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National Energy  
Information Center

SUMMARY OF SIGNIFICANT INFORMATION  
Week Ending May 2, 1975

- Petroleum

- Oil companies have reported \$2,012 million so far in first quarter 1975 earnings. This represents a decline of \$781 million or 28 percent from the fourth quarter of 1974 and a decline of \$837 million, or 29 percent, from the first quarter of 1974.

Declines in profits in the basic oil and gas business of the companies were very large in absolute terms but less marked in percentage terms than the drop in profits on chemical activities. The following tabulation for six of the largest companies which provide consistent earnings data for segments of their business (Exxon, Texaco, Gulf, Mobil, Socal and Indiana Standard) indicates how earnings (in millions) changed for the segments. These companies account for about 3/4 of total profit for the first quarter of 1975.

	1st Qtr 1975	4th Qtr 1974	1st Qtr 1974	% Change	
				1st Qtr- 4th Qtr	1st Qtr- 1st Qtr
Oil & Gas					
U.S.	524.3	641.5	653.3	<18.3>	<19.7>
Foreign & Other	799.6	1098.4	1249.5	<27.2>	<38.4>
Chemicals	140.7	229.0	212.7	<38.6>	<33.7>
Total	1464.6	1968.9	2115.5	<25.6>	<30.8>

The companies cite the recent tax legislation as the cause of approximately \$275 million of the decline, or 35 percent and 33 percent, respectively, of the decline from the fourth quarter and the first quarter of 1974.

Foreign earnings are off substantially from both of the 1974 quarters. The decline from the first quarter is the most pronounced because that quarter had the benefit of large inventory profits. Also, crude oil costs have risen progressively over the last 15 months as the OPEC countries

- Petroleum (Continued)

raised tax and royalty rates and the cost of buyback oil in three separate steps. Most of these cost increases could not be passed on to customers in a recession-weakened market.

- Crude oil production of the non-Communist world averaged 40.59 million barrels a day during the first quarter of 1975, down 11.3 percent from the production level in the same period last year.
- President Russell Cameron, of Cameron Engineers, asserts that development of western coal and oil shale will not "dry up" the West. In fact, to replace all U.S. oil production with oil shale products would require only 20 percent of the Colorado River basin water. Similarly, he said, replacing total U.S. gas production via coal gasification would require the use of less than ten percent of the water in the Missouri River basin.

- Natural Gas

- In its first coal gasification decision, FPC on April 21 authorized the transportation and sale (when mixed with natural gas) of substitute gas made from coal (SNG). The initial certificated rate was \$1.38 per Mcf for a six month developmental period to be reviewed after operating results are available. Transwestern will transport the SNG from a \$447 million coal gasification plant on the Navajo Indian Reservation in NW New Mexico. The plant has a design capacity to convert 25,000 tons of coal per day into 250,000 Mcf of SNG.
- Texas, Oklahoma, Louisiana, New Mexico and Arkansas have formed the Southwest Regional Energy Council to monitor Federal Energy legislation and attempt to influence energy policy. These five energy-producing states are concerned over the pressures to supply energy, especially natural gas, to the rest of the United States in the face of shortages among local industry.

- Coal

- Analysis of a group of selected medium sized coal companies reveals that 1974 was a highly profitable year. Rate of return on net worth for these companies was 30.4 percent as compared with 10.6 percent in 1973. For all non-financial companies covered in a survey by one of the large New York banks, the

- Coal (Continued)

1974 rate of return on net worth was 13.9%. Analysis of the rate of return for these selected coal companies vs all non-financial companies for the 10 year period 1965-1974 shows that the rate for these coal companies was above the all non-financial rate in only two years, namely, 1970 and 1974.

- Exports of bituminous coal during the first quarter were 14 million tons, up 38 percent from the first quarter of 1974. This higher level is somewhat surprising in light of the slumping world economic situation, particularly in the steel market.

- Nuclear

- A new, broadly supported lobby group, called the Nuclear Energy Council (NEC), is in the process of being formed. Craig Hosmer, former Congressman from California and former member of the Joint Committee on Atomic Energy, will be the Acting Director of NEC. The NEC is supported by numerous pro-nuclear groups, such as the Edison Electric Institute, Westinghouse, General Electric, and the Atomic Industrial Forum.

- International

- There are persistent reports in the trade that Algerian crude oil is being offered, on an indirect barter basis, at prices as much as \$1 a barrel below the official selling price of \$11.75. The offerings come from sellers of equipment to the country who have been told they must take crude oil in part payment.
- The Soviet Union has had to issue a press release justifying its oil price increases this year. It admits making the increases but says its Comecon partners still are saving \$3 billion this year by buying from it.
- The International Monetary Fund says that the growth in international reserves of OPEC members has slowed, and in some cases, declines have set in. Saudi Arabia, with reserves of \$15.9 billion in January continues to rank third behind West Germany (\$34.4 billion in March) and the United States

SUMMARY OF SIGNIFICANT INFORMATION  
Week Ending May 2, 1975 (Continued)

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- Coal (Continued)

(\$16.7 billion in March). Iran ranked second in March among OPEC members with \$8.3 billion, followed by Venezuela (\$7.4 billion) and Nigeria (\$6.1 billion). All three countries are continuing to improve their reserve positions, although at a diminishing rate. Reserves of Libya (\$3.0 billion in March) and Algeria (\$1.1 billion) have been steadily declining since the second quarter of 1974.

SUMMARY OF SIGNIFICANT INFORMATION  
Week Ending May 7, 1975

Petroleum

- The United States Geological Survey has released new estimates of petroleum and natural gas reserves and resources done at FEA's request in connection with the reserve/resource survey. The new figures for crude oil and natural gas liquids are 35 percent of the USGS estimates published in March 1974. The new figures for natural gas are 32 percent of the 1974 figures. USGS will supply a detailed report by the end of this month.
- Policy and Analysis has completed a comprehensive picture of ownership in the petroleum industry. The report, which lists 1,500 parent companies and over 8,000 domestic and foreign subsidiaries and affiliates, shows the equity share owned by parent firms and identifies the principal business of each subsidiary. Splendid cooperation on the part of the oil companies made it possible to add a great deal of information to that available from public sources. Illustrative data for the largest 21 refiners and the largest 21 companies, in each fuel sector follow:

<u>Energy Category</u>	<u>Top 21 Refiners Own the Following in Each Category</u>	<u>Top 21 Companies Own the Following in Each Category</u>
United States Refinery Capacity	81%	81%
Total United States Production of Net Crude + NGL	60%	61%
Total United States Production of Lignite and Bituminous Coal	17%	56%
Total United States Production of Natural Gas	64%	67%

Natural Gas

- Over the last two years, thirty-one of 45 plants in which it was proposed to make natural gas from petroleum have been formally cancelled. Industry indicates the major reason for these cancellations was the lack of naphtha feedstocks.

SUMMARY OF SIGNIFICANT INFORMATION  
Week ending May 7, 1975 (Continued)

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Natural Gas (Continued)

- Intrastate wellhead gas prices as high as \$2.00 per Mcf continue to encourage drilling activity in a newly discovered gas area in Webb and Zapata counties of Southwestern Texas. It is believed that at least 1,000 wells will be needed to develop the area which has estimates of gas reserves ranging from one to three trillion cubic feet in a 3,000 square mile area.

