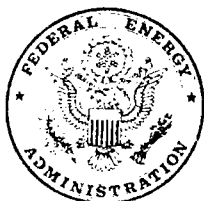


The original documents are located in Box 2, folder: “Memoranda to the President, June 1976” of the Frank Zarb Papers at the Gerald R. Ford Presidential Library.

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~~SECRET~~

FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

June 8, 1976

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB

SUBJECT: CRUDE OIL PURCHASE FOR STRATEGIC
PETROLEUM RESERVE

Summary of Proposal

We plan to explore with Iran, without commitment, their interest in supplying 300 million barrels of crude oil to the United States for the Strategic Petroleum Reserve (SPR). In exchange for U.S. prepayments of at least \$1 billion, a fixed price contract affording protection against OPEC price increases would be sought. Savings in acquiring crude oil for the SPR in excess of \$0.5 billion could be realized. If Iran is interested, your approval will be sought on final terms.

Background

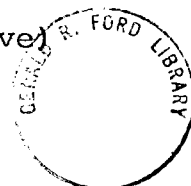
The Government of Iran has, since the Summer of 1975, expressed interest in selling additional oil to the United States. Iran's ambitious development plans and military procurement programs have been jeopardized by declining revenues from oil sales, reflecting sluggish recovery in the world economy and competitive price disadvantages of Iran's heavy crudes vis-a-vis those of other producers.

In efforts to sell more crude oil, Iranian officials have attempted to interest the United States Government in applying pressure on Consortium companies to lift more oil, and in direct or indirect government-to-government sales of oil. Barter deals, oil for arms, are a more recent development. A crude purchase deal amounting to 500 thousand barrels per day was considered early in 1976, but further consideration was deferred in the absence of clear Administration policy and authority with respect to the purchase and resale of oil.

Copy $\frac{1}{2}$ of 4

(State Derivative)

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E.O. 12958 Sec. 3.6

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By dsl NARA, Date 3/27/01

Proposal

Developing a viable proposal must take into account some potentially conflicting considerations:

- . To be attractive to the U.S., a significant benefit must be realized, in the form of savings in the purchase cost of crude.
- . The savings must be easily identifiable to the U.S. Congress and public, and must, therefore, be presented in terms of a discount off OPEC price.
- . To be acceptable to the Iranians, vis-a-vis its fellow OPEC members, no initial price discount must be apparent.
- . Iran needs immediate revenue from oil sales in excess of volumes that might be sold on an annual basis to the U.S.

The Energy Policy and Conservation Act (EPCA) authorizes the creation of a Strategic Petroleum Reserve (SPR). Present studies indicate an SPR of at least 500 million barrels would be required by 1983. The quality of crude oils required is such that approximately 60 percent of the SPR, or 300 million barrels, could be supplied by Iran.

The planned fill rate for the SPR--small volumes beginning in the second half of 1977--would not meet Iran's indicated need for immediate, large amounts of incremental revenue. It may be possible, therefore, to exact a significant price benefit in exchange for immediate revenue.

The parameters of the proposal under consideration are as follows:

- . Iranian Government commitment to supply and USG commitment to purchase approximately 300 million barrels of crude oil over six years.
- . An initial payment of at least 20 percent of the total cost upon signature of the contract; a second payment of at least 10 percent of the



total upon initial delivery of crude in 1977; and final payment of the balance upon completion of all deliveries in 1982.

- Prices for crude oils, determined by quality, fixed for six years. Average prices would be about \$11.25 per barrel FOB Persian Gulf. Protection against OPEC price deterioration during contract term would be sought. (Anticipating later negotiations, our initial price offer would average \$11.00 per barrel.)

Economics

The economics of the proposal have been evaluated against several assumptions with respect to rates of growth in world oil prices. The base case assumes prices remain constant at current levels. It is considered unlikely, however, that prices will either remain constant or decrease. Two price increase cases, therefore, have been assumed, a 5 percent annual increase case and a 10 percent case.

A number of prepayment schemes have also been examined. Cases with a minimum "front-end" payment of one-third, or \$1 billion, and a maximum of one-half, or \$1.6 billion, of the total purchase cost of \$3.2 to \$3.4 billion have been evaluated. Similarly, prices ranging from \$11.00 per barrel to \$11.50 per barrel have been assumed.

A summary of the economics of the proposal follows:

Volumes to be Purchased	300 million barrels	
	<u>Minimum Case</u>	<u>Maximum Case</u>
Price Assumed	\$11.00/barrel	\$11.50/barrel
Initial Payment (1976)	\$1.0 billion	\$0.7 billion
Second Payment (1977)	--	0.7
Final Payment (1982)	2.2	2.0
Total Cost	<u>\$3.2 billion</u>	<u>\$3.4 billion</u>

Maximum Advance of U.S. Funds \$1.6 billion in 1977

Year When Value of Oil Received Equals Advance Late 1979



	Assumed Annual Price Increase		
	<u>No Increase</u>	<u>5 Percent</u>	<u>10 Percent</u>
Net Savings to USG Over 6 Years of Prepayment Proposal vis-a-vis Annual Purchase			
\$ Billions	0	0.5	1.1
\$ per Barrel	0	1.65	3.55

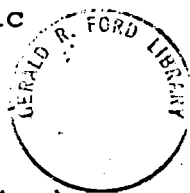
The proposal may be viewed as "zero cost insurance" against OPEC price increases. The "No Increase" case column indicates that the U.S. runs no financial risk of even the unlikely event of constant OPEC prices. Significant savings (\$0.5 billion) are enjoyed if prices rise by only 5 percent per year.

Constraints

There are a number of constraints, legal and otherwise, which must be considered:

- . Procurement legislation prohibits sole-source purchase contracts except under specific circumstances, which do not apply in this instance. Special legislation would probably be required, as part of the overall SPR Plan, to authorize the proposed arrangement.
- . Jones Act provisions, requiring the use of U.S. flag vessels, would apply to at least 50 percent of the oil acquired by the USG. All oil for the SPR would be affected. In order to reduce the landed cost of foreign oil, and to comply with budget objectives, it may be advisable to seek exemption of the Jones Act for SPR oil.
- . "Front-end" payments to Iran of \$1.0 billion or more and three years' financial exposure may be difficult to justify.

To meet these concerns, after an expression of interest on Iran's part, but before negotiating the proposal, key Congressional leaders would be consulted. The final "deal" would, of course, be subject to Congressional and public scrutiny, and must, therefore, provide an easily identifiable economic benefit to the United States.



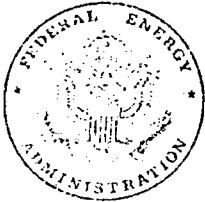
The problem of public presentation is not insignificant. From a U.S. standpoint, the proposal must be presented as insurance against OPEC price increases in exchange for advance payments. For Iran, the proposal must be presented in terms of current revenue at the cost of enjoying higher prices in the future. Iran places great value on oil price increases to offset world inflation. Iran can be expected to negotiate strenuously for a minimal price discount with an escalation factor. The proposal is not, therefore, assured of acceptance. Our initial price offer would be in the \$11.00 range.

Next Steps

This proposal has the support of State, CEA and NSC.

We intend to explore on a confidential basis, with the Iranian Minister of Finance, the feasibility of the concept, without commitment and with full disclosure of the constraints noted above. We will report to you the Iranian Government reaction, and seek your approval to proceed further with Congressional consultations prior to entering into negotiations with Iran.





FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

JUN 9

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB

SUBJECT: PETROLEUM MARKETING PRACTICES ACT

BACKGROUND

Over the past year, there have been a number of Congressional proposals designed to protect the business interests of retail gasoline dealers. Independent gasoline dealers have called for the enactment of such legislation in order to resolve complaints which fall into two related areas. First, dealers allege that gasoline suppliers are arbitrarily terminating or failing to renew the franchise and lease agreements of their retail outlets. Second, independent dealers contend that a number of major oil companies are converting their franchised dealerships to company-owned outlets, to the detriment of the franchised dealers.

The latest, and most complete, of these Congressional proposals is H. R. 13000, the "Petroleum Marketing Practices Act", introduced by Representative John Dingell (Michigan), Chairman of the House Interstate and Foreign Commerce Subcommittee on Energy and Power. Briefly, this bill would do three things:

Title I establishes very strict requirements as prerequisites for a franchisor electing not to renew a franchise contract. A franchisor would be forced to renew unless:

- o the franchisee has breached the terms of his franchise agreement and is so notified; or
- o there is notification and mutual agreement in writing to terminate the agreement.

This provision establishes severe legal remedies on behalf of the franchisee on the basis of the franchisor's mere failure to renew a lease or franchise agreement.

Title II would place a two-year moratorium on refiners from increasing the total volume of the gasoline they distribute through outlets they operate above the greater of the 1975 level for that firm or the 1972 average for all refiners.

Title III calls for gasoline octane disclosure requirements including the testing of automotive gasolines and postings on fuel pumps and new cars.

Last year when immediate decontrol was being proposed, the Administration sent up the "Gasoline Dealers' Protection Act of 1975", much more narrowly drawn than H.R. 13000. Our bill is based essentially on "good faith" relationships between the parties involved in a lease or franchise; i.e., the duty of each party to act in a fair and equitable manner toward each other. Although your advisors had doubts about the need for this bill, it was submitted as a way of insuring protection for gasoline dealers after price and allocation controls disappeared, as well as facilitating the removal of controls. As you know, the Congress chose to retain controls.

