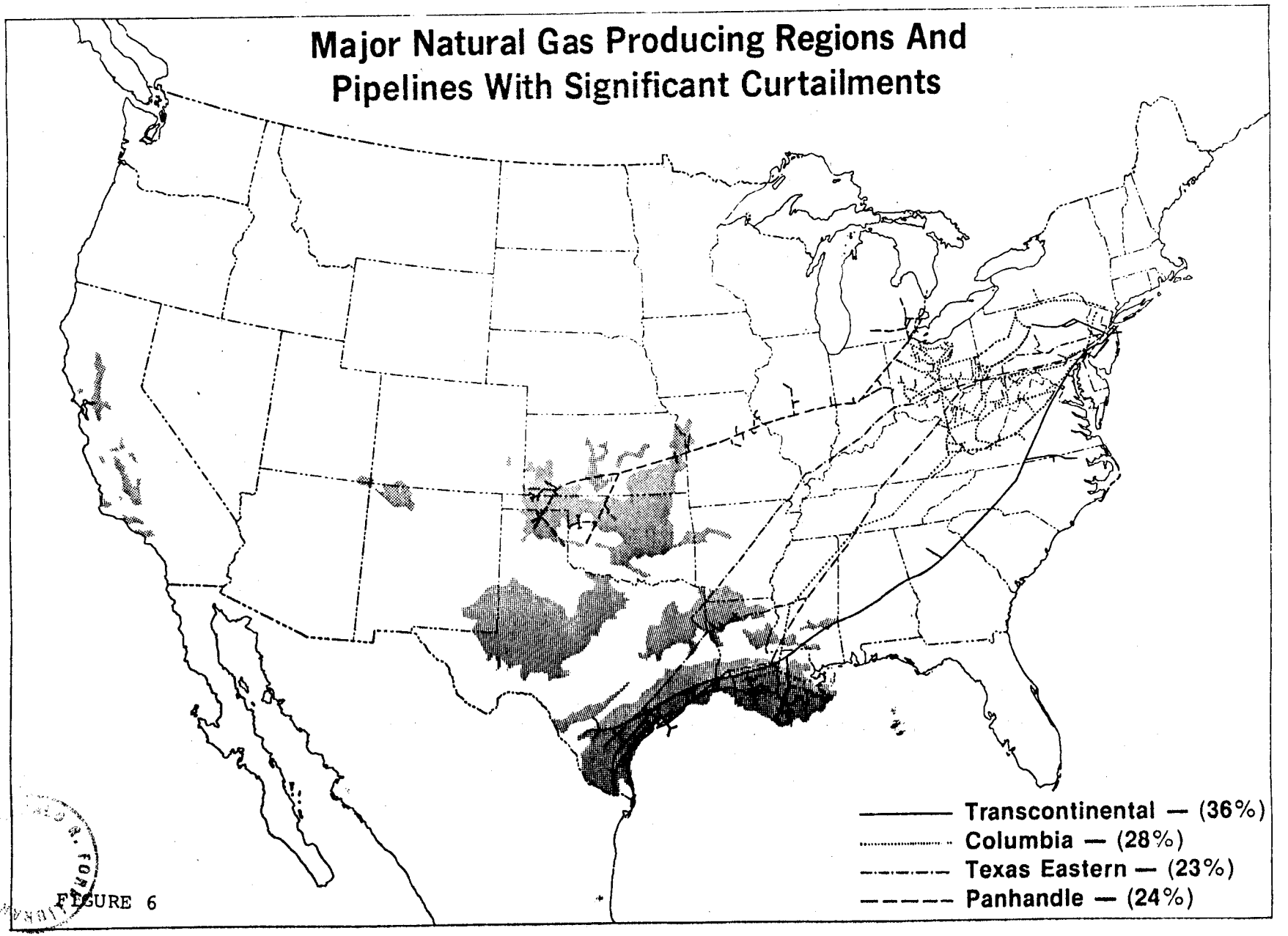

Major Natural Gas Producing Regions And
Pipelines With Significant Curtailments
Transcontinental — (36%)
Columbia — (28%)
Texas Eastern — (23%)
Panhandle — (24%)

FIGURE 6

Economic Impact

Last year, very little unemployment and few plant shutdowns occurred as a result of natural gas unavailability. Most plant closings occurred because of the recession and many shutdowns were avoided by availability of alternate fuels (propane, butane, distillate or residual oil), emergency diversion of natural gas, mild weather or conservation. There were scattered examples of plant closings during the heating season in Virginia, North Carolina, New Jersey and other states, but in general, almost everybody was able to squeak through.

