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FOR IMMEDIATE RELEASE February 16, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

TEXT OF A LETTER FROM THE
PRESIDENT TO THE SPEAKER OF THE
HOUSE OF REPRESENTATIVES
AND THE PRESIDENT OF THE SENATE

February 16, 1976

Dear Mr. Speaker: (Dear Mr. President:)

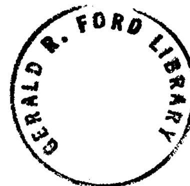
The Federal Energy Administration Act of 1974, section 15(a), required that I submit to the Congress six months before the expiration of this Act my recommendations for the future of the Federal Energy Administration.

In view of my recent signing of the Energy Policy and Conservation Act of 1975, I have determined that the management of energy policies and programs can best be served by the extension of the Federal Energy Administration until September 30, 1979 -- thirty-nine months beyond its current termination date of June 30, 1976. This will allow an orderly phasing out of price and allocation controls on domestic oil production over a period of forty months and implementation of other programs called for in that Act.

I have directed Federal Energy Administrator Zarb to seek the authority required to carry out this proposal.

Sincerely,

GERALD R. FORD



# # # # #

THE WHITE HOUSE

WASHINGTON

ACTION MEMORANDUM

LOG NO.:

Date: April 7, 1976

Time:

FOR ACTION:

Phil Buchen
Jim Cannon
Max Friedersdorf
Jack Marsh

cc (for information):

Bill Seidman
Brent Scowcroft
Austin Tim (Morton)

FROM THE STAFF SECRETARY

DUE: Date: Thursday, April 8 Time: 3 P.M.

SUBJECT:

Joint Memorandum from Jim Lynn & Frank Zarb re: Federal Energy Administration Budget Issues

ACTION REQUESTED:

____ For Necessary Action

X For Your Recommendations

____ Prepare Agenda and Brief

____ Draft Reply

X For Your Comments

____ Draft Remarks

REMARKS:

Support recommendations of Lynn and Zarb.

Ken Lazarus 4/8/76

4/8

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor
For the President

Some items in this folder were not digitized because it contains copyrighted materials. Please contact the Gerald R. Ford Presidential Library for access to these materials.

FEA

THE WHITE HOUSE

WASHINGTON

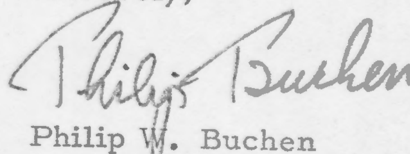
June 10, 1976

Dear Mr. Sanders:

After visiting with you the other day, I checked on the subject you raised and find that the FEA is very much aware of the situation and is proceeding to deal with the matter as expeditiously as possible.

I appreciated your interest and concern.

Sincerely,



Philip W. Buchen
Counsel to the President

Mr. Frank P. Sanders
Vice President
The Signal Companies
815 Connecticut Avenue, N. W.
Washington, D. C. 20006

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FRANK P. SANDERS

VICE PRESIDENT
THE SIGNAL COMPANIES

(202) 298-7730
815 CONNECTICUT AVENUE, N. W.
WASHINGTON, D. C. 20006

THE WHITE HOUSE

WASHINGTON

June 3, 1976

MEMO FOR: PHIL BUCHEN

FROM: KEN LAZARUS

Attached is a memorandum and some correspondence relating to the California crude oil prices which we discussed on the phone this afternoon. These were provided by Glenn Schleede who has been handling the matter for the Domestic Council.

Attachment

FRANK P. SANDERS

VICE PRESIDENT
THE SIGNAL COMPANIES

(202) 298-7730
815 CONNECTICUT AVENUE, N. W.
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THE WHITE HOUSE

WASHINGTON

June 3, 1976

MEMO FOR: PHIL BUCHEN

FROM: KEN LAZARUS

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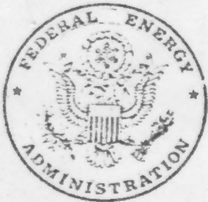
Attachment

FYI: Glenn Schleede



FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

May 7, 1976

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR: Robert T. Hartmann
Counsellor to the President

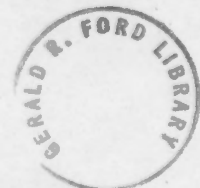
FROM: John A. Hill
Acting Administrator

SUBJECT: California Crude Oil Prices -- May 5, 1976 Letter to the President from the California Independent Producers Association

California crude oil prices have been the subject of political and legal controversy for a considerable period of time; controversy which has only recently shifted to FEA.

According to testimony presented before FEA on March 13, 1974 (in a hearing on the removal of a former exemption from price controls of sales by state governments) a Joint Committee on Public Domain of the California Legislature, headed by Kenneth Cory, began in 1967 to investigate the prices major oil companies were paying for state-owned crude oil. Also according to that testimony

> "The gist of the complaints received by the Committee was that the postings involved were set [by the major companies] at a relatively fair price only for the upper gravity brackets of the posting schedule, where none of the oil actually produced would fall, but that they imposed an exaggerated penalty for each degree of gravity below that top. That gravity penalty averaged well over 6 cents per degree, three times the usual gravity penalty imposed on other crude oils in the United States. Long Beach crude oil is 19 degrees and the posting schedules, comparable to Texas or Mid-Continent oil at 34 degrees and up, were between 60 cents and $1 less at 19 degrees."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At the time of its 1974 testimony, the Joint Committee was of the view that it had "elicited a substantial record" that "the actual value of the Long Beach State crude was substantially greater than the price the seven companies were paying for it."

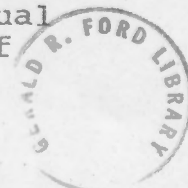
This conclusion is, of course, sharply contested by the oil companies involved and since the foregoing testimony was given, a law suit has been filed against these companies alleging that the companies illegally set prices at artificially low prices.

An additional part of the background of this issue, as I understand it, was that the Joint Committee found fault not only with the oil companies but with the State Lands Commission, which I believe to be the State Executive Department which is responsible for administering the state's oil interests.

It is against this background that the impact of price controls on domestic crude oil have become an issue in California.

Comprehensive petroleum price controls were first adopted on August 17, 1973, by the Cost of Living Council. They placed a ceiling price on most domestic crude oil which consisted of the highest posted price in the field for the grade of crude oil concerned on May 15, 1973, plus $.35 per barrel. In December, 1973, the ceiling price was increased by an additional $1.00 per barrel. The ceiling price applied to "old crude oil." ("New crude oil" -- amounts produced from properties in excess of 1972 production levels -- "released crude oil" -- amounts of crude oil "released" from price controls on a barrel-for-barrel basis to correspond with any new crude oil production -- and "stripper well lease crude oil" -- crude oil produced from properties with production levels averaging less than 10 barrels per well per day -- was not subject to the ceiling price.)

