

7/31/79

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President's
Standing

59

8/22/79

THE WHITE HOUSE
WASHINGTON

Central Files

The letter was
shipped flat to
the National Coal
Association today.
A copy went to
Karen Russell (per
Susan Clough's request)
The original is
attached for file

Thanks -
Joe Norton

THE WHITE HOUSE
WASHINGTON

July 31, 1979

**Electrostatic Copy Made
for Preservation Purposes**

To Carl Bagge

I was pleased that you were able to fly to
Kentucky with me today on Air Force One.

I think the trip went well, and appreciate
your efforts to insure its success. It was
good being with you!

Sincerely,

Jimmy

*ps Thanks for the
tie & your help
on WPT. J*

sg

EXECUTIVE
TR 72-1
PR 1
PR 5-2
WH 9-1

THE WHITE HOUSE
WASHINGTON

July 31, 1979

X
To Carl Bagge

I was pleased that you were able to fly to Kentucky with me today on Air Force One.

I think the trip went well, and appreciate your efforts to insure its success. It was good being with you!

Sincerely,

Jimmy

ps Thanks for the tie & your help in WPT. *J*

38C
30C

TR 872-1 on air Force 1
Handwritten P's
Tie

790731

Memo

TO..... Joe Norton 8/9/79
FROM..... *Glenn* Glenn Schleede

Here is the letter to Mr. Bagge that we discussed. I certainly would appreciate it if you could change the "i" to an "e".

Thanks very much.

GLENN R. SCHLEEDE
SENIOR VICE PRESIDENT

1150 SEVENTEENTH STREET, N. W.
WASHINGTON, D. C. 20036
NATIONAL COAL ASSOCIATION (202) 628-4322

THE WHITE HOUSE
WASHINGTON

8/16/79.

Susan:

The attached letter to Carl Bagge spelled his last name incorrectly. Bagge's office returned it to Anne.

As you can see, an attempt was made in Correspondence to correct the typo which didn't work.

A retype is attached.

Thanks.

Joe Norton
2 WW

*Pls have redone,
checked off signature...
I thought you could
correct your file at the
same time! Thanks -
Susan*

THE WHITE HOUSE
WASHINGTON

8/17/79

Joe Nohm - -

Please send cc to
Karen Russell in advance
office, + central files,
(+ cc of memo)

March -

Susan

5229

THE WHITE HOUSE
WASHINGTON

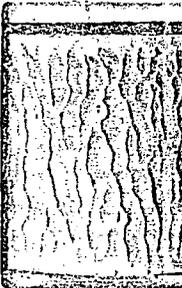
7/31/79

Hamilton Jordan

The attached was returned in
the President's outbox today
and is forwarded to you for
appropriate handling.

Rick Hutcheson

DUNCAN LETTER - STAFF COORDINATION



FOR STAFFING
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*note Pres's
revisions*

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EYES ONLY

	VICE PRESIDENT
	EIZENSTAT
✓	JORDAN
	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE

	ARAGON
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	LINDER
	MITCHELL
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	PETERSON
	PETTIGREW
	PRESS
	RAFSHOON
	SCHNEIDERS
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	WARREN
	WISE

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	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE



THE DEPUTY SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

July 26, 1979

*Ham
Comment
J*

MEMORANDUM FOR THE PRESIDENT

As we discussed, I am enclosing a draft of what I believe would be an appropriate protocol for interaction between the White House staff and the Department of Energy staff. I believe this draft accurately reflects our conversation. It would be helpful to me to receive such a letter as quickly as possible.

A handwritten signature in black ink, which appears to read "C. W. Duncan, Jr.", is positioned above the typed name.

Charles W. Duncan, Jr.

Attachment

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THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR

THE HONORABLE CHARLES W. DUNCAN, JR.
Secretary-Designate of the Department
of Energy

It is vitally important that the Administration speak and act with a single voice on energy policy matters.

I expect you to exercise lead responsibility within the Executive Branch for the formulation, coordination, dissemination and implementation of energy policy. This includes development of the necessary strategies and programs to present our policies to the Congress and to the public.

To help achieve this end, I am asking ~~Hamilton Jordan~~^{to} ~~to insure that~~ the White House staff coordinate their energy policy-related activities with you. ~~I am also directing him to establish a formal procedure for providing White House staff guidance to you on energy policy matters.~~ With the exception of guidance provided directly by me or the Vice President, all formal White House staff guidance will be transmitted through ~~Hamilton Jordan~~ to you, ~~your Deputy Secretary, your Under Secretary, your Special Assistant,~~ or whomever else you choose to designate. Of course, I do not intend for this procedure to inhibit the free and open exchange of information between staffs on an informal basis.