The Dingell Subcommittee is expected to begin markup of this legislation shortly. Chairman Dingell has made it clear that some form of dealer protection legislation must be enacted before our gasoline decontrol proposal will be accepted by the Congress (although this legislation does not guarantee approval of gasoline decontrol).

With this in mind, we have identified those objectionable provisions and areas of possible substantive compromise in H.R. 13000. The Energy Resources Council has considered this issue, has rejected outright support for the current bill, and presents the following options and agency positions:

OPTIONS

1. Oppose H.R. 13000 in its entirety.

PROS:

- The bill is unacceptable in its current form, as Titles I and II intrude directly into the marketplace. Title III is administratively burdensome and not particularly useful.



- The evidence to date has not revealed any widespread franchise or lease cancellations or nonrenewals. Even should abuses occur in this area, remedies could be sought through the basic contract rights of the parties involved.
- As currently written, Title I could protect inefficient and unprofitable service station dealers from cancellation of leases.

CONS:

- Staunch opposition would damage the chances for gasoline decontrol being approved by the Congress.
 - Opposition to the dealer protection concept could lead to criticism of the Administration for being inconsistent, since it did propose a dealer protection bill, although less restrictive than H.R. 13000.
2. Oppose the bill in its current form and offer an alternative approach that would more closely conform to the earlier Administration bill. The alternative would be offered as a compromise only if key Members are willing to go along with an FEA proposal to decontrol the present price and allocation controls on gasoline.
- . The alternative would delete the most onerous sections of Title I ("Failure to Renew" and "Trial Franchise Period") and substitute a "reasonable business judgment" approach to provide a level of protection for a franchisee against arbitrary cancellation while permitting flexibility to the franchisor to cancel a poor or marginal arrangement. Criteria for defining a "reasonable business judgment" decision to cancel or not renew a franchise would include items such as withdrawal from a marketing area, unprofitable or marginally profitable operations, significant decline in sales volume, franchisee involvement in fraudulent acts, or external forcing events (rezoning, catastrophic occurrence damaging property, proposed relocation of major highway, etc.).



- Oppose Title II in its entirety because of its negative impact on competition and its aggressive intrusion into the marketplace.
- Accept Title III, although attempt to improve it technically to remove excessive administrative burdens. Since this is the least significant section of the Bill, it could be a negotiable item to achieve the more important changes needed in Titles I and II.

PROS:

- Dealer protection legislation would improve the chances of obtaining gasoline decontrol.
- A workable bill in this area would provide a new legal remedy for the retail dealer where none exists at the present time.
- Without Administration input, the probability of an unsatisfactory bill being subject to Presidential veto is increased.

CONS:

- Regardless of Administration recommendations, the Committee may report out legislation which would be objectionable.
- Involves accepting some permanent Federal regulatory role in exchange for a possible removal of price and allocation controls.
- Chances of achieving all of the Administration's changes are low and could make our later opposition to the bill more difficult.



AGENCY RECOMMENDATIONS

Option 1: Treasury

Option 2: FEA, Commerce, Interior, OMB, State, ERDA,
CEA.

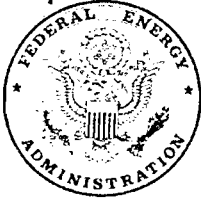
EPA takes no position.

PRESIDENTIAL DECISION

Option 1: _____

Option 2: _____





FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

June 10, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB 

SUBJECT: REACTION TO CANADIAN INCREASE IN NATURAL
GAS PRICE TO U.S. CUSTOMERS

Attached are drafts of two statements, one of which will be used once we are certain of Canada's decisions with respect to the level and method of the Canadian gas price increase.

Both versions have been approved by Greenspan, State, Scowcroft and Simon. Should the final announcement from Canada contain unanticipated provisions, our final statement will be appropriately adjusted.

Attachments



ZARB EXPRESSES CONCERN OVER CANADIAN
NATURAL GAS PRICE INCREASES TO U.S.

Frank G. Zarb, Federal Energy Administrator, expressed regret today that the Canadian government had found it necessary to increase the price of its natural gas exports to the United States from the current level of \$1.60 per thousand cubic feet to \$1.92 (1.94) per Mcf.

Zarb noted that this increase, the fourth since 1973, will cost U.S. consumers an additional \$303 (322) million from captive U.S. markets which have few, if any, alternatives. As a result of this increase, the cost of Canadian natural gas to U.S. consumers will be over \$2 billion annually, up from \$350 million in 1973.

The States most affected by this price increase are California, Washington, Oregon, Montana, Wisconsin, Minnesota, New York and Vermont.

Last week, in a meeting with Canadian Energy Minister Alastair Gillespie during the annual meeting of New England Governors and Eastern Canadian Premiers in Chatham, Massachusetts, Zarb pointed out that any increase in the price of exports in excess of that decided for Canadian domestic consumers would further widen the already existing discrimination against U.S. consumers.



In recent consultations with Canadian officials, U.S. representatives have also argued against any increase in export prices greater than that to which Canadians would be subject.

At the same time, Zarb said that this action by Canada underscores our energy vulnerability because of our continuing dependence on foreign suppliers and points up the urgency for the U.S. to expand its domestic energy resources. He noted that rapid action to stimulate domestic gas production as well as other energy legislation was long overdue.



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The latest price increase, the fourth by Canada since 1973, will cost an additional \$360 million to U.S. consumers in captive markets who have few, if any, alternatives to continued reliance on gas imports from Canada. As a result of this increase, the cost of Canadian Natural Gas to U.S. consumers will be more than \$2 billion in 1977, compared to \$350 million in 1973.

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He indicated that such actions create an atmosphere in which joint cooperation in the energy area would become more difficult. "Indeed," Zarb said, "the action taken today requires us to reexamine the total range of bilateral energy arrangements with Canada."

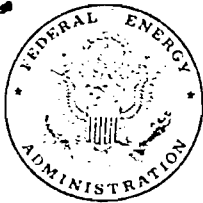
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NOTE: For insert after 2nd paragraph if differential pricing among U.S. areas served is announced.

It would also introduce a disturbing and unprecedented new element of discrimination by differentiating between various regions of the United States based upon the availability and cost of alternative energy supplies.





FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

June 10, 1976

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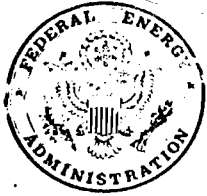
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FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20431

OFFICE OF THE ADMINISTRATOR

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June 11, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB
ADMINISTRATOR

FR
CHARLES W. ROBINSON
DEPUTY SECRETARY
DEPARTMENT OF STATE

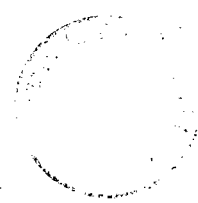
SUBJECT: REPORT ON MAY 27-29, 1976
OPEC MEETING/PRICE TRENDS

Analysis of Conference

No major decisions emerged from the recently concluded 47th OPEC Conference. Both major issues at stake -- the adoption of a differentials formula along the lines of that in use in Algeria, and the size and timing of a price increase -- were put off for an undefined period.

A number of factors probably contributed to the decision to continue the price freeze for an unspecified period.

- The Saudis were determined to maintain the freeze, particularly when no agreement was made on differentials.
- Increased demand in the first five months of the year and projections of a continuation of this trend helped ease the concern over incremental per barrel revenues.



- Preoccupation with contract arrangements with the oil companies and little prior publicity about the desirability of a price increase made it easier for Iran, usually the major price hawk, to take a more moderate position both at the Conference and in its internal political affairs.
- The OPEC nations were able to score a political plus in the international arena by continuing the freeze "to aid world economic recovery." At the same time by leaving the duration of the freeze undefined they leave themselves a number of options. They can initiate an increase later in the year when winter is near and demand higher. In addition they can continue to use the possibility of another increase as a political tool to persuade the West to make concessions at CIEC. On the other hand, if Saudi Arabia remains opposed to an increase until year's end, OPEC has just to fail to reconvene before the December 15 meeting.

Lack of consensus on the differentials question probably came both from genuine concern over the technicalities of the Algerian formula and its applicability OPEC-wide as well as hesitation on the part of some nations to bind their actions to another formula approach. This is the fourth attempt by OPEC to settle the question, with the outcome probably the more crucial for the heavy crude producers. The Algerian system evaluates crude values on the basis of product yields, with some consideration of gravity, sulfur and transportation differentials.

Price Trends

The second quarter of 1976 did not produce any sharp movement by OPEC Governments to change the prices prevailing at the end of the first quarter, probably because of the OPEC meeting and because increased demands eased per barrel revenue needs. Spot prices, on the other hand, advanced steadily upward during the quarter in reaction to a possible increase coming out of the OPEC meeting. Heavy crudes continue to take the brunt of downward government price adjustments and although improving over the quarter, continue to be sold below official sales prices on the spot market.

signed by John A. Hill

FEDERAL ENERGY OFFICE
JUN 21 1976

FORD, GERALD - R.

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK G. ZARB *vs/*

John A. Hill (acting for)

SUBJECT:

FINAL FEA CONSUMER REPRESENTATION PLAN

I am pleased to submit the Final Consumer Representation Plan for the Federal Energy Administration. I feel that the Plan reflects the commitment FEA has made to provide consumers with the opportunity to participate in the agency's decision-making process.

