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THE FEDERAL ENERGY ADMINISTRATION
FEDERAL BUILDING
12TH AND PENNSYLVANIA AVENUE, NW.
WASHINGTON, D.C. 20461

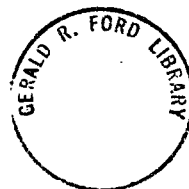
OPENING REMARKS BY FRANK G. ZARB
ADMINISTRATOR, FEDERAL ENERGY ADMINISTRATION
BEFORE THE

FEDERAL ENERGY ADMINISTRATION
CONSUMER ENERGY WORKSHOP
11TH FLOOR AUDITORIUM
FEDERAL BUILDING, 1421 CHERRY STREET
PHILADELPHIA, PENNSYLVANIA
MARCH 24, 1975
9:30 A.M., EDT

I AM GLAD TO BE ABLE TO OPEN THE FIRST OF SIX
TWO-DAY CONSUMER ENERGY WORKSHOPS SCHEDULED TO BE
HELD AROUND THE COUNTRY BY FEA.

FOR WELL OVER A YEAR NOW, THE AMERICAN PEOPLE
HAVE HEARD AND READ A GREAT DEAL ABOUT THE ENERGY
CRISIS. THERE HAS BEEN ALMOST A DAILY BOMBARDMENT
IN NEWSPAPERS AND MAGAZINES, ON RADIO AND TELEVISION,
AT HOME AND AT WORK -- A DAILY BOMBARDMENT OF FACTS
AND FIGURES TELLING US HOW GRAVE OUR ENERGY SITUATION
REALLY IS.

OF COURSE MOST OF US DIDN'T HAVE TO BE TOLD.
WE KNEW HOW BAD IT WAS WHEN WE WAITED IN LINE FOR
GASOLINE LAST WINTER, AND WE KNEW HOW BAD IT WAS
WHEN WE STARTED PAYING THOSE INCREASED UTILITY
BILLS LAST SPRING. AND WE KNOW IT TODAY.



IT IS ONE THING FOR THOSE OF US IN WASHINGTON TO GIVE SPEECHES AND PUT OUT PRESS RELEASES ABOUT THE 2.2 BILLION BARRELS OF OIL WE IMPORTED LAST YEAR AND THE 24.4 BILLION DOLLARS WE PAID FOR IT. BUT IF YOU'RE LIVING IN SOUTH PHILADELPHIA AND YOU'RE TRYING TO GET BY ON SOCIAL SECURITY, YOU DON'T WANT TO HEAR ABOUT BALANCING THE NATION'S PAYMENTS: YOU'RE MORE WORRIED ABOUT BALANCING YOUR OWN BUDGET.

THE FACT THAT WE TALK IN THOSE HUGE FIGURES ABOUT THE CUMULATIVE ASPECTS OF THE ENERGY CRISIS DOES NOT MEAN THAT WE IN THE ADMINISTRATION DON'T KNOW OR DON'T CARE HOW ALL OF THAT TRANSLATES INTO HARDSHIP FOR THE AMERICAN CONSUMER.

WE DO KNOW, AND WE DO CARE. THAT'S WHY WE'RE HERE TODAY.

WE ARE SENSITIVE TO THE NEEDS AND PROBLEMS OF CONSUMERS FACED WITH HIGHER ENERGY COSTS, AND THIS SERIES OF WORKSHOPS IS DESIGNED TO GIVE CONSUMER REPRESENTATIVES A BROAD VIEW OF THE PRESIDENT'S ENERGY PROPOSALS, AND TO RECEIVE THE COMMENTS OF CONSUMERS ON ENERGY ISSUES OF IMPORTANCE TO THEM.



TOPICS TO BE DISCUSSED HERE IN PHILADELPHIA INCLUDE: ENERGY CONSERVATION; OPTIONS FOR CONSUMER ACTION TO SAVE ENERGY AND MONEY; SPECIAL PROBLEMS OF THE AGED AND POOR; ENERGY AND THE ENVIRONMENT; ENERGY FACILITY SITING PROBLEMS; ENERGY PRICING; AND PROBLEMS BOTH OF UTILITIES FACED WITH HIGHER COSTS AND OF CONSUMERS FACED WITH HIGHER UTILITY BILLS.

THE MOST NOTICABLE IMPACT OF HIGHER ENERGY COSTS ON CONSUMERS HAS BEEN SEEN IN THE MUCH HIGHER UTILITY BILLS WE HAVE ALL BEEN PAYING FOR THE PAST YEAR, SO I WANT TO SPEND JUST A FEW MINUTES TALKING ABOUT THE PROBLEMS WE FACE IN THESE AREAS.