Coal

- The average delivered price of spot market purchases of coal by electric utilities in January was \$28.12 per ton, down 12 percent from a peak price of \$31.95 per ton in November 1974, when the coal strike occurred. Total spot market deliveries, with a high of 9.6 million tons just prior to the coal strike in November, declined to 7.2 million tons. Excluding the strike-influenced months of November and December, these January deliveries were at their lowest level since February 1974. The average delivered price of contract purchases in January was \$14.57, up from the December price by about 3 percent, or the same as the average monthly increase during 1974.

International

- The People's Republic of China has put out diplomatic feelers to Australia, New Zealand, Malaysia, and other oil importing countries of the Far East to sound them out on their future crude and product requirements. This move appears to reflect confidence by Chinese officials that they can meet the target of 795,000 to 1,014,000 barrels per day of crude oil Japan is hoping to buy in 1980 and still have plenty left for export elsewhere. No official figures exist on Chinese proved reserves, but estimates range from a conservative 20 billion barrels to figures exceeding the reserves of the Persian Gulf. Production in 1974 rose to 1,288,000 barrels per day from 1,005,000 barrels per day in 1973. Western observers estimate output by 1980 will be well in excess of 4,110,000 barrels per day, not counting offshore production.
- Although several producing countries have lowered prices in recent months, Indonesia is sticking to its price of \$12.60 per barrel for its crude oil in spite of pressures to reduce that price. Production dropped from 1,300 thousand barrels per day to 1,210 barrels per day in March.

SUMMARY OF SIGNIFICANT INFORMATION  
Week ending May 7, 1975 (Continued)

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Solar Energy

- New Mexico has enacted an income tax credit of 25%, up to \$1,000, of the cost of installing a solar heating or cooling system in a tax payer's home.
- The Senate Select Committee on Small Business hearings on May 13 and 14 is investigating whether large firms are elbowing out small solar pioneers and whether Federal funds are being spent in a way that discriminates against small business.



Date: 5/21/75

Office of the Administrator

Ron Nessen

To: \_\_\_\_\_

For Your Information

Frank Zarb

Federal Energy Administration

Room 3400

Ext. 6081

SUMMARY OF SIGNIFICANT INFORMATION

Week Ending May 16, 1975

Petroleum

- The U.S. Supreme Court has overturned a lower court decision requiring Alyeska Pipeline Services to pay attorney's fees of the Wilderness Society and two other environmental groups in connection with their challenge to the trans-Alaska Pipeline. In a decision that could limit such challenges by non-profit groups, the five-man majority said that to grant the fees "would make major inroads on a policy matter that Congress has reserved for itself."

Natural Gas

- The Texas Railroad Commission has scheduled a June 2 hearing on a proposed phase-out of programs involving the use of natural gas as boiler fuel. It is estimated that about 21 percent of Texas production is used as boiler fuel in power plants, more than four times the amount in residential and commercial uses.
- Effects of gas curtailments in the past heating season included: a fertilizer plant and a glass plant in North Carolina were shut down for two weeks in January; major industrial firms in Ohio received about 50 percent of their normal gas supplies in January; severe supply cutbacks in glass and petrochemical plants in New Jersey were offset to some extent by emergency supplies made available from other areas.
- FEA has sent to the General Accounting Office a questionnaire which will be used to collect data on "alternate fuel demand due to natural gas curtailments" this Fall. The data will be supplied by all intrastate pipelines, distributors and municipalities who curtailed or expect to curtail end use customers.

Coal

- The North Carolina Utilities Commission reported that the price paid by electric utilities for spot coal purchases declined in February 1975. Also, utilities were able to negotiate prices lower than the initial coal company offers. One utility reported that an average price of \$27.44 per ton f.o.b. at mine was

Coal (Continued)

reduced to \$19.67 per ton through negotiations. Some spot coal prices were 50 percent lower than last Fall.

International

- Canada adjusted its export tax downward (as of June 1, 1975) from \$5.50 to \$4.70 per barrel on light crudes and from \$5.00 to \$4.20 per barrel on the heavy crudes. This move reflects the softening of the crude petroleum market. Shipments to the U.S. in January were far below the 800,000 barrels per day ceiling set by the Canadians. During April, Canadian exports to the U.S. were down to a low of 560,000 barrels per day.
- Occidental is selling Libyan crude oil some \$.20 to \$.25 per barrel below their cost of \$11.20 to \$11.25.
- Saudia Arabia, which now has a production capacity of 10.5 million barrels per day, was producing at a level just over 5.65 million barrels per day in April.

Electric Power

- The Massachusetts legislature has rejected a proposal to create a state public power authority to finance and operate new electric utilities. Proponents of the measure are expected to seek the additional signatures required to place the proposal on the ballot for a referendum vote.
- The House Commerce subcommittee on investigations will investigate the TVA to determine if the fuel adjustment clause has caused the Federal utility to become careless about the quality of the coal it purchases. In recent hearings Tennessee consumer groups charged that TVA officials have accepted coal "layered" with slag and dirt. TVA has admitted that such "layering" did occur but that the amounts involved were small.

Nuclear

- Due to the temporary loss of two operating TVA nuclear generating units because of a fire on March 22d, the uranium enrichment complex at Oak Ridge will have to rely on higher priced electricity from fossil fuel. This will result in an approximate 11 percent increase in the cost of enrichment for utilities.

Solar

- A private corporation in Phoenix, Arizona, the Desert Sunshine Exposure Test, Inc., now offers test facilities for solar energy collectors. The facility is designed to meet the proposed NBS standard test method. Special equipment includes an "exactly-normal-incident" mount that follows the sun from morning to night. The availability of a commercial test facility that can provide fully instrumented outdoor tests is another indication that the solar energy industry is coming of age.

Date: 07/02/75

Office of the Administrator

To: Ron Nessen

For Your Information

Frank Zarb

Federal Energy Administration

Room 3400

Ext. 6081

SUMMARY OF SIGNIFICANT INFORMATION  
Week Ending June 27, 1975

Petroleum

- Production of motor gasoline increased 2.7 percent during the week ending June 20- to 6.6 million barrels per day, 1 percent lower than in the comparable week in 1974. Stocks of motor gasoline decreased during the week to 198.3 million barrels, 11 percent lower than on June 21, 1974.
- For the second time in nine months, Alyeska Pipeline Service Company has raised its estimated cost of completing the Trans-Alaska pipeline project and says it does not know what the final cost will be. The new estimate is \$6.38 billion, 42 percent higher than the \$4.5 billion quoted until last October.
- The petroleum industry's investment program for 1975 will be 30 percent higher than last year and will include \$10.4 billion for new plant and equipment, the largest increase of any manufacturing industry according to the Department of Commerce estimates based on company reports of late April and May.
- After drilling seven dry holes on the ~~Destin anticline~~ in the eastern part of the Gulf of Mexico, Exxon-Mobil-Champlin indicated it has no further drilling plans there. This probably signals the loss of a \$647 million investment by the combine.