Most heavy California crude oil is "old crude oil" and in California, as everywhere else in the nation, old crude oil prices continue to reflect actual May 15, 1973 posted prices for the grade of crude oil concerned. Thus, although a national average price of "old oil" of $5.25 per barrel is frequently adverted to, actual prices for such crude oil range from a low of about $3.50 per barrel to as high as $7.00 per barrel, depending on the actual posting on May 15, 1973 in the field for the grade of crude oil concerned.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May 15, 1973 was selected by the Cost of Living Council as a reference date because it was the most recent date prior to the imposition of price controls on which market forces were relatively free to operate.

The efforts of California producers, including the state and local governments, to obtain a regulatory change that would have the effect of reducing the gravity price differentials that were in effect in California on May 15, 1973 -- and thus increase the ceiling price for such crude oil -- have proceeded on two bases.

The first is on virtually the same basis as that urged in the lawsuit -- that the May 15, 1973 posted prices for California crude oil were "inequitable," and that the gravity price differentials have narrowed since that date with respect to prices for heavy California crude oil which is not subject to the ceiling price.

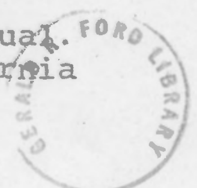
The second is that the prices for heavy California crude oil are so low that they have or will result in curtailed production.

FEA has conducted a series of proceedings in which these matters have been and continue to be analyzed in great detail. We are obviously concerned over any threatened loss of domestic production, and will take whatever reasonable steps are available in order to avoid any such loss.

On July 1, 1975, in response to a petition for rulemaking on this issue, FEA gave notice (40 FR 28637, July 8, 1975) of a proposed rulemaking and public hearing to consider whether to permit an adjustment in the gravity price differentials for crude oil produced in California. However, after consideration of all the written and oral presentations received in connection with the proceeding, and after analysis of the impact of permitting such an adjustment, FEA determined that no adjustment should be permitted.

FEA concluded that adjustments were not appropriate because:

1. Current differentials for "upper tier" uncontrolled crude oil produced in California might not reflect long-term market changes but rather temporary conditions in residual fuel oil markets, given the large portion of residual fuel oil obtained from low-gravity California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crude oil; and

2. There was no evidence to support the conclusion that a special upward price adjustment for California would result in more increased production than would result if the same price adjustment were applied to other areas of the country.

Accordingly on November 17, 1973 FEA issued a "Withdrawal of Notice of Proposed Rulemaking (40 FR 54263, November 21, 1975). It should be noted that FEA did not attempt to resolve the issue of whether May 15, 1973 prices were "equitable" or not as those prices preceded the current system of price controls, and the issue is currently being litigated and is more appropriately resolved in the judicial forum.

However, because of numerous requests by California producers and royalty owners to reconsider the decision not to permit an adjustment to the existing gravity price differentials for old crude oil produced in California, FEA again solicited comments on the issue in January 1976 as part of the first stage of implementation of the Energy Policy and Conservation Act (EPCA). (The basic purpose of the proceeding was to adopt ceiling prices for all categories of domestic crude oil, in order to achieve compliance with the EPCA requirement that the composite price of all such crude oil not exceed $7.66 per barrel in February, 1976.)

FEA solicited data in support of the contention that the adjustment was warranted, noting however, that to the extent to which any adjustments were permitted (and prices of old crude oil were permitted to increase) FEA would be required to make a statutory finding, to comply with Section 8(b)(2) of the recently enacted EPCA, that such an adjustment

"(a) Will give positive incentives for (i) enhanced recovery techniques, or (ii) deep horizon development for such properties; or

(b) is necessary to take into account declining production from such properties; and

(c) is likely to result in a level of production from such properties beyond that which would otherwise occur if no such amendment were made."

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Based upon the information and data submitted prior to February 1, FEA was unable to make the necessary findings required by the EPCA to support an adjustment to price differentials for all heavy old crude oil produced in California. Also, to the extent that an increase in price were to be allowed for any volumes of California crude oil, a corresponding reduction must be made in the price of some other volume of domestic production in order to maintain the EPCA-mandated composite price of $7.66 per barrel in February 1976. According to the comments submitted by the California State Lands Commission in the first stage proceeding, the maximum effect of the proposal to adjust gravity price differentials for heavy California crude oil was estimated to be "less than 13 cents" per barrel in the estimated national weighted average price of $5.25 per barrel for "old" or lower tier crude oil.

In light of the above data, FEA determined that a final determination with respect to California crude oil should be deferred until the conclusion of the third stage of rulemaking proceedings. This deferral will provide an opportunity for the economic forecasts with respect to California crude oil production to be revised to take into account the February 1, 1976 amendments to the crude oil pricing regulations, so that the decision on the California gravity price differential issue can be based on an appropriate hearing record.

In the meantime, FEA suggested that, with respect to any fields in which production is in peril of being shut in without some price relief, producers should seek relief through the FEA Office of Exceptions and Appeals. The Office of Exceptions and Appeals of the FEA has in a number of instances granted exception relief which permits increased prices for crude oil when it can be demonstrated that those higher prices are necessary in order to provide an economic incentive to maintain or increase production of domestic crude oil. In those cases, the FEA has consistently held that its regulations should not produce a situation in which crude oil production is being curtailed.

The City of Long Beach filed an Application for Exception on February 12, 1976 in which it expressed the same concern indicated in Mr. Albright's letter, that unless the FEA permits the producers of crude oil from the Wilmington field to charge increased prices, a significant decline in production from the field will occur. Since that application

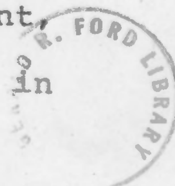
was filed, a number of meetings have been held with representatives of Long Beach and the State Lands Commission to discuss the financial and production data which should be submitted to the FEA in order to establish that in the absence of exception relief from the FEA pricing regulations, crude oil production from the Wilmington field will be reduced. Long Beach has recently requested that the case be held in abeyance while it gathers data which it believes will show that higher selling prices will result in increased production from the Wilmington field.

With respect to FEA's consideration of the California crude oil pricing issue in its second and third stage rulemaking proceedings to implement the crude oil pricing policies of the EPCA, it should be noted that FEA has taken or proposed to take a number of actions to provide better incentives for all producers of domestic crude oil, including those who produce old crude oil. These actions should be beneficial to producers of heavy California crude oil, as well.

In particular, FEA has adopted in its second stage proceeding regulations which gradually increase the price of all "old crude oil" beginning in March, 1976, at a rate of approximately $.03 per barrel per month. Also the amount of crude oil which must be produced by a property before any incremental production can be sold at upper tier prices may now be reduced to reflect the property's natural rate of production decline.

In connection with its third stage proceeding, FEA has issued a detailed and comprehensive analysis of the potential for tertiary recovery in the three states having the greatest potential reserves recoverable by such high cost methods, including California. Comments have been requested on the nature and scope of the price incentives that may be necessary to encourage the application of these techniques in California, and elsewhere.