All offices within FEA have participated in the development of this document. Each Assistant Administrator and Office Director will cooperate fully in its implementation.

We began interim implementation of our proposed Plan in November as you directed and will finalize guidelines for Plan implementation in August.

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CONCURRENCES							
SYMBOL	CA/SI						
SURNAME	<i>[Signature]</i>						
DATE	<i>6/11/76</i>						

FEDERAL ENERGY ADMINISTRATION

CONSUMER REPRESENTATION PLAN

FEA CONTACT FOR CONSUMER ACTIVITIES

Jerry Ann Penno
Director, Office of Consumer
Affairs/Special Impact
or
April Ramey
Room 4310
Federal Energy Administration
1200 Pennsylvania Avenue, N.W.
Washington, DC 20461

(202) 961-6055



FEDERAL ENERGY ADMINISTRATION
CONSUMER REPRESENTATION PLAN

- I. PREAMBLE
 - II. STATEMENT OF PURPOSE
 - III. EXECUTIVE SUMMARY
 - IV. PRIMARY OPERATING UNITS
 - V. AGENCY PLAN
 - VI. SCHEDULE OF EVENTS
- APPENDIX A - ANALYSIS OF COMMENTS
- APPENDIX B - FEDERAL ENERGY ADMINISTRATION
ORGANIZATIONAL CHART
- APPENDIX C - CONSUMER AFFAIRS/SPECIAL IMPACT
CONTACTS



I. Preamble

The Federal Energy Administration was established during a crisis resulting from the sudden energy shortage created by the Oil Embargo of 1973. Its functions were primarily regulatory in that the agency was mandated to allocate available petroleum products to consumers at equitable prices. During the first year of the agency's existence, an analytical and data gathering arm was established to assist the President in developing a national energy policy as required by the Federal Energy Administration Act (FEAA) of 1974. Therefore, the FEA is in the position of acting as both a regulatory and policy formulating agency. Additional programs grew out of the energy policy articulated by the President. In addition, the agency is often required to respond on short notice to requests for energy analysis from both Congress and the Administration.

As the crisis atmosphere subsided and as agency officials became sensitized to the need for public awareness of agency policies and goals, the mechanisms for involving consumers were used more frequently. The development of this plan for consumer representation provides the basis for and a commitment to, more complete involvement of consumers in the agency's activities.

Consumer participation techniques have always been used in the agency's regulatory process to the extent required by law, and consumer and public interest groups have in fact participated in the rulemaking and other activities by which FEA regulatory policies are effectuated. Those offices which are responsible for the development and implementation of programs have, to some extent, used one or more of the consumer participation techniques listed in this Plan.

It is the Agency's intention to maximize advance consumer involvement in the development of programs and policies covered by this Plan. In those instances in the past where the Agency has failed to provide specific impact information, it has been due to the fact that FEA initially used supply, demand and consumption data compiled by other agencies and by industry. Those data were not compiled in a format which allowed detailed specific impact evaluation. FEA has now developed its own data base and is filling identified data gaps. We will continue to refine our data system to provide more specific impact information.



This Plan also creates a responsibility on the part of various offices within the Agency to provide information to consumers, and places principal responsibility for implementation upon individual program offices, thereby increasing the Agency's accountability for its actions.

II. STATEMENT OF PURPOSE

The purpose of this Consumer Representation Plan is to enable persons who are affected by major FEA sponsored legislation, regulation, policy, decision or program action to have the opportunity to comment on the subject before a decision is reached, and to provide for consideration of these views in the agency's decision-making process. It is FEA's intent to actively solicit consumer opinion and to make the individual offices responsive to consumer requests for information and opportunities to be heard.

It is a basic premise of this plan that existing machinery and techniques for assuring consumer representation will be strengthened and that, where they do not exist, they will be instituted.

It is also our purpose to provide the mechanism for giving the management of the agency a better understanding of consumers' concerns and viewpoints. The Plan is intended to make it easier for the public and consumer groups to focus their attention on issues of special and general concern within the agency.

III. EXECUTIVE SUMMARY

A. On August 15, 1976, the Administrator will issue Guidelines for all FEA Assistant Administrators and Office Directors to follow in obtaining consumer participation in major FEA program and policy development. The Guidelines will include provisions for implementing the following improved procedures for consumer participation:

1. Advisory Committees

FEA is reexamining the composition of the agency's Advisory Committees to ensure adequate consumer representation on each Advisory Committee. There will be wider solicitation for consumer representatives and communication will be increased among the representatives on various committees. Procedures will be improved for notifying the public of Committee meetings, maintaining

records, providing responses to the Committees on their recommendations, and informing the Committees of pending issues.

2. Utilizing Consumer Complaints as an Information and Guidance Tool

The Office of Consumer Affairs/Special Impact plans to implement a computer oriented consumer complaint/correspondence processing system. This system will be designed to provide to all program offices aggregate data on the energy problems of consumers by location and by type of complaint.

3. Consumer or Citizen Conferences

This mechanism will be utilized more frequently by FEA offices. Each regional CA/SI officer will work with State Energy Offices and private organizations to conduct state Consumer Energy Workshops in coordination with the National CA/SI office. Workshops will be scheduled at locations which are accessible. Meetings will be open to the public, and special mailings will be used to invite citizens who are not affiliated with an organized group, as well as members of groups who are particularly affected by rising energy costs.

4. Liaison with Consumer Groups

Each program office will have standing arrangements that provide for consultation and exchange of views with interested or affected persons and organizations on development or revision of major plans, programs, or other significant actions prior to decision making. The CA/SI Office will serve as the focal point for coordinating this exchange of views. Regional CA/SI Officers will maintain liaison with State Energy Offices, and they



will hold monthly meetings with citizens and citizen organizations to hear their views on FEA policies and programs. Citizens will be invited in each region to discuss issues of concern to consumers.

5. Public Hearings

FEA will ensure adequate notice of proposed changes in rules, regulations, orders, etc., by providing the maximum possible notice of public hearings in the Federal Register in straightforward language, and will provide notices to national and local press and periodicals in the form of news releases suitable for publication as news items. Discussions of highly technical information will appear in the preambles of Federal Register notices. When feasible, hearings will be scheduled outside of Washington, and special mailings by the Office of Communications and Public Affairs, the Office of Consumer Affairs/Special Impact, and the Regional CA/SI Officers will be used to solicit written testimony from interested citizens.

6. Staff Development of Consumer Information and Analytical Materials

- (a) Each Assistant Administrator and Office Director shall provide, to the extent practicable, policy or technical information concerning major proposals and other important program or policy actions at the earliest practicable time, and at places easily accessible to interested persons and organizations, and inform consumers about the availability of such material to enable them to make informed and constructive contributions to the agency's decision-making process. Special efforts will be made to summarize complex technical materials for public and media use.
- (b) The office initiating a program or policy action will provide a response to



interested persons and organizations concerning their recommendations and suggestions (other than comment on rulemaking) within a reasonable period of time after receipt of such recommendations.

The Guidelines for implementation of the Plan will set forth specific criteria for the development and dissemination of policy and program information.

7. Consumer Impact Evaluation

For any major proposal as defined by the FEA Directive for Implementation of Executive Order 11821 (which requires that major proposals for legislation and for the promulgation of rules and regulations by an executive branch agency be accompanied by a statement certifying that the inflationary impact of the proposal has been evaluated), the Assistant Administrator or Office Director must indicate that where such a major proposal has been evaluated, the evaluation includes a section on consumer impact which contains:

- (a) An analysis of the principal cost or direct price effects of the action on markets, consumers, businesses, regions of the country, and where feasible, an analysis of secondary cost and price effects. These analyses should have as much quantitative data and precision as practicable and should cover a time period sufficient to determine economic and inflationary impacts.
- (b) An indication of the benefits to be derived from the proposed action. These benefits should be quantified to the extent practicable.
- (c) A review of alternatives to the proposed action.

FEA will maintain a list of all major proposals which have been evaluated in accordance with Chapter 4 of the Directive for the Evaluation. Copies of that list and the Summary of the Inflationary Impact Evaluation and the accompanying consumer impact evaluation

will be made available to the public for inspection through the Public Document Room, FEA National Office, 12th and Pennsylvania Avenue, N.W., Washington, D. C. 20461. These documents will be written in a form suitable for a general audience.

8. Increased Availability of Materials Containing Consumer Impact Evaluations

FEA will increase availability of materials containing analytical information that will be useful to consumers at the earliest practicable time and at places easily accessible to interested or affected persons and organizations and inform them of the availability of this information through consumer organizations, press releases and speeches by FEA officials. As outlined in Section 7, Consumer Impact Evaluation, FEA will ensure that summaries of these evaluations are available for public inspection.

9. External Liaison

Media communication techniques will be utilized more fully to solicit consumer opinions and to publicize agency decisions and their impact. This will be accomplished through providing increased accessibility for consumers to regular mailing lists, speeches by key officials outlining the opportunities for consumers to provide input on agency decisions, and wider dissemination of information describing opportunities for participation through news releases, national periodicals and newsletters.

In addition, FEA will regularly publish lists of current rulemakings and administrative proceedings and lists of new publications, scheduled hearings and workshops. These lists will be developed by the FEA Office of Communications and Public Affairs.

