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SEA Contingency

ERC FULL COMMITTEE MEETING
Thursday, September 2, 1976
3:30 p.m.
Roosevelt Room



Tuesday

ACTION

THE WHITE HOUSE
WASHINGTON

August 27, 1976

Edley
W. Baker

MEMO FOR:

JIM CANNON

FROM:

Glenn
GLENN SCHLEEDE

SUBJECT:

FEA'S PROPOSED CONSERVATION
CONTINGENCY PLANS

This matter is due to come up on the ERC
Agenda on Thursday September 2. I have very
strong reservations about two and possibly
three of the plans.

If possible, I'd like to discuss two points
very briefly by phone by Tuesday August 31, and
then spend more time with you on them if you
wish.

Thanks.

3:30
Meeting

[Signature]

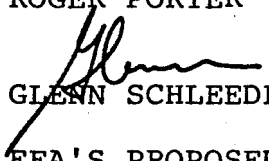


THE WHITE HOUSE

WASHINGTON

August 27, 1976

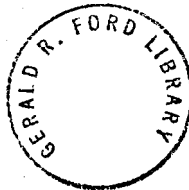
TO: PAUL MACAVOY
JIM MITCHELL
ROGER PORTER

FROM:  GLENN SCHLEEDE

SUBJECT: FEA'S PROPOSED CONSERVATION
CONTINGENCY PLANS

Would you please give me a call and let me know where you are coming out on this matter.

I see it is now scheduled for ERC on Thursday September 2.



8/27/76

TO: JOHN HILL

SUBJECT: PROPOSED CONTINGENCY PLANS

As you know, I think that some of the proposed plans have very little marginal benefit, some are unduly burdensome on some sectors, and that costs (i.e., including costs to other sectors and the uneven burden of regulatory and enforcement effects) have not been fully considered. Perhaps I'm wrong and would be happy to see the error of my ways.

Would you please look over the attached draft and let me know as soon as possible where it is wrong, incomplete or unbalanced. I'd like to get a good boiled down presentation of the issue ready for discussion with my leaders before this comes up at ERC.

Thanks.

cc: Dick Darman

Glenn

FEA ENERGY CONSERVATION CONTINGENCY
PLANS AND ECONOMIC ANALYSIS

ISSUE

FEA wishes to send to the Congress five energy conservation contingency plans and accompanying economic analyses (under provisions of the Energy Policy and Conservation Act of 1975) which are summarized in the attached chart. The question is: Should this be done?

ARGUMENTS FOR TRANSMITTING THE PLANS AND ANALYSES TO THE CONGRESS

- . EPCA requires that at least one such plan be transmitted to the Congress by the President - the statutory deadline was June 19, 1976.
- . The plans and analyses may convey to the public the seriousness of our vulnerability to an embargo.

ARGUMENTS AGAINST SENDING THE PLANS AND ANALYSES TO THE CONGRESS

- . In several respects, the proposed regulations are perfect examples of the type of Federal regulations and Washington bureaucratic thinking that the President opposes.
- . The marginal benefits which would accrue from the mandatory controls -- after making reasonable allowances for voluntary compliance that would occur in a real energy crisis -- are very small in the case of several regulations. FEA's analysis appears to overstate benefits attributable to the mandatory control.
- . Some of the plans create a heavy burden for selected sectors of the economy with inadequate consideration of how the burden might be eased. For example,
 - the proposed restrictions on weekend fuel sales have already produced strenuous opposition from the hotel/motel, travel, and recreation industries.
 - the explicit restrictions proposed by FEA on illuminated on-premise advertising signs appears unduly rigid, can be particularly burdensome to some small businesses, and produces very little in energy savings.



ALTERNATIVES

- . #1. Send only one plan and analysis to Congress now -- which would meet the minimum requirement of EPCA. (Regulation of heating, cooling and hot water in commercial buildings would probably be the least controversial and shows the greatest potential savings.) Perhaps send up a second plan in a few weeks, etc.
 - . This complies with the law, shows good faith and leaves open the option to send up additional plans later. Also, it leaves time to do better economic analyses of remaining plans -- e.g., analyses (a) that come closer to identifying marginal benefits, and (b) that include all the costs of compliance -- not just the Federal costs.
 - . On the other hand, this approach would lead to questions as to why other plans aren't being sent now.
- . #2. Send all the plans and analyses now.
 - . Argument for this is that we must show as much progress as possible now; and that plans don't go into effect now anyway.
 - . Arguments against the questionable quality and the deminimus marginal benefits of several plans; and strong outside opposition to one plan and parts of another.
- . #3. Send none of the plans and analyses to the Congress now.
 - . Argument for this is that it would provide more time to come up with better analyses and justification.
 - . Argument against it is that we would continue to be in non-compliance with the EPCA.

FEA'S PROPOSED ENERGY CONSERVATION CONTINGENCY PLANS: TARGETS, RESTRICTIONS AND
CLAIMED ENERGY SAVINGS

Target	Proposed Restriction	Claimed Savings due to restrictions*	
		Oil (bbls/day)	Oil Equivalent** of other Eng. Savgs.
1. Computer Parking and carpool	All employers with more than 100 employees would have to reduce employee parking fractionally and execute a carpool matching plan.	100,000	0
2. Space Heating, Cooling; Hot Water heating	Would establish temperature limits of 65° f (heating); 80°F (cooling) and 105°F (hot water) for most public, commercial and industrial buildings.	195,000	140,000
		26,000	158,000
		9,500	146,000
3. Illuminated Advertising	Would restrict on-site and off-premise lighted advertising to normal business hours	7,000	12,000
Home Gas lights	Would ban home outdoor decorative gas lights	0	16,000
4. Boiler Combustion efficiency	Would require testing and burner adjustments for all boilers in excess of a stipulated capacity and where net dollar savings would be anticipated	?	85,000 - 100,000***
5. Weekend Gasoline and Diesel fuel Sales	Would prohibit all weekend sales (6PM Friday to Midnight Sunday) of gasoline and diesel fuel except to commercial and emergency vehicles.	156,000- 160,000	0

*Estimates by FEA, including adjustments made to proposed plans after public hearings.

**"Oil Equivalents" columns covers savings of other forms of energy, including gas, coal and nuclear -- including savings in electricity generated by those fuels.

***Number includes oil savings -- which FEA was unable to estimate separately.

FEA ENERGY CONSERVATION CONTINGENCY
PLANS AND ECONOMIC ANALYSIS

ISSUE

FEA wishes to send to the Congress five energy conservation contingency plans and accompanying economic analyses (under provisions of the Energy Policy and Conservation Act of 1975) which are summarized in the attached chart. The question is: should this be done?