As to some of the specifics of the CIPRO letter, FEA is not aware that there has been any premature abandonment of production in California, and we stand ready to afford exception relief to insure none does occur, pending any regulatory changes which we may ultimately conclude are appropriate. It should be noted that even though production costs may have doubled since 1973, the price of the crude oil involved has increased by nearly 50 percent, from $2.86 per barrel on May 15, 1973 to $4.21 per barrel, prior to the beginning of the monthly increases in price in March, 1976.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18TH DISTRICT, CALIFORNIA

413 CANNON HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
(202) 225-2915

ADMINISTRATIVE ASSISTANT
CHRISTOPHER C. SEEGER

DISTRICT REPRESENTATIVE
MEL BAUGHMAN

Congress of the United States
House of Representatives
Washington, D.C. 20515

COMMITTEE ON WAYS AND MEANS

KERN, INYO, TULARE AND
LOS ANGELES COUNTIES

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BAKERSFIELD, CALIFORNIA 93301
(805) 323-8322

567 W. LANCASTER BOULEVARD
LANCASTER, CALIFORNIA 93534
(805) 943-8116

192 B E. LINE STREET
BISHOP, CALIFORNIA 93514
(714) 873-7171

May 11, 1976

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

I am writing to you in an effort to correct a most serious inequity in FEA regulations which will have serious consequences for the production of petroleum in California. This letter is necessitated by the stubborn refusal of Mr. Zarb to recognize a gross mistake on the part of his Department and to take the steps required to correct it.

For well over a year, those of us concerned with the decline of domestic production have pointed to the gravity price differential in California as a prime culprit. This sets a controlled price for California lower tier crude oil at $4.21 per barrel, as against a national average of $5.25 per barrel. I honestly do not know how FEA can expect a producer to drill when this is the price he is going to get- $1.04 below what producers in other states receive!

As you know, Mr. President, I happen to be opposed to all price controls on oil and gas. But support of an end to the current discrimination against California crude is not confined to advocates of decontrol. As a matter of fact, the entire California congressional delegation, the two houses of the California Legislature, both California United States Senators, the Governor, Lieutenant Governor and Controller of California have all endorsed this position. One can hardly get more non-partisan than that!

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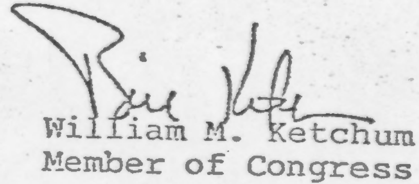
Mr. President, this is a most important issue to California. All we ask is to be treated equally, The only real argument against us seems to be FEA's reluctance to admit it made a mistake.

I respectfully ask you to look over the enclosed letter from the California Independent Producers Association, and to take personal action to grant us equity.

Thank you for your consideration.

Sincerely yours,



William M. Ketchum
Member of Congress

WMK:kobd

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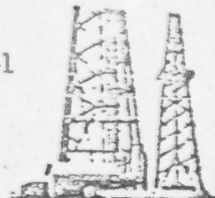
CIPRO

CALIFORNIA INDEPENDENT PRODUCERS ASSOCIATION
P. O. Box 7516, Long Beach, Calif. 90807 Phone (213) 427-7141



C. C. Albright
President

Jerome J. O'Brien
Vice President

Lysle Snow
Secretary-Treasurer

James H. Woods
Executive Vice President

MAY 07 REC'D

April 30, 1976

Honorable William M. Ketchum
House of Representatives
Cannon Office Building
Washington, D. C.
20515

Dear Congressman Ketchum:

At the request of Ray Bradley, Berry Holding Company, enclosed is a draft of the letter that will appear in the Oil Daily on May 10, 1976. The letter will also be hand delivered to the President the same day, or the preceeding Friday.

I have highlighted the statistical information regarding lost barrels of oil production. The information from our survey is approximate. I'll send you a copy of the final report when it is completed.

Sincerely,

James H. Woods

James H. Woods
Executive Vice President

enc.

jhw/ks

cc: Ray Bradley

Washington, D. C.

Dear Mr. President:

You are hereby cordially invited to be our guest for a tour of the giant Wilmington Oil Field during one of your visits to California in the near future.

In the best interest of the energy supply of the United States, I believe that you should be personally aware of the impending disaster facin California lower tier oil production and future oil reserves from enhanced recovery.

Lower tier crude oil producers in California are discriminated against because the gravity price differential is "locked in" by the FEA at 6.2 cen per gravity degree instead of 2 cents per gravity degree differential existing in all other oil producing states except Alaska. Thus, California lower tier crude oil prices average $4.21 per barrel instead of the $5.25 per barrel average of the Nation. This has caused many thousands of barrel per day, and hundreds of millions of barrels of oil reserves to be facing premature abandonment.

A classic example is the Wilmington oil field which produces 177,000 barrels per day and is the Nations second largest producing oil field under expensive enhanced recovery by water flood. Facts obtained during a recent tour of the field are as follows:

1. Throughout the field, 428 wells capable of producing 7,[illegible] barrels per day are currently shut-in because they are uneconomic to produce or not profitable to return to production after minor damage because the costs of producing exceeds the $4.21 average price of the oil. In addition, 24[illegible] wel producing 6,794 barrels per day are currently at the economic limit and subject to being shut-in in the near future.

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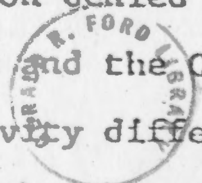
2. In the old Wilmington part of the field which is currently produci 77,000 barrels a day, 36,000 barrels per day are marginal because of greatl

for enhanced recovery, the secondary recovery oil reserves are estimated be 250 million barrels, and the tertiary recovery oil reserves are estim to be 600 million barrels. This means that the price of oil must stay a of the costs of producing it. Production costs have doubled since the p freeze in 1973 and are currently increasing at a rate of 15% a year unde curtailed operations. In this part of the field it is estimated that th will be a loss of $32 million in 40 months under FEA price controls if p duction continues.

As neither the largest interest holders, the State of California, a the City of Long Beach, nor the forty other participants, including thir five small Independent Oil Companies, can long continue to operate under expensive enhanced recovery at an escalating loss, 36,000 barrels per da oil production faces premature abandonment in the near future.

Therefore, with abandonment pending, approximately 1,000 employees would lose their jobs, and the local economy would lose $65 million annu Further redevelopment of this part of the field would be unrealistic bec of the high value of the surface area. If this part of the field is abandoned, it is estimated that the cost of redevelopment would be $400 million. Also, if this part of the field is abandoned, 850 million barr of oil reserves are lost to the Nation. This includes an estimated 250 million barrels of secondary recovery oil and an estimated 600 million b of tertiary recovery oil in the future under higher prices.