- B. The Director of the Office of Consumer Affairs/ Special Impact will be responsible for coordinating the implementation of the Plan and will



report directly to the Administrator. Each program office and Regional Administrator will submit individual plans to the Director of the Office of Consumer Affairs/Special Impact through the Office of Management and Administration for implementation of the Plan and the Guidelines. Each program office will designate a liaison person to work with the CA/SI office to implement the Plan. In each Regional Office the CA/SI Officer will serve as the focal point for implementation of the Plan.

IV. PRIMARY OPERATING UNITS INVOLVED

Due to the influence of energy on American life and the role that this agency plays in determining national energy policy, actions of virtually every office in FEA have high impact upon consumers.

The Office of Consumer Affairs and Special Impact is presently a part of the Office of Intergovernmental, Regional and Special Programs, but by special provision the Director of CA/SI has independent and direct access to the decision-making process and the Administrator. In addition to the CA/SI office located in Washington, DC, there are ten regional Consumer Affairs/Special Impact Officers who are responsible for implementing FEA consumer policies and programs in the regions. The functions of the CA/SI office and the regional CA/SI Officers are as follows:

1. Review and analyze the actual and potential impact of FEA policies, programs and energy related problems on the consumer, the poor, the handicapped, and the elderly.
2. Advise the Administrator on the results of reviews and analyses so that he may consider those factors in the development of FEA policies and programs.
3. Provide information on FEA policies and programs to Federal, State, and local agencies, and private organizations representing consumer and special impact concerns.
4. Review the policies and programs of other Federal agencies with potential for alleviating the energy-related problems of consumers, the poor, the handicapped, and the elderly.



5. Recommend new or modified Federal policies and programs to alleviate the adverse effects of energy problems on consumers, the poor, the handicapped, and the elderly and assist in the development and implementation of new programs.
6. Review the policies and programs at State and local levels with potential for alleviating the energy-related problems of the consumer, the poor, the handicapped, and the elderly.
7. Recommend new or modified State and local level programs to alleviate the adverse effects of energy problems on consumers, the poor, the handicapped, and the elderly and assist in the development and implementation of new programs.

In performing these functions CA/SI has sought maximum consumer involvement. With respect to policies and programs which originate in other offices, CA/SI has both coordinated consumer input on request by those offices and ensured that offices solicit consumer input on FEA policies. Each program office will appoint a consumer liaison who will be responsible for coordinating with CA/SI to implement the Plan.

A. Program Offices

Office of Energy Resource Development assesses the adequacy of energy resources to meet demands in both the short and long-term for all sectors of the economy and for the general public; develops and implements policies and programs which promote the development of energy resources to insure adequate supplies; and expedites the development, on a site-specific basis, of necessary energy projects.

Office of Regulatory Programs develops plans and programs for dealing with energy shortages; promotes stability in energy prices to the consumer; promotes free and open competition in all aspects of the energy field; prevents unreasonable profits within the various segments of the energy industry; and assures that energy regulations are designed and implemented in a fair and efficient manner so as to minimize hardship and inequity.

Office of Conservation and Environment develops and implements voluntary and mandatory energy

conservation programs aimed at reducing the U.S. demand for energy and ensures that energy goals are balanced with environmental concerns. Within the Office of Conservation and Environment, the Office of Environmental Programs coordinates the preparation of FEA Environmental Impact Statements; advises the agency on environmental matters related to energy production, conversion, and consumption; and advises the agency on the energy and economic impacts associated with environmental requirements.

Office of Policy and Analysis collects, evaluates, assembles and analyzes energy information on reserves, production, demand and related economic data; develops plans and programs for dealing with energy production shortages; assesses the adequacy of energy resources to meet demands in the immediate and longer range future for all sectors of the economy and for the general public by forecasting short and long range supply and demand; analyzes the economic impact of energy policies on consumers, industry and the economy; and recommends policies to the Administrator with respect to the establishment of a comprehensive national energy policy in relation to the energy matters for which the Federal Energy Administration has responsibility. This office also has responsibility for ensuring the preparation of inflationary impact evaluations.

Office of International Energy Affairs directs development, analysis, evaluation, monitoring, coordination and implementation of international aspects of energy policy, analyzes domestic energy policy from an international perspective and seeks to assure appropriate integration of domestic and international policies.

B. Liaison Offices

Office of Management and Administration administers a broad range of FEA-wide management activities which include organizational studies and program formulation and analysis.

Office of Intergovernmental, Regional and Special Programs develops effective arrangements for the participation of State and local governments, small business and consumers in the resolution of energy problems.

Office of Congressional Affairs responds to requests from Congress and acts as FEA's Congressional liaison and processes consumer/constituent communications which have been sent by consumers to members of Congress.

Office of Communications and Public Affairs responds to public/consumer inquiries and disseminates information from the agency to the public.

C. Offices of General Counsel and Private Grievances and Redress

Office of General Counsel serves as the chief legal advisor to the Administrator in all matters of law and policy, particularly with regard to implementation of statutes administered by the Federal Energy Administration and regulations promulgated pursuant to such statutes; provides continuing legal review of agency operations, compliance and enforcement activities and represents the agency, through the Department of Justice, in all litigation where the agency is a party.

Office of Private Grievances and Redress receives and evaluates petitions filed by persons adversely affected by any order, rule or regulation issued by the Administrator in carrying out the functions assigned to him under the FEA Act and petitions filed by persons requesting special redress, relief, or other extraordinary assistance and makes recommendations to the Administrator for appropriate action.

Each of the FEA offices previously described participates in the processes through which decisions are made in FEA. These processes are described below because a major purpose of this Plan is to heighten consumer awareness of the system so that consumers will be able to provide comments at the appropriate levels of decision-making.

Processes Through Which FEA Decisions Are Made

A. Issue Resolution

The FEA decision-making process is a standard operating mechanism within the agency. When an issue is identified which necessitates a high level policy decision, an issue paper is written by the originating office and circulated to all Assistant Administrators for evaluation by the Policy Issues Coordinator (who reports to the Deputy Assistant Administrator for Policy within the Office of Policy and Analysis). Comments and recommendations are prepared by each Assistant Administrator and Office Director who has an interest in the policy issue. These comments and recommendations are returned to the originating office via the Policy Issues Coordinator where all comments are reviewed and appropriately incorporated into the paper. As a result of the process to this point, the issue has been clarified and the various options for implementation and their impacts have been analyzed. The issue is then forwarded to the Deputy Administrator for review and an issues review meeting is convened to discuss the issue. This group, composed of all Assistant Administrators and Office Directors, including the Director of the Office of Consumer Affairs/Special Impact, recommends to the Administrator a specific course of action. If a consensus is not reached by this group, the issue paper is forwarded to the Administrator with each office's recommendation noted.

The Administrator makes the final decision on the issue, and authorizes the appropriate office to begin implementation. The system which has been described is used not only for policy proposals, but also for regulation development, program implementation and initiation of all actions directed by the President. In the past, policy proposals, regulations and program plans have come, to a large extent, from four main sources -- FEA offices, Congress, the public and the President.

B. Program Development

The Program Development Process is utilized to resolve issues concerning the location and execution of a major FEA program which would be newly included in FEA operating plans; would involve significant change from existing program direction or priorities;

or would require appropriation of available resources or distribution of resources currently available. The Action Assistant Administrator (AA), the General Counsel (OGC) or a member of the Executive Staff prepares a memo which is forwarded to the Office of Management and Administration (M&A) outlining the various aspects of the program proposal. The Process Manager for M&A forwards the proposal to the Office of Policy and Analysis (P&A) and prepares a program and resource management evaluation. P&A conducts required impact assessments and reviews the proposal for consistency with FEA and Energy Resources Council (ERC) policy. These comments are appended to the proposal and incorporated into all future program recommendations. M&A forwards the proposal with M&A and P&A comments to OGC, relevant Assistant Administrators, major Office Directors and Regional Administrators for review and comment. Upon receipt of their comments, the Process Manager meets with the initiating AA to develop a final recommendation for the Deputy Administrator and the Administrator. After a program is approved by the Administrator, the Deputy Administrator advises the Process Manager who will advise the action AA of the approval and initiates the administrative follow-up actions which include integration into agency operating programs. The Action AA takes the necessary operational implementation steps approved in the program document.

V. AGENCY PLAN

FEA Mechanisms for Obtaining Consumer Opinion

On August 15, 1976, the Administrator will issue Guidelines for all FEA Assistant Administrators and Office Directors to follow in obtaining consumer participation in major FEA program and policy development. The Guidelines will include provisions for implementing the following improved procedures for consumer participation.