ARGUMENTS FOR TRANSMITTING ALL PLANS AND ANALYSES TO CONGRESS

- EPCA requires that at least one such plan be transmitted to the Congress by the President. The statutory deadline was June 19, 1976.
- Submitting all plans will convey the Administration's commitment to mandatory conservation measures in an emergency and its good faith implementation of the EPCA provisions.
- Because the savings from any single plan are small, all five plans are required to generate significant energy savings.
- The plans and analyses may convey to the public the seriousness of our vulnerability to an embargo.

ARGUMENTS AGAINST SENDING ALL PLANS AND ANALYSES TO CONGRESS

- Submitting all plans now goes beyond EPCA requirements and invites criticism for needlessly regulating more than required by law.
- The actual savings due to the mandatory measures would be less than those projected because the projected savings include the effects of voluntary efforts generated by the shortage.
- The projected savings compared to the economic impact on selected sectors of the economy (e.g., hotel/motel, travel, recreation, small businesses) will be difficult to defend. We know there will be substantial opposition to these plans and the "why pick on me?" argument will be hard to answer.



ALTERNATIVES

- (1) Send only one plan and analysis to Congress now--which would meet the minimum requirement of EPCA. . (Regulation of heating, cooling and hot water in commercial buildings would probably be the least controversial and shows the greatest potential savings.)
 - This complies with the law, shows good faith, and leaves open the option to send up additional plans later. Also, it leaves time to do better economic analyses of remaining plans--e.g., analyses (a) that come closer to identifying marginal benefits, and (b) that include all the costs of compliance--not just the federal costs.
 - On the other hand, this approach would lead to questions as to why other plans aren't being sent now.
- (2) Send only the three least controversial plans (buildings, parking restrictions, and boilers) now.
 - Argument for this is that it gets at gasoline and heating use savings as well as boiler fuel.
 - Argument against this is that it increases exposure to criticism and is still not fully responsive to congressional intent.
- (3) Send all the plans and analyses now.
 - Argument for this is that we must show as much progress as possible now, and that plans don't go into effect now anyway.
 - Arguments against are that these five plans do not represent a comprehensive set of all prospective plans, and thus invite the "why pick on me" objection. The cost/savings ratios will be hard to defend.
- (4) Send only one plan (buildings) now and withhold any additional planned submissions until a comprehensive set attaining the energy reductions mandated by IEA has been prepared and analyzed.
 - Argument for this is that individual sector objections will be less persuasive in the context of an overall

effort encompassing most sectors and supported by better justification of the cost/savings trade-offs.

- Argument against is that we could be criticized for unduly delaying submission of plans and for giving Congress inadequate time to consider individual plans.

FEA'S PROPOSED ENERGY CONSERVATION CONTINGENCY PLANS: TARGETS, RESTRICTIONS AND
CLAIMED ENERGY SAVINGS

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		Oil (bbls/day)	Oil Equivalent** of other Eng. Savgs
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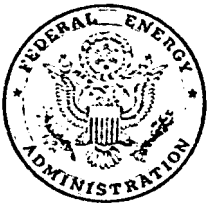
THE WHITE HOUSE
WASHINGTON

Mr. Cannon:

Here is the material
for the ERC meeting at 3:30
in the Roosevelt Room.

k





FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

August 31, 1976

OFFICE OF THE ADMINISTRATOR

MEMORANDUM TO THE EXECUTIVE COMMITTEE,
ENERGY RESOURCES COUNCIL

FROM: FRANK ZARB, EXECUTIVE DIRECTOR *3*

SUBJECT: ENERGY RESOURCES COUNCIL EXECUTIVE
COMMITTEE MEETING, SEPTEMBER 2, 1976

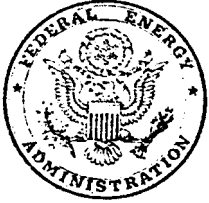
The revised agenda for Thursday's Executive Committee meeting is:

Reactor Licensing	Rowden
Lead Phase-down	Train
Conservation Contingency Plans	Hill
Naphtha Jet Decontrol	Hill/Ellsworth
OCS Legislative Status	Kleppe

Background material for item four is attached.
Information for item five will be circulated on
September 1. Required material for the other items
has already been distributed.

Attachment





FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

August 30, 1976

OFFICE OF THE ADMINISTRATOR



MEMORANDUM TO THE EXECUTIVE COMMITTEE,
ENERGY RESOURCES COUNCIL

FROM: FRANK ZARB, EXECUTIVE DIRECTOR *z*

SUBJECT: ENERGY RESOURCES COUNCIL EXECUTIVE
COMMITTEE MEETING, SEPTEMBER 2, 1976

This memorandum confirms the ERC Executive Committee meeting on Thursday, September 2 at 3:30 p.m. in the Roosevelt Room.

Agenda items are:

Reactor Licensing	Rowden
Lead Phase-down	Train
Conservation Contingency Plans	Hill
Naptha Jet Decontrol	Hill/Ellsworth

The necessary background material for items one and three is attached. Information for item four will be circulated on Tuesday, August 31. No material will be circulated for item two.

Attachments



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

September 1, 1976

OFFICE OF THE ADMINISTRATOR

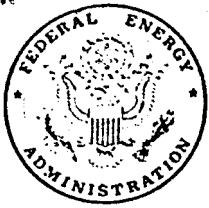
MEMORANDUM TO THE EXECUTIVE COMMITTEE,
ENERGY RESOURCES COUNCIL

FROM: FRANK ZARB, EXECUTIVE DIRECTOR *3*

SUBJECT: ADDITIONAL MATERIAL FOR SEPTEMBER 2
ERC MEETING

Attached is background information for the OCS
item and some additional material on Conservation
Contingency Plans for tomorrow's ERC meeting.

Attachments



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

AUG 23 1976

OFFICE OF THE ADMINISTRATOR

3

MEMORANDUM FOR EXECUTIVE COMMITTEE
ENERGY RESOURCES COUNCIL (ERC)

FROM: FRANK G. ZARB
EXECUTIVE DIRECTOR

Frank G. Zarb

SUBJECT: CONTINGENCY PLANS DEVELOPED PURSUANT TO
THE ENERGY POLICY AND CONSERVATION ACT
(EPCA) OF 1975

As you are aware, the Federal Energy Administration (FEA) has been developing Energy Conservation Contingency Plans, and a Gasoline and Diesel Fuel Rationing Contingency Plan as required by Title II of the Energy Policy and Conservation Act of 1975. We are nearing the point at which these proposed emergency plans will be submitted to Congress for approval, and are circulating them for a final review prior to the decision to submit. Please review them to determine major inconsistencies or implications regarding your programs.