This year's economic impact of natural gas curtailments will depend upon several major factors: the heating demand by residential and commercial customers which is a function of the temperature; the extent to which industrial activity for natural gas has recovered from the economic downturn; the ability of industry to use alternate fuels and remain competitive despite higher energy costs; the availability and cost of alternate fuels; and the extent of the supply deficits.

The areas likely to experience the greatest economic impact this winter are the mid-Atlantic states stretching from southern New York to South Carolina and several midwestern states, such as Ohio, West Virginia, and Kentucky. Others such as Missouri and Iowa could have spot shortage problems and California, which used over 1.5 Tcf last year could also experience some impacts.

In North Carolina, which is probably the most severely impacted state and is served primarily by the heavily curtailed Transcontinental Pipeline Co. (Transco), it is estimated that about 96 percent of total industrial demand will not be met. Almost 20 percent of these firms have no capability to convert to alternate fuels and others cannot afford to do so. The textile, chemical, and glass industries are particularly large users of natural gas and need gas to maintain the quality of their products. In New Jersey, which is also heavily curtailed by Transco, the northern part of the state is relatively free of curtailments, while southern New Jersey's chemical industries may be affected. Ohio's industrial curtailments could reach 60 percent, but most impacts will be experienced by smaller stone, clay, and glass industries in the central part of the state. Even in states that are not as short of gas, such as Indiana, a utility serving 50 small towns each with only one industry may have to shut down one-third of these plants. In New York, the Southern part of the State will experience considerably reduced deliveries, while the Northern and Western areas will see increased or level deliveries (see Figure 7).