I am asking Jim McIntyre to make the same arrangements with respect to the Office of Management and Budget staff.

Please advise me of any breach of these instructions.

formal
using a procedure as worked out by you and Hamilton Jordan.

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for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON

7/31/79

Hamilton Jordan

The attached was returned in the
President's outbox today and
is forwarded to you for
appropriate handling.

Rick Hutcheson

cc: Tim Kraft
Arnie Miller

GREY STAPLES - PUBLIC RAIL
COUNSEL

	FOR STAFFING
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	KREPS
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	SCHLESINGER
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	COSTANZA
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	FALLOWS
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	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

THE WHITE HOUSE
WASHINGTON

7/20/79

Mr. President:

Please note that Esther Peterson's comments have been added since you asked Susan to hold the McIntyre memo.

Rick/Bill

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*Susan -
give me the
memo*

attached

THE WHITE HOUSE
WASHINGTON

July 20, 1979

MEMORANDUM FOR:
FROM:
SUBJECT:

THE PRESIDENT
ESTHER PETERSON
Office of Rail Public Counsel

*Hamm -
Gray Staples
is ok with
me if we
need
him
J*

In conjunction with the proposed nomination of Grey Staples to be director of the Office of Rail Public Counsel (ORPC), I understand that you have asked Jim McIntyre for his advice on whether the Office should be merged into the ICC. In making your decision, I ask that you consider the following points:

1. The major purpose of the ORPC is to assist communities and users of rail service who would be affected by ICC proceedings to represent themselves before the Commission. With continuing major changes in the structure of our surface transportation network, the need for an ORPC is greater now than ever before.
2. To be effective, the ORPC needs to be independent of the ICC. As an advocate, with statutory authority to seek judicial review of ICC decisions, it cannot act in an independent manner if its policies and budget are subject to scrutiny by the Commission before which it appears.
3. The ORPC is the only example of an independent public advocate in the Federal government. Citizen groups, which are still committed to an independent consumer agency, would be disappointed if the Administration's support of ORPC were to wane.
4. The United Transportation Union (UTU) has traditionally supported a strong ORPC and they have been lobbying the Senate and House authorizing and appropriating committees on ORPC's behalf. If they should be successful in their efforts on the Hill only to be undermined by an adverse decision in the White House, they would be particularly alienated. We could gain the appreciation of the UTU by submitting a nomination for the ORPC and thus demonstrate our support for the Office.

I would be happy to expand on any of these points if you wish.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

*Susan
hold
J*

JUL 19 1979

MEMORANDUM FOR: THE PRESIDENT
FROM: Jim McIntyre *[Signature]*
SUBJECT: Director of the Office of Rail
Public Counsel

We do not believe the Office of Rail Public Counsel is required based on:

- Its past performance.
- Your recent appointment of three new ICC Commissioners all but eliminate the need for the office.
- Minimum, if any, support in Congress (House Appropriations committee provided no funds for 1980, both the House and Senate authorizing committees have directed that the Office be phased out).
- ICC has created an internal Special Counsel Office to do the same things in the non rail areas as the Office of Rail Public Counsel is supposed to do. This new office can assume the rail functions.

If, on the other hand, the appointment of a Director for Rail Public Counsel will help obtain labor and consumer support for rail deregulation legislation or other key administration objectives, then the appointment of a Director may be appropriate.

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THE WHITE HOUSE
WASHINGTON

18 Jul 79

Jim McIntyre

The attached was returned
in the President's outbox
today and is forwarded to
you for appropriate handling.

Rick Hutcheson

Tim Kraft
ARnie Miller



	FOR STAFFING
	FOR INFORMATION
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ACTION
FYI

	ADMIN CONFID
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	VICE PRESIDENT
	EIZENSTAT
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	LIPSHUTZ
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	POWELL
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	WEXLER
	BRZEZINSKI
<input checked="" type="checkbox"/>	MCINTYRE
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	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
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	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
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	PRESS
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

	ADAMS
	ANDRUS
	BELL
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	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

THE WHITE HOUSE

WASHINGTON

July 17, 1979

*To Jim McIntyre
for quick answer -
do we need him
J*

MEMORANDUM FOR THE PRESIDENT

FROM:

TIM KRAFT *TK*
ARNIE MILLER *AM*

SUBJECT:

Director of the Office of Rail Public
Counsel

The Office of Rail Public Counsel (ORPC) was created by the Rail Revitalization and Regulatory Reform Act of 1976 as an independent representative of the public within the Interstate Commerce Commission. Its purpose is to assist rail users (communities, shippers and the general public) to represent their views adequately in ICC rail proceedings. The Director is a PAS appointment.