Natural Gas

- Natural gas reserves committed to interstate pipeline companies declined during 1974 for the seventh consecutive year, according to annual Form 15 reports filed with the FPC. These reports show that domestic gas reserves committed to interstate pipelines decreased 10 percent from 134.4 trillion cubic feet (Tcf) in 1973 to 120.4 Tcf at the end of 1974.
- Baltimore Gas and Electric Co. (BG&E) which supplies Maryland has informed all of its interruptible industrial gas customers that their service will be completely terminated on November 1, 1975. BG&E's supplier, Columbia

Gas Transmission Corporation, has projected a 28 percent curtailment of the utility's gas deliveries. Twenty-four BG&E's interruptible industrial customers who have historically used about 12 billion cubic feet of gas during the winter season are attempting to bring gas supplies purchased in the Texas and Louisiana intra-state markets to their plants in the Baltimore area.

## Coal

Battelle Memorial Institute claims to have discovered "a more economically competitive and environmentally acceptable" process to remove sulfur from coal. They estimate that the Battelle Hydrothermal Coal Process will cost 20 percent less than any of the other existing techniques. Additionally, the waste from the process can be stored or sold, whereas with the popular limestone scrubbing method the disposal of limestone sludge is a continuous problem. The Battelle process can remove almost all iron-based sulfur and up to 70 percent of the organic sulfur from coal; no other method can remove organic sulfur.

The U.S. Court of Appeals for the District of Columbia last week stopped the Federal government from going ahead with coal development in the Northern Great Plains, an area holding half the U.S. coal reserves. In the case of the Sierra Club (and other environmental groups) versus Rogers Morton, the court reversed a decision of a U.S. District Court. In so doing, it sent the case back to the lower court and issued a limited, temporary injunction against the Federal government. The injunction prevents any significant action in permitting new coal mining in the West until the Interior Department presents a regional Environmental Impact Statement (EIS) to the District Court.

## Electric Power

The factors which reduced total electricity sales in 1974 as compared with 1973 had significantly less effect on utility peak demands, according to a study by the New York Public Service Commission. The study analyzed the kilowatt hour output, peak demands, and load factors of the seven major New York state utilities, and found that customers appear to be curtailing their consumption

at off-peak periods. Such a trend would adversely affect the financial condition of the utilities since the growth in peak demand determines new capacity requirements but total kilowatt hour sales determine income. The cost of the new plants could be offset by higher rates, the study continues, "but this cost would not be distributed equitably unless peak-load pricing was introduced for all customers."

### Nuclear

- Last week's announcement by the Administration to allow private enterprise into the uranium enrichment field has brought quick response from industry. A joint venture of the Atlantic Richfield Company and Electro - Nucleonics Corporation to build a \$1 billion gas centrifuge plant was proposed to ERDA by Centar Associates, the companies joint subsidiary. The proposal calls for a 25 percent equity in the plant for the companies, while the government would guarantee bonds issued to finance the balance of the investment.

Although the centrifuge system has been under development for several years in the U.S., no commercial operation has been attempted. As a result, the project involves two phases: the first would test gas-centrifuge commercial economics and involve \$25 to \$30 million of Centar funds. A successful test phase would proceed into a full-scale construction phase to provide an ultimate annual enrichment capacity for 30 nuclear power plants. If the plant proved commercially sound, all guarantees on the bonds would be rescinded.



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WASHINGTON, D.C. 20461

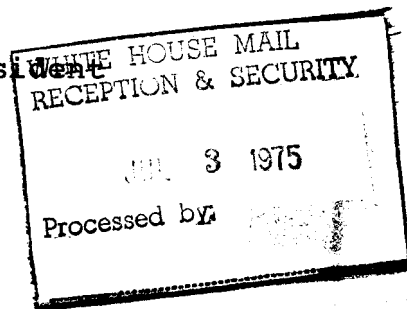
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Honorable Ronald H. Nessen  
Press Secretary to the President  
The White House  
Washington, D.C. 20500



Date: 7/9/75

Office of the Administrator

To: Ron Nessen

For your information.

Frank Zarb

Federal Energy Administration

Room 3400

Ext. 6081

National Energy  
Information CenterSUMMARY OF SIGNIFICANT INFORMATION  
Week Ending July 4, 1975Petroleum

- Production of motor gasoline increased to 6.81 million barrels per day during the week ending June 27. In 1974, during the week ending June 28, production was at a level of 6.75 million barrels per day. Stocks of motor gasoline on June 27 were 198.3 million barrels, a slight increase over the week before. Last year at this time, stocks were 223.8 million barrels.
- More than \$100 million has been spent since 1970 in deep exploratory drilling for oil and gas in the Appalachian region, but no oil or gas has been found. Unless there's a strike this year or next, deep Appalachian drilling will probably end.
- The share of United States companies in world crude oil production fell from 45 percent in 1973 to 34 percent in 1974. For these years, the share of British and British/Dutch companies fell from 11 percent to 6 percent. The share of government entities rose from 44 percent to 60 percent in the same period, and is certain to increase further under current nationalization plans.

Natural Gas

- Because of idle capacity in its system, El Paso Natural Gas plans to convert 700 miles of unused gas pipeline from the California-Arizona border to Texas to transport 500,000 barrels per day of Alaskan crude oil, if government approval can be obtained. This operation could begin in 1978 as part of a 1,000 mile crude pipeline extending from a port in the Los Angeles-Long Beach area to Midland, Texas.
- The Department of Interior's Emergency Advisory Committee for Natural Gas (EACNG) met in Chicago recently to study the natural gas supply outlook for the winter of 1975-1976 and subsequent years. The Committee agreed to utilize the FPC/FEA gas curtailments survey form recently approved by GAO, for their purposes to avoid duplication of efforts. EACNG also agreed to use the FEA's recently proposed policy options as a starting point for their study.

## Solar

- Maryland has enacted a law which bans the assessment of retrofits for solar heating and cooling systems for property tax purposes. The New Mexico Senate has passed a bill providing for a tax credit against personal income covering the costs of solar systems. Allowances are also made for a refund if the allowed credit exceeds the tax liability.
- The Department of Defense plans to install solar heating systems in 35 new buildings and retrofit 15 older ones in time for the 1975-76 heating season.
- ERDA has submitted a revised budget of 90 million dollars for FY 1976 Federal Solar Energy programs. The House Appropriations Committee has increased the figure to \$140 million.

## Geothermal

- Geothermal unit number 11 at the Geysers in Sonoma County, California went into commercial operation on May 31, with 106 megawatts of power. Total power for the facility is now 502 megawatts electric. The next geothermal power addition at the Geysers is anticipated some time during 1978.

Air pollution control has become a problem at the Geysers. The dry steam that drives the turbine contains hydrogen sulfide. Unit number 11 includes H<sub>2</sub>S pollution control techniques incorporated in the condenser chamber, but these techniques are expected to reduce the life of the stainless steel cladding in the condenser from an originally estimated 30 years to 7 years. No H<sub>2</sub>S pollution controls are now being applied to power units numbers one through ten already in operation.

Date: JUL 16 1975

Office of the Administrator

To: Ron Nessen

For Your Information

Frank Zarb

Federal Energy Administration

Room 3400

Ext. 6081

SUMMARY OF SIGNIFICANT INFORMATION  
Week ending July 11, 1975

Petroleum

- FEA's monthly survey of 21 of the Nation's largest marketers of gasoline indicated that all of them increased their prices during June. This was the second consecutive month that all 21 companies increased prices. Price increases ranged from 1.0 to 2.3 cents per gallon.