3. As to the Long Beach Unit part of the field which is currently ducing 100,000 barrels per day also under expensive enhanced recovery by water flooding, the lower tier price is $4.20 per barrel. Because of th fact that in November 1975, the Federal Energy Administration denied the petition of the State of California, the City of Long Beach and the Cali Independent Producers Association for adjustment of the gravity differen which would have given California producers price parity with other part the country, operations have been sharply curtailed during the past seve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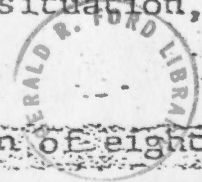
months. Production stimulation, drilling, redrilling and injection wel
to maintain production rates has practically ceased. Only one work over
is active in this great oil reserve. If this curtailment of operations
continues, an additional 33,000 barrels per day loss in production from
resulting rapid decline rate will be the inevitable result in 40 months
22 million barrels of oil production will be lost.

Thus, by the end of the 40 months price control period under the F
regulations, the total Wilmington field loss of production may be 36,00
barrels per day from the old part of the field, and 33,000 barrels per
from the Long Beach Unit part of the field, for a total loss of 69,000
barrels per day.

The Governor of California, the Lieutenant Governor, the State Co
the California Independent Producers, all California Congressmen, the t
Senators, and all the California State Legislators have appealed to the
to correct this inequity. They have stated that, in the best interests
increased production and reserves, California crude oil prices should b
allowed to reach parity with those prices existing in other oil produci
states. The FEA has stated that they will consider our Appeal during t
Third Stage Hearings later this month. A potential loss of $200 millio
annually to California's taxpayers is in the balance.

Oil production now being lost in California is being replaced by $
per barrel imported O.P.E.C. oil. Hundreds of millions of barrels of t
Nations valuable oil reserves will be lost forever, if wells uneconomic
duce because of FEA regulations are abandoned in the near future in th
Wilmington Field, as well as in other oil areas of the State. This is
good for the California consumer, the economy, the job situation, or t
energy security of the Nation.

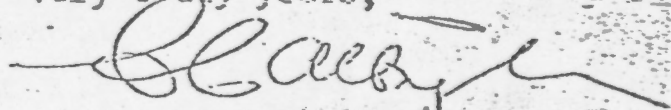


In addition, a recent poll taken of a cross-section of eighteen I
pendent Oil Producers of lower tier oil throughout other parts of Cali
showed that if the gravity differential was adjusted to 2 cents by the

and California lower gravity oil was raised to parity prices, an additio 15,000 barrels per day, and 55 million barrels of oil reserves would be result of additional development, reworking and enhanced recovery by wat flooding or steaming.

Therefore, as the Commander in Chief, you are invited to see the Wilmington Oil Field, the principal battlefield in the conflict between the FEA and the Independent Oil Producers, the City of Long Beach, and t State of California.. A trip to one of the offshore drilling islands by boat or helicopter would be a highlight of the tour.

Very truly yours,



C. C. Albright
President, California Independent
Producers Association

CCA:jp

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CONTROVERSY OVER FEA'S DECISION ON "GRAVITY PRICE DIFFERENTIAL" FOR CALIFORNIA CRUDE OIL

Question

Are you going to let stand the FEA's decision on California crude oil prices which discriminate against California?

Answer

I understand that FEA had decided earlier that no adjustments were needed. However, I also understand that FEA has decided to reconsider the entire Gravity Price Differential question and that new data will be made available shortly to FEA on the issue.

I am looking forward to the day when all Federal price controls on crude oil are removed so that matters such as this can be decided in the marketplace rather than under Federal price controls.

Background

The Gravity Price Differential provided for in FEA's price regulations has been the subject of controversy for months, particularly with respect to California-produced crude oil.

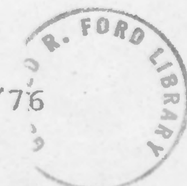
-- Lighter, high gravity crude can be more easily separated into products for which demand and prices are traditionally high, such as gasoline, diesel fuel and jet fuel.

-- Heavier, lower gravity crude is used to provide products in less consumer demand, such as residual fuel oil.

-- California-produced crude is principally of the heavier, lower gravity variety. For the mostpart, a gravity differential covering California crude oil is included in FEA's price regulations. The practical effect is that the controlled price of the lower gravity California crude (old oil) is about $4.20 per barrel compared to the national average of $5.25 per barrel.

This matter has been extremely controversial. FEA reconsidered it several months ago and decided not to make a change. FEA is considering it again as part of the rule-making under the Energy Policy and Conservation Act.

GRS
5/20/76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Reagan Confident

Sure of Calif., He Turns to Ohio

By Lou Cannon
Washington Post Staff Writer

LOS ANGELES, May 30 — Ronald Reagan is now so confident of defeating President Ford in California that he has canceled his schedule here next weekend in order to campaign in Ohio.

The decision reflected the belief of Reagan strategists in this state that it will take virtually a political miracle for Mr. Ford to win here. Since Reagan now feels so assured of California's 167 national convention delegates, he is leaving the state in the hope that his appearance in Ohio will help him pick up a few additional delegates.

The Reagan forces until now have talked about winning 10 to 15 of Ohio's 97 delegates. Reagan acknowledged in a campaign speech last week that "we'll take a lacing" in Ohio and New Jersey, which, like California, hold their primaries on June 8.

But Reagan strategists now believe they can win as many as 20 delegates in Ohio, particularly if the former governor makes a good impression there.

Reagan has had the California hustings to himself since Wednesday and he has made the most of his opportunity.

Following a schedule carefully prepared by California campaign coordinator Lyn Nofziger, Reagan has used everything from horses to helicopters to achieve maximum television exposure in a state where media campaigning usually holds the key to victory.

On Wednesday, Reagan spoke outdoors in one of California's most beautiful plant nurseries, where he was introduced to a Newport Beach reception by movie stars John Wayne and Andy Devine. Helicopters soared overhead, one of them trailing a sign which said: "Reagan for President, Ford for V.P."

On Thursday, Reagan stood on the shore before shutdown oil wells off the Long Beach coast and denounced the Ford administration's energy policies, particularly a policy of the Federal Energy Administra-

See REAGAN, A11, Col. 1

The Washington Post
May 31, 1976

GERALD R. FORD LIBRARY

THE STATE OF CALIFORNIA, THE CITY OF LONG BEACH AND INDEPENDENT PRODUCERS HAVE REQUESTED EQUITY IN THE GRAVITY PRICE DIFFERENTIAL FOR CALIFORNIA CRUDE OIL FOR WELL OVER 2 YEARS.

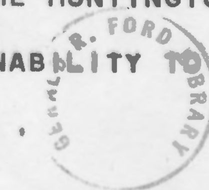
THEY ARGUE THAT THE PRICE CEILING AT WHICH CALIFORNIA CRUDES WERE FROZEN ON MAY 15, 1973 WAS TOO LOW TO ENCOURAGE ADDITIONAL OR EVEN CONTINUED MAXIMUM PRODUCTION. EVENTS WHICH HAVE TAKEN PLACE SINCE THAT TIME SUBSTANTIATE THIS. HUGE OIL RESERVES WILL BE LOST IF THIS INEQUITY IS NOT CORRECTED.

IT HAS BEEN POINTED OUT THAT CEILING PRICES ARE BASED ON MAJOR COMPANY POSTINGS AND THESE POSTINGS DO NOT REFLECT HIGHER EFFECTIVE PRICES IN FORCE IN DEALINGS BETWEEN THE POSTING AND OTHER MAJOR COMPANIES.