MANY YEARS OF CHEAP OIL RESULTED IN CONTINUALLY LOW, AND EVEN DECLINING RATES FOR ELECTRICITY.

CHEAP OIL KEPT PRICES OF COAL DOWN, AND FEDERAL REGULATION HELD NATURAL GAS PRICES AT LOW LEVELS, KEEPING THESE FUELS CHEAP FOR UTILITIES, TOO.



IN RECENT YEARS, ROUGHLY 20% OF THE NATION'S ELECTRIC POWER HAS BEEN GENERATED THROUGH THE BURNING OF OIL IN OUR POWER PLANTS. THE QUADRUPLING OF OIL PRICES OVER THE PAST YEAR AND A HALF HAS MADE THE GENERATION OF THAT ELECTRICITY MUCH MORE EXPENSIVE, CONTRIBUTING TO HIGHER ELECTRIC BILLS.

ABOUT 42% OF OUR ELECTRIC POWER IS GENERATED BY THE BURNING OF COAL, AND, WITH HIGHER COAL PRICES, THAT ELECTRICITY HAS ALSO BECOME MUCH MORE COSTLY TO GENERATE.

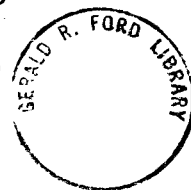
IRONICALLY, CONSUMER CONSERVATION OF ELECTRIC POWER, WHILE ABSOLUTELY NECESSARY FOR ACCOMPLISHMENT OF OUR ENERGY GOALS, HAS HAD THE EFFECT OF CUTTING UTILITY INCOME. THIS FACT, ALONG WITH THE EFFECTS OF INFLATION AND TIGHT MONEY, HAS CONTRIBUTED TO THE FINANCIAL DIFFICULTIES WHICH MANY UTILITIES ARE NOW EXPERIENCING.



ONE RESULT OF THEIR FINANCIAL PROBLEMS HAS BEEN CANCELLATION OR POSTPONEMENT OF PLANS TO MODERNIZE AND EXPAND THEIR FACILITIES. FOR EXAMPLE, SIXTY-THREE PERCENT OF ALL FUTURE PLANNED NUCLEAR CAPACITY HAS BEEN CANCELLED OR POSTPONED -- CAPACITY THAT, IN THE LONG-RUN, WOULD GIVE US LESS EXPENSIVE ELECTRICITY THAN COULD BE DERIVED FROM HIGH-PRICED OIL.

MODERNIZATION AND EXPANSION OF FACILITIES ARE VITAL TO MEET FUTURE ENERGY DEMAND IN THE MOST EFFICIENT AND ENVIRONMENTALLY ACCEPTABLE WAY. UTILITY INVESTMENT NEEDS REMAIN HIGH BECAUSE PEAK DEMAND REMAINS HIGH, AND GENERATING FACILITIES MUST BE ABLE TO COPE WITH ALL OF THE PEAK DEMAND, NOT JUST THE AVERAGE DEMAND.

FINANCIALLY SOUND UTILITIES ARE ESSENTIAL TO PROVIDE ENERGY FOR THE FUTURE. TO ATTRACT PRIVATE INVESTORS IN COMPETITION WITH OTHER INDUSTRIES, UTILITY RATES MUST BE HIGH ENOUGH TO PROVIDE A SUFFICIENT RETURN ON EQUITY TO ENABLE UTILITIES TO FINANCE NEW CONSTRUCTION PROJECTS. UTILITIES HAVE AN OBLIGATION UNDER THE LAW TO PROVIDE RELIABLE SERVICE TO CONSUMERS, BUT THEY CANNOT DO SO UNLESS THEY CAN RAISE PRIVATE CAPITAL IN THE OPEN MARKET.



BUT, AGAIN, ALL OF THAT TALK DOESN'T DO ONE BIT OF GOOD FOR THE CONSUMER, WHOSE FAMILY BUDGET HAS BEEN BLOWN APART BY RAPIDLY RISING UTILITY BILLS. IT IS ALL WELL AND GOOD TO SAY THAT THE UTILITIES HAVE SEVERE PROBLEMS AND THAT THOSE PROBLEMS, IN TURN, CREATE PROBLEMS FOR THE CONSUMER.

WHAT ALL OF US WANT TO KNOW IS WHETHER THERE IS ANYTHING DOWN THE ROAD OTHER THAN EVER-INCREASING UTILITY BILLS. THAT'S WHY I'M PLEASED TO ANNOUNCE TODAY SEVERAL FEA ACTIONS THAT MAY PROVIDE SOME FUTURE RELIEF.

FEA WILL SOON ENTER INTO A SERIES OF FUNDING AGREEMENTS TOTALLING MORE THAN \$1 MILLION WITH STATE AND LOCAL GOVERNMENTS TO PROMOTE GREATER EFFICIENCY IN THE GENERATION AND USE OF ELECTRIC POWER.