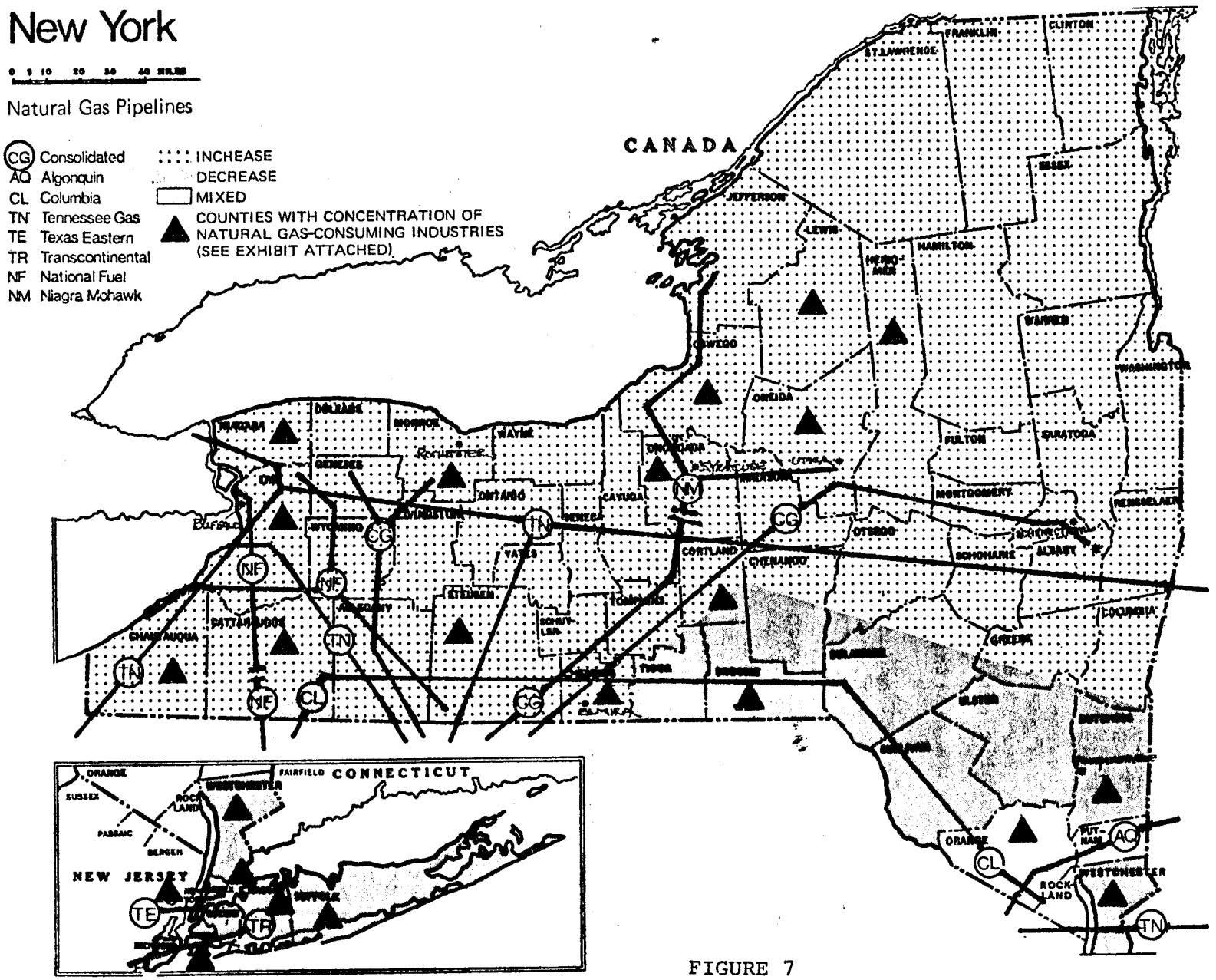

New York
Natural Gas Pipelines
CG Consolidated
AQ Algonquin
CL Columbia
TN Tennessee Gas
TE Texas Eastern
TR Transcontinental
NF National Fuel
NM Niagra Mohawk
INCREASE
DECREASE
MIXED
COUNTIES WITH CONCENTRATION OF NATURAL GAS-CONSUMING INDUSTRIES (SEE EXHIBIT ATTACHED)
CANADA
CONNECTICUT
NEW JERSEY

FIGURE 7

In some communities the impacts could be especially severe. In Danville, Virginia last year, concerted action by local government officials, industry, and residential gas users avoided the shutdown of four major manufacturing plants (Dan River Textiles, Corning Glass Works, Goodyear Tire and Rubber's largest truck and airplane tire facility, and U.S. Gypsum) employing over 10,000 of the area's 50,000 residents. A massive public education media campaign and conversions to alternate fuels by a local hospital saved almost 15 percent of the city's heating requirements in about half the winter.

Since residential and commercial users receive first priority under Federal Power Commission guidelines, natural gas curtailments generally affect industry most. In particular, industries which cannot switch to alternate fuels or are not prepared to switch (such as chemicals, motor vehicle parts, textiles, fertilizer, and glass) may experience considerable impacts. Even when alternate fuels are available, their use will increase costs and will put some companies at a competitive disadvantage with companies in other states that are not experiencing curtailments.

To evaluate the impact for each state, FEA examined the data supplied to the FPC by the major pipelines to determine their levels of shortage and to ascertain the specific areas to which they delivered gas. As indicated in Table 4, the reductions in deliveries are concentrated in about 14 states. In some of these states, the reduction in deliveries will be more than half the 1973 industrial gas consumption. Also, in some states, about one-third of industrial employment is in industries that use natural gas. Nevertheless, it should be recognized that availability of alternate fuels can substantially reduce the unemployment effects, but the accompanying higher priced fuel may result in economic problems. (See Tab 2 for a more detailed discussion of each of these states. A map showing the pipelines serving these states and counties where gas deliveries will increase or decrease is also attached.)

Next Steps

In the next several weeks, there will be the following key milestones:

- Within a few weeks, the President will announce his recommended administrative and legislative program to mitigate this year's shortage.

TABLE 4

Economic Impact in Most Affected States

State	Projected Reduction As % of 1974/75 Deliveries	Reduction As % of 1973 Industrial Gas-Consumption	State Employment In Gas Using Industry: As % of Total Employment	State Employment In Gas Using Industry: In Thousands
New Jersey	8%	41%	32%	717
Maryland	19	60	20	202
Virginia	20	50	9	116
North Carolina	29	41	33	552
South Carolina	12	20	29	227
Pennsylvania	8	17	23	854
Ohio	9	22	29	996
New York	(1)	(3)	21	1,249
Kentucky	4	11	28	196
West Virginia	16	26	19	77
Delaware	16	33	7	11
Missouri	10	31	18	249
Iowa	5	11	14	101
California	4	10	18	972

[ ] Indicates an increase

- By about the end of September, the permanent data and forecasting systems developed by FEA will be completed and operational. The data system will be updated quarterly and will contain a survey of over 1600 distributors and hundreds of thousands of end users of natural gas and will analyze the shortage and the ability to use alternate fuels. (See Tab 3 for a more detailed description of the data system.) The forecasting system will forecast quarterly natural gas supply and demand on a state by state basis and will be sensitive to changes in weather and economic activity.