GRAVITY PRICE DIFFERENTIAL FOR CALIFORNIA OIL FROZEN BY THE REGULATIONS IS OVER 6¢ PER DEGREE, WHEREAS IN OTHER STATES IT IS APPROXIMATELY 2¢ PER DEGREE, A DIFFERENTIAL OF 4¢. NET EFFECT IS ABOUT $1.00 LESS PER BARREL FOR HEAVY CALIFORNIA OIL.

IF THE DIFFERENTIAL WERE TO GO TO 2¢, PRODUCIBLE RESERVES IN THE WILMINGTON FIELD (LONG BEACH) WOULD ULTIMATELY INCREASE BY 90 MILLION BARRELS. IF NO INCREASE IS GRANTED, THIS FIELD WILL HAVE TO SHUT IN 38,000 BARRELS PER DAY IN THE NEAR FUTURE.

IF THE DISCRIMINATORY PRICE CONTINUES, IT IS ESTIMATED THAT 137.3 MILLION BARRELS OF CRUDE RESERVES IN THE HUNTINGTON BEACH FIELD WILL BE LOST DUE TO SHUTINS AND THE INABILITY TO ECONOMICALLY DEVELOP THE FIELD PROPERLY.



IT IS ESTIMATED THAT PRODUCTION OVER THE STATE WILL FALL 42 MILLION BARRELS THIS YEAR UNLESS THERE IS RELIEF FROM THE DISCRIMINATORY PRICES.

LOWER TIER CRUDE OIL FROM CALIFORNIA, IF THE GRAVITY CORRECTION WAS MADE, WOULD STILL SELL FOR APPROXIMATELY $4.50 PER BARREL. SIMILAR RELIEF ON UPPER TIER CRUDE OIL WOULD INCREASE THE PRICE TO APPROXIMATELY $11.00. CRUDE SHUTIN DUE TO THESE DISCRIMINATORY LOW PRICES WILL NECESSARILY BE REPLACED WITH $13.00 TO $14.00 FOREIGN OIL. IRONICALLY, OPERATORS WITHIN THE WILMINGTON FIELD AREA ARE EVEN NOW IMPORTING CRUDE OIL AT COSTS OF APPROXIMATELY $13.00 PER BARREL.

THE PRODUCERS, LONG BEACH AND THE STATE OF CALIFORNIA ARE ONLY REQUESTING EQUITY IN THE OIL PRICING POLICY. CALIFORNIA PRODUCERS ARE LOSING $500,000 PER DAY. THE STATE OF CALIFORNIA ALONE IS LOSING IN EXCESS OF $100,000 PER DAY.

THE ENTIRE CALIFORNIA CONGRESSIONAL DELEGATION, THE GOVERNOR, AND BOTH HOUSES OF THE STATE LEGISLATURE HAVE ENDORSED THE ADOPTION OF AT LEAST THE ADDITIONAL 2¢ DIFFERENTIAL.

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.:

Date: Thursday, October 7, 1976 Time:

FOR ACTION: cc (for information):

Phil Buchen
Jim Cannon
Max Friedersdorf
Bob Hartman
Dave Gergen
Jack Marsh
Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: Friday, October 8, 1976 Time: 3:00 P.M.

SUBJECT:

Energy Speech

ACTION REQUESTED:

____ For Necessary Action

__X__ For Your Recommendations

____ Prepare Agenda and Brief

____ Draft Reply

__X__ For Your Comments

____ Draft Remarks

REMARKS:

October 8, 1976

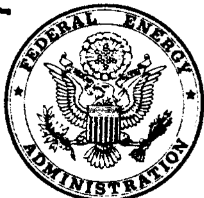
I concur in Zarb/Richardson recommendation.

P.W.B.
Philip W. Buchen

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor
For the President



FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

October 6, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB
ELLIOT RICHARDSON

SUBJECT: ENERGY SPEECH

It has been some months since you have addressed the energy question in a substantive way. It is our view that you have the basis to claim considerable success in moving a reluctant Congress to pass a meaningful portion of the energy package you submitted in January, 1975. Further, it is our view that to remain silent on this important domestic issue gives others an opportunity to fill the vacuum with demagogic nonsense such as "the President has no energy policy."

It is our view that a substantive speech describing what has been accomplished and firmly stating what you intend to accomplish in the next four years to complete the program for energy self-sufficiency would have only benefits and no liabilities.

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Some will argue that to get into this area at this moment invites attention to the part of our program which will require higher prices. It is our view that this need not be so and that continued silence in this area only invites the charge that we are not prepared to speak up because our program is based on higher prices or because our policies are consistent with the objectives of the major oil companies.

If you agree, the Energy Resources Council staff is prepared to immediately submit draft material to the speech writers.

FEA

THE WHITE HOUSE

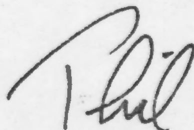
WASHINGTON

December 7, 1976

Dear Anthony:

Many thanks for your letter of November 24th. The issues raised by your letter are at present being dealt with at the White House level by Mr. Glen Schleede of the Domestic Council staff, and I have passed on a copy to him of your letter to me.

Sincerely,



Philip W. Buchen
Counsel to the President

Mr. Anthony S. Stasio
Office of Chief Counsel
for Advocacy
U. S. Small Business Administration
Washington, D. C. 20416

GERALD R. FORD LIBRARY

shall I send a copy of this to Schleede?

No – just file. P.

November 30, 1976

The Honorable Philip W. Buchen
Counsel to the President
The White House
Washington, D. C. 20500

Dear Mr. Buchen:

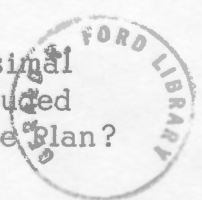
On November 19th and 24th I wrote concerning certain aspects of the FEA Energy Conservation Contingency Plan No. 5 which selects small business for regulation but leaves big business untouched. The provision causing concern regulates the use of small business merchants' on-premise business advertising signs, which are, in most cases, their only means of communication.

We have now obtained a copy of the Summary of Demand Reduction chart by FEA which indicates their current estimate of reduction in oil demand for all types of signage to be 5300 barrels per day, and I therefore wish to correct the 11,000 barrels per day figure which I cited in my letter.

"All types of signage" include illuminated billboards, Times Square and Las Vegas type spectaculars, highway directional signs, as well as on-premise signs. Off-premise is shown as consuming 2100 barrels per day; therefore, on-premise uses only 3200 barrels per day. Also, since certain uses will now be permitted, we are really discussing the regulation of small business retailers to save some part of 3200 barrels, as against 17,000,000 barrels of total daily consumption.

In terms of monetary cost, manpower, and energy expended for programming, promulgation, and enforcement, have you ever heard of anything so counter-productive?