Thus far in July, 19 of these companies have increased their prices 3.3 cents, with the increases ranging from 0.8 cents for Kerr-McGee to 4.0 cents for American Petrofina. A widening of dealers' margins from 8.3 to 9.0 cents was a major factor in the increase in July.

- Gulf Oil researchers believe that enhanced recovery techniques could raise domestic reservoir yields from the present average of 32 percent to 45 percent, for an additional 58 billion barrels of crude oil. A recent FEA study concluded that approximately 65 billion barrels could be recovered with enhanced recovery techniques.

Coal

- The establishment of sulfur emission standards under the 1970 Clean Air Act Amendments was expected to increase the price of low sulfur coal as a result of increased demand for "clean" coal. However, during 1974, the prices utilities paid for coal were not related to the sulfur content:

Sulfur Content (%)	0.5 or less	0.51- 1.0	1.01- 1.5	1.51- 2.0	2.01- 3.0	3.01 or more
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Average  
Delivered Price  
(\$ per million  
Btus)

January 1974	47	60	68	60	50	42
December 1974	48	97	134	125	101	72

- The West Virginia Surface Mining and Reclamation Association is developing a new surface mining method called "longwall stripping," which has the potential of increasing coal recoverability with minimum environmental impact and costs.

The basic principle involves the application of elements of strip and underground mining technology to coal too deep for stripping and too shallow for normal underground mining -- a narrow trench is dug from the surface to the bottom of the coal seam and mining is then carried out on both sides of the trench.

### Natural Gas

- At hearings before the Texas Railroad Commission, the gas industry expressed the following views on the commission's proposals to phase out the use of natural gas for boiler fuel:
  1. The proposal should be rejected and price allowed to dictate the use of gas.
  2. If the proposal is accepted, restrictions should apply only to new plants.
  3. In any event, all future generating plants will use fuels other than gas; however, present gas field power stations will be needed to meet peak demands until the new plants are on line.
  4. Any rush conversion policy from gas to oil would increase consumer electric bills by 150 percent by 1978.
- A bill (H.R. 8322) has been introduced in the House to amend the Natural Gas Act to give the FPC authority for a 3-year period to order interchange, delivery, and transportation of natural gas among interstate natural gas companies and also to control these functions for intrastate suppliers of natural gas.
- There are indications that because of surplus production in Texas, intrastate prices are beginning to fall. The Texas Wildcatters Association reports gas production from new discoveries amounted to one trillion cubic feet (Tcf) in 1974 or 15 percent above the 1973 level and 2 1/2 times the 1970 level.

### Nuclear

- ERDA has proposed legislation to amend the Atomic Energy Act of 1974 to allow it to charge the fair market value for enriching services sold to domestic and overseas customers, thus eliminating the differential between the Government's charges for enriching services and those of potential domestic private enrichment companies. Current Government enrichment prices contain no provision for taxes, insurance, or risk, and are, therefore, approximately 50 percent below a fair market value.

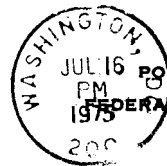
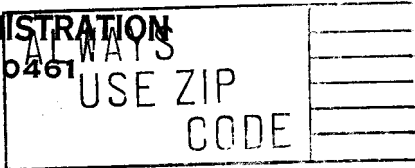
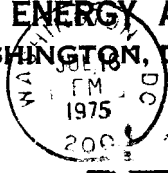
### Electric Power

- The Indiana and Michigan Electric Co., a subsidiary of American Electric Power, is buying up Utah coal reserves to provide a 25 to 30 year supply of low-sulphur coal for power generation. The coal is being purchased from a subsidiary of McCulloch Oil Corp. for \$30 million plus 26 cents a ton royalty on production through 1981. Officials say the purchase should permit Indiana and Michigan plants to meet air pollution standards without flue gas scrubbers or other devices.
- Rate relief and more reliable operation of nuclear generating plants have boosted the earnings of Northeast Utilities. As a result, the firm's Connecticut subsidiaries are not expected to seek rate increases this year. Northeast had a 33 percent nuclear based production in 1974, and officials expect a 53 percent nuclear share by 1976.



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WASHINGTON, D.C. 20461



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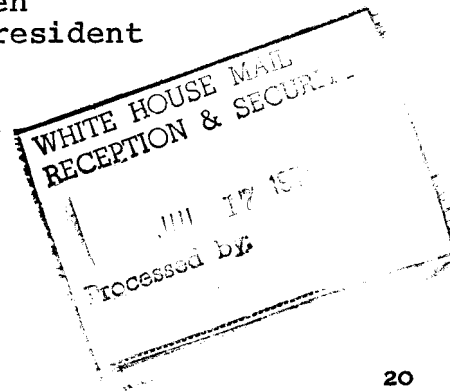
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Press Secretary to the President  
The White House  
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Date: 8/6/75

Office of the Administrator

To: Ron Nessen

For Your Information

Frank Zarb



Federal Energy Administration

Room 3400

Ext. 6081

SUMMARY OF SIGNIFICANT INFORMATION  
Week Ending August 1, 1975

Petroleum

- The U.S. Government's research program to assist with enhanced recovery projects is expanding. A \$4.4 million contract has been awarded for a tertiary recovery project in the Pennsylvania Bradford field, the costs to be split equally between ERDA and the Penn Grade Crude Oil Association. A similar agreement for a \$3.8 million test to improve current waterflooding and assess possibilities for tertiary recovery in the Stanley Stringer field in Oklahoma has been signed with Kewanee Oil Co.
- Crude oil production in the non-Communist world averaged 40.5 million b/d in the first six months of 1975, down 8 percent from the corresponding 1974 period.
- Comments by industry on FEA's Financial Reporting System currently being developed include a statement that the system will provide "a detailed x-ray picture of the U.S. oil industry's financial structure." Another official states, "if I were ordered to come up with something like this, I couldn't do better."
- With profits for the Second Quarter available from 26 companies, the decline reported last week of 35 and 33 percent from the Second Quarter and First Half of 1974, respectively, continue to hold true.
- Recent discoveries off Thailand in the Gulf of Siam bolster hopes for a new source of crude oil for Japan and other Southeast Asia countries. A total of four successful wells have been completed in the area since 1973 and drilling by a joint U.S.-Japanese Company is continuing.

Natural Gas

- In what is believed to be the first such action by a state regulatory agency, the Montana Public Service Commission has ordered utilities and their large industrial and commercial customers to file joint proposals for conserving natural gas supplies or face penalties. A September 5 deadline has been set and those customers that fail to file a plan will have their deliveries reduced.

Natural Gas (Continued)

- Tenneco LNG, Inc., has applied to the FPC for authority to construct and operate facilities at West Deptford, N.J. to receive liquified natural gas. The purchase of the LNG is being negotiated with the Soviet Union, Republic of Nigeria and other unspecified countries. Tenneco LNG will deliver the gasified LNG to Tennessee Gas Pipeline Co. The proposed facilities would have a capacity of 2 billion cubic feet per day.