September 13

THE WHITE HOUSE
WASHINGTON

TO: DON RUMSFELD

FROM: JOHN O. MARSH, JR.

_____For Direct Reply

_____For Draft Response

_____For Your Information

_____Please Advise

You might want to bring the attached to the President's attention.

THE WHITE HOUSE

WASHINGTON

September 13, 1975

MEMORANDUM FOR: JACK MARSH

FROM: WILLIAM T. KENDALL WTK

SUBJECT: Status of Natural Gas Bills in the Senate

FOR THE LONG RUN:

S. 692, the Natural Gas and Conservation Act, was reported out of the Commerce Committee and is opposed by the Administration because it would extend regulations to gas sold intra-state, create a myriad of complex and unworkable price rules and in general result in massive disruptions. Proposed amendments to this bill include the Fannin amendment which would totally deregulate natural gas. Most of us feel that this could not pass the Senate although we back it. The next amendment probably to be offered is the Pearson amendment which would deregulate on-shore and phase out off-shore gas. We back this as a fall-back position. Tunney also has an amendment which would deregulate on-shore but keep regulations on off-shore gas. This bill should come up next week.

FOR THE EMERGENCY:

S. 2310, sponsored by Senator Glenn, et al, would extend Federal controls to the intra-state market and establish Federal end-use controls of natural gas. We are violently opposed to this one. This bill is on the Senate calendar and can be called up by motion.

S. 2330, sponsored by Pearson is our bill which we strongly support. This bill covers all phases of the emergency in six titles, including the 180 day provision and propane distribution. This bill is on the Senate calendar and can be called up by motion.

cc: Max Friedersdorf

RED TAG

THE WHITE HOUSE

WASHINGTON

September 12, 1975

MEMORANDUM FOR: JACK MARSH

THROUGH: MAX FRIEDERSDORF M.F.

FROM: VERN LOEN VL

SUBJECT: Timetable for House action on Sinai agreement

Members of the House International Relations Committee have held two executive sessions as to the secret agreements entered into by Secretary Kissinger in connection with the Sinai accord. A third session with Undersecretary Sisco is scheduled for Wednesday morning, right after they vote out the Senate-passed Turkish Aid bill.

Because so many members of the Committee are attending the NATO Parliamentarians Conference departing next Thursday morning, it is doubtful that a concurrent or joint resolution will be reported by that time. Many members of the committee have serious reservations about the use of American civilian technicians and secret aspects of the agreement. These are being eased by Sisco's testimony, but it takes time.

It is my understanding that the President attaches a higher priority to the Turkish Aid matter, which is not expected to reach the House floor before September 30 because of the NATO Parliamentarians' trip. It is Bill Broomfield's hope that the Hawk missiles for Jordan and the Sinai agreement can be taken up on the House floor that same week. This, of course, is well after the deadline requested by Secretary Kissinger.

It would appear that the Senate will act first on the agreement. There is some sentiment in the House committee to look upon it as a treaty requiring Senate ratification. Also, there is bipartisan concern about the secret elements of the agreement. Many Members want to make public as much as possible of the entire agreement. They to not wish to be party to a secret agreement because of post-Vietnam fears.

cc: General Scowcroft
Les Janka

SEP 13 1975

THE WHITE HOUSE

WASHINGTON

DR HAS SEEN

September 13, 1975

MEMORANDUM FOR: JACK MARSH

FROM: WILLIAM T. KENDALL WTK

SUBJECT: Status of Natural Gas Bills in the Senate

FOR THE LONG RUN:

S. 692, the Natural Gas and Conservation Act, was reported out of the Commerce Committee and is opposed by the Administration because it would extend regulations to gas sold intra-state, create a myriad of complex and unworkable price rules and in general result in massive disruptions. Proposed amendments to this bill include the Fannin amendment which would totally deregulate natural gas. Most of us feel that this could not pass the Senate although we back it. The next amendment probably to be offered is the Pearson amendment which would deregulate on-shore and phase out off-shore gas. We back this as a fall-back position. Tunney also has an amendment which would deregulate on-shore but keep regulations on off-shore gas. This bill should come up next week.

FOR THE EMERGENCY:

S. 2310, sponsored by Senator Glenn, et al, would extend Federal controls to the intra-state market and establish Federal end-use controls of natural gas. We are violently opposed to this one. This bill is on the Senate calendar and can be called up by motion.