I have attached for your information a summary of the plans. Please let me have your comments by August 27, 1976. I plan to place this subject on the ERC agenda in the near future.

Attachment



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ENERGY CONTINGENCY PLANS

The President is required to send to Congress energy conservation contingency plans and a gasoline and diesel fuel rationing contingency plan. The plans have been formulated by the Federal Energy Administration (FEA) under Title II of the Energy Policy and Conservation Act (EPCA) of 1975. If the plans are approved by Congress, they will become standby authorities available to the President for possible implementation during any future energy shortage, such as an embargo.

The five proposed energy conservation contingency plans are:

- . Emergency Heating, Cooling, and Hot Water Restrictions
- . Emergency Commuter Parking Management and Carpooling Incentives
- . Emergency Weekend Gasoline and Diesel Fuel Retail Distribution Restrictions
- . Emergency Boiler Combustion Efficiency Requirements
- . Emergency Restrictions on Illuminated Advertising and Certain Gas Lighting

It is not expected that all five plans would be implemented simultaneously during an energy shortfall. A decision to implement one or more of the plans would be based on a number of factors, including the severity of the shortfall, the extent of voluntary conservation achieved, and the estimated economic impact of each measure. Those plans considered to have the most severe economic consequences would be used only as measures of last resort.

The proposed gasoline and diesel fuel rationing plan is intended for implementation only if all other options, including the mandatory conservation plans, fail to alleviate the confusion and hardships resulting from an energy shortage. The objective of rationing is not to reduce demand, but rather to distribute the available supply of gasoline and diesel fuel to end users in an equitable and orderly manner, with priority given to those activities which are considered essential to public health, safety and welfare. Specific Congressional approval would be required before the President could order that the rationing plan be put into effect.

Section 522 of the EPCA sets forth expedited procedures for Congressional action on the contingency plans. Under these procedures the proposed plans can be reviewed simultaneously by both Houses of Congress. In order for any of the plans to attain standby status, each House must pass a resolution of approval within 60 calendar days.



PLAN 1: EMERGENCY HEATING, COOLING AND HOT WATER RESTRICTIONS

Summary of Operation

- Building operators would be required to comply with the following standards in setting thermostats:
 - No lower than 80°F for space cooling
 - No higher than 65°F for space heating
 - No higher than 105°F for hot water intended for personal hygiene and general cleaning
- Restrictions would apply to most commercial, industrial and public buildings (exceptions include hospitals, etc.)

Rationale

- Energy used for heating, cooling and hot water accounts for one-third of the total energy consumed in the U.S.
- Specified thermostat settings required by the plan will bring about a significant reduction in energy consumption while maintaining tolerable working conditions
- Plan is administratively simple to implement and enforce

Demand Reduction Potential

- 230,000 barrels per day of petroleum
- Additional 444,000 barrels per day of oil equivalent (coal, hydro, etc.)

Cost of Operation

\$12.5 million, assuming implementation for 9 months

Environmental and Economic Consequences

- Favorable but insignificant impact on the environment
- Economic analysis indicates negligible impact due to proposed thermostat settings
- Indoor lighting standards (which were contained in the original proposal, but have since been deleted) would tend to erode utility revenues

Results of Public Hearings

- Most comments directed toward proposed indoor lighting standards. (These have been removed from the plan)
- Comments also suggested special processing operations (e.g., meat packing plants, pharmaceuticals, florist shops, etc.) should not be covered by the restrictions. (The plan has been revised to provide for these special requirements.)

PLAN 2: EMERGENCY COMMUTER PARKING MANAGEMENT AND CARPOOLING INCENTIVES

Summary of Operation

- Firms which have 100 or more employees at a given employment site and which provide parking for their employees would be subject to the following requirements:
 - Limit the number of employee vehicles using the facilities to a specified percentage of the total number of employees who work at that location
 - Operate a carpool matching program during the first month of the plan
 - To the extent practicable, make parking available to carpools and handicapped persons
- Operators of commercial and governmental parking facilities would be required to restrict the number of vehicles parked to a specified percentage of the total capacity of the facility, during the hours of 6:00 through 10:00 A.M. on weekdays.

Rationale

- Commuting to and from work accounts for approximately one third of total vehicle miles travelled in the U.S.
- Voluntary carpooling programs have not raised the national average occupancy rate for commuter vehicles above 1.3, while the average for other types of automobile travel is higher than 2.0.
- The plan would bring about a reduction in gasoline consumption by displacing commuter vehicles; commuters would have the option of carpooling or using mass transit

Demand Reduction Potential

100,000 barrels per day of petroleum, assuming a 6% reduction in commuter vehicle miles travelled

Cost of Operation

\$17 million, assuming implementation for 9 months

Environmental and Economic Consequences

- Favorable but insignificant impact on the environment
- Economic analysis indicates moderate impact on governmental and commercial parking lot operators; however, these operators would not be prohibited from raising their rates in order to offset this impact

Results of Public Hearings

- Numerous comments indicated plan penalizes employees in large firms and central business districts. (However, these employees have the greatest opportunity to form carpools or use mass transit)
- Commercial and governmental parking lot operators charged that the restrictions constitute "taking without due compensation." (However, charge does not appear valid since there is no prohibition on rate increases to offset any loss in revenue)

PLAN 3: EMERGENCY WEEKEND GASOLINE AND DIESEL FUEL
RETAIL DISTRIBUTION RESTRICTIONS

Summary of
Operation

- Retail filling station operators would pump gasoline and diesel fuel only to certain types of vehicles that normally perform essential emergency and commercial functions (e.g., ambulances, large trucks, busses, etc.); pleasure boats and aircraft would be included in the restrictions
- Hours of restriction would be midnight Saturday to midnight Sunday or longer based on the severity of the shortfall, not to exceed noon Friday to midnight Sunday

Rationale

- Plan would conserve scarce fuel supplies by discouraging discretionary weekend driving, boating and flying
- Plan would permit essential commercial and emergency services to continue normal weekend operations
- Plan would help to minimize confusion resulting from sporadic weekend openings
- President should have the option of limiting fuel consumption to the most essential functions if the shortfall is very severe and protracted

Demand
Reduction
Potential

160,000 barrels per day of petroleum, assuming implementation from noon Friday to midnight Sunday

Cost of
Operation

\$4.5 million, assuming implementation for 9 months

Environmental
and Economic
Consequences

- Favorable but insignificant impact on the environment
- Economic impact would be most significant for the travel industry; revenue and sales losses due to decreased discretionary travel on weekends are estimated as follows:

(The estimates are considered worst-case, and reflect both voluntary cutbacks by individuals and this mandatory measure. There is no analytical basis on which to make a distinction)

	(Millions)
Hotel/Motel	\$ 375
Movies/Amusements	750
Restaurants	400
Boat Mfg	1000
RV Mfg	1500
Small Aircraft Mfg	175

Results of
Public
Hearings

- Heavy criticism received from all segments of the travel industry, calling for elimination of the plan. Cited negative impact from "gasless Sundays" of the 1973-74 embargo, projected heavy losses in revenues, employment and tax receipts. (Travel industry estimates of impact are much greater than those developed by FEA)
- Other comments cited potential safety hazards (due to stranded vehicles and temptation to transport extra fuel supplies in containers).