Electric Power

- Electric utilities are strongly opposed to a Securities and Exchange Commission proposal that would force utilities to give all investors equal access to sales and earnings projections. Under the SEC plan, a company that furnishes a financial projection to any person, including state regulatory commissions, would have to file a report on the projection with the SEC. The utilities fear this would confuse investors and leave the utilities vulnerable to another provision of the SEC proposal which makes companies liable for "false or misleading" projections.
- Prompt introduction of peak-load pricing, while essential, is not likely to cut electricity consumption enough to permit utilities to reduce capital expenditures in the near future, according to Jules Joskow of National Economic Research Associates. Joskow says that the savings achieved by peak-load pricing in Britain and France could not easily be duplicated in this country. Ours is a more electricity-intensive economy and so the ability to shift is more limited. Also, both France and England are winter-peaking countries and thus take advantage of heat storage devices. In contrast, the U.S. systems are predominately summer-peaking and no feasible scheme has yet been found for storing cooling.

Coal

- On July 31, by a vote of 84 to 12, the Senate passed new federal coal legislation which includes strip mining provisions essentially the same as in the recently vetoed Surface Mining Control and Reclamation Act of 1975. The coal industry regards the stripping provisions of the new measure as merely reintroduction of the previously opposed, and twice vetoed, federal strip mine bill. Expectations are that the House of Representatives will not include a similar provision in their bill.

Coal (Continued)

- The United Mine Workers has filed a complaint with the Federal Trade Commission concerning the purchase of AMAX's stock by Standard Oil Company of California. The union claims that:
  1. The substantial stock purchase by the fourth largest oil producer of the number four coal producer would decrease competition between energy sources.
  2. "SOCAL is bankrolling AMAX's attempt to break the UMW in the West," with the \$333 million paid for the 5.9 million shares. The UMW has been on strike at AMAX's Belle Agre mine in Wyoming since mid-January.

Solar

- The National Science Foundation has awarded \$1.2 million on thirteen solar and geothermal energy-related projects. Topics dealt with include interaction between solar energy and electric energy, land use, and competitive development between solar energy and geothermal energy.

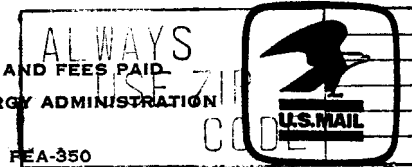
**FEDERAL ENERGY ADMINISTRATION**  
**WASHINGTON, D.C. 20461**

**OFFICIAL BUSINESS**

**PENALTY FOR PRIVATE USE, \$300**



Honorable Ronald H. Nessen  
Press Secretary to the President  
The White House  
Washington, D.C. 20500



SUMMARY OF SIGNIFICANT INFORMATION  
Week Ending September 19, 1975

Petroleum

- An average of 1,704 rotary rigs were at work in the United States during the second and third week in September, a substantial increase from the beginning of August when only 1,609 rigs were in operation. The September level of drilling is the highest for the month in 14 years.
- Admiral Elmo Zumwalt, retired Chief of Naval Operations, resigned September 9, as president of the Americans for Energy Independence, and former Governor Peabody of Massachusetts has replaced him. Zumwalt said he was resigning because of internal differences over staffing.
- Fighting between welders on the Alyeska pipeline and teamsters caused the latter to quit work at five camps for two days. The company building the pipeline, the Alyeska Pipeline Service, has been granted a preliminary injunction against Teamsters Local 959 forbidding further work stoppages. In addition, the company is seeking damages of \$1.5 million from the union.
- Libya's mandatory 25% reduction in September production to about 1.5 million barrels per day was imposed, according to the Libyans, for "technical" conservation reasons. Petroleum industry sources, however, speculate the reductions were designed to prevent stockpiling prior to October 1. Others see the move as setting the production level at which Libya can comfortably meet its revenue needs.
- Retail gasoline prices for the week ending September 19, averaged 59.4 cents per gallon, 0.1 cent less than the preceding week.

Natural Gas

- The Federal Power Commission has estimated average price paid to producers by interstate pipelines to be 34.7 cents per Mcf in May 1975, a 36 percent increase over the 25.7 cents paid in May of 1974. The average price received for gas sold for resale by the pipelines was 83.7 cents per Mcf, a 43% increase over the 58.6 cents received last May.



- The FPC has ruled that gas producers selling less than 10 million Mcf per year in interstate commerce are entitled to receive 30% more for their gas than the agency's national price ceiling (now 52 cents per Mcf), plus gathering costs and other adjustments.
- After two years, construction is almost complete on Peoples Gas Light and Coke Company's 97 million dollar substitute natural gas (SNG) plant near Joliet, Illinois. Initial production and testing is expected this fall and full production by December. The plant will use 33,000 barrels per day of naphtha as feedstock and is expected to operate 265 days per year, producing 160 million cubic feet of SNG per day.

### Nuclear

- In the wake of its unprecedented default on a portion of its uranium contracts, Westinghouse has revealed that as of January 1, 1976, approximately 120 million pounds of  $U_3O_8$  ore concentrate commitments would have accrued under the disputed contracts, while Westinghouse inventories will total only 40 million pounds. At a potential future price of \$25/lb., (Westinghouse contracted for \$10/lb.) net liability to the company could have amounted to \$1.2 billion. The Chicago legal firm of Kirkland and Ellis sees legal challenge by the affected utilities as "protracted, expensive, and uncertain," and as a result, anticipate that Westinghouse customers would "elect the route of contract readjustment."

### Solar

- The CSI Solar System Division of St. Petersburg, Florida, has signed a contract with GSA to include its solar energy domestic hot water heater to be listed in the GSA schedule. The system could be used for housing, for barracks, or any detached building where a moderate amount of hot water is required.

### Market Shares

- Amoco surveys indicate that the gasoline retail market share of major oil company brands fell to 68.1 percent of the market in the first quarter of 1975 from 78.8 percent in 1971. Thus, the share of independents rose

to 31.9 percent. The Amoco study concluded that the share of the independent brand marketers has been growing steadily at the expense of the lessee dealers of major refiners since 1971. FEA data also suggest a decline in the market share of the lessee dealers of major refiners.

- Average gasoline volume sold through service stations is increasing. According to recent FEA survey data, the following gains have been registered in the average monthly gallonage sold through refiner company outlets:

	Jan 1972	Dec 1974
Large Integrated Refiners	43,000	58,400
Large Independent Refiners	48,700	60,900
Small Refiners	58,100	70,800

SUMMARY OF SIGNIFICANT INFORMATION  
Week Ending August 22, 1975

Petroleum

- Major brand gasoline retailers increased prices 2.9 cents per gallon during July while independents rose 3.3. The discrepancy is attributed to the 4.2 cents/gallon increase in independent costs. Independent dealers margin declined 0.9 cents per gallon while major brand margins increased 0.5 cents per gallon.
- June preliminary estimate for refiner acquisition cost of imported crude was \$14.15 per barrel. The \$.88 per barrel differential above the revised May report of \$13.27 reflects the additional \$1.00 import fee effective June 1.
- Refiners paid an average \$8.38 per barrel for domestic crude according to preliminary estimates for June.
- U.S. rotary-rig activity continues at a high level. Units working last week shot up to 1,658, a level that has been topped only 4 times since December 1963.
- Severe ice conditions are delaying the annual summer sealift of supplies to Prudhoe Bay. Unless conditions change soon, scheduled startup of oil production there in mid-1977 could face a 1-year delay.
- In New Zealand, a 20 percent gasoline price increase that became effective in May 1975 was associated with a 4 percent drop in gasoline consumption, the Minister of Trade and Industry said.
- Self-service gasoline outlets are expanding into new geographic areas and continuing to increase nationwide. In New England ARCO has opened self-service outlets and Gulf is converting dealer outlets to company operated self-serve stations. CITGO is reopening closed dealer stations in New Jersey as self-service and SOHIO plans to convert 100 BP dealers to company-operated Gas and Go in New Jersey and Pennsylvania. These conversions to self-service outlets, which undersell full-service pump prices by as much as 4¢ per gallon, follow the recent trend toward high volume direct retailing by refiners. The market share of refiner-marketers has increased from 13.3 percent of gasoline service station sales in October 1974 to 14.8 percent in April 1975.
- FEA trends indicate that the largest declines in the number of service stations in California have been among branded independent dealers. The number of such dealers in California

supplied directly by refiners in December 1974 was 13,360, a decline of 16 percent from December 1972. The number of refiner operated retail outlets, on the other hand, had only decreased by 3 percent to 1,330 in December 1974.