THE PURPOSE OF THESE AGREEMENTS WILL BE TO DEMONSTRATE IMMEDIATELY, IN ACTUAL UTILITY SYSTEMS, THE FEASIBILITY OF NON-TRADITIONAL ELECTRIC POWER RATES, LOAD CONTROL TECHNIQUES, AND UTILITY-SPONSORED ENERGY CONSERVATION PROGRAMS.



THE ELECTRIC UTILITY INDUSTRY ACCOUNTS FOR ABOUT ONE-QUARTER OF THE NATION'S TOTAL ENERGY BUDGET, AND THERE ARE CONSIDERABLE AND AVOIDABLE ENERGY INEFFICIENCIES IN BOTH THE PRODUCTION AND CONSUMPTION OF ELECTRICITY.

FEA'S OFFICE OF ENERGY CONSERVATION AND ENVIRONMENT HAS RECEIVED PROPOSALS FOR DEMONSTRATION PROJECTS FROM 26 STATES AND 6 MUNICIPAL GOVERNMENTS.

SEVERAL PROPOSALS UNDER CONSIDERATION FOR DEMONSTRATION PROJECT FUNDING INCLUDE A RATE STRUCTURE WHICH WOULD PROVIDE LOW-INCOME CONSUMERS WITH A MINIMUM ESSENTIAL AMOUNT OF ELECTRICITY AT LOW COST. THIS HAS BEEN STRONGLY ADVOCATED BY MANY CONSUMER GROUPS, AND COULD BECOME A MODEL FOR SIMILAR SYSTEMS NATIONWIDE.

OTHER PROPOSALS NOW UNDER CONSIDERATION FOR FUNDING INCLUDE RATES WHICH ARE HIGHER FOR CONSUMPTION DURING PEAK DEMAND PERIODS, MUCH AS TELEPHONE CHARGES ARE VARIED BY TIME-OF-DAY. THEY ALSO INVOLVE ELECTRONIC CONTROL SYSTEMS WHICH WOULD PERMIT UTILITIES TO TEMPORARILY DISCONNECT NON-ESSENTIAL LOADS DURING PEAK-DEMAND PERIODS.



THE FOUR OR FIVE MOST PROMISING PROPOSALS WILL BE IMPLEMENTED IN PILOT PROJECTS BEFORE JUNE.

WE ARE INVITING ADDITIONAL PROPOSALS FOR TEST PROJECTS TO BE FUNDED BETWEEN JULY, 1975, AND JUNE, 1976, EMBODYING INNOVATIVE RATE CONCEPTS, LOAD MANAGEMENT STRATEGIES, AND CONSUMER CONSERVATION ALTERNATIVES.

WE ARE ALSO ANNOUNCING TODAY THE FORMATION OF A NEW FEA ELECTRIC POWER STUDY GROUP TO ASSESS THE FUTURE OF ELECTRIC POWER IN THE UNITED STATES, INCLUDING THE POTENTIAL FOR SMOOTHING OUT UNEVEN DEMAND CURVES AND CUTTING PEAK DEMAND. THE RESULTS OF THEIR STUDY WILL BE ANNOUNCED IN A PUBLIC SYMPOSIUM IN JUNE.

ONLY 49 PERCENT OF INSTALLED ELECTRIC GENERATING CAPACITY IN THE UNITED STATES IS CURRENTLY BEING UTILIZED, LARGELY DUE TO UNEVEN DISTRIBUTION OF ELECTRICITY DEMAND.



POSITIVE ELECTRIC POWER LOAD MANAGEMENT, THROUGH A SYSTEM OF RATE INCENTIVES AND LOAD CONTROLS, CAN ACHIEVE A BALANCED FUTURE BOTH FOR TOTAL ELECTRICITY USAGE AND FOR PEAK DEMAND.

THIS WOULD MINIMIZE THE CONSUMPTION OF SCARCE FOSSIL FUELS IN ELECTRICITY GENERATION, MODERATE THE FUTURE NEED FOR CONSTRUCTION OF NEW CAPACITY, IMPROVE UTILITY REVENUES, AND EVENTUALLY REDUCE THE PRESENT NEED FOR RATE INCREASES TO MAINTAIN UTILITY VIABILITY.

NEXT WEEK, FEA WILL FILE A BRIEF INTERVENING IN A CALIFORNIA UTILITY RATE CASE, IN SUPPORT OF DIFFERENTIAL PRICING FOR PEAK AND OFF-PEAK PERIODS, WITH PEAK LOAD PRICES SUFFICIENTLY HIGHER TO DISCOURAGE PEAK USAGE AND PAY FOR GENERATING CAPACITY NECESSARY TO MEET PEAK LOADS.

