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## THE WHITE HOUSE

WASHINGTON

December 3, 1974

## MEMORANDUM FOR THE PRESIDENT

FROM: WILLIAM J. BAROODY, JR. (B)

SUBJECT: "Wednesday meeting" with leaders of the electric utility industry.

On Wednesday, November 20, Secretary Simon, Secretary Morton and Russell Train met with twenty chief executive officers from the electric utility industry. The purpose of the meeting was to air the industry's specific concerns and to receive the industry's recommendations for future Administration actions.

CONCERNS OF THE INDUSTRY

The industry's present financial crisis, caused by inflation, inadequate rates, regulatory delay and investor uncertainty, is deepening because of conflicting policies within the Federal Government toward energy and the environment. The industry believes that EPA's attitude toward sulphur emission standards is inflationary, wasteful and inconsistent with the objectives of national energy policy. Further, it maintains that because of EPA's policies and certain provisions of the Surface Mining Act, vast amounts of domestic coal will be unusable. In addition, the industry asks for acceleration of nuclear licensing and siting procedures, which could significantly reduce construction costs and lead times necessary to place a nuclear plant in line. (Nuclear delays can add 15-20% to the cost of the project.) The industry believes that EPA's policies are in direct conflict with other departments of the Executive Branch and disregard evidence that such policies should be softened. Specific criticisms of EPA include the following: the agency has failed to review State environmental plans in a timely manner; EPA has avoided the use of cost/benefit analyses of alternative means to limit the emission of sulphur oxides; and EPA has not considered sufficiently the economic and energy consequences of its environmental actions and standards, and is not exercising, therefore, proper leadership.

## INDUSTRY RECOMMENDATIONS

1. The Administration should insist on increasing the cost-effectiveness of sulphur emission regulations. As presently interpreted, the regulations will require the installation of scrubbers at a cost of \$8-10 billion by 1980. Further, scrubbers reduce electric generating efficiency by 8%. Intermittent control systems ("ICS"), the alternative to scrubbers, can meet in most cases, ambient air standards required by the Clean Air Act. ICS can be utilized at little or no cost. Scrubbers will necessitate about a one-third rate increase to consumers.

2. The Administration should obtain relaxation, rather than postponement, of emission control standards. In this way, utilities can burn high-sulphur coal and still meet ambient standards. Present restrictions have caused the price of low-sulphur coal to rise to over \$100 per ton.

3. The Administration should establish an independent, impartial board to analyze alternative means of meeting ambient air standards and provide recommendations to the President.

4. The industry wants the Administration to permit leasing of Federal coal lands as soon as possible.

5. A petition procedure should be adopted whereby companies could ask States for variances of emission limits if ambient air standards are met. The Federal Government should then have the power to preempt local standards if they are unnecessarily harsh.

6. The Administration should encourage the enactment of tax incentives for utility stockholders:

- (a) tax-free reinvestment of dividends,
- (b) increase the \$200 exclusion of common stock dividends from taxable income.

## RESPONSE BY GOVERNMENT REPRESENTATIVES

Secretary Simon and Secretary Morton discussed the legislative proposals made to date by the Administration on behalf of the industry: Nuclear Plant Licensing Bill; Clean Air Act Amendments of 1974; Power Plant Facilities Siting; Natural Gas Supply Act;

Surface Mining Act; and Tax Reform Act. In addition to pressing for enactment of these bills, they pledged to help resolve the environmental and energy policy conflicts within the Administration.

Mr. Train stated that he is obligated to meet his statutory responsibilities for protection of the environment. Further, he indicated that EPA would begin to give more weight to costs associated with environmental policies. However, he refused to consider the possibility of permanent use of ICS by power plants. Rather, he would attempt to extend the compliance date for installation of scrubbers, since it is impossible for the industry to meet the dates now prescribed by law. Mr. Train's resistance to ICS centers around his belief that Congress would not agree to their permanent use. Mr. Train stated that scrubbers were being required because of his fear that sulphates were harmful to public health and that sulphates were formed from sulphur oxide emissions. Mr. Train agreed with the industry, however, that the health danger of sulphates had not been scientifically proven. Yet he indicated that he intends to require scrubbers in anticipation of the link between sulphur oxide emissions of power plants, formation of sulphates and public health.