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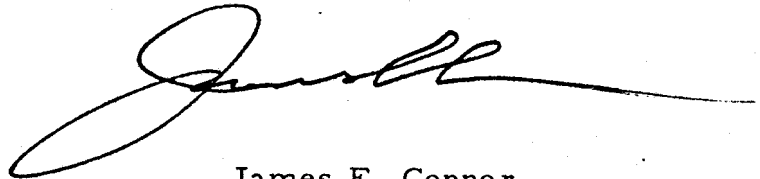
THE WHITE HOUSE
WASHINGTON

June 10, 1975

MEMORANDUM FOR THE VICE PRESIDENT

The attached were returned in the President's outbox with the following notation:

-- Thanks.

A handwritten signature in black ink, appearing to read "James E. Connor", with a long horizontal flourish extending to the right.

James E. Connor
Cabinet Secretary

THE WHITE HOUSE
WASHINGTON

Neil President

Thanks.

Out box

JUNE 4

Brimmer Warns Utilities: Financings Need Overhaul

By REGINALD STUART

Special to The New York Times

DENVER, June 3—Andrew F. Brimmer, an expert on utility financing and a former member of the Federal Reserve Board, told executives of the nation's electric utilities today that meeting the industry's future financial needs would require changes in the industry's financing practices and more dependence on the public capital market.

Mr. Brimmer, speaking at the annual meeting of the Edison Electric Institute, the investor-owned utility trade association, said that greater and speedier rate relief will be needed by the industry from state and Federal regulations. Mr. Brimmer added, however, "whatever the commissioners do, utilities will have to become more dependent on external financing" than they were a decade ago.

"I do not believe utilities will be able to finance their requirements in capital stock based on present financing preferences," he said.

Economist Serves Warning

Meanwhile, Alfred E. Kahn, a leading utility economist and chairman of the New York State Public Service Commission, warned the utility executives that because of their failure to embrace cost economies and rate reform concepts, the industry "may not be around in its present form five years from now."

Mr. Brimmer said that over the last decade the financing of electric utilities' capital requirements has shifted from nearly half the required funds being raised internally to less than one-third today. The explanation of the increased reliance on external funds can be traced to sharply rising capital outlays, he said.

External funds rose from 41 per cent of total funds raised by investor-owned electric utilities in 1964 to 70 per cent last year, Mr. Brimmer said.

Still 'Genuinely Undecided,' He Says

Reagan Weighs Candidacy



RONALD REAGAN

... sympathetic to Ford

By Lou Cannon

Washington Post Staff Writer

Ronald Reagan, buoyed by the support of Republican conservatives who have never forgiven President Ford for choosing Vice President Rockefeller, appears to be drifting toward an undeclared presidential candidacy.

Reagan says he is "genuinely undecided" about seeking the presidency and his closest advisers agree that he has not made up his mind. But during his most recent national speaking trip last week the former California governor seemed to be gradually be-

coming the captive of events he has set in motion.

And though he is clearly sympathetic to Mr. Ford over the problems he has inherited and the hostile Congress the President faces, Reagan said emphatically in an interview that this sympathy will not govern his ultimate decision.

"I'd have to believe in my heart I was supporting somebody who would turn this thing around," he said.

In his most recent trip Reagan behaved as if he himself were the

See REAGAN, A4, Col. 3

The New York Times

Founded in 1851

ADOLPH S. OCHS, Publisher 1896-1935

ARTHUR HAYS SULZBERGER, Publisher 1935-1961

ORVILLE E. DRYFOOS, Publisher 1961-1963

Mr. Ford's Oil Program

Twenty months after the Arab oil embargo and a 400 per cent price increase alerted the country to its vulnerability, Congressional action still is awaited on a comprehensive program to limit fuel consumption, increase production and authorize the President to stockpile petroleum and ration it in an emergency.

Seventeen other oil-importing nations have joined the American-initiated International Energy Agency to take coordinated counter-cartel measures of this kind. But the whole imaginative enterprise will be endangered if the United States delays in implementing its own strategy just as the oil-producing countries are threatening another price rise of 10 to 20 per cent for September.

These circumstances left President Ford no alternative last week but to go ahead with his long-delayed stop-gap plan for oil conservation by doubling the import fee and giving notice of gradual price decontrol for "old" wells. This program would worsen both unemployment and inflation, but action to limit American consumption was essential before economic recovery—whenever it comes—and a worldwide rise in petroleum demand again strengthen the hand of the oil cartel.

Nothing the President has done prevents the Congress from going ahead with its own program. On the contrary, other vital conservation measures and most of the major programs required to bring in alternate sources of energy cannot be initiated by executive action. They depend entirely on Congressional authorization. The President himself has offered to rescind the whole \$2-a-barrel import fee and to stretch out price decontrol over a period of several years, as favored by Chairman Ullman of the House Ways and Means Committee, if Congress will enact equivalent oil-saving measures.

The Ullman bill would do that, substituting a tax on gasoline alone for the Administration's across-the-board import fees. It would also tax gas-guzzling automobiles, encouraging Detroit to shift to lighter vehicles. But divisions in the Democratic majority make passage of the Ullman bill in its present form unlikely.