PLAN 4: EMERGENCY BOILER COMBUSTION EFFICIENCY REQUIREMENTS

Summary of Operation

- Boiler operators would be required to optimize boiler efficiency by maintaining the oxygen content of the exhaust gas at no greater than 2.5% when burning natural gas and no greater than 3.5% when burning fuel oil
- Most gas- and oil-fired boilers with a forced draft air system and with a designed capacity of at least five million BTU/hour would be covered by the requirements

Rationale

- The combustion efficiency of many large boilers can be increased by as much as three percent, with a resulting decrease in fuel consumption
- The combustion efficiency of boilers can be easily monitored and adjusted

Demand Reduction Potential

85,000 - 100,000 barrels per day of petroleum equivalents (petroleum and natural gas)

Cost of Operation

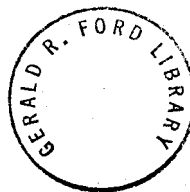
\$6.5 million, assuming implementation for 9 months

Environmental and Economic Consequences

- Favorable but insignificant impact on the environment
- Economic analysis indicates negligible impact; cost to boiler operators of test equipment would be offset through reduced fuel costs

Results of Public Hearings

- Numerous comments indicated the proposed standards were too complicated and would cause unsafe operating conditions. (The standards contained in the plan have since been simplified and modified to allow ample margins for safe boiler operation)
- Problems cited preventing certain types of boilers from complying with the standards. (The universe of boilers covered by the plan has been redefined to include only larger boilers with a forced draft air system.)
- Comments received recommending plan be implemented now as an ongoing conservation effort, rather than waiting for an emergency situation. (However, at present there exists no legislative authority to impose mandatory boiler combustion efficiency standards)



PLAN 5: EMERGENCY RESTRICTIONS ON ILLUMINATED
ADVERTISING AND CERTAIN GAS LIGHTING

Summary of
Operation

- On-premise advertising signs and window displays would be illuminated only during an establishment's normal nighttime hours of operation
- Off-premise advertising signs and billboard could be illuminated from dusk until midnight only, unless such signs provide directions to an establishment which operates after midnight, in which case the signs could be illuminated from dusk until dawn
- Outdoor natural gas lighting could not be used for any purpose, except by public agencies and authorities in providing for safety and security requirements

Rationale

- Round-the-clock outdoor advertising and natural gas lighting constitutes a very visible and wasteful form of energy consumption during a shortage period
- Reduced advertising and natural gas lighting would serve as a continual reminder of the severity of the shortage situation without compromising personal security or highway safety

Demand
Reduction
Potential

35,000 barrels per day of petroleum equivalent
(petroleum, natural gas, coal, hydro, etc.)

Cost of
Operation

\$5 million, assuming implementation for 9 months

Environmental
and Economic
Consequences

- Favorable but insignificant impact on the environment
- Prohibition of outdoor advertising lighting has an impact on small businessmen, who cannot afford to advertise through other media (e.g., newspapers, radio, etc.). For this reason the total ban on outdoor advertising lighting contained in the original proposal has since been modified to permit illumination of advertising signs during normal nighttime hours of operation

Results of
Public
Hearings

- Many comments received from representatives of small business indicating that total prohibition on advertising lighting would worsen their competitive position and that illuminated signs are essential for identification purposes. (The proposed restrictions have since been relaxed to satisfy these requirements)
- Lighting industry representatives criticized the plan on the grounds that outdoor advertising lighting accounts for a very small percentage of total energy consumption

GASOLINE AND DIESEL FUEL
RATIONING CONTINGENCY PLAN

A) PURPOSE OF RATIONING

- System for orderly distribution of available supply according to specific rules.
- Supply already sharply reduced by external factors (e.g. embargo)
- Not a demand reduction system

B) MAJOR PLAN FEATURES

PRIORITY CLASSES

- 3 classes for firms
- 2 classes for individuals

ENTITLEMENTS METHODOLOGY

- Determine Gasoline Supply, Subtract:
 - National Reserve
 - State Hardship Reserve
- Apportion Remainder to:
 - Firms
 - Private Individuals

RATIONING RIGHTS
ALLOTMENTS

- Individuals
 - Licensed Drivers Eligible
 - All treated Equally
 - 8 Coupons Per Ration Period
 - Constant Coupon Value in Whole Gallons
 - Variable Length Ration Period
 - Defined Hardship Categories Apply to Local Boards for Relief
- Firms
 - Priority 1: 100% of current requirements
 - Others: % of Base Period Usage
 - Ration Bank Accounts
 - Account Opened
 - Allotment Deposited Monthly
 - Checks drawn against allotment

GASOLINE PURCHASE
PROCEDURES

- ° Individuals: Coupons at Pump
- ° Firms: - Coupons or Check at Pump
- Checks only for Bulk Purchases
- ° Suppliers: - Collect and Deposit Ration Rights for all Sales
- Issue Redemption Checks for all Purchases

RATION RIGHTS EXCHANGE
MARKET ("WHITE MARKET")

- ° Unrestricted
 - Avoids Black Market
 - Mechanism to Correct Imbalances
- ° Minimum Federal Involvement
 - Provide Price Information Service
 - Stand by Procedures Drafted - if Market Unsatisfactory

DIESEL FUEL RATIONING

- ° Allocation Program for All Bulk Purchasers
- ° Sales at Retail
 - Ration Credit Card System for Commercial Vehicle Operators
 - Gasoline Coupons for Private Diesel Automobiles

C) PROGRAM COSTS
(In Millions of 1975 Dollars)