THIS WILL MARK THE FIRST SUCH INTERVENTION IN A STATE RATE CASE BY FEA. WE WILL SOON INTERVENE IN A NEW YORK RATE CASE AT THE INVITATION OF THE CHAIRMAN OF THE NEW YORK PUBLIC SERVICE COMMISSION, AGAIN IN SUPPORT OF PEAK-LOAD PRICING, AND SIMILAR ACTIONS ARE PLANNED FOR OTHER STATES.



ADOPTION OF THE PRICING POLICIES WE WILL BE ADVOCATING IN UPCOMING STATE HEARINGS WOULD SUBSTANTIALLY BENEFIT CONSUMERS WHO MINIMIZE THEIR ELECTRIC POWER USE DURING DAYTIME BUSINESS HOURS.

OUR AIM IS A COMPREHENSIVE POLICY FRAMEWORK FOR THE FUTURE OF ELECTRIC POWER, TO SERVE THE MUTUAL INTERESTS OF CONSUMERS, ENVIRONMENTALISTS, THE ELECTRIC POWER INDUSTRY, AND THE PUBLIC REGULATORY AGENCIES.

I'LL CONCLUDE MY REMARKS WITH SOME VERY BRIEF OBSERVATIONS ON THE ADMINISTRATION'S OVERALL ENERGY PROGRAM.

THE OBJECT OF OUR ENERGY PROPOSALS IS TO INCREASE CONSERVATION OF ENERGY NOW, DEVELOP DOMESTIC ENERGY RESOURCES AS QUICKLY AS POSSIBLE, CONSISTENT WITH SOUND ENVIRONMENTAL POLICIES, AND TO DO SO IN A MANNER THAT HAS A MINIMUM NEGATIVE IMPACT ON THE ECONOMY IN GENERAL AND INDIVIDUAL CONSUMERS IN PARTICULAR, AND A MAXIMUM OF FAIRNESS AND BENEFIT FOR ALL CONCERNED.

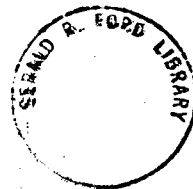


THE ADMINISTRATION PROGRAM PROVIDES A BALANCED, ACROSS-THE-BOARD SHARING OF HIGHER ENERGY COSTS. ALL AMERICANS WILL CONSERVE ENERGY, BECAUSE IT WILL PAY THEM TO DO SO.

BUT, TAX REBATES AND REDUCTIONS WOULD RETURN TO ALL CONSUMERS SOME OF WHAT THEY WOULD PAY IN INCREASED ENERGY COSTS, AND FOR LOWER- AND MIDDLE-INCOME GROUPS, THE TAX SAVINGS WOULD MORE THAN OFFSET HIGHER ENERGY BILLS.

CARL ROWAN, THE NATIONALLY-SYNDICATED COLUMNIST, POINTS OUT THAT, IF THE PRESIDENT'S PROPOSALS ARE ADOPTED, LOWER- AND MIDDLE-INCOME AMERICANS WILL FINALLY RECEIVE FAIR TREATMENT FROM A NATIONAL FEDERAL PROGRAM, WITH EVERYONE SHARING CONSERVATION, BUT WITH THOSE WHO CAN BEST AFFORD IT TAKING MOST OF THE BURDEN.

THE CONSUMER HAS BEEN AND CONTINUES TO BE THE FOCAL POINT-- AND THE ULTIMATE BENEFICIARY -- OF THE PRESIDENT'S AND ADMINISTRATION'S DECISIONS ON ECONOMY AND ENERGY.



THERE IS NO EASY SOLUTION TO OUR ENERGY PROBLEMS. IT TOOK MANY YEARS TO ARRIVE AT THE POINT OF NEARLY 40 PERCENT DEPENDENCE ON FOREIGN SOURCES FOR OIL. IT WILL TAKE THE NEXT DECADE TO BRING US BACK TO A POINT OF SUBSTANTIAL ENERGY SELF-SUFFICIENCY.

NO PLAN TO SOLVE ALL THE PROBLEMS FACING US IN ENERGY CAN BE PAINLESS TO ALL PEOPLE. IT IS THE PURPOSE OF WORKSHOPS SUCH AS THIS ONE TO MAKE SURE THAT FEDERAL PROGRAMS ARE AS FAIR AND PAINLESS AS POSSIBLE, WHILE STILL ACCOMPLISHING THE CENTRAL AIMS OF REDUCING OUR OIL IMPORTS AND BUILDING OUR OWN DOMESTIC ENERGY SELF-RELIANCE.

-FEA-