1. Advisory Committees:

There are currently 13 FEA Advisory Committees in addition to the Consumer Affairs/Special Impact (CA/SI) Advisory Committee. Each of these has from 1 to 3 consumer representatives, except the CA/SI Advisory Committee where the majority of the members represent various consumer sub-groups. FEA has begun to re-examine the composition of all Advisory

Committees to ensure adequate consumer representation. As a result of this investigation the following policies will be implemented for which specific procedures will be outlined in the Guidelines:

- (a) Each FEA Advisory Committee will be composed of 10 percent consumer representatives where practicable. Consumer representatives will be defined as individuals with the expertise and experience to represent the consumer point of view.
- (b) The CA/SI Advisory Committee will be structured to provide balanced representation of consumer and special impact groups as well as diverse regional and income groups.
- (c) Mechanisms for seeking nominations for consumer representatives on FEA Advisory Committees will be expanded. When vacancies occur, FEA will solicit nominations through news releases, FEA publications, consumer organizations' newsletters and notices in the Consumer Register. The CA/SI office will maintain a list of interested persons and organizations and will contact them to request names of prospective appointees.
- (d) FEA will increase communication and coordination between consumer representatives on FEA Advisory Committees by providing information on activities and actions of the CA/SI Advisory Committee.
- (e) Following each Advisory Committee meeting the appropriate program office will prepare a summary for the Administrator. FEA will reply to requests for information which have been made by the Committee. Commitments made by FEA officials to provide information or other related assistance will be reported to the Administrator and followed up in subsequent Committee meetings.
- (f) Meetings will be announced at least 15 days in advance, except in cases of emergency or where an Advisory Committee meets on a monthly schedule. Mechanisms to notify citizens of upcoming meetings will be expanded to include the Consumer Register, consumer publications and local newspapers through distribution in energy columns.

- (g) Notices for meetings will clearly specify the agenda. Members may be consulted to determine items that they wish to have on the agenda so that the published agenda accurately reflects topics to be discussed.
- (h) Efforts will be made to schedule meetings in cities other than Washington so that the members of the public in areas outside Washington will have an opportunity to attend and present public statements.
- (i) Transcripts of all FEA Advisory Committee meetings are available under the Freedom of Information Act, the Advisory Committee Act, and the FEAA. They may be obtained upon request from the FEA Advisory Committee Management Office.
- (j) In regular meetings with Advisory Committees, the Administrator or his representative will outline pending policy issues so that the Committee will have an opportunity to analyze the issues fully and develop substantive comments.

2. Consumer Correspondence and Complaints

FEA's enabling legislation does not confer upon the agency the jurisdiction to solve most energy-related consumer problems. For this reason, most complaints are referred to a Federal, State or local governmental or private organization that is capable of offering assistance. Nevertheless, the volume of complaints and consumer correspondence received by the agency is great, and it contains a large amount of information. This information, if catalogued and analyzed, could be of significant value in the policy formulation and implementation process. To facilitate this, the Office of Consumer Affairs/Special Impact will implement a computerized consumer complaint/correspondence processing system. In addition to collecting, storing and providing data on correspondence received by the various offices within the Federal Energy Administration, including the



Office of Communications and Public Affairs, the system will be designed to remedy the defects which currently exist in FEA's correspondence and complaint handling procedures as pointed out by the TARP Study, ^{1/} as those defects relate to policy formation.

First, all correspondence and complaint data will be located at one point, for easy reference. Receipt of correspondence will be acknowledged and responses will be personalized. Data on the correspondence will be maintained which will include the type of complaint, region, State and discernible socio-economic characteristics of the complainant. In addition, information will be included in the FEA response to indicate when a referral was necessary and where such referral has been made. By arranging this information in various combinations, data emerge which will be helpful in providing support for policy formulation which accurately reflects the interests and concerns of consumers expressed in their correspondence. For example, if correspondence data reveals that a current policy or regulation is having an undesirable effect on a specific part of the population, such as the elderly, this information can be used to support a recommendation to change that policy or regulation.

Second, this system will produce summary sheets on a monthly basis which will be circulated to all program offices. The sheets will provide those offices with an accurate profile of the types of complaint by region, State and socio-economic characteristics of both the correspondence which has been received during the month and a summary of all correspondence received prior to that date. If more detailed information is desired by any office, a request can be made and the appropriate data will be provided.

1/ In 1975 the Office of Consumer Affairs of the Department of Health, Education and Welfare, contracted with Technical Assistance Research Programs (TARP) to determine the feasibility of improving the handling of consumer complaints. The resulting study described and evaluated the FEA Consumer complaint-handling system.



It is anticipated that, along with the institution of the computer system, a correspondence unit will be added to the Office of Consumer Affairs/Special Impact, enabling that office and therefore FEA, to more effectively and rapidly deal with consumer correspondence by giving it the capability to refer complaints and problems to other governmental agencies which have the ability and authority to solve the complaints. This unit will aggressively follow referrals, by using the system to maintain referral information, and to ensure that the referral agency is helpful to the consumer.

In the future, the system will be capable of storing and producing correspondence information not only from energy-related consumer correspondence received by FEA, but also those complaints received by State and local energy offices when that information is forwarded to FEA by the agencies on a voluntary basis. This will yield an even greater data base for use in the formulation of Federal energy policy. By October 1, 1977, FEA will evaluate the usefulness of the system to see if it significantly improves the decision-making process as it relates to consumers and to determine if it should be continued.

3. Consumer or Citizen Conferences

The Office of Consumer Affairs/Special Impact has found consumer/citizen conferences to be extremely useful in obtaining citizen opinions and ideas for use in policy formulation. This mechanism will be used more frequently by other FEA offices in the future.

Since consumer/citizen conferences can be used for general and informational purposes as well as specific program planning circumstances, each program office will either conduct some form of consumer/citizen conference or make arrangements to participate in relevant citizen conferences arranged by other offices, agencies, or private organizations. When planning conferences, efforts shall be made to present a balanced point of view and to invite diverse citizen groups.

The regional CA/SI Officers are now coordinating with State energy offices and other groups in the planning of state-level consumer energy workshops in order to provide a forum for the exchange of ideas and information and to obtain opinions on FEA policies and programs from all interested consumer groups and citizens. In scheduling these workshops efforts will be made to hold the meetings in locations and at times which are convenient for a broad section of the public to attend. The meetings will be open to the public; however, special mailings will be used to notify consumers and special impact groups.

The appropriate FEA official, program or regional office will provide feedback to citizens on their recommendations.

4. Liaison with Consumer Groups

FEA will maintain regular contacts with consumer groups at both the national and regional levels.

Each FEA program office will improve utilization of this technique by developing standing arrangements that provide to the maximum extent practicable for appropriate consultation and exchange of views with interested persons and consumer organizations on the development or revision of major policies or programs prior to decision-making. Such arrangements will include either maintaining a list of all persons interested in participating in the decision-making process and contacting interested persons and organizations before issues are resolved, or advising the CA/SI office that FEA would like to solicit consumer opinion. The CA/SI Office will arrange for appropriate meetings. In addition, each FEA office will regularize this contact with consumer groups by periodically scheduling meetings as appropriate to permit consumers to present their views on major program or policy actions. The offices will provide appropriate program, policy or technical information for such meetings to interested individuals. The FEA will continue to provide to the public, in connection with promulgation of final regulations, the rationale for such decisions. The CA/SI office will serve as the focal point for coordinating this exchange of views.

The regional CA/SI Officers will be responsible for forwarding to CA/SI information from their region on consumer views and energy problems. They will accomplish this through regular consultation with State Energy Offices and consumers. Each CA/SI Officer will hold monthly meetings with citizens and citizen organizations to hear their views on FEA policies and programs and provide information on FEA activities. In addition, citizens will be invited regularly to discuss their concerns relating to energy issues.

5. Public Hearings

Public hearings are held whenever they are required by the FEA Act, other laws, or when the public interest would be served. The typical problem inherent in these proceedings is providing adequate public notice. One method of overcoming this problem, as described in the previous section on Liaison with Consumer Groups, is to actively solicit consumer opinion through mass mailings to groups with interest in a particular issue. However, this procedure alone is inadequate. FEA will provide the maximum possible notice of public hearings in the Federal Register and the Consumer Register, and will prepare press releases for national and local press and periodicals in a form suitable for news articles. Straightforward language will be used in the text of the Notice. When the information is particularly technical, discussions will appear at the beginning of the Notice. When possible, hearings will be held outside of Washington and the ten Federal regional cities. Since equal weight is given to written testimony in the analysis of comments, the Office of Communications and Public Affairs, the CA/SI Office and the regional CA/SI Officers will conduct special mailings of Notices to ensure that interested citizens are informed of proceedings.

6. Consumer Impact Evaluation

For any major proposal as defined in the FEA Directive for Implementation of



Executive Order 11821 ^{2/} (which requires that major proposals for legislation and for the promulgation of rules and regulations by an executive branch agency be accompanied by a statement certifying that the inflationary impact of the proposal has been evaluated), the Assistant Administrator or Office Director must indicate that where such a major proposal has been evaluated, the evaluation includes a section on consumer impact which contains:

2/ The identification of major proposals is discussed in Chapter 3 of the Directive on the Evaluation of the Inflationary Impact of Major Proposals for Legislation and for Promulgation of Regulations or Rules. "Proposals for the promulgation of a rule or regulation will be examined pursuant to Chapter 2 [of the Directive] and under the criteria outlined herein if such a proposal has completed consideration under FEA's internal procedures and represents an addition to or modification of the published Federal Energy Guidelines.

In accordance with the intent of paragraph 4a of OMB Circular A-107, a proposal for legislation or the promulgation of a rule or regulation is a major proposal if its implementation is reasonably expected, within two years of its adoption unless a superseding time period is provided, to cause as a primary or direct effect:

a. An increase in consumer costs

Any proposal which would produce increased costs of energy supplied to consumers in the United States exceeding \$100 million in the first year is a major proposal.