- ° Implementation - 363.26
- ° Annually - 1,837.4

D) ENVIRONMENTAL
CONSEQUENCES

- ° Negligible - Environmental Assessment resulted in a Negative Determination

E) ECONOMIC ANALYSIS

- ° Effects of Rationing Plan on:
 - 1) Vital Industrial Sectors
 - ° Increased access to gasoline compared to allocation for industries receiving less than 100% of current requirements (85-90% under rationing vs. 75-80% under allocation)
 - ° Avoidance of layoffs or production cutbacks.
 - 2) Employment
 - ° Negligible effect - Very slight net gain from jobs to implement and administer program
 - 3) States and Regions
 - ° Regional Transfers of income from differences in average gasoline use
 - ° Rural states will buy coupons, urban states will sell
 - 4) Consumer Goods and Services
 - ° Determined prior to rationing by effect of shortage on demand
 - 5) Gross National Product
 - ° Relatively Small - negligible increase in real GNP relative to shortage - impacted economy
 - 6) Competition
 - ° Administrative costs will affect inefficient gasoline retailers through higher costs passed on to consumer
 - 7) Income Redistribution
 - ° Potential \$2 billion income transfer would fall heaviest on lower-income groups
 - ° Could be largely offset by ration grants from State Hardship Reserve

F) PUBLIC REACTION
(Comments & Hearings)

° Number of Respondents - 107

° Areas Addressed

- * - Effect on Tourism
- * - Rental Vehicles
- * - Base Period/Supporting Documentation
- * - Priority/Classification
 - State & Local Role/Hardship Reserves
 - Procedures for Individuals
- * - Redemption/Gasoline Supply
 - "White Market"

* Indicate areas where changes have been made to the proposed regulations as a result of written comments and public hearings.



FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

4

AUG 27 1976

MEMORANDUM TO EXECUTIVE COMMITTEE
ENERGY RESOURCES COUNCIL

FROM:

for FRANK G. ZARB
EXECUTIVE DIRECTOR *John S. Partington*

SUBJECT:

EXEMPTION OF NAPHTHA JET FUEL FROM
MANDATORY ALLOCATION AND PRICE REGULATIONS

Direction From the President

Upon signing the Energy Policy and Conservation Act (EPCA), the President directed the Administrator of the Federal Energy Administration (FEA) to take the necessary steps to remove allocation and price controls from a major segment of the petroleum industry as soon as possible, and to return much of the industry to a free market.

Reasons for Decontrol

Voluminous testimony from suppliers and consumers of petroleum products indicate that controls are administratively burdensome, inhibit future planning and capital investment, and remove essential flexibility needed to adjust to changing patterns of activity. The EPCA provides that, upon the presentation of extensive findings to the Congress, a product will be exempt from controls unless the proposal is disapproved by the Congress.

Progress of Decontrol

Residual fuel oils were exempted from controls on June 1, middle distillates on July 1, and naphthas, gas oils and "other products" on September 1. Thus petroleum products representing nearly half of the barrel of crude oil have been exempted. Not yet exempted are naphtha jet fuel, kerosene jet fuel, aviation gasoline, motor gasoline, propane, butane and natural gasoline.

Reasons for Sequential Decontrol

In addition to meeting the restrictions of the EPCA, it was decided to decontrol petroleum products sequentially rather than simultaneously for several reasons. There are many differences in production, in marketing, and in uses from one petroleum product to another. Different products have different seasonal peaks of demand that should be avoided for implementation of an exemption. Sequential decontrol allows more careful study of the unique factors concerning each product, offers flexibility and choice in decontrol phasing, and spreads the considerable workload for all affected parties.

Reasons for Selecting Naphtha Jet

Naphtha jet fuel has many unique qualities in its production, marketing and supply that, under any sequence, would have required separate study. Naphtha jet fuel is relatively easy to refine, and 32 small business refiners produce 37.9% of it. They only produce 4.0% of kerojet fuel. The airlines, on the other hand, contract with major refiners for kerojet fuels. Marketing is also distinctive since the only customer (98%) for naphtha jet is the DOD.

Some small refiners are less able to adjust to a regulated environment than major refiners and have expressed acute problems to FEA and urged expeditious attention to decontrol.

The airlines have expressed strong opposition to decontrol of kerojet fuel. This is a position which does not, in FEA's opinion, serve their long term interest, and there are reasons to believe that this opposition will disappear early next year.

Opposition to Naphtha Jet Decontrol by Department of Defense (DOD)

The DOD has expressed opposition to the decontrol of naphtha jet fuel separately from kerojet fuel. When the Congress scrutinizes the prices DOD pays, it customarily compares them to the price paid by airlines for kerojet fuel and to the wholesale price of motor gasoline. If gasoline and kerojet fuel remain under controls, but naphtha jet is decontrolled, DOD believes its price would rise approximately 5 cents per gallon due primarily to the difference between its current price of 30.5 cents and the wholesale gasoline price of 36.5 cents to 39.5 cents per gallon.

The budgetary impact will result in unprogrammed cost increases of \$20 million if the increase associated with decontrol is 2 cents and \$50 million if the increase is 5 cents.

DOD believes that it will experience difficulties in obtaining complete and timely coverage of its requirements.

FEA Responses to DOD Concerns

The factors affecting naphtha jet prices are vastly more complex than a direct relationship to gasoline prices. However, with respect to gasoline prices, gasoline is at least 3 cents a gallon more costly to refine and to market to the wholesale level. Seven small refiners of naphtha jet fuel cannot make gasoline at all and many cannot increase their current gasoline production. Gasoline prices are forecast to be lower in October when naphtha jet decontrol is proposed, due to the end of the seasonal peak demand period.

Naphtha jet fuel prices are expected by FEA to rise roughly in relation to average crude oil cost increases, with or without FEA controls, in gradual movements by a cumulative total of 8 1/2 cents per gallon by the end of 1978. FEA believes that any additional cost above the 8 1/2 cents would be the result of pressure to recover non-product costs not currently allowed under its regulations (e.g. depreciation). FEA is presently reviewing all non-product costs to extend their pass through to the maximum extent justified under our programs. DOD has adequate contractual and audit means to assure windfall profits do not accrue to its suppliers.

Considering all factors, FEA believes a price increase is possible as a result of decontrol, but that it is unlikely to be more than 2 cents per gallon.

FEA recognizes that DOD experienced occasional difficulty in obtaining complete and timely coverage of its requirements prior to controls, and that this may occur after decontrol. This, however, is due primarily to DOD's price negotiation power and procedures rather than to any shortfall in crude oil supplies, domestic refinery capacity, or naphtha jet fuel production capability.

FEA believes that DOD will experience a lesser cost increase by having decontrol immediately follow contract negotiations than it would by facing new negotiations immediately after decontrol. Small business refiners, who are the focus of DOD's concern as to inequity in price treatment, support the exemption.

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Amendments to the OCS Lands Act

Status

- The House passed H.R. 6218 on July 21 by a vote of 247 to 140 and returned it to the Senate in the form of an amendment to S. 521.
- The Senate Interior Committee is planning to amend the House amendment in floor action and to return it to the House for final passage. It appears that the Senate and House majority members have agreed on this last round of amendments and can thus avoid a time-consuming conference.
- Senator Jackson is prepared to bring the bill to the floor at the first opportunity. As of Tuesday afternoon a "time agreement" between majority and minority staffs had not been reached. As a result, and because the Labor Day recess begins September 1, the bill will not be considered until after the Congress returns.