### Natural Gas

- FPC Chairman Nassikas has asked Congress for a law permitting the agency to extend its 60-day emergency gas sales procedures to 180 days to help alleviate the impact of gas curtailments this coming winter. The Commission last year extended the emergency sales term to 180 days, allowing interstate pipelines to purchase 200 billion cubic feet of gas at prices higher than the FPC's ceilings. The U.S. Court of Appeals ruled, however, that this action exceeded the agency's authority.
- The South Jersey Gas Company has informed the FPC that, based on expected natural gas curtailments on 52.7 percent of its requirements, it expects to purchase 26 billion cubic feet of synthetic natural gas supplies at a cost of about \$5 per thousand cubic feet.
- The Federal Power Commission will require about 3,500 natural gas producers, accounting for the bulk of U.S. gas production, to report their proved gas reserves to the agency beginning this fall. About 3,500 smaller companies that produce less than 250 million cubic feet of gas per year will be exempt from reporting. Previously the FPC only required interstate pipelines to report their gas reserves. The first reports, covering reserves as of December 31, 1974, are due September 27 for Federal off-shore areas and October 2 for onshore and State controlled offshore areas.

### Coal

- It is becoming increasingly apparent that the 1975 goal of 640 million tons will not be reached. The wildcat strike which began on August 5 in West Virginia continues

with about 40,000 miners now idled. Despite an Arnold Miller/Jack Perry back-to-work order last week, the strike is spreading to neighboring fields in Virginia and Kentucky.

- An experimental new hydraulic coal mining system for underground mines that is operated by remote control from the surface is currently operational. This eliminates conventional health and safety problems while significantly improving production potential to 30-50 tons per manshift versus 11.2 tons per manshift output by routine methods. This advanced procedure permits coal production from geologic strata that otherwise cannot be exploited.

#### Electric Power

- Three Pacific Northwest utilities, including the Bonneville Power Administration, have decided to drop surcharges which were applied to commercial and industrial rates to encourage conservation. The utilities claim that the surcharges, which range from 5 to 10 percent of a customer's bill, have not reduced demand.
- The projected economic advantages of nuclear power have not materialized--and will never materialize, according to Donald Cook, chairman of the American Electric Power Company. The giant utility, which currently operates one nuclear plant, plans no additional nuclear capacity because, Cook says, "the cost of a kilowatt-hour on our system comes out about a standoff between nuclear and coal."

Date: 10/1/75

Office of the Administrator

To: Ron Nessen

For your information.

Frank Zarb

Federal Energy Administration

Room 3400

Ext. 6081

National Energy  
Information Center

SUMMARY OF SIGNIFICANT INFORMATION  
Week Ending September 26, 1975

Petroleum

Selected Petroleum Data  
for Period Ending September 19, 1975

(000's barrels per week)

	Wk Ended 9/19/75	4 Wks Ended 9/19/75	Wk Ended 9/20/74	4 Wks Ended 9/20/74
Total Demand	15614	15573	16091	16605
Distillate	2364	2216	2290	2264
Residual	2414	2322	2539	2709
Mogas	6817	6803	6377	6822
Total Imports	6755	6162	5779	6189
Crude	4745	4369	3297	3486
Products	2010	1793	2482	2703
Crude Production	8257	8270	8810	8960

Natural Gas

- A New York State Public Service Commission Examiner has approved a plan calling for natural gas users in the state to pay a surcharge on their gas bills to finance 15.7 million dollars for exploration by 12 of the state's gas utilities. The surcharge will be 1.67 cents per Mcf over a two-year period. The money would be used by Weaver Oil and Gas (which will contribute an additional \$4 million) to explore five areas in the onshore Gulf Coast.
- Less gas is now being used as boiler fuel to generate electricity while the unit cost of such gas continues to rise. According to recently released FPC figures, 17.2 percent less gas was used by utilities in March of 1975 than in 1974. The average price paid by utilities increased from 42.5 cents per million Btu in March of 1974 to 66.4 cents in 1975--a 56 percent increase.
- Although Aramco's production in 1975 has averaged about 6.6 million barrels per day compared to a July 1973 high of 8.4 million barrels per day, the company is carrying out an extensive development program to increase productive capacity

Natural Gas (Continued)

at an annual rate of 1 million barrels per day for the next three years. At this rate, Aramco's yearend 1976 productive capacity will be about 14 million barrels per day compared with the current 11 million barrels per day.

Coal

- A Bureau of Mines funded study of growth possibilities for the declining anthracite industry indicates that electricity generation represents the major potential market. The study shows that production of this premium, low sulfur fuel could grow from 6.3 million tons in 1974 to 17 million tons by 1990.

Electric Power

- California has become the first State in the nation to provide "lifeline rates" for electricity and gas consumers. On September 16, the California Public Utilities Commission approved a \$213.4 million rate increase for Pacific Gas and Electric Co. and at the same time directed the utility to implement a two-block rate structure giving preferential rates to small residential users of electricity and gas. Both the rate increase and the new rate structure will take effect on January 1, 1976. The PUC's decision freezes rates for a "... basic minimum amount of gas and electricity." The lifeline monthly minimum amounts are 75 therms for gas and from 300 to 500 kwh for electricity, depending upon geographical location of the customer.
- Two forecasters who have previously predicted dangerously low electricity generating reserves by the early 1980's say the picture hasn't been changed by the low peak-load growth registered this summer. Herman Roseman of National Economic Research Associates and Walter Brown of the National Electric Reliability Council note that only the lagging industrial sector has held peak-load growth down to about 2 percent over 1974, and caution that industrial load growth should resume as the economy recovers. The NERC has forecast that if load growth returns to historic levels, reserve margins could drop as low as 10 percent by the early 1980's.