The FEA has not attempted in any other plan to seek out such an infinitesimal saving. Doesn't this suggest then that on-premise signage was not included to save energy, as purported by FEA, and therefore does not belong in the Plan?


FORD LIBRARY

Inclusion would place a continuing burden on small business at every government level. If the federal government publishes such a plan, even though modified, it will create legislative problems with Congress, fifty state

The Honorable Philip W. Buchen November 30, 1976

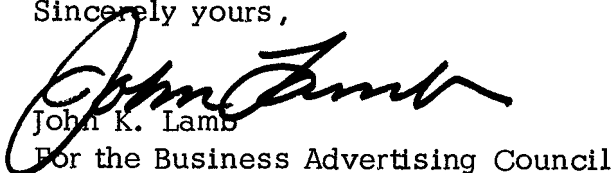
legislatures, and innumerable county and municipal governments, with which small business is unable to cope. Once a regulation is promulgated there will always be someone to introduce legislation to regulate a little more.

I submit that although FEA originally thought it would be a novel idea to regulate on-premise signage solely for the psychology of bolstering the FEA's credibility should they proclaim an energy emergency, its inclusion was not justified then nor is it justified now.

May I reiterate the point that small business is not seeking exemption. As stated in my previous letter, they want to share equally with all business. They seek only equal treatment at the hands of their government. They want out of this Plan because they do not belong in it by any standard.

Can we count on your support in presenting this aspect of the Plan to the President before whom this issue has finally been laid for decision? We believe he will understand.

Sincerely yours,



John K. Lamb
For the Business Advertising Council

JKL:lm
Enclosure

APPENDIX

C. ESTIMATION OF REDUCTION IN ENERGY DEMAND

1. On-Premise Advertising Signs and Window Displays

According to sources cited in Energy Conservation Paper, Number 18,[1] prepared for the Federal Energy Administration by Ross and Baruzzini, Inc., the energy used for lighting accounts for some 20% of the total electrical energy generated in the United States.

Of this amount, the pattern of consumption for 1973 was estimated by the same source to be:

Sector	Consumption of Total Lighting Energy
Residential	20%
Stores	19
Industrial	19
Offices	10
Outdoor	8
Streets and Highways	3
All Other	21
	100%

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For purposes of estimating the demand reduction associated with the on-premise advertising and window display measure, it is assumed that the retail sector (labeled as "Stores") will be impacted most heavily; and further that the impact on the remaining sectors will be small, if not negligible.[2]

---

1 Conservation Paper Number 18, "Lighting and Thermal Operations", prepared for FEA by Ross and Baruzzini, Inc., Consulting Engineers, April 15, 1975, page III-1.

2 This assumption is made in order to maintain a conservative posture from the standpoint of estimating energy demand reduction. For example, industrial concerns commonly use illuminated signs which rightfully fall under the category of "advertising". While these signs will be affected by the measure, their contribution to energy demand reduction will be excluded for lack of a suitable base for estimating the energy consumed for these purposes.

Using the energy consumption estimates outlined in the cited FEA report, and the additional assumption that 10%[1] of the lighting consumption in the retail sector is accounted for by advertising on-premise signs and window displays, the estimated reduction in energy demand is calculated to be as follows:

o Total Consumption of Electricity (1974)[2]	19.965 quads[3]
o Estimated Consumption for Lighting (20%)	3.93 quads
o Estimated Usage in the Retail Sector (19%)	.75 quads
o Estimated Usage for Illuminated Advertising and Window Displays (10%)	.075 quads
o Estimated Energy Reduction (Barrels of Oil Equivalents Per Year)[4]	13 million
o Estimated Energy Reduction (Barrels of Oil Equivalent Per Day)	35,000 BOEPD
o Estimated Energy Reduction (Barrels of Oil Per Day)[5]	5,000 BOEPD

2. <u>Illuminated Off-Premise Advertising Signs</u>

Based on information provided by the Outdoor Advertising Association of America, a study by the Rand Corporation[6]

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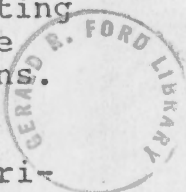
1 To our knowledge there are no published statistics relating to the segment of energy consumption for lighting in the retail sector which is accounted for by advertising signs. The 10% estimate appears to be a reasonable assumption.



2 "Monthly Energy Review", Federal Energy Administration, January, 1976 issue (includes power generation and distribution losses).

3 Quadrillion BTU of Energy (10^{15} BTU).

4 Using the conversion rate of 5.8 million BTU per barrel.

5 Assuming 15% of the energy used in generating electricity is derived from oil.

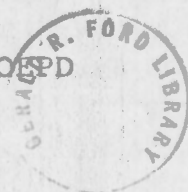
6 <u>A Preliminary Assessment of Energy Conservation in Lighting</u>, The Rand Corporation, May, 1974, page 8.

estimated that there were some 277,000 illuminated off-premise advertising signs in the United States. Utilizing the results of statistics compiled by advertisers' associations in the state of California, the Rand study placed the total electricity consumption of the off-premise advertising signs in the United States at 430 million kilowatt hours annually. Applying the standard conversion factors for electricity, the implementation of the off-premise advertising sign measure is expected to reduce energy consumption by 2,100 barrels of oil equivalents per day.

3. Gas Lights

According to the American Gas Association there are an estimated 2-4 million natural gas ornamental lights in the residential sector in the U.S., each capable of consuming an estimated 18,000 cubic feet of natural gas per year. The energy demand reduction associated with the gas light measure is thus estimated as follows:

- o Potential energy consumed by an estimated 3 million gas lights: 5.4×10^{10} Cu. Ft. (Natural Gas)
- o Potential demand reduction, assuming that 40% of the gas lights are not presently in use: 3.24×10^{10} Cu. Ft. (Natural Gas)
- o Equivalent reduction in barrels of oil per year (assuming 1,021 BTU per cubic foot): 5.7 million
- o Equivalent reduction in barrels of oil per day: 16,000 BOEPD



SUMMARY OF DEMAND REDUCTION

Emergency Measure	Direct Reduction in Oil Demand (Barrels Per Day)	Additional Reduction in Oil Equivalents (Barrels Per Day)	Total Reduction in Energy Demand (Equiv. Barrels of Oil Per Day)
Advertising Signs and Window Displays (on-premise and off-premise)	5,300	31,800	37,100
Gas Lighting	--	16,000	16,000
	5,300	47,800	53,100

5,300
Less off-premise 2,100
see par 2
3,200

THE WHITE HOUSE
WASHINGTON

Send copy to
Glen Schleede
& return original
to me to acknowledge
P.

sent
11/24/76

Friday 11/27/76

12:20 John Lamb called again.

Advised him that you had talked with Glen Schleede and that Mr. Schleede would be calling. I transferred the call to him.

He also mentioned that he had received a copy of Mr. Stasio's letter to you.