In January, 1978, you appointed Howard Heffron. He resigned in April of this year. His performance in terms of management and leadership was considered poor by the rail industry, labor and Congress.

Due largely to this poor performance, there are efforts on the Hill to merge the Office into the ICC. If this occurs, there is no way to assure effective, independent participation by rail users in an era when major regulatory changes will be occurring. Rail labor and consumer groups in particular have urged you to appoint a successor to Heffron as quickly as possible to demonstrate your support for an independent ORPC.

A. Grey Staples served as Director of the predecessor Office (an administrative unit in the ICC) prior to the appointment of Mr. Heffron. Staples is familiar with the office's internal operations and the constituency it serves. He was our second choice for the position to which Heffron was appointed.

Prior to 1974, Mr. Staples gained extensive regulatory experience as Trial Counsel at the Atomic Energy Commission, Assistant General Counsel of the U.S. Price

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A. GREY STAPLES
Alexandria, Virginia

EXPERIENCE

1978 - Present Director, Division of Regulatory Proceedings, Economic Regulatory Administration, Department of Energy

1974 - 1978 Director, Office of Rail Public Counsel, Rail Services Planning Office, Interstate Commerce Commission

1973 - 1974 Trial Counsel, Regulatory Staff, Atomic Energy Commission

1972 - 1973 Assistant General Counsel, U. S. Price Commission

1967 - 1972 General Counsel, Virginia State Corporation Commission

1966 - 1967 Attorney, Office of Comptroller of the Currency, Department of the Treasury

EDUCATION

1966 University of Richmond, J.D.

1962 University of Richmond, M.S.

1957 Virginia Polytechnic Institute, B.S.

CIVIC AND PROFESSIONAL ACTIVITIES

Member, Virginia State Bar

Member, Virginia Bar Association

Board of Deacons, New York Avenue Presbyterian Church

PERSONAL

White Male

Age 44

Democrat

COMMENTS ON A. GREY STAPLES

Al Chesser, President, United Transportation Union

"Grey Staples is both experienced and qualified for this appointment. We strongly supported him in 1977, and our support has not waivered. His background is particularly suited for the job of Public Counsel. I give him my strongest endorsement."

Mrs. Frances Shaine, Director of Railroad Division,
New Hampshire Transportation Authority

"Grey has an excellent legal mind. He is a great analyst and can put together the pieces of a complex legal puzzle. His most significant attribute is his leadership ability. Grey has a knack for attracting real top-quality people around him. He responds well under pressure and will fight back when challenged. Grey is a good team player. He is a highly ethical and moral person, and he has a high regard for the public interest."

Honorable Andrew Miller, Partner, Dickstein, Shapiro and Morin,
Former Attorney General, Commonwealth of Virginia

"Grey would do an excellent job as Director of ORPC. He is concerned about the relationship between regulated industries and the public interest, and has worked hard to ensure adequate public in-put in the decision-making process. Grey is a sincere, dedicated public servant, which is unusual in today's bureaucracy. I recommend him for this appointment."

Charles Schotta, Acting Deputy Assistant Secretary,
Commodities and Natural Resources, Department of the Treasury

"Grey would be a judicious and effective Director of the ORPC. He understands the need to balance the consumer viewpoint with that of a regulated industry. He has shown strong leadership in consumer representation, but is not a wild-eyed and unrealistic advocate. Grey does not approach problems in a strident way, but rather in a calm and orderly manner. I recommend him for this appointment without reservation."

7/20 ESTHER PETER-
SON ATTACHMENT

THE WHITE HOUSE
WASHINGTON
7/31/79

The Vice President
Tim Kraft
Arnie Miller

The attached was returned in
the President's outbox today
and is forwarded to you for
appropriate handling.

Rick Hutcheson

STR

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The V.P.?