The criterion specified in paragraph 6a will constitute the primary factor in determining whether a proposal is major. However, the criteria outlined below may also be taken into account where appropriate:

b. Other costs

Any proposal likely to produce increased costs exceeding \$50 million in any one year or \$75 million in any two year period for any industry (4 digit SIC code), or State or local government is a major proposal;



c. Effect on competition

Any proposal likely to substantially lessen competition, limit market entry, restrain market information, increase concentration, or tend to create a monopoly or monopolistic market power in any line of commerce where commerce in the relevant market exceeds \$100 million per year is a major proposal;

d. Reductions in supply of important materials

Any proposal which would reduce the supply of important materials, products, or services (e.g., farming, automobiles, steel, construction, petrochemicals) by more than three percent will be considered a major proposal:

e. Employment

Any proposal likely to result in a decrease of employment in any year of 0.2 percent (170,000 workers) on a national level, or of 10,000 workers in a single economic sector, industry (4 digit SIC code) or a State or a local government is a major proposal;

f. Effect on productivity

Any proposal likely to result in cost impacts of the magnitude referred to in paragraph 6a through a reduction or restriction of industry (output) capacity or capital investment, an increase in labor man hours per unit of output, or a reduction or restriction in adaptation of new techniques, equipment, processes, or skills is a major proposal.

g. Other

Any other proposal determined in the sole discretion of the Administrator to have an effect comparable to the effects just described and so designated by the FEA Administrator will be considered a major proposal.



- (a) An analysis of the principal cost or direct price effects of the action on markets, consumers, businesses, regions of the country, and where feasible, an analysis of secondary cost and price effects. These analyses should have as much quantitative data and precision as practicable and should cover a time period sufficient to determine economic and inflationary impacts.
- (b) An indication of the benefits to be derived from the proposed action. These benefits should be quantified to the extent practicable.
- (c) A review of alternatives to the proposed action.

The CA/SI office will participate in the analytical review of all draft inflationary impact evaluations prepared by the Office of Economic Impact Analysis.

Where a major proposal is evaluated in accordance with Chapter 3 of The Directive on the Evaluation of the Inflationary Impact of Major Proposals for Legislation and for Promulgation of Regulations or Rules, the summary of that statement will be prepared and sent to the Public Document Room of FEA, 12th & PA Avenue, N.W., Room 3116, Washington, D.C. 20461, for public inspection in accordance with that Directive. At the same time a copy of the summary paper will be forwarded to the Office of Consumer Affairs/Special Impact for dissemination to the public.

As required by that Directive, if a proposal does not reasonably appear to be a major proposal as described in paragraph 6 of the Directive, the transmittal letter for legislation or the notice for proposed rules or regulations presented to the Federal Register for publication will include a statement that the proposal has been reviewed in accordance with the Directive and has been determined not to require an evaluation of its inflationary impact as provided for therein. Included in



such notice will be an explanation of why the proposal appears to be non-major. This explanation will be summarized subsequent to publication of the notice and also will be forwarded to the FEA Public Document Room and to the Office of Consumer Affairs/Special Impact for dissemination to the public.

7. Marketing Surveys and Consumer Behavior Research

In order to plan, implement, evaluate and improve its programs and policies, it is necessary for FEA to determine in the most systematic and scientific way possible, how government policies and programs, in conjunction with energy scarcities, higher prices, regulations, and laws affect American consumers' attitudes, beliefs, and preferences, and actual energy consumption patterns. To do this, large surveys drawn in such a way to be representative of the entire population have been conducted by FEA over the past two years and will be conducted in the coming year. To complement these surveys, focused group discussions of representative consumers in various cities have and will be conducted to help government officials understand the underlying beliefs and motivations of consumers regarding energy problems and their own energy using behavior. The Office of Consumer Affairs/Special Impact has an oversight role with respect to these surveys.

B. Information FEA Will Provide to Enhance Consumer Participation in the Decision-making Process

1/ Consumer Education

FEA will make every effort to translate highly technical information into a form that is relevant to and understandable by the general public.

Special efforts will be made through consumer conferences, Advisory Committees, liaison with consumer groups and agency communications to inform citizens of the basic energy issues, the options that are available to resolve these issues and the implications of implementing a particular option.



2. Increased Availability of Documents and Materials Containing Consumer Impact Evaluations

Subsection 7(i) paragraph (E), of the Federal Energy Administration Act of 1974 states that all internal rules and guidelines related to the development of a rule, regulation or order should be publicly available, with adequate provisions for ensuring confidentiality. However, the public is generally not aware of the types of useful information which have been developed by FEA and are available upon request. Part 202 of the Federal Energy Guidelines sets forth in detail the procedures for handling requests for information. An awareness of a document's existence, however, does not guarantee that a citizen knows how to request a document. Therefore, the Guidelines promulgated by the Administrator will contain provisions to ensure that the availability of informational materials is adequately publicized and that accessibility is increased. In addition, FEA will provide policy, program and technical information at the earliest practicable time and at places easily accessible to interested persons and organizations so they can make informed and constructive contributions to agency decisions. Public reading rooms at the National and Regional offices will have information on file. Citizens who are unable to travel to these locations may forward requests for information to the FEA Office of Communications and Public Affairs or to the National Energy Information Center, 12th & Pennsylvania Ave., N.W., Room 1412, Washington, D.C. 20461. FEA will publicize the availability of this information through consumer newsletters, special mailings to consumer organizations, press releases and speeches by FEA officials.

3. Staff Development of Consumer Information and Analytical Materials

Generally, consumer information and analytical materials have not been developed specifically for distribution to consumers during the early stages of policy and program formulation. For the most part this has been due to those factors outlined in the Preamble which have limited the agency's ability to widely publicize proposed policies and programs.

However, FEA will improve utilization of this technique by requiring that policy, program or technical information be made available to interested or affected persons or organizations at the earliest practicable time, at places easily accessible, and that consumers are informed about the availability of such material so they can make informed and constructive contributions to agency decisions. FEA will provide feedback to consumers on their recommendations and suggestions. The Guidelines for implementation of the Plan will set forth specific criteria for the development and dissemination of policy and program information.

4. Speeches by Key Decision-Makers

FEA will expand this function. The Guidelines will outline procedures for key officials to follow to publicize FEA's effort to improve consumer participation in the FEA decision-making process by publicly explaining the process and soliciting consumer views.

5. External Liaison

Currently, the FEA Office of Communications and Public Affairs provides news releases on major policy decisions, speeches by key officials, and notices of meetings and other agency activities to interested press officials via routine mailings. Consumer groups and other interested individuals can be added to the mailing lists upon request, but they are generally not aware that this service exists. The Office of Consumer Affairs will submit its mailing list to the Office of Communications and Public Affairs for inclusion in regular distribution lists.

A special newsletter, the Energy Reporter, provides information on FEA policies to consumers and community leaders in non-technical language. Often ideas for articles submitted by recipients are followed-up in order to provide a publication which is responsive to consumers.

Speeches and news releases will outline opportunities for consumers to make their views known to FEA and will provide feedback to citizens on whether their suggestions have been adopted. The Guidelines promulgated by the Administrator will include provisions to ensure that media communication techniques are utilized to both publicize opportunities for consumer input and provide feedback on agency decisions.

Both the Office of Consumer Affairs and the Office of Public Affairs maintain mailing lists of public interest groups which are categorized according to the areas of specific interest or expertise. The mailing list maintained by the Office of Public Affairs is the mailing list for the Energy Reporter. This system has the capability to access public interest groups by category of interest, region or state. Currently the circulation of the Energy Reporter is limited to 30,000. However, consumer interest in the publication has steadily increased and FEA is investigating the possibility of expanding the circulation of this publication. In addition, the Office of Consumer Affairs/Special Impact maintains a categorized list of public interest groups and interested citizens. This list is not computerized. However, the computer system for the Energy Reporter mailing list has the capacity for additional sub-systems of data. Therefore, CA/SI will computerize its existing mailing list by adding a special sub-system to the Energy Reporter computer system. This is intended to provide a flexible and accessible mailing list for disseminating information to interested groups and soliciting input for public hearings and informal liaison meetings on specific issues and policies.

In addition, FEA will publish regularly lists of current rulemakings and administrative proceedings, and lists of new FEA publications, scheduled hearings and workshops.



6. Consumer Consultants

Over the past year the Federal Energy Administration has contracted with public interest groups or individuals to prepare papers or special studies. Two studies were recently completed by public interest groups through contracts with the Office of Consumer Affairs/Special Impact. One of the studies was a handbook for State Energy Offices for dealing with consumer energy problems and the second evaluated and analyzed the existing data on the adverse impacts of energy issues and actions on special consumer groups. Other studies are now underway through contracts with public interest groups to identify techniques that consumers can use to influence transportation decisions within their community and on various conservation strategies for citizens.

In addition, FEA Advisory Committee members may recommend to the Administrator that the appropriate FEA program office undertake studies on specific issues. FEA will evaluate such recommendations according to the criteria established for awarding contracts. If the proposed study is approved, the appropriate program office may initiate the study through the regular procurement process. Where an agency determination is made that such a study is appropriate, the technical representative for the study must be an employee of the federal government. Appropriate consultation with the Advisory Committee will be maintained throughout this process.

7. Responsibility for Implementation

The Director of the Office of Consumer Affairs will be responsible for coordinating the implementation of the Plan and will report directly to the Administrator. Each program office and Regional Administrator will submit individual plans to the Director of the CA/SI office, through the Office of Management and Administration, for implementation of the Plan and the Guidelines.



Each program office will designate a liaison person to work with the CA/SI office to implement the Plan. In each regional office the CA/SI Officers will serve as the focal point for implementation of the Plan.