Other Administration energy proposals and some that originated in Congress are stalled in more than a half-dozen committees in both houses. Among them are bills to open the naval petroleum reserves, to substitute American coal for foreign oil in more electric power plants, to stimulate work on synthetic fuels, to build storage capacity for 1.3 billion barrels of oil and to authorize rationing and the pooling of oil with other industrial countries in an emergency.

This committee fragmentation would make a coherent program virtually impossible, even if there were some disposition on Capitol Hill to act. What would serve the interests of the country far better would be a single energy committee in each house or, better still, a joint Senate-House energy committee similar to those on economics and scientific research. Regrettably, nothing like this is in sight. Rather, slow piecemeal action stretching over many months appears to lie ahead. And key elements, such as a floor price to protect investment in new energy sources and a gasoline tax—the centerpiece of the Ullman bill—may well be defeated.

The Democratic majority will have a grave responsibility if this happens. The Congressmen who fear that support for a gasoline tax will lead to penalties at the polls may find next year, if a petroleum crunch intervenes, that the penalties for failing to vote adequate energy measures may be far more severe.

Congress vs. President

When President Ford addressed Congress after taking office last August, he felicitously turned a cliché into a quotable phrase by saying that he did not want a honeymoon but a good marriage. Insofar as this matrimonial metaphor can ever realistically be applied to the relationship between Congress and the Executive, Mr. Ford has kept well clear of the divorce court thus far.

As he returns from his European trip and Congress resumes work after the Memorial Day recess, Mr. Ford can take satisfaction from the fact that as a conservative Republican President, he has a better working relationship with a predominantly liberal Democratic Congress than did his two recent predecessors, Presidents Eisenhower and Nixon, in comparable circumstances.

At first glance, this comparatively amiable atmosphere is surprising inasmuch as Mr. Ford has played rather aggressive politics against Congress. While deploring recommitments, he repeatedly tried to shift the blame for the downfall of South Vietnam to the Democrats in Congress. As even some Republicans have pointed out, his "drawing the line" at a \$60-billion budget deficit is propaganda involving fiscal sleight-of-hand.

Mr. Ford has not been reluctant to criticize Congress's failings, most recently in his address on energy policy. It is abundantly clear that he and his political advisers have tentatively settled upon a strategy of running in next year's Presidential election against the record of the 94th Congress, much as President Truman ran in 1948 against the 80th.

In contrast to these public strictures, however, Mr. Ford has been friendly and accessible in his personal dealings with members of Congress from both parties. Having served in the House of Representatives for 25 years, he also benefits importantly from the fact that many committee chairmen and other Democratic members of Congress still regard him as "good old Jerry."

There is implicit in this attitude a mistaken tendency to underrate Mr. Ford as a formidable candidate next year. But senior Democrats in Congress have traditionally taken little responsibility for developing a record on which their own Presidential candidate could run. In addition, Speaker Albert and Senate Majority Leader Mansfield are low-keyed and passive in political style.

In foreign and military affairs, there is much to be said for keeping partisan rivalry within reasonable boundaries. On domestic issues, however, the public has good reason to be dissatisfied with the performance of both the White House and Congress. The President signed a tax reduction bill bigger than he wanted. Since making that accommodation, he has lapsed complacently into the negativism of his principal economic advisers. Yet unemployment increases, economic recovery is a hope, not a reality, and inflation remains serious.

Congress for its part has tainted some of its own measures for economic stimulation with pork barrel politics. If the President has shied away from tough measures to reduce energy imports and has failed to stress energy conservation, Congress too has been evasive and soggy in its approach.

How to cope with recession and also avoid a resurgent inflation? How to cope with the ominous effects and anticipated increases in the price of oil? The record of this Congress and this Administration will be judged by their responses to these questions. The danger is that the partners in this marriage may maintain their tolerable relationship with one another at the expense of the larger public interest each is expected to serve. The absence of angry confrontation is welcome, but the price need not be stalemate and mediocre accomplishment.



JAMES A. RHODES
GOVERNOR

THE STATE OF OHIO
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STATE HOUSE, COLUMBUS 43215

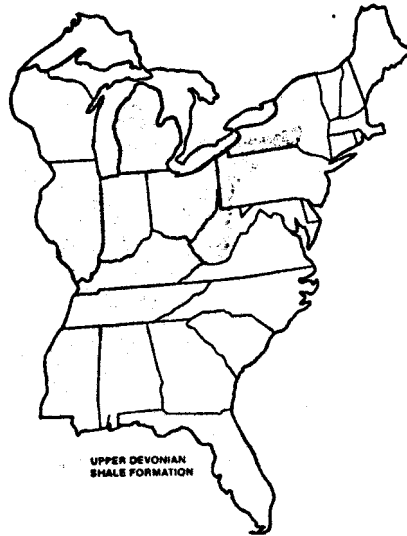
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with P
for*

THE ENCLOSED IS FORWARDED FOR YOUR INFORMATION.

Natural gas now, or...

Industrial Wasteland

The misery of unemployment must not become a way of life in America!