ACTION
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	EIZENSTAT
	JORDAN
✓	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
✓	GAMMILL AM
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
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	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

THE WHITE HOUSE

WASHINGTON
July 30, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

TIM KRAFT *TK*
ARNIE MILLER *AM*

SUBJECT:

Special Trade Representative (STR)

Your decision to make STR the principal focus for trade policy coordination and trade negotiation will enhance its functions and importance to business, industry, labor and agriculture. However, the completion of the MTN negotiations significantly alters the workload of the office and diminishes its public profile.

Strauss' legacy is unique in that he combines excellent political judgment with substantial credibility to business and labor. Candidates that have been mentioned to replace him have attributes that emphasize one or the other of Strauss's strengths.

Bob Strauss, Stu, Jim McIntyre and Reg Jones, the Chairman of your Export Council, prefer someone with high stature who would be highly regarded by business, labor, Congress and our foreign trading partners and who would signal our priority for trade matters. We concur, but also believe the new STR must have demonstrated political skill.

Four candidates merit serious consideration. They are:

- . Sol Linowitz - We do not know if he is interested in the STR. However, he would be a valuable addition to the Cabinet and possesses high stature and great experience, especially as a negotiator. We feel he could continue to chair the Hunger Commission if he wanted to take the STR position.
- . Peter McColough, 57, is Chairman and Chief Executive Officer of Xerox and now chairs your Pension Commission. He is a broadminded, intelligent executive who would bring the lustre of success and innovation to the Administration. The business world respects him greatly and McColough would be quite knowledgeable about trade issues given Xerox's world-wide activity. Liberals have applauded his efforts to hire black teenagers and his support of liberal causes. He might not leave Xerox for STR, however.

*His pension
job is
too important
to leave.*

- Harry McPherson - McPherson, 49, is a partner in the Washington firm of Verner, Liipfert, Bernard and McPherson. He served as Deputy Under Secretary of the Army, Assistant Secretary of State for Cultural and Educational Affairs and Counsel to the President during the Kennedy/Johnson Administrations. He now serves on the Three Mile Island Commission. McPherson is bright, articulate, well connected and respected and politically astute.
- Don Petrie - He is a partner at Lazard Freres and well respected by the investment banking community. He was the DNC Treasurer in 1972 and headed your campaign finance committee. Petrie, 58, practiced law, then was President of Hertz and Chairman of Avis before joining Lazard Freres. Though not nationally known, he would bring a good knowledge of international trade issues, Wall Street's approval and political sensitivity to the STR.

RECOMMENDATION

We would like to talk first with Linowitz, then with McColough.

_____ Agree

Disagree _____

If neither of them is interested in STR we would like your guidance on whom we should approach next.

Let Fritz check with all three
on exploratory basis & then
report to me

J

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THE WHITE HOUSE
WASHINGTON
7/31/79

The Vice President

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: Secretary-Designate Duncan

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WARREN
WISE
DUNCAN

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SCHLESINGER
STRAUSS
VANCE



OFFICE OF THE VICE PRESIDENT
WASHINGTON

July 26, 1979

MEMORANDUM FOR: THE PRESIDENT
FROM: THE VICE PRESIDENT *[Signature]*
SUBJECT: ALASKA-CANADA NATURAL GAS PIPELINE

*Fritz -
Good memo -
Let Duncan
keep lead role
& we will help
him
J*

cc Duncan

After preliminary review, I met Wednesday with Charles Duncan, Federal Pipeline Inspector Jack Rhett, Kitty Schirmer, Eliot Cutler and DOE Staff. To help expedite action on the natural gas pipeline, we have set up a small working group which will meet weekly and report regularly to you on the progress of this project. Once his confirmation hearings are complete, Charles Duncan will be devoting high personal priority to this effort. We have been and will be consulting closely with Northwest Pipeline Company as we proceed.

The attached status report (Tab A) provides a brief review of the key issues and timetables for decision. We will be providing you with an update by the end of next week. At Tab B you will find a more comprehensive assessment of the issues relating to the upcoming meeting with the oil companies.

As you know, there are risks inherent in a visible high level effort to secure private sector financing of the pipeline project. We will be forced to jawbone the oil companies -- escalating the perceived importance of the project. If they refuse to cooperate, we will be seen as having lost a important battle to the industry. And to the extent that this is seen as a "must win" issue, our leverage could be reduced.

Our tentative judgment is that we should proceed, given the danger that without such an effort construction could be delayed for a year or more. But we believe Charles Duncan's tactical appraisal will be of vital importance in minimizing the risks associated with this strategy.