VI. SCHEDULE OF EVENTS

Publication of Final FEA Consumer Representation Plan	June 1976
Computerized CA/SI consumer mailing list will be operational	July 1976
Publication of Final Guidelines to Implement the FEA Consumer Representation Plan	August 1976
Full Implementation of Final Plan and Guidelines	August 1976
Deadline for program offices to submit plans for implementation of the Plan and the Guidelines	August 1976
Implementation of Computerized Complaint Processing System	October 1976 (Contingent upon Congressional Approval of FY '76 funds)

ANALYSIS OF COMMENTS

On November 26, 1975, the Administrator of the Federal Energy Administration published a proposed Consumer Representation Plan which outlined specific mechanisms for increasing public participation in the FEA decision-making process (40 Fed. Reg. 55237). Proposed Guidelines for implementation of the Plan were circulated for public comment in January, 1976.

The Federal Energy Administration participated in regional White House Conferences on Consumer Representation and conducted a formal hearing in Washington on February 25, 1976. In addition, several meetings were held with representatives of consumer and citizen groups and Administrator Zarb and FEA staff in order to obtain public comment on the Plan. More than seventy sets of written comments as well as a number of verbal comments were received and reviewed. The Federal Energy Administration has carefully considered all comments submitted. All written comments are on file with the agency. Many suggestions have been adopted or substantially satisfied by editorial changes in, deletion from, or additions to the Plan or Guidelines for implementing the Plan. The principal revisions and the Agency's responses to the major comments are summarized below.

General

1. Almost all consumers and consumer groups responding said that the Plan did not outline specific agency actions in sufficient detail or did not commit the agency to specific action. Efforts have been made throughout the Plan to state in greater detail, those actions which will be taken to encourage consumer participation, and language has been clarified in a number of cases where comments suggested clarification was needed.
2. Several comments raised questions on the right of appeal when citizen views have not been adopted. Review procedures are available at present in connection with FEA regulatory programs and are set out in FEA regulations.
3. Consumer organizations indicated that the Plan does not provide any assurance that the views of consumers will

be adopted. The purpose of the Plan is to ensure that all citizens have the maximum opportunity to present their views to decision makers. Final decisions will be made after consideration not only of consumer views -- which may be divergent and conflicting -- but also of all other information available to the agency.

4. Many comments questioned whether the agency was serious about increasing consumer participation because it did not provide funds for consumer representation or participation in legal proceedings. This concept implies that consumer opinions have not been sought in the early stages of decision-making and that the consumer's only recourse are the courts. Since FEA lacks the legislative authority to provide grants for this purpose and because it requires funds other than those budgeted for FY '76 and '77, this recommendation has not been incorporated in the Plan for immediate implementation. However, the concept is being investigated for possible funding and implementation at a later date.
5. Some consumer groups requested a cost/benefit analysis of the Plan. Data are not currently available to develop such a quantitative analysis. If conceptually possible, a cost/benefit analysis will be conducted in July 1977, one year after the Plan is operational.
6. Representatives of consumer organizations and the Consumer Affairs/Special Impact Advisory Committee proposed several measures for improving consumer participation in the FEA decision-making process. Those measures included establishing a legal advocate, that is an FEA Office of Public Advocate that would represent the consumer interest before FEA; funding consultants to provide technical expertise to public interest organizations and the CA/SI Advisory Committee; and communicating issues to the Committee and the general public as soon as possible. FEA does not believe that these measures can be justified at this time. These measures will be considered in the future if the Consumer Representation Plan proves to be inadequate.
7. Several comments noted that the Plan focused on obtaining consumer opinions on issues but suggested that additional emphasis be given to providing information

to the public on pending issues and decisions, and providing feedback to consumer organizations on their recommendations. An attempt has been made to incorporate this suggestion throughout the Plan to ensure that consumers receive information as soon as an issue is identified and that they receive feedback on their recommendations. One specific example is that the Administrator, in his regular meetings with the CA/SI Advisory Committee, will summarize the major issues that are pending before FEA.

8. Several consumer representatives noted that while the proposed Plan stated that no additional funds would be necessary for the implementation of the Plan, they felt that additional funds were necessary in many cases to ensure effective implementation of the Plan. As stated in the proposed Plan, immediate implementation of the FEA Plan will not require funds other than those outlined in the budgets for FY '76 and '77. Where additional funding is being contemplated for future fiscal years, this is noted in the Plan.

Advisory Committees

1. One consumer organization suggested that the CA/SI Advisory Committee be disbanded and that other FEA advisory committees be restructured to include 1/4 to 1/3 bona fide consumer representatives. The rationale for this recommendation was that by putting the majority of consumer representatives on one Advisory Committee it would be easy for FEA to isolate and ignore consumer opinions. In considering this comment it was determined that the CA/SI Advisory Committee is the only FEA Advisory Committee which exclusively represents the views of consumers and special impact groups and therefore should not be disbanded. However, Section 1 has been expanded to require, where practicable, ten percent consumer representatives on each FEA Advisory Committee in addition to other categories required. These representatives will be individuals who have the experience, expertise and impartiality to appropriately represent the consumer point of view.
2. As a result of suggestions by consumers, provisions have been added to Section 1 to clarify policies on the composition of the CA/SI Advisory Committee, to increase consumer representation, to outline better mechanisms for seeking committee nominations, to increase coordination among consumer representatives of all FEA Advisory Committees and to ensure an FEA reply to

committee requests and recommendations. The Guidelines will specify, in greater detail, the procedures for implementing policies for Advisory Committees outlined in the Plan.

Computer-Oriented Consumer Complaint/Correspondence System

1. The computer-oriented complaint processing system is an attempt to address the criticism raised in the TARP study that FEA does not utilize consumer correspondence for policy analysis nor does a mechanism exist to ensure resolution or follow-up of consumer complaints.
2. The language of Section 2 has been revised to clarify that the socio-economic data which are stored on the computer system will be obtained directly from correspondence, and the public will not be required to fill out additional forms. Language has been added to clarify FEA's intent to have complaints received at the regional, State and local level forwarded to the National office for storage and analysis in the data base. It should be noted that it was never intended that the CA/SI office would process or respond to all consumer complaints. Rather, the complaint processing system will be implemented by the CA/SI office in conjunction with the mail answering functions of the Office of Communications and Public Affairs and other offices. The correspondence unit contemplated for the CA/SI office will be responsible for follow-up on referrals and for analysis of data obtained from consumer correspondence.
3. Many comments criticized the Plan for buck-passing in that complaints cannot always be resolved by FEA. The fact remains that FEA does not in many cases have legislative authority to resolve individual consumer complaints. It is anticipated that data obtained from the system will substantiate policy proposals for dealing with entire classes of consumer complaints.
4. Many comments suggested that the data collected should be available to the public. The Plan has been modified to clarify the fact that aggregated information collected will be available to the public as provided in the Freedom of Information Act.

Consumer/Citizen Conference

1. Numerous comments called attention to the fact that Section 3 does not clearly specify that consumer conferences will be coordinated with State Energy Offices and private groups. The language has been modified to reflect this fact.
2. As a result of suggestions by citizens, this section has been expanded to specify that, when possible, consumer conferences will be held in cities other than the ten Federal regional cities and that the broadest possible cross-section of both individual citizens and organizations will be invited to attend.
3. One comment recommended that such conferences be conducted bi-annually and others recommended that workshops be conducted in Hawaii during the off-season and in Alaska to evaluate socio-economic impacts of energy resource development. While these suggestions are excellent, such activities would require resources other than those budgeted for FY'76 and FY'77. However, in programming funds for future projects, the funding of such efforts will be considered.

Liaison With Consumer Groups

1. Several comments suggested that the CA/SI office hold weekly meetings with representatives of consumer organizations. The CA/SI office has maintained contact with consumers and has scheduled meetings frequently. However, it has found that it is more useful for citizens and representatives of consumer organizations to meet directly with the official who is responsible for a particular policy or program. Both the Plan and the Guidelines were designed to formalize the contact between citizens and the various program offices. The concept of monthly meetings with consumer groups has, however, been incorporated in the functions of the Regional CA/SI Officers since they are the focal point for the solicitation of consumer opinion in the regions.
2. In response to other suggestions, this section has been modified to provide that in each region citizens will be invited to discuss issues of particular concern to consumers. In addition, the communication function of CA/SI Officers with State Energy Offices has been clarified.

3. In response to comments from consumer representatives this section has also been modified to reflect the fact that this liaison will be used not only to solicit consumer opinions but to provide information and feedback on consumer recommendations.

Public Hearings

1. Numerous groups stressed a need for a more precise definition of "maximum possible notice" and recommended a provision of 90 days to ensure adequate time for consumer groups to develop their position. We favor a comment period which is of sufficient length to permit citizens and consumer organizations to prepare testimony. However, under the recently enacted Energy Policy and Conservation Act which was signed on December 22, 1975, the Congress has in most cases prescribed a time-table for implementation of the various provisions. When rulemakings are proposed the stated advance notice given will be consistent with other applicable statutory requirements and will be extended beyond those requirements, when possible.
2. Many consumer groups asked that hearings be held in cities outside of Washington and in cities outside the ten Federal regional cities. Section 5 has been revised to indicate that hearings will be held in cities in addition to Washington to the maximum extent possible. However, since equal weight is given to written comments, provisions have been incorporated to ensure the broadest solicitation of written testimony.