Major Provisions

- In passing H.R. 6218, the House accepted 5 of the 19 essential amendments suggested by the Administration and 11 of the 20 non-essential amendments.
- The bill provides for disapproval of development plans or cancellation of leases because of environmental damages without consideration of the losses in production that would result.
- The bill requires that one-third of the acres leased in frontier areas be sold under experimental bidding systems unless one House of Congress approves a waiver.



- The bill retains impractical and unreasonable requirements for providing information to the States without considering its relevance or the consequences to proprietary interests.
- The oil spill liability provisions establish unlimited liability for clean up costs and a \$35 million limit for damages.
- The bill permits states to become joint lessor with the Federal Government of the first 3 miles of OCS lands.
- The authority and responsibility for environmental and safety regulation and enforcement under the bill would be shared by a number of departments.
- The impact aid provisions were deleted after passage of the Coastal Zone Management Act Amendments (although they may be reintroduced, in a form unacceptable to the Administration, by Senator Johnston (La.)).

Administration Position and Likely Outcome

- The Department of the Interior has reasserted the Administration's opposition to S. 521 in both the Senate and House versions. Secretary Kleppe sent a letter and a revised package of Administration amendments to the leadership of the Senate and House committees on August 26 (see attached).
- The amendments to be proposed by the Senate majority (and presumably accepted by the House majority) respond substantially to only two of the 15 essential amendments suggested in that letter. Token changes would be made in several other provisions which the Administration opposes. Two additional amendments would add objectionable features to the bill (one would add a somewhat weakened Federal exploration program).

- There is a good chance that time will run out on the 94th Congress before the Senate and House act on these amendments.

- If the proposed majority amendments are passed by both the Senate and House, and the bill sent to the President, it is not definite at this time whether there would be sufficient support to sustain a veto.



UNITED STATES NUCLEAR REGULATORY COMMISSION

OFFICE OF PUBLIC AFFAIRS
WASHINGTON, D.C. 20555

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FOR IMMEDIATE RELEASE
(Friday, August 13, 1976)

NRC PLANS NEW RULEMAKING PROCEEDING ON WASTE MANAGEMENT IMPACT FOR REACTOR LICENSING

The Nuclear Regulatory Commission said today that, following two recent court decisions, it has directed a thorough new staff analysis--scheduled for completion by about September 30--of the environmental impact of fuel reprocessing and waste management associated with individual nuclear power plants. This is the first step toward a public proceeding to formulate a new rule for assessing such impact.

The Commission action was disclosed in a detailed policy statement explaining how the NRC plans to handle its licensing activities pending resolution of several questions raised by two July 21 decisions of the U.S. Court of Appeals for the District of Columbia Circuit. The decisions relate to how the Commission considers the impact of reprocessing and waste disposal in its reactor licensing process. The court held that the present rule governing that consideration must be more fully documented and explained.

The staff analysis, already under way, is intended to provide that documentation and explanation. After completion of the analysis, the Commission will begin a public proceeding this fall to formulate a new rule governing reprocessing and waste disposal considerations in licensing activities.

The policy statement made clear that this analysis and the subsequent development of a rule represents "but one step in national planning" for waste management. The Energy Research and Development Administration plans to issue in draft form next April a comprehensive environmental impact statement on waste management. Other measures under way include the NRC's development of goals, objectives and general environmental criteria for waste management, and the Commission will prepare appropriate environmental impact statements as it continues developing its regulatory framework for waste management.

(more)



Pending completion of the staff analysis, the Commission does not intend to issue any new full-power operating licenses, construction permits, or limited work authorizations. Some types of licensing--such as fuel loading, limited power testing, or construction permit amendments--will not necessarily be affected. For example, as the Commission noted in its policy statement, it believes that authorization for fuel loading and low-power testing is not precluded by the court decisions. Consequently, the NRC staff today is issuing licenses to two utilities for initial loading of nuclear fuel and low power testing not to exceed one percent. The utilities are Baltimore Gas and Electric Company for Unit 2 of the Calvert Cliffs nuclear power station at Lusby, Maryland, and Public Service Electric and Gas for Unit 1 of the Salem nuclear generating station at Salem, New Jersey.

When completed in September, the staff analysis may provide the foundation for additional NRC licensing. It also may provide the basis for an interim rule under which licensing activities could be resumed.

For the next several weeks, the NRC staff and the licensing boards will continue to process applications up to the point of licensing.

With respect to licenses which already have been granted, the Commission said it will determine, after it receives the staff analysis, whether to initiate proceedings for the review of individual licenses.

The licenses of two plants--the Vermont Yankee Nuclear Power Corporation plant at Vernon, Vermont, and Consumer Power Company's Midland, Michigan, station--were at issue in the Court of Appeals cases. The Commission said that since it has determined that the reprocessing and waste management issue should be treated generally by rule change rather than on an individual plant-by-plant basis, it will ask a licensing board to decide whether there should be modification or suspension of these two licenses pending issuance of a new rule, or a possible interim rule. The licensing board has been asked to balance all factors in making that determination.

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(NOTE TO EDITORS: The policy statement is attached.)

NUCLEAR REGULATORY COMMISSION

[Docket RM-50-3]

ENVIRONMENTAL EFFECTS OF THE URANIUM FUEL CYCLE

General Statement of Policy

Two recent decisions by the United States Court of Appeals for the District of Columbia Circuit raise significant questions regarding the future course of Commission licensing activities over the coming months. The decisions are Natural Resources Defense Council, et al. v. NRC, Nos. 74-1385 and 74-1586; and Aeschliman, et al. v. NRC, Nos. 73-1776 and 73-1867 (July 21, 1976). The purpose of this policy statement is to indicate how the Commission intends to conduct its licensing activities pending resolution of the several legal questions raised by the decisions. This statement is not intended to resolve, or indicate any resolution of, the question whether the particular licenses before the court in these cases are to be continued, modified, or suspended during the proceedings called for; since the court refused an explicit request to set aside these licenses, the Commission's view is that the court expects it to resolve this question in formal proceedings, in light of the facts and the applicable law. Nor is this statement intended to reflect any position the Commission may take in further litigation in these cases.