Half of all the energy used by industry in America comes from natural gas. And the industries in the Midwestern, Northeastern and Middle-Atlantic states are being told that there isn't enough gas available to keep them running at full capacity the winter of 1975-76.

Some industries will have to shut down altogether. The problem is so acute that there will be virtually no gas at all for industry in these states in 1976-77.

We are told to look to exotic energy sources such as coal gasification, geo-thermal energy and solar energy.

Fine. Except that none of these sources will be one bit of help to us for the next five or ten years. Maybe longer. We are told we'll have to face curtailment, unemployment and shutdowns because of this natural gas shortage.

THIS IS RIDICULOUS, BECAUSE WE HAVE THE GAS RIGHT HERE!

We do not need to suffer more unemployment, more misery or frustrating shut-downs.

The federal Energy Research and Development Administration tells us that there are at least 500 trillion cubic feet of natural gas locked in the Devonian shale formations in Ohio, Michigan, Illinois, Indiana, Kentucky, Alabama, Tennessee, West Virginia, Pennsylvania and New York.

That's enough gas to supply the industrial needs of 23 industrial states for 100 years!

What do you think about that, New York? How about that, Pennsylvania, New Jersey, Connecticut, Massachusetts, Rhode Island, Maine, Vermont and New Hampshire? Can the factories in Ohio, Michigan, Illinois, Indiana, Michigan, Kentucky, Tennessee and Alabama use this gas? And how about Virginia, West Virginia, Maryland, Delaware, Washington, D.C., North Carolina and South Carolina?

There's as much Appalachian shale gas right under our feet as there ever was in the gas-rich South and Southwest and we don't have to transport it thousands of miles. It's right here, where the jobs are.

The reason it hasn't been fully developed is because of the need to refine the fracturing techniques to release the gas. Science can find the answer.

Once shale technology is developed we'll be able to get all the gas we need.

IT WILL BE INDUSTRIAL DISASTER IF WE DON'T GO AFTER IT!

ERDA knows the gas is there, and recognizes the urgent need to develop the best extraction techniques.

But they only have \$2.5 million a year to allocate to this development. That's like going on an elephant hunt with paper wads. By contrast, the federal government spends \$8.3 million a year on the National Zoo in Washington.

ERDA needs \$100 million to do the job now.

move our gas. Producers and drillers are willing to pay to use these pipelines.

The whole situation would be laughable if it were not so tragic in its consequences to the needlessly unemployed. The Federal Power Commission must act now to lift these restrictions. And, to provide the economic incentives necessary for drillers to sink new wells, Congress must deregulate the well-head price of natural gas.

FIGHT FOR FULL NATURAL GAS PRODUCTION!

We want no more jobs lost. No more production lost. No more crippling energy shortages for industry.

Our very strength as a nation is at stake.

The future of America's working men and women depends on our ability to produce enough natural gas to meet our needs now.

The American people want jobs, not handouts. They want to provide for their families in a dignified manner. All of the social ills among able-bodied people come from the lack of jobs. Unemployment is the worst disease ever thrust upon mankind. It must not become contagious in America.

Because of the current recession, one out of every ten American workers is now unemployed.

Unless we begin now to solve our industrial energy problems, millions more will lose their jobs through no fault of their own.

America's social fabric cannot stand this kind of a shock.

Nothing happens until somebody does something. Every day we delay brings America closer to industrial disaster with its harsh consequences to our working men and women and their children.

Let us all join forces now. Government, industry, labor and the scientific community to develop ALL the gas we know is here to keep the flame of American industry burning.

Write, wire or call the Energy Research and Development Administration, the Federal Energy Administration, the Federal Power Commission, and your Congressional delegation to urge a \$100 million commitment for the development of shale gas, the opening up of the interstate pipelines to move it, and the deregulation of interstate well-head prices.

Sincerely,

GOVERNOR, STATE OF OHIO

We organized the greatest technological effort in history to put a man on the moon. We accomplished the "impossible" with the wartime mobilization and Manhattan Projects.

Now we're in a war with unemployment, and we need to get the natural gas we know is here to keep our factories open.

We must gather a force of the nation's foremost scientists, geologists and engineers to develop these huge reserves in an immediate "Appalachia Project".

If we are to avoid the unnecessary misery of more unemployment of our hard-working people, we've got to provide ERDA the seed money.

The \$100 million isn't very much when you consider the alternatives. Gas-related unemployment compensation will surely cost many times that figure. We have already appropriated \$14 billion for extended unemployment compensation, and the figure is certain to go higher if we shut down our factories through a lack of natural gas.

The costs of welfare and crime which follow from unemployment will be even higher.

We're treating the symptoms. Not the disease.

Let's give ERDA the money it needs to develop shale gas.

FEDERAL REGULATIONS ARE ADDING TO THE GAS SQUEEZE!

There are outmoded, absurd and illogical federal regulations which must be changed to let us move the gas. These regulations prohibit the use of the excess capacity of the interstate pipelines for the transport of locally produced gas. These pipelines are running well under their capacity, but we can't use that excess capacity to