Nuclear

- In further developments following the recent cancellation of some 80 million pounds of uranium contract commitments, Westinghouse has notified the affected utilities that they are prepared to honor under the original terms, 18.75 percent of the obligations remaining as of January 1, 1976. In addition, the company has offered to supply one-half of the remaining 81.25 percent at their cost of production provided "adequate reserves of uranium are found." The balance is to be supplied at current market rates, although the price, at time of recovery, purchase, or delivery, has not been specified.
- Inexco Oil Company has announced the discovery of a "rich" uranium ore body in northern Saskatchewan. Tests and data evaluation of core samples continue primarily by Uranerz of Bonn, West Germany, in partnership with Saskatchewan Mining Development Corporation and Inexco.
- Senator Howard Baker dealt a strong blow to the Administration's proposal for private gaseous diffusion enrichment as he called for ERDA to build add-on capacity to the Portsmouth, Ohio enrichment plant, and to proceed with a gas centrifuge enrichment demonstration facility. Although Baker did not rule out the implementation of "reasonable guarantees" to facilitate the first private diffusion plant, he appears to have accepted the argument for gas centrifuge technology, which proponents claim will provide enrichment services more cheaply and with far less electrical energy (10% of that required to operate a gaseous diffusion plant of similar capacity).

Date: 10/17/75

Office of the Administrator

To: Ron Nessen

For your information.

Frank Zarb

Federal Energy Administration

Room 3400

Ext. 6081

National Energy  
Information Center

SUMMARY OF SIGNIFICANT INFORMATION  
Week Ending October 10, 1975

Petroleum

Selected Petroleum Data  
for Period Ending October 3, 1975

(000's barrels per week)

	Wk Ended 10/3/75	4 Wks Ended 10/3/75	Wk Ended 10/4/74	4 Wks Ended 10/4/74
Total Demand	16,012	15,590	17,411	16,804
Distillate	2,159	2,239	2,727	2,565
Residual	2,474	2,400	3,015	2,662
Mogas	7,112	6,643	6,760	6,663
Total Imports	6,660	6,435	6,172	6,266
Crude	4,907	4,597	3,403	3,638
Products	1,753	1,838	2,769	2,628
Crude Production	8,362	8,338	8,714	8,775

- Canada's National Energy Board announced on October 8 crude oil export taxes will increase by \$1.05 per barrel effective November 1. Canadian export taxes will total \$4.50 per barrel for light oil, medium oil, and condensate and \$4.00 for heavy oils. Based on an estimate of dealer acquisition costs less import fees and duties, these increases are 8.8 percent for the light, medium and condensate and 9.2 percent for the heavy.
- According to Indian Petroleum and Chemicals Minister K. D. Malaviya, probable oil reserves in the Bombay High offshore are an estimated 1.5 billion barrels. Two other offshore structures with excellent prospects have also been found in the same general area.



### Natural Gas

- The Premier of British Columbia proposed that the price of gas sold to the U.S. be increased from the current rate of \$1.60 per Mcf effective November 1, 1975 to \$2.25 by the end of 1976. The actual export price must be set by the National Energy Board in Ottawa.
- The FPC reports that natural gas is on the way out as a fuel for generating electricity in the Southwest. By 1984, natural gas will be used for only 24 percent of total power requirements in the region, compared to 75 percent in 1975 and 92 percent in 1974.

### Nuclear

- Eight utilities filed lawsuits against Westinghouse because of default on long-term \$10 per pound uranium contracts. Westinghouse has cited the "commercial impracticability" clauses of the Uniform Commercial Code as justification because of the upheaval of energy prices after the Arab oil embargo. However, the Westinghouse contract with Kansas Gas and Electric was signed six months after the embargo.
- GAO has recommended that the Joint Committee on Atomic Energy maintain control of ERDA uranium enrichment prices. GAO has also advised the Committee to revise ERDA's proposal for raising enrichment prices to commercial levels, and warns that the proposed fixed-commitment contract price of \$76/SWU "involves predictions of what potential domestic enrichers might charge and is therefore subject to many uncertainties." (The current ERDA price is \$53/SWU.) GAO points out that neither a provision for return on equity nor accurate assumptions on discount rates were incorporated in ERDA's economic evaluation supporting their proposed rates.
- Ten thousand signatures of engineers from utilities, nuclear steam supply vendors, and architect-engineers have been solicited for a petition by the Chicago-based Council on Energy Independence. The petition will be forwarded to President Ford and Congress, to urge aggressive development of nuclear and coal-fueled power plants.

Date: 10/23/75

Office of the Administrator

To: Ron Nessen

For your information.

Frank Zarb



Federal Energy Administration

Room 3400

Ext. 6081

National Energy  
Information Center

SUMMARY OF SIGNIFICANT INFORMATION  
Week Ending October 17, 1975

Petroleum

Selected Petroleum Data  
for Period Ending October 10, 1975

(000's barrels per week)

	Wk Ended 10/10/75	4 Wks Ended 10/10/75	Wk Ended 10/11/74	4 Wks Ended 10/11/74
Total Demand	15,817	15,804	16,807	16,832
Distillate	2,606	2,343	3,130	2,736
Residual	1,871	2,302	2,473	2,615
Mogas	6,891	6,768	6,619	6,651
Total Imports	5,898	6,494	6,359	6,281
Crude	4,117	4,649	3,665	3,698
Products	1,781	1,845	2,694	2,583
Crude Production	8,311	8,336	8,641	8,757

- Saudi Arabia's Minister of Petroleum, Sheik Yamani, said that his country favors freezing the recent 10 percent OPEC oil price increase until the end of 1976 rather than June 30, 1976, as voted by OPEC last month. He said his country wanted to wait until the end of 1976 to review the world economic situation, and that unlike Iran, Saudi Arabia wanted to keep the price of OPEC oil under the level that would make alternative fuels competitive.

Natural Gas

- Based on a trade survey, the growth rate for both gas home heating and residential customers decreased during 1974. The decline in growth is caused by the drop in residential construction and broader restrictions on new

SUMMARY OF SIGNIFICANT INFORMATION  
Week Ending October 17, 1975 (Continued)

2

Natural Gas (Continued)

gas hook-ups due to the gas supply shortage. The residential customer increase in 1974 was about 1 percent compared to 1.3 percent in 1973 and 1.9 percent in 1972.

- In a report released on October 15, the Gas Requirements Committee says that projected total curtailments are estimated to be 1.6 trillion cubic feet as compared to 1.2 Tcf last winter. Geographically, total curtailments will be most significant in the Southeast Gulf Coast and the Pacific Southwest. The electric power generating industry and industrial firms face curtailments of 56 and 27 percent of requirements, respectively.

Electric Power

- The Supreme Court has agreed to decide whether EPA must consider the "economic and technological feasibility" of scrubbers in approving State Implementation Plans. The high court will review a March 1975 Appeals Court ruling that EPA does not have to consider the feasibility issues. The lower court held that Congress gave full weight to public-health protection in writing the Clean Air Act and did not intend that EPA weigh technical and economic questions.
- Studies by four MIT researchers indicate that investor-owned electric utilities will face a severe capital shortage over the next decade unless regulators allow returns on equity in the 15-16 percent range (vs. the current average allowed rate of 11 percent), or some equivalent boost is given to utility financing.
- Non-coincident summer peaks for the Nation in 1975 were only 2.5 percent higher than in 1974, according to Electrical World's annual summer peak survey. This increase is well below the historical average of 7.5 percent, but higher than the 2.0 percent growth projected earlier this year.