Consumer Impact Evaluation

1. Several comments criticized this section by saying that it only required FEA to do that which is already required by law. Although FEA must prepare consumer impact evaluations as part of Inflationary Impact Evaluations required under Executive Order 11821, the FEA Plan provides for summaries of these evaluations to be prepared for a general audience.
2. As a result of consumer comments, Section 6 has been modified to include a definition of major proposals and to specify the mechanisms for preparation, publication and dissemination of these documents.

Marketing Surveys and Consumer Behavior Research

This section has been modified to reflect the FEA effort to obtain information on the beliefs and opinions of consumers regarding energy problems.

Consumer Education

This section has been modified to indicate that FEA will continue its efforts to provide technical information to consumers in understandable language.

Increased Availability of Documents and Materials Containing Consumer Impact Evaluations

In response to criticisms from consumer groups that information is generally available only after decisions are made, an additional section has been added to outline methods for consumers to obtain this information prior to decision-making.

Staff Development of Consumer Information and Analytical Materials

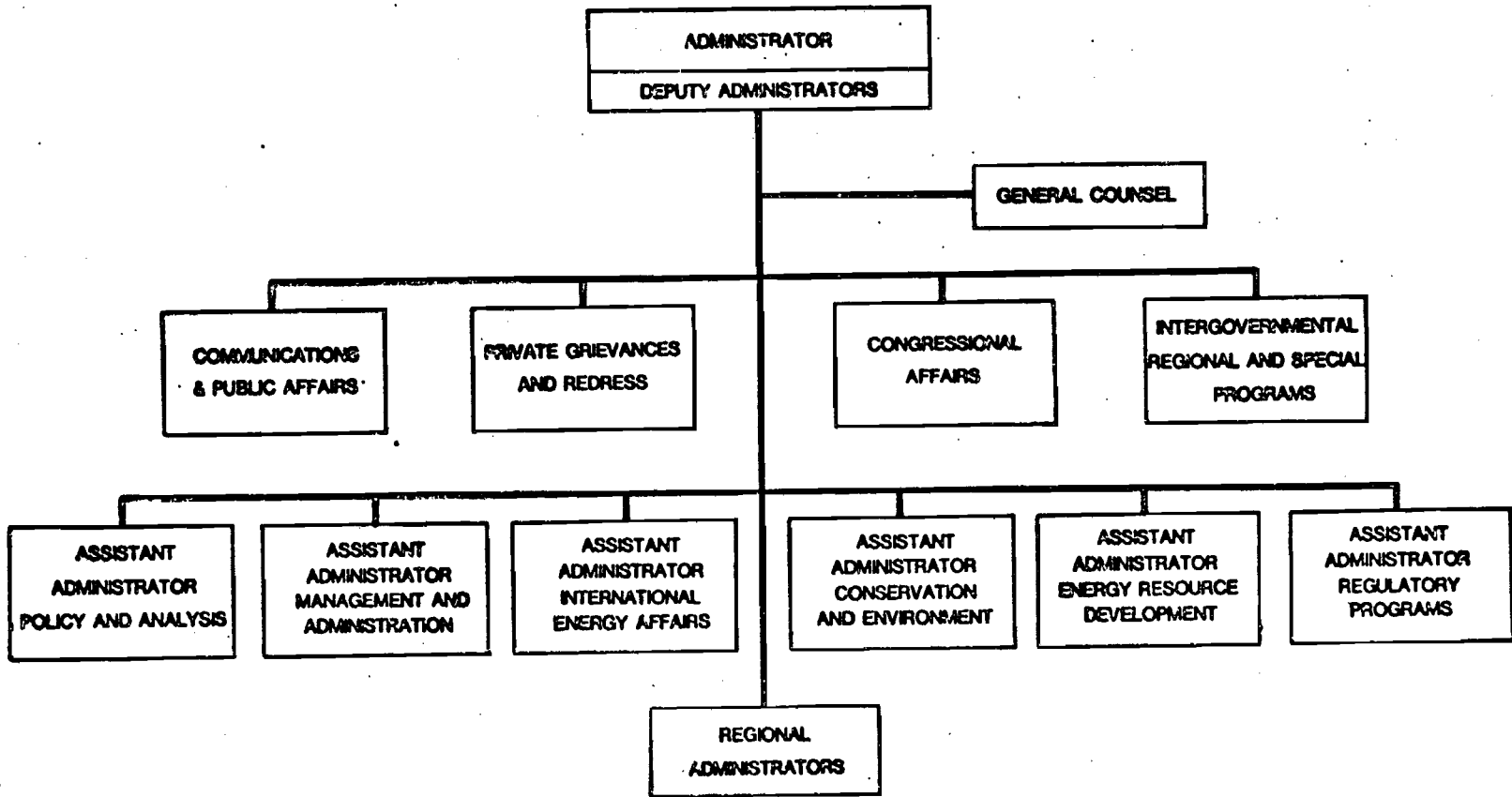
This section has been expanded in response to consumer comments that consumer information and analytical materials are available only after the fact, to indicate that the Guidelines for Implementation of the Plan will set forth specific criteria for the development and dissemination of policy and program information at the earliest practicable time.

External Liaison

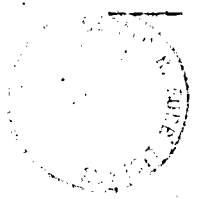
1. Consumer groups unanimously applauded the FEA publication, the Energy Reporter and suggested that this document be made available to all citizens who request it even if they are not members of an organized consumer group. It was felt that this was an excellent suggestion and FEA is exploring the possibility of expanding the circulation of the Energy Reporter. However, this particular provision was not incorporated into the Plan because immediate implementation cannot be assured.
2. One comment suggested a quarterly publication combining a list of current rulemaking and other administrative proceedings, a list of new FEA publications and announcements of scheduled hearings and workshops. The language of Section V(6) has been revised to include this suggestion.



FEDERAL ENERGY ADMINISTRATION



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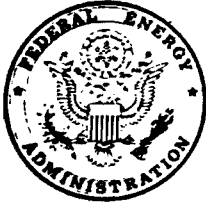
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FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

June 28, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB

SUBJECT: CRUDE OIL PURCHASE FOR THE STRATEGIC
PETROLEUM RESERVE--DISCUSSIONS WITH IRAN

In my memorandum of June 8, 1976, I outlined a proposal under which the United States would purchase from Iran 300 million barrels of crude oil for the Strategic Petroleum Reserve (SPR). I indicated at that time that I planned to explore with Iran their interest in supplying this crude oil on the basis of a fixed price contract over six years in exchange for a prepayment of at least \$1 billion.

On June 11 in Paris I presented the proposal concept to the Iranian Minister, Hushang Ansary. As could be expected, Ansary was not attracted by the price freeze concept, indicating that Iran would find it difficult to break with OPEC policy for such a relatively small volume. He was, however, attracted by the advance payment idea, and with the possibility that the U.S. might increase the SPR to 1 billion barrels. The meeting ended with Ansary undertaking to develop a counter proposal which he expects to present to me in late July. It will probably include some form of price escalation.

At this stage, I am not optimistic that the Iranian counter proposal will contain sufficient common ground with our proposal to warrant further negotiations. Worldwide oil demand is increasing and it seems that Iran will have no difficulty in selling incremental

DECLASSIFIED
E.O. 12958, Sec. 3.5

State Dept. Guidelines
By NHM, NARA, Date 11/24/00

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oil production, notwithstanding the possibilities presented by the arms/oil barter deals and the Occidental share purchase arrangement. Until we have a better idea with respect to the Iranian counter proposal, I do not intend to discuss the concept with key Congressional leaders, as was suggested in my earlier memorandum.

I will continue to keep you informed.

PREP:CBMalin/pn/rm 2104/IEA/2000 M St./6-28-76

Distribution: Exec Sec. (2)
Mr. Malin (1)
IEA (1)



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FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

June 28, 1976

OFFICE OF THE ADMINISTRATOR

MEETING WITH FRANK ZARB

Tuesday, ~~June 29~~, 1976

4 P.M. (30 minutes)

The Oval Office

I. Purpose

To follow up on an earlier discussion between you, Frank Zarb and Brent Scowcroft related to OPEC's pricing and supply strategies for the remainder of this year.

II. Background

A. Since your last meeting, Zarb has met with senior ministers of Iran, as well as Kuwait, Egypt, Israel and Japan. He has had private meetings with the OAPEC (Organization of Arab Petroleum Exporting Countries) leadership.

B. Participants: Brent Scowcroft

C. Press Plan: None

III. Talking Points

Not required.



JUN 28 1976

*signed by [unclear]
[unclear] by
Consumer Affairs
(written by
IR&P)*

FORD, Gerald R.

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB *Frank G. Zarb*

SUBJECT: FINAL FEA CONSUMER REPRESENTATION PLAN

I am pleased to submit the Final Consumer Representation Plan for the Federal Energy Administration. I feel that the Plan reflects the commitment FEA has made to provide consumers with the opportunity to participate in the agency's decision-making process.

All offices within FEA have participated in the development of this document. Each Assistant Administrator and Office Director will cooperate fully in its implementation.

We began interim implementation of our proposed Plan in November as you directed and will finalize guidelines for Plan implementation in August.

*Attachment same as
one to 6/21 identical memo
to President from Hill for Zarb.*