S. 2330, sponsored by Pearson is our bill which we strongly support. This bill covers all phases of the emergency in six titles, including the 180 day provision and propane distribution. This bill is on the Senate calendar and can be called up by motion.

cc: Max Friedersdorf

energy

November 18, 1975

MEMORANDUM FOR: ERIC ZAUSNER

FROM: JACK MARSH

You will recall back in August we discussed a slide presentation that would depict the natural gas shortages with special attention to the impact on certain states.

Where does this stand? Could I see this?

JOM/dl

DEC 3 1975

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

DEC 2 1975

DEPUTY ADMINISTRATOR

MEMORANDUM FOR JACK MARSH

FROM: ERIC ZAUSNER

SUBJECT: NATURAL GAS SLIDE PRESENTATION

The slide presentation on the natural gas shortage has been completed. I have some reservation, however, on its usefulness on the Hill at this point in time.

As you know, the Senate has already passed a bill incorporating provisions for handling both the curtailments problem this winter as well as long-term phased deregulation. This bill is now being debated in the House Interstate and Foreign Commerce Committee where we are running into ideological problems more than factual misunderstandings. However, if you think it would be useful I'll come over with it at your convenience.

November 18, 1975

MEMORANDUM FOR: ERIC ZAUSNER

FROM: JACK MARSH

You will recall back in August we discussed a slide presentation that would depict the natural gas shortages with special attention to the impact on certain states.

Where does this stand? Could I see this?

JOM/dl

JAN 26 1976

THE WHITE HOUSE

WASHINGTON

January 26, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JACK MARSH
FRANK ZARB

FROM: JIM CONNOR JEC

Confirming telephone message to Frank Zarb, the following notation was directed to you in the President's outbox:

> "Talked with Speaker Albert and he plans to bring up Gas Deregulation legislation the week of February 2."

Because of the above development, the Recommended Telephone Call to Speaker Albert dated today by Frank Zarb is returned to him.

cc: Dick Cheney

Meeting tomorrow — regard to 11 after

February 23, 1976

Dear Mr. Lenker:

Many thanks for your kind letter regarding our recent efforts to secure passage of gas deregulation legislation to ensure adequate supplies of natural gas for reasonable prices.

Your support for the President's position is genuinely appreciated.

With kind regard.

Sincerely,

Max L. Friedersdorf
Assistant to the President

Mr. W. F. Lenker
Republican National Committee
Member for South Dakota
227 West 9th Street
Sioux Falls, South Dakota 57102

MLF:nk

bcc: Jack Marsh w/incoming - dispatched

Republican
National
Committee.

FEB 23 1976

William F. Lenker
Member for South Dakota
227 West Ninth Street
Sioux Falls, South Dakota 57102
(605) 336-2414

Febr. 20, 1976

Mr. Max Friedersdorf
Assistant To The President
White House, Washington, D. C.

Dear Mr. Friedersdorf:

We were all sorry about the adverse publicity that was generated by our freshman Congressman Larry Pressler, when he charged undue pressure from the White House on his vote regarding deregulating natural gas. Knowing both Vern Loen these many years and Larry Pressler the last two, I thought you might be interested in the party's reaction.

We are familiar with all the facts, and we without reservation supported Vern Loen and his actions. In fact, our Minnehaha County Executive Committee met, and adopted the enclosed resolution without a dissenting vote. Our county is the largest county in South Dakota, with about 20% of the registered Republicans of South Dakota living in that county.

If you have any other questions, or need more information on our thoughts, I will be attending the RNC meeting in Washington Febr. 25-28 and would be glad to visit with you.

Sincerely yours,

W. F. Lenker

WFL:e
enc.

FOR IMMEDIATE RELEASE
mailed 2/10/76

CONTACT: George Robertson
336-7340

REPUBLICAN COMMITTEE SUPPORTS
ADMINISTRATION LOBBYING EFFORT

SIOUX FALLS: The Executive Committee of the Minnehaha County Republican Party in a special meeting today issued a statement supporting the Administration's position on deregulating natural gas and supporting the White House in its congressional lobbying efforts.

"Natural gas deregulation is crucial to South Dakota", stated George Robertson, Minnehaha County Republican Chairman. "Without deregulation, South Dakota farmers and businessmen will continue to experience natural gas shortages".

Robertson also pointed out that de-regulation would promote natural gas exploration in South Dakota which he stated, "is a potentially important natural resource product development that would be good for the State's economy".

The Committee noted the importance of White House lobbying efforts in balancing the extreme pressure put on Congressmen by ultra-liberal special interest groups.

"We believe any administration in Washington has an obligation to lobby for its programs" concluded Robertson.

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