Nuclear Power

- The annual ERDA uranium industry seminar last week in Grand Junction, Colorado generated additional concern and uncertainty in the yellowcake area. The Westinghouse shortage of some 60-80 million pounds in the period between 1978-82 represents about half of the domestic utilities' uncommitted requirements from the present time through 1982. Producers claimed that the uranium ore is available, but that price

Nuclear Power (Continued)

incentives to recover poorer U.S. ores have come too late to alleviate the yellowcake shortage in time. Further pressure on demand will be seen, ERDA officials pointed out, because "essentially no plutonium recycle is expected before 1983."

- The General Atomic Company, a partnership of Royal Dutch Shell and Gulf Oil, appears unable to continue in the High Temperature Gas-Cooled Reactor business. In the wake of last year's electricity demand decline, soaring inflation and resultant financial and construction lags, General Atomic has seen eight of its ten orders for units cancelled. A proposition to involve ERDA in the construction of the two remaining units as "demonstration facilities" was refused and may be the final defeat to the HTGR, a highly desirable technology, but limited in its practical success.
- The Tennessee Valley Authority, Northeast Utilities, and Florida Power and Light Company have joined eight other utility companies who previously filed suits against Westinghouse for that company's default on uranium yellowcake contracts.

Coal

- Class I railroads moved 388 million tons of bituminous coal from the mines in 1974, increasing 4.2 percent over 1973. Gross revenue received for 1974 was \$1.8 billion, a \$419 million increase of 29.8 percent from 1973. Bituminous coal accounted for 11.2 percent of total freight revenue received in 1974 by class I railroads. Open-top hopper cars owned by class I railroads decreased from 357,100 on January 1, 1974, to 343,061 on January 1, 1975.





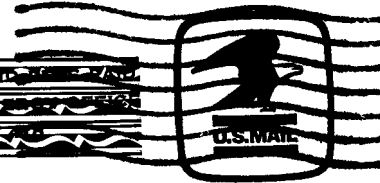
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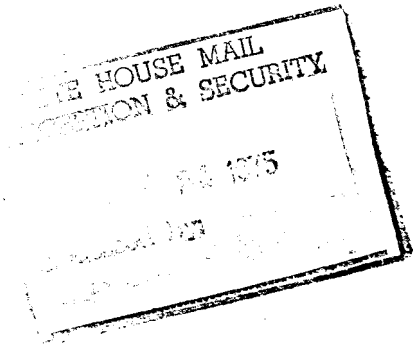
*Save Energy and You Serve America!*



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Honorable Ronald H. Nessen  
Press Secretary to the President  
The White House  
Washington, D.C. 20500

FEA-350



Date: OCT 31 1975

Office of the Administrator

To: Ron Nessen

For your information.

Frank Zarb

Federal Energy Administration

Room 3400

Ext. 6081

SUMMARY OF SIGNIFICANT INFORMATION  
Week Ending October 24, 1975

Petroleum

- Twenty-eight U.S. oil companies report earnings declines of 27 percent for the third quarter and 18 percent for the nine months of 1975.

	Million Dollars			
	3d Qtr.		9 Mos.	
	75	74	75	74
28 companies	2284	3169	6384	7738
Change	-27.9%		-17.5%	

Both comparisons relate to the period when oil company earnings were the highest in history. The companies attribute the declines to the absence of inventory profits, higher costs for foreign crude oil, sluggish markets and the loss of the depletion allowance. Chemical products are also contributing less profit as volume declines in recession-weakened markets. Breakdowns for five of these companies indicate that most of the overall earnings decline occurred in foreign operations due to the higher crude costs and the absence of inventory profits. Foreign petroleum profit declined 34 percent and 41 percent for the quarter and nine months respectively.

- U.S. imports of petroleum in 1980-1985 will reach a new plateau of 10 to 11 million b/d and hold there until 1990, according to Shell Oil economist A. H. Masso. The forecast assumes that historical energy consumption growth rates will fall from 3 to 4 percent a year to about 2 to 3 percent in the next 15 years.
- Under new regulations adopted by the Interior Department, major oil companies producing more than 1.6 MMb/d worldwide of crude oil, natural gas, and LP-gas will be prohibited from joint bidding on federal leases. The companies affected by this new regulation include Exxon, Texaco, Gulf, and Mobil.
- New oil prices continue to rise. During August, the average domestic "new" oil price was \$12.38 per barrel, 8 cents above the July price. As expected, the average domestic

refiner acquisition cost rose during August following the new oil increase. The domestic average cost of crude now stands at \$8.48 per barrel, 11 cents above the July figure.

- Imported crude costs rose during August because of increased purchases of crude from countries with higher priced crude. The imported crude cost during August was \$14.25 per barrel, 22 cents above the July figure.

### Natural Gas

- The growing use of naphtha in synthetic natural gas (SNG) plants will influence the increase in imports of this product. A survey by Hyplan AG predicts that U.S. naphtha imports will increase from 250,000 barrels per day this year to 377,000 - 420,000 barrels per day during the 1976-1978 period. Imports for SNG plant feedstocks are expected to increase from 50,000 barrels per day during 1974 to 155,000 barrels per day in 1976.
- Based on past 12 months data at the end of August, the American Gas Association reports that natural gas sales are down nearly 5 percent from 1974, residential and commercial sales continue to show increases over 1974, but these increases are more than offset by the decline in industrial sales.
- On October 14, the United States Court of Appeals for the Fifth Circuit upheld the Federal Power Commission's decision allowing a nationwide area rate for new natural gas at an initial level of 50 cents per Mcf. Significantly, the Court further maintained that the FPC could set the new rate through its rule-making powers as opposed to resorting to previous formal adjudicatory proceedings.

### Nuclear

- Victims of the Westinghouse uranium default included four foreign companies, three Swedish and one Japanese. The Swedish State Power Board demanded that Westinghouse give immediate confirmation that it will provide annual deliveries of uranium through 1978. The original contract, signed in 1972, called for 2500 metric tons of "yellowcake" deliveries through 1985.
- The Omaha Public Power District has contracted with two yellowcake producers in an attempt to insure a long-term fuel supply for its operating Fort Calhoun unit #1 and planned unit #2. Homestake Mining Company has agreed to

deliver 50 metric tons in 1975 and 75 metric tons annually from 1978 through 1987. Estimated value of the contract is \$70 million, about \$23.30/pound, but is subject to revision based on the market price at time of delivery. The other contract went to Solution Engineering, Inc., for delivery of 191 metric tons of yellowcake this year at an approximate price of \$10 million or \$26.20/pound.

### Coal

- National Science Foundation recently released a study stating that rail transport of coal would be as much as 50 percent less expensive over coal slurry pipeline. Among the disadvantages cited to the slurry pipeline are: complicated restart after line break and power outage and water requirements.

### Electric Power

- The 1975 increase in kilowatt-hour sales by the Nation's electric utilities will be smaller than previously forecast, according to the Edison Electric Institute. EEI analysts had expected an increase of about 5.0 percent over 1974, but now believe the sluggish economy will hold growth to about 2.5 percent. During the first seven months of 1975, residential and commercial sales increased 6.0 percent and 8.0 percent respectively. Industrial sales, however, decreased 5.0 percent and, consequently, total sales for the period showed only a 2 percent increase.

FEDERAL ENERGY ADMINISTRATION  
WASHINGTON, D.C. 20461

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PENALTY FOR PRIVATE USE, \$300

Honorable Ronald H. Nessen  
Press Secretary to the President  
The White House  
Washington, D.C. 20500

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NOV 3 1975

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