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March 25, 1975

SUBJECT: SECRETARY MORTON PROPOSES
SUBSIDY FOR UTILITIES

In a speech in Florida yesterday, Secretary Morton said that the Federal government will propose subsidizing the electric power industry on a temporary basis. Morton said the proposals include: loan guarantees and other government financing mechanisms, additional changes in the tax treatment of utility tax dividends, rebates in oil taxes and import fees, and cash rebates of unused investment tax credits.

Will the Administration be proposing that the Federal government subsidize electric utilities?

GUIDANCE: It is my understanding that Secretary Morton said that the Administration was considering a variety of subsidy proposals, but not that he was going to propose such a subsidy.

I would just point out that in the President's State of the Union Message, the President asked that the Energy Resources Council review and report to the President on the entire regulatory process and financial situation relating to electric utilities and determine what further reforms or actions are needed. The President directed that the ERC consult with state utility commissions, governors, public utilities, and consumers. That is what the ERC is doing, and we'll just have to wait and see what recommendations they come up with for the President.

In addition, you may recall that in his State of the Union message to Congress on January 15, the President also asked the Congress for four or five different legislative actions concerned with utilities. The President mentioned at that time that 60% of planned nuclear capacity and 30% of non-nuclear capacity additions have been postponed or cancelled by electric utilities. Financing problems are worsening as the Utility Commission practices have not assured recovery of costs and adequate earnings.

FYI ONLY: There are four major electric utilities that are on the verge of bankruptcy, including one from Michigan and Consolidated Edison from New York. Morton's thinking is that any subsidy would be used for utilities in this financial situation.
END FYI ONLY.



February 18, 1975

SUBJECT:

WHITE HOUSE TO BAIL OUT
ELECTRIC UTILITIES

According to a story in this morning's Wall Street Journal, the White House is urgently studying a batch of far-reaching schemes to bail troubled electric utilities out of their financial problem. The story states that the utility bail-out ideas, which are bubbling up through the bureaucracy toward the President's desk, range from the mundane to the exotic.

Is the White House considering bailing out financially-troubled electrical utilities?

GUIDANCE: In his State of the Union message to Congress on January 15, the President asked the Congress for four or five different legislative actions concerned with utilities. The President mentioned at that time that 60% of planned nuclear capacity and 30% of non-nuclear capacity additions have been postponed or cancelled by electric utilities. Financing problems are worsening as the Utility Commission practices have not assured recovery of costs and adequate earnings.

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JGC

March 4, 1975

SUBJECT:

PRESIDENT'S ENERGY PLAN WOULD
HIKE UTILITY RATES

The National Association of Regulatory Utility Commissioners said in Washington that the President's proposed energy program would increase utility rates by 20%. They said this is "far in excess of any reasonable increase needed to maintain a viable industry".

What's your reaction to the statement by the State Utility Regulators?

GUIDANCE: Our earliest projections estimated electricity prices would increase approximately 6 to 10%. It should be pointed out that fuel costs for utilities are less than 30% of their costs in producing electricity. Capital, overhead, salaries, etc. make up the bulk of their costs.

In addition, with the proposed tilt toward gasoline and away from heating fuel, residual fuel, etc., the proposed increase for electricity and utilities would be even less, probably in the area of 4 to 7%. Therefore, the statement that the utility rates would increase 20% is just not in any range projected by the Administration.

JGC