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U.S. SMALL BUSINESS ADMINISTRATION

WASHINGTON, D.C. 20416

OFFICE OF CHIEF COUNSEL FOR ADVOCACY

NOV 24 1976

Honorable Philip W. Buchen
Counsel to the President
The White House
Washington, D.C. 20500

Dear ~~Mr. Buchen~~ Phil:

Public Law 94-305, which President Ford signed in June of this year, mandates that the Chief Counsel for Small Business Advocacy analyze the problems of small business and the impact of Government regulations upon small business interests.

The Federal Energy Administration's Energy Conservation Contingency Plan Number 5, as currently constructed, creates, according to our analysis, an unreasonable problem and burden for small businesses, particularly the small retail merchant and automobile sales-oriented businesses.

The subject plan currently contemplates the imposition of operational restrictions on the use of on-premise signing. We believe that no such restrictions should be applied, but rather the merchants be given the option of reducing energy use by other means to meet a stated goal.

We recognize and appreciate that it is FEA's objective to impress upon the general public the need for energy conservation and reduction of consumption. However, the facts will support our very strong belief that on-premise signage does not properly belong in the FEA Plan, for several reasons:

(a) Economic consequences to small businesses and their employees would be unduly severe, considering the marginal profit levels of those small companies likely to be most affected. It is the small retail outlet which is first affected by recessionary pressures, and frequently any loss of sales means the end of the business operation. We firmly believe that a direct consequence of application of the contemplated regulations will be reduced business activity for small firms, resulting in business failures and lost jobs.

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(b) In addition to its effect on small retailers, regulatory suppression of small business signage advertising will have a "ripple effect" on companies who produce or manufacture this type of advertising medium, many of whom are themselves small, further affecting small industry and jeopardizing employment.

(c) Furthermore, big business would be the beneficiary of this Governmental action to the detriment of smalls, since curtailing small business advertising would cause business to flow to big business chains, whose communication via radio, television and newspapers, would be unrestrained, thus setting up an unfair competitive advantage for large businesses.

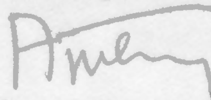
(d) This proposed action by FEA will extend the problem for small business into the fifty states and likely cause the enactment of additional state level signage restrictions, paperwork and burdens for the small business community.

Small businesses in these categories operate at the very edge of profitability. Yet, they provide employment, taxes, goods and services and a livelihood for thousands of our citizens.

In conclusion, we believe these regulations present little of benefit to the country in terms of economy or energy conservation and, if implemented as proposed, would have a devastating impact on thousands of small businesses, resulting in business failures and loss of jobs, which we can ill afford.

As the Chief Counsel for Advocacy, we urge that you impress upon the President the serious consequences of this proposed Governmental action and the need to protect the small businesses who are the economic foundation of our country.

Sincerely,



Anthony S. Stasio

GERALD R. FORD LIBRARY

Wednesday 11/24/76

10:50 John Lamb called to see if you had seen his letter, and I advised that you had referred it to Frank Zarb.

He said that was the worst place to send it -- they have had a confrontation with the Energy Resources Council.

Apparently Zarb is aware of their problems, but is completely unwilling to do anything about them.

He understands it will be coming to the White House for a decision.

He indicates as it is written Contingency Plan No. 5 will put small business people out of business. He knows the President wouldn't want that to happen. They aren't seeking exemption -- they feel that it shouldn't have been put in in the first place. He is planning to send you a copy of a letter from John Sawhill, who recognized the problem.

He said one thing that concerns Zarb is when they see there is an energy shortage and see a sign burning in front of the store, he feels people will think there isn't a shortage. However, that light is what lets people know they're in business. People on the street recognize that it's important. *
Apparently in one area, they insisted on turning a clock off at 2 in the afternoon to conserve energy.

Apparently Lynn, Richardson, Cannon, Schleede, Hodsell (Commerc and Seidman have all been in on the exchange and are aware of the small business problem.

* They have prepared signs and could send outmailing notices that they are complying with the Federal Energy Conservation practices. He feels that anyone could see that the retailer would rather turn off the lights in the back of the store rather than turn off the sign that keeps him alive.

THIS MORNING WE RECEIVED (also attached) a letter from Anthony S. Stasio, Office of Chief Counsel for Advocacy.

GERALD R. FORD LIBRARY

November 24, 1976

The Honorable Philip W. Buchen
Counsel to the President
The White House
Washington, D. C. 20500

Dear Mr. Buchen:

After writing you on November 19 about the FEA Energy Conservation Contingency (lighting) Plan No. 5, and its provision for restraints upon small business merchants' on-premise signage, which is a communication medium and therefore does not belong in a plan to control lighting, I realized I left out a few pertinent items of information which you should have.

It may bring my point into focus if I explain that it is only small business on-premise signage, which advertises the business and goods or services available in that location, which we assert does not belong in the FEA Energy Conservation Contingency Plan No. 5. The FEA seems to equate this with the lighting of used car lots, with illuminated billboards, and Las Vegas spectacular signs, which are obviously different uses of energy -- although even they can be classified as communication media. On-premise signage is a communication device essential to the retailer in order for him to stay in business.

My purpose in writing you was in the hope that you would speak to the President about our problem because FEA is an agency under his direct control. We feel it is important enough to come to the President's attention because the lives and wellbeing of millions of small business proprietors from Main Street to roadsides will be affected through retention of on-premise signs in the Plan if an energy crisis occurs; and as I pointed out in my letter of November 19, we are not seeking exemption, just equal treatment under law.

An aspect on which I did not touch is the concern that seems to exist in FEA that if they proclaim an energy emergency, a person passing down the street and seeing a merchant's sign illuminated would tend to disbelieve the government. Those of us who are experienced in retailing know that to most people this will not be a consideration. However, for those few who may feel such a concern, we were prepared as far back as 1974. Small signs, or banners, were prepared for store windows and doors. Signs were prepared for showcases, and small mailing pieces were available for those who sent out statements,

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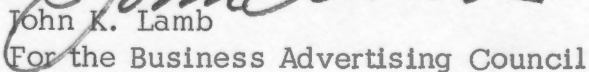
The Honorable Philip W. Buchen November 24, 1976

explaining that the merchant was saving electricity in accordance with regulations, by turning off lights in the back of the store or restaurant, adjusting his thermostat, curtailing use of the dishwasher (which uses more electricity in one hour than his sign uses in a week), and so forth; and that his sign was illuminated to serve both the customer and the merchant. One of the few samples of a door sign I have left is enclosed. We would want the President to know that the merchants stand ready to support the Government through this communication, and that the FEA can lay aside their fears that the Government will get in trouble because the merchant's sign is illuminated in order to keep him in business.

Another thing which I feel will interest the President is a letter of June 6, 1974, addressed to me, from John C. Sawhill, former Federal Energy Administrator. I should like to call your attention to the second paragraph on the last page which explains the policy of the FEA Energy Office at that time. When I explained the situation to Mr. Sawhill we experienced no difficulty in getting him to understand.

I am forwarding this to you, Mr. Buchen, with the hope that as the office of last resort you will ask that on-premise signage be removed from the Energy Conservation Contingency Plan No. 5. You will find much support of this viewpoint in the President's Energy Resources Council. Had their advice to FEA been heeded, on-premise signage would have been removed from Plan 5.