As this statement was in the final stages of preparation, the Commission received a proposal for rulemaking from the Natural Resources Defense Council concerning many of the issues discussed herein. Comments on that proposal are solicited in a coordinate Federal Register notice, also published today. Initial consideration of the petition indicates that it varies in several respects from this policy statement. Some of these variations (notably, rules proposed for existing construction permits, LWA's and operating licenses) may reflect differing legal interpretations; however, in general, publication of the present policy statement will not irretrievably commit the Commission or others to a course inconsistent with the proposals made. The Commission believes that the need for immediate guidance to its staff and licensing boards, and to the interested public, requires publication of the present statement. The Commission will carefully consider the suggestions of the NRDC and, indeed, is aware that others should have the opportunity to comment on these proposals and to offer suggestions for implementing the recent court of appeals decisions.

While other questions were decided, the principal impact of the court's opinions on Commission actions arises from holdings on three related points:

1. A rule adopted by the former AEC in 1974 to codify the environmental effects of the uranium fuel cycle for individual light-water nuclear power reactors, 10 CFR 51.20(e), was inadequately supported insofar as it treated the reprocessing of spent fuel and of radioactive wastes;

2. The National Environmental Policy Act of 1969 requires analysis of these reprocessing and waste issues, either through rulemaking or in individual licensing proceedings, as a prerequisite to Commission licensing of a nuclear power plant;
3. If the Commission wishes to revise its rule, it must do so by procedures more demanding than the notice-and-comment procedures required for informal rulemaking by the Administrative Procedure Act. (The court divided 2-1 on the question of further procedures, Judge Tamm stating that notice-and-comment procedures would suffice.)

Even though review of one or more of these rulings may be sought, prudent and responsible regulation requires immediate steps to further analyze the reprocessing and waste disposal issues. Accordingly, the Commission's staff has been directed to review the existing literature thoroughly and to produce on an expedited basis a revised and adequately documented environmental survey on the probable contribution to the environmental costs of licensing a nuclear power reactor that is attributable to the reprocessing and waste management stages of the uranium fuel cycle. It is expected that this statement will be ready on or about September 30, 1976.

The Commission intends to reopen the rulemaking proceeding on the Environmental Effects of the Uranium Fuel Cycle, Docket RM-50-3 for the limited purposes of :

1. Supplementing the record on the reprocessing and waste management issues; and
2. Determining whether or not on the basis of the supplemented record, Table S-3 of 10 CFR 51.20(d) should be amended and, if so, in what respect.

The revised environmental survey just described, together with any amendments to Table S-3 that may be proposed as a consequence of that analysis, will be the basis for these reopened proceedings. We understand the court to regard the procedures originally used as capable of fully ventilating the issues involved, permitting a reasoned Commission discussion and producing a valid rule.* These procedures,

*/ The court understood, as do we, that any such rule would be but one step in national planning for radioactive waste management. The Energy Research and Development Administration has undertaken a comprehensive environmental impact statement, now scheduled for issuance in draft form in April, 1977. A variety of other measures, including this agency's development of goals, objectives, and general environmental criteria for waste management, are also under way. As the Commission then proceeds to develop its regulatory framework for waste management, appropriate environmental impact statements will be prepared. Obviously, areas of uncertainty which may be developed by the present study will help to shape these efforts.

which included an oral hearing and questioning of witnesses by the presiding panel, are set forth at 38 Fed. Reg. 50, January 30, 1973. Alternative procedures, modeled on those to be employed by the Commission in its forthcoming GESMO hearings, have been suggested by the Natural Resources Defense Council in the petition for rulemaking referenced above. An election of procedures to be followed will be made in a forthcoming notice of hearing, following the comment period on that petition, which closes August 31, 1976.

While the extended rulemaking is in progress, the Commission and its licensing boards will be called upon to decide whether nuclear reactor licenses can issue, and whether previously granted licenses should be suspended, modified, or set aside.

In view of the court's recent decisions, the Commission has concluded that no new full-power operating license, construction permit or limited work authorization should be issued pending the developments to be described below. This conclusion is based on recognition that the grant of each of those authorizations, permits, or licenses is premised upon the completion of an adequate environmental impact statement, and that under the subject decisions, absent an acceptable substitute for those portions of Table S-3 which the court has found inadequately supported, the basis for a complete environmental impact statement will not be in place.

The Commission recognizes that this conclusion may have significant impacts on the availability and costs of nuclear power facilities. At present, two nuclear power plants are at the stage where an operating license might otherwise have been issued imminently; two plants will reach that stage within the next four months. Additionally, a decision on whether to issue construction permits for five power plants would in all probability have been reached by the end of the year. The number of plants affected by a cessation of licensing grows with time, and there are obvious costs incurred when plants stand idle. Since existing concepts for reprocessing and waste technology do not vary significantly with the design of nuclear power generating facilities, it is extremely unlikely that the revised environmental survey will result in any modification of these facilities. Only the possibility of discontinuing their construction or use is likely to be at issue.

The Commission does not believe that the licensing constraints here announced must necessarily continue until a rulemaking employing oral hearing procedures has been completed, a process which could take fully a year. If the revised environmental survey justifies, notice and comment rulemaking can provide the basis for an interim rule which would be an adequate substitute for Table S-3 pending issuance of the final rule. In addition to the revised environmental survey, the basis for such an interim rule would include an evaluation of the environmental impact of using that interim rule as a basis for licensing until the final rule is in place, and an assessment of the impact of a suspension of further licensing during that time period. The Commission has directed its staff to develop this information by September 30, 1976. Since interim rulemaking would be accomplished through notice and comment procedures only, an interim rule might be promulgated as early as December 1976, providing a basis for licensing at that time.

The Commission also has under consideration the possibility of a future request to the court of appeals for a stay of its mandate, such a request to be explicitly supported by an appraisal of the likely impact of the court's decision and of granting the stay. If granted, a stay so supported might also provide the basis for resumed licensing.

Finally, some Commission licensing actions do not require preparation of an environmental impact statement, depending upon the circumstances. See 10 CFR 51.5(b). In these instances, which may include

authorizations for fuel loading, low-power testing, or amending a construction permit, the Commission's regulations require that an environmental impact appraisal be undertaken in order to determine whether an environmental impact statement must be prepared. 10 CFR 51.5(c). The absence of an effective Table S-3 would not preclude licensing that is not dependent upon an environmental impact statement. Consequently the Commission is instructing its staff and licensing boards that they may continue to take such actions where an environmental impact assessment has been made and has resulted in a determination that no environmental impact statement need be prepared. See 10 CFR 51.5, 51.7.