TAB A

STATUS REPORTOverview

The next five months will be the crucial period to determine whether the consortium and involved federal agencies can succeed in securing private financing and in getting the project off the ground.

Assuming that all of the financial and regulatory obstacles could be swiftly overcome, the earliest that construction on the lower 48 segment of the pipeline could begin would be summer of next year. In order to meet this schedule, project financing would have to be arranged by December 1979.

Private financing efforts cannot be successful unless the North Slope producers agree to make available \$2 to \$3 billion in contingency debt funding in the event of cost overruns. Nailing down a commitment from the oil companies involved (Exxon, ARCO and SOHIO/BP) is a crucial challenge and the objective toward which our immediate efforts will be directed.

Past reluctance on the part of the oil producers suggests that it will be difficult to secure even a limited commitment to participate in the project. Moreover, even if such a commitment can be secured, there is no guarantee that the financial community will find this adequate, though chances would be improved.

Key Obstacles to Project Construction

The major financial and regulatory obstacles confronting the project are closely linked. Briefly they are:

(1) Oil Company Reluctance to Participate. Until the North Slope producers agree to participate in cost overrun financing, it is highly unlikely that either the State of Alaska or other private lenders will agree to make financial commitments. DOE staff have prepared a suggested strategy to help bring the producers on board. Charles Duncan will be reviewing this question next week, consulting with appropriate leaders and reaching his judgment on the best tactical and substantive approach. Once that decision has been made, we will move promptly to arrange a meeting with the producers. (Detailed discussion at Tab B.)

TAB A

2

(2) FERC Approvals. The extended Congressional fight last year on the Natural Gas Act led to a 12 - 14 month delay in FERC proceedings. That process is now catching up. Chairman Curtis has personally taken charge of the project, and FERC expects to reach decisions on all permits necessary for financing by the end of September. Two decisions are of paramount importance. The first, on incentive rate of return, appears to be near resolution after the consortium's dissatisfaction with the initial decision by the Administrative Law Judge. The second, the apportionment of gathering and conditioning costs for Alaska gas, is central to DOE's suggested strategy for enlisting producer participation in project financing. (Discussion provided in Tab B.) DOE anticipates no problems with FERC.

(3) Interior Department Permits. DOI staff have moved from a relatively short to a lengthy set of conditions that might be imposed as a prerequisite to federal right-of-way permitting. At issue are a number of significant cost and design questions such as routing, whether portions of the pipeline must be elevated, whether snow roads will be necessary, and whether special fords must be constructed at stream crossings to avoid disruption of fish. Federal Pipeline Inspector Jack Rhett will be in Alaska next week to review thoroughly the major concerns. Together with oil producer participation, this is the most serious potential problem that must be addressed.

(4) Financial Strength of the Consortium. DOE staff will be working with the consortium to encourage other lower 48 transmission companies to join in equity ownership of the pipeline. Any movement by the North Slope producers would obviously bolster this effort. Progress on both tracks would in turn help when project sponsors move into the commercial market for financing this fall. Early additions to the consortium would also help negotiations with the producers by minimizing their arguments that the existing consortium is not financially strong enough to carry the project.

TAB A

3

(5) State of Alaska. If the North Slope producers provide commitments on cost overrun financing, chances appear good that Alaska will act through sale of state bonds to provide \$1 billion in debt financing. Project sponsors have asked the state to contribute an additional \$500 million from the State Treasury for an equity interest in the pipeline. That contribution is less critical and will be much more difficult to obtain.

(6) Canada. Cooperation is good on all fronts. The Canadian NEB and FERC are in close contact. Rhett has met recently with his Canadian counterpart and reports that the session went well. And all sources report that the outlook for financing the Canadian leg of the pipeline is hopeful.

TAB B

TAB B

Role of the Producing Companies: Background and Key Issues

Background. A commitment by the North Slope producers is a litmus test for commercial lenders of whether there is reasonable confidence that this project can be completed by the private sector without disastrous losses. Only the producers have sufficient assets and incentive to cover cost overrun financing. Unlike Northwest Pipeline Company and other members of the consortium, they have had first-hand experience in completing a comparable construction project in Alaska.