Sincerely yours,



John K. Lamb
For the Business Advertising Council

JKL:lm
Enclosure

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FEA

November 22, 1976

MEMORANDUM FOR: FRANK ZARB

FROM: EVA DAUGHTREY

Mr. Buchen has received the attached letter and asked me to send it on to you.

Mr. Lamb has called our office and asked if someone could get in touch with him on this matter if they have any questions -- (513) 242-1500.

Thanks so much.

GERALD R. FORD LIBRARY

THE WHITE HOUSE
WASHINGTON

John Lamb called last week to say this letter was on the way -- and asked that it be called to your attention as soon as possible -- as there is a timing problem in this.

3:20 — just called to see if we rec'd his letter — if you or anyone needs to ask questions he'd be glad to answer them.

November 19,1976

The Honorable Philip W. Buchen
Counsel to the President
The White House
Washington, D. C. 20500

Dear Mr. Buchen:

A matter which I am certain will concern the President and yourself is the treatment of small business in the FEA's Energy Conservation Contingency (lighting) Plan No. 5. Under its provisions, small business retailers and automobile oriented businesses which depend upon their on-premise business advertising signs as their means of communication would be denied this right, provided by the First Amendment, or have it forcibly curtailed.

In the face of testimony by the Business Advertising Council, Institute of Signage Research and other qualified sources of information on the subject, clearly showing that on-premise signage does not belong in this Plan (neither does radio, television, or newspaper advertising), it remains with some unrealistic language changes purporting to be a compromise. The fact is that it would not have been included had FEA researched first and planned later, but they wrote it in first because they thought it would be a novel idea to turn off all business signs in order to impress the populace with the severity of an energy shortage. FEA candidly admits to this.

1. No worthwhile saving in energy is involved - a few fluorescent tubes per store, totaling some part of 2/10 of 1%, or to use FEA's figures (which we dispute) only 11,000 bbls. of crude per day.

2. Economic consequences to small businesses, automobile oriented businesses and their employees would be unduly severe in the face of what would already be a critical situation. Recessions begin at the retail level. Small business lacks reserves to survive such double jeopardy.

3. Such restraints imposed upon the right of small business to communicate would violate the First Amendment and is certain to be challenged in the courts. It is easy to see that signs are communication devices - not lighting as FEA unwittingly assumed.

4. Suppression of small business advertising would cause prospective customers to bypass small business and go to the big business

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The Honorable Philip W. Buchen November 19, 1976

retailers whose communication via radio, television, and newspapers would be unrestrained - certainly not equal treatment under law, as provided by the Fourteenth Amendment.

5. Inclusion in the federal plan, regardless of the language used, will create problems for small business with which they cannot cope, i. e., it will suggest to fifty state legislatures, even in those states in which electricity is produced by non-oil sources, that on-premise signage should be curtailed or further restricted. Small business people simply do not have the capability of fighting federally induced restrictions with bureaucrats in fifty separate states.

6. Finally - motive. By their own admission FEA included and has retained on-premise signage in the Plan 5 solely to bolster FEA's credibility if they proclaim an energy emergency - a shameful exploitation of small business by an agency of the U. S. Government.

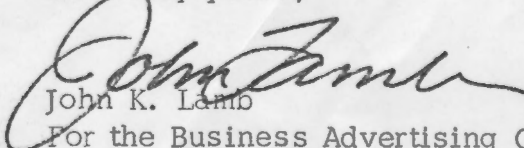
Let me make it clear, small business is not seeking exemption. We have suggested a plan under which all commercial establishments would bear the burden by saving an equal percentage, but leaving it to management to determine how to conserve in ways that would do the least harm and cause the least disruption. Such a plan is under study now by FEA.

Meanwhile, Plan 5 is being prepared with small language changes for submission to Congress, under the new FEA Administrator, early next year. I believe it will reach the Energy Resources Council for review, requested by the White House, about the time you receive this letter.

We do not believe the President would want his administration to be on the record as inflicting such a punitive plan on small business. Our last hope for small business is that the White House or the Energy Resources Council will advise Mr. Zarb to remove on-premise signs completely, regardless of the fate of the rest of the plan.

And we thank you for your consideration and, we hope, your help, or that of the President.

Sincerely yours,



John K. Lamb
For the Business Advertising Council

GERALD R. FORD LIBRARY

JKL:lm

FEDERAL ENERGY OFFICE
WASHINGTON, D.C. 20461

June 6, 1974

OFFICE OF THE ADMINISTRATOR

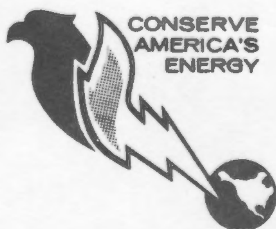
Mr. John K. Lamb
Lamb and Company, Inc.
1111 Meta Drive
Cincinnati, Ohio 45237

Dear Mr. Lamb:

I understand that there continues to be considerable confusion as to the government's position with respect to the use of electrical advertising signs. Apparently the confusion began with a provision included in a bill considered last fall by the Senate which would have required a substantial reduction in the use of all electrical advertising signs. I can readily understand your concern since the confusion apparently is having a serious and unnecessary impact on retail merchants and the electrical sign industry.

The Federal Energy Office recognizes that all electrical signs should not be considered in the same way for energy conservation purposes. First, I should make clear that we feel strongly that energy conservation is still very important. This does not mean that the drastic actions such as those recommended during the embargo are required, but it does mean continuing efforts will be necessary to avoid spot shortages in the coming months and to reduce the rate of growth in the Nation's longer term demand for energy.

Specifically with respect to electrical advertising signs, the Federal Energy Office recognizes that there are two general categories: outdoor electrical signs that are generally located off the premises of business establishments and "on premise" signs used to show the identity of the business and goods or services available at that location. Energy conservation efforts should be approached differently for each category.



Save Energy and You Serve America!

In the "off premise" sign category, the Federal Energy Office has been working with the outdoor advertising industry to develop a voluntary energy curtailment program to achieve a 25 percent energy reduction by all such users across the Nation.

In the "on premise" sign category, our policy is to consider electrical signs as a part of the total energy requirements of the establishment. We encourage owners and managers to develop energy conservation plans which reduce the establishment's overall energy requirements but to do this in a way that has the least impact on the firm's livelihood and productivity. This may mean that electricity for the lighting of window displays, interior lighting, heating or cooling, or other uses should be reduced rather than turning off their "on premise" signs. This decision should be left to the firm's management.

I hope this will clarify our position and I appreciate knowing of your continued interest and support for energy conservation activities.

Sincerely,

John C. Sawhill
Administrator

GERALD R. FORD LIBRARY

WE ARE

saving energy

BY COMPLYING WITH REGULATIONS

We have reduced our overall energy usage

Our sign operates
at appropriate times as
provided by regulations to
serve both you and ourselves.