In all other instances, the staff and the licensing boards shall continue to process applications and hold hearings up to the point of, but not including, licensing. However, in any contested proceeding, reprocessing and waste management issues should be deferred pending completion of the interim rulemaking, unless the evidentiary record on those issues has already been completed and is adequate for decision. The Commission wishes to avoid the needless duplication which proceeding both by rulemaking and in individual contested licensing hearings would entail and the overall delay that would result. Where a proceeding is uncontested, licensing shall nevertheless be deferred until the Commission has published the revised environmental survey, documenting the probable contribution to the environmental costs of licensing a nuclear

power reactor which is attributable to the reprocessing and waste management stages of the uranium fuel cycle. These values may then be used in reaching a NEPA cost/benefit assessment prerequisite to licensing. Similarly, where a license has been issued, but the action has not become final within the Commission because of pending appeal or possible Commission review, final action or review should be deferred pending publication of the environmental survey; other issues, including as appropriate the issue of suspending activity under the license in question, may be resolved in the interim.

With regard to the Vermont Yankee and Midland licenses at issue in the two court of appeals cases, we agree with the view expressed by the Commission's staff that questions of modification or suspension should be resolved in formal proceedings in light of the facts and the applicable law. Since we have decided that reprocessing and waste management issues should be treated generically by rulemaking rather than on a case-by-case basis, the initial question on remand of the Vermont Yankee and Midland orders will be whether the licenses should be continued, modified, or suspended until an interim rule has been made effective. In resolving this question, the Commission intends to assign the matter to licensing boards with instructions to call for briefs from the parties followed by evidentiary hearings if necessary.* / The same

* / An evidentiary hearing on other issues will be required in Midland, barring further review. That hearing, however, should not be commenced until the Midland decision has become final.

question would arise on a request for a show cause order seeking the suspension or modification on fuel cycle rule grounds of any other nuclear power plant license.

It is the Commission's understanding that resolution of this question turns on equitable factors well established in prior practice and case law. Such factors include whether it is likely that significant adverse impact will occur until a new interim fuel cycle rule is in place; whether reasonable alternatives will be foreclosed by continued construction or operation; the effect of delay; and the possibility that the cost/benefit balance will be tilted through increased investment. See Coalition for Safe Nuclear Power v. AEC, 463 F.2d 954 (D.C. Cir.1972); San Onofre, Units 2 and 3, 7 AEC 986, 996-97 (June 1974). General public policy concerns, the need for the project, the extent of the NEPA violation, and the timeliness of objections are also among the pertinent considerations. See, e.g., Conservation Society of Southern Vermont Inc. v. Secretary of Transportation, 408 F.2d 927, 933-934 (2d Cir. 1974), vacated on other grounds and remanded, 423 U.S. 809 (1975); Greene County Planning Board v. FPC, 455 F.2d 412, 424-425 (2d Cir.), cert. denied, 409 U.S. 849 (1972); City of New York v. United States, 337 F. Supp. 150, 163 (E.D.N.Y.) (three-judge court).*/

*/ In its petition for rulemaking, noticed today, the Natural Resources Defense Council suggests that the appropriate course for the interim period concerning facilities which hold effective licenses should be as follows:

Finally, even if no request for suspension or modification of an LWA, CP, or OL is received, the Commission will nevertheless

*/ (Footnote continued)

Facilities which received operating licenses before July 21, 1976:

NRC will order suspension of the operating license for any such facilities unless the licensee can establish that:

(1) Continued operation of the plant is essential to maintain a reliable supply of energy to the reliability region of which the plant is a part, taking into account alternative available sources of supply (including purchase power), historical reserve requirements, and available

interconnections for transmitting power;

(2) Continued operation of the facility will provide adequate protection for the public health and safety, taking into account the health and safety problems associated with production, storage, transportation, reprocessing, if any, and management or disposal of all nuclear fuel required for the plant and all nuclear wastes produced by the plant;

(3) Continued operation of the facility will not tend to foreclose, now or in the future, implementation of alternatives to the operation of this facility or to the design, construction or operation of other facilities which may be considered following completion of the review required by 10 CFR Section __; and

(4) Continued operation of the facility will not tend to irretrievably commit resources to the production of nuclear fuel or the storage, reprocessing, if any, management or disposal of any nuclear wastes.

Facilities which received construction permits or LWA's prior to July 21, 1976:

NRC will order suspension of the LWA or the construction permit unless the licensee can establish that:

(1) Continued construction of the plant is essential to maintain a reliable supply of energy to the reliability region of which the plant is a part, taking into account alternative available sources of supply (including purchase power), historical reserve requirements and available interconnections for transmitting power;

determine whether it should sua sponte initiate show cause proceedings based upon information the Commission receives in the revised environmental

*/ (Footnote continued)

(2) Continued construction will not tend to foreclose, now or in the future, implementation of alternatives to the design, construction or operation of this or other facilities which alternatives may be considered following completion of the review required by 10 CFR ____; and

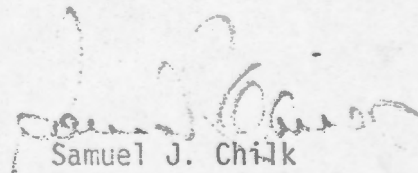
(3) Continued construction will not tend to irretrievably commit resources to the facility.

As noted in the text immediately following this note, we believe the appropriate time for NRC consideration of sua sponte, across-the-board initiation of show cause proceedings to be when it has received from its staff its revised and documented assessment of the reprocessing and waste management issues. While the issues of reprocessing and waste management fully warrant serious and timely attention, no information now at hand calls for so drastic a step in the brief period before this analysis will be available. Also, while the individual factors NRDC suggests are among those relevant to be addressed in seeking a show cause order or in any show cause proceeding, the Commission cannot accept the suggestion that these factors are cumulative and must each be satisfied; its own approved prior practice and established judicial precedent permit balancing of these factors to determine where the equities of each particular case lie.

In adopting this approach, one inconsistent with the NRDC petition, the Commission is aware that neither NRDC nor other concerned parties have been formally heard. In commenting on the NRDC petition, any party interested to do so (including NRDC) may file comments addressed to the point.

survey. As noted earlier, this information should be in hand by September 30. The Commission's determination whether or not to reopen all licenses will then be issued.

FOR THE NUCLEAR REGULATORY COMMISSION


Samuel J. Chalk
Secretary of the Commission

Dated at Washington, D.C.
this 13th day of August, 1976.

ERC

September 1 7:05 PM

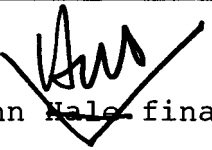
MR. CANNON

Glenn Schleedi called:

3:30

Subject:

FEA Contingency Plans


John ~~Hale~~ finally got worried about the FEA proposals and discussed them with Zarb who is on vacation. Zarb has decided to remove the item from the ERC agenda for tomorrow morning and wants to have a meeting next week with you , Jim Lynn and perhaps others to decide the course of action.

Jeanne