Producer coolness toward this project is attributed principally to:

- (1) Stiff Justice Department opposition to any equity ownership or major management role on the part of the oil companies in the pipeline. This concern is compounded by producer skepticism of Northwest Pipeline Company and the lack of a Northwest track record in constructing pipelines. (It is important to note, however, that we are seeking debt financing only from the North Slope producers.)
- (2) A belief that the federal government ultimately will step in to guarantee against cost overrun risks, thereby absolving the producers of responsibility.
- (3) Concern over the final outcome of the pending FERC ruling on gathering and conditioning costs, which will have a significant impact on the profits the oil companies can earn through sale of North Slope gas.
- (4) Caution about making any substantial commitment to project financing until pipeline design is further advanced and key permitting issues are resolved.

However, we are not without leverage. There is first the opportunity cost of postponing profitable sales of natural gas. Second, sooner or later the companies will also have to build new reinjection facilities if no distribution system is in place.

TAB B

2

Key Issues

Equity Ownership/Management Voice. There is no room for maneuver, nor does it make substantive sense to alter the Justice Department's position on equity ownership. There may, however, be a way to provide assurances that the oil companies can protect their financial interest without raising Justice Department concerns about potential for anti-competitive conduct. This is an issue which we have asked the Justice Department to review on a quick turn-around basis.

Government Backstop. Apart from other considerations, the major problem with any form of government loan guarantees is time. The necessary legislation would be controversial especially with Chairman Dingell. During the period of Congressional consideration, all private sector movement on financing would be brought to a halt. Even if the Congress ultimately went along, the project could be delayed for up to a year. For this reason, DOE officials propose that we dampen expectations that the government will step in to provide cost-overrun insurance and underscore our belief that the companies would pay a price if the Congress were to consider such a measure. And we should avoid deadlines for a producer response that could foster the impression that we are preparing to move toward federal loan guarantees.

*I
agree*

FERC Ruling on Gathering and Conditioning Costs. DOE staff believe it might be possible to develop a package deal whereby FERC would modify the Administrative Law Judge's ruling on conditioning costs in exchange for a financial commitment by producers to the pipeline project. This ruling basically involves the cost of plant and equipment to chill, purify, and compress the Alaskan gas before it enters the pipeline. Capital costs are estimated at \$2 billion. FERC's Administrative Law Judge initially apportioned nearly all of these costs to the producers which when amortized would reduce revenues at the wellhead by 35-40 cents per mcf (1979 dollars). If the producers agreed, a revised ruling might be obtained to allocate 1/3 to 1/2 of these costs to the transportation charges paid by shippers in exchange for \$2 to \$3 billion in backstop financing by the producers. Charles Duncan will examine the question early next week.

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TAB B

3

Design and Cost. There are two obstacles to detailed design and cost estimates. The first is funding: roughly \$200 to \$400 million is needed for engineering and design which, under present FERC policy, cannot be added to the existing rate bases of consortium members. Should the project fold, these funds will be lost, and project sponsors have therefore deferred design pending completion of the full financing package. DOE is exploring the potential for a modification in the current FERC rule to help speed design. In addition, the producer commitment need not be absolute if the detailed design package presents serious problems.

The second obstacle to design is the environmental terms and conditions that could be imposed upon the project and the uncertainty about when those decisions will be made. Final federal decisions on many of the environmental specifications for the high risk Alaska leg cannot be made until the consortium files for a certificate. If the financing package is in place by December, the request for a certificate could probably be submitted by the summer of 1980. In advance of that submission, the Federal Pipeline Inspector can move to allay concerns by quickly separating reasonable from unreasonable bureaucratic concerns and demonstrating that he has the muscle needed to clear the path for a viable project. The expanded set of conditions proposed by Interior staff provide a potentially good opportunity to make clear the speed and authority with which the Inspector can move. Jack Rhett will be exploring these issues in Alaska next week.

THE WHITE HOUSE
WASHINGTON

31 Jul 79

Stu Eizenstat

The attached was returned in
the President's outbox today
and is forwarded to you for
your information.

Rick Hutcheson

The original has been given
to stripping for mailing.

		FOR STAFFING
		FOR INFORMATION
		/ FROM PRESIDENT'S OUTBOX
		LOG IN/TO PRESIDENT TODAY
		IMMEDIATE TURNAROUND
		NO DEADLINE
		LAST DAY FOR ACTION -

ACTION
FYI

		ADMIN CONFID
		CONFIDENTIAL
		SECRET
		EYES ONLY

		VICE PRESIDENT
		/ EIZENSTAT
		JORDAN
		KRAFT
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		WEXLER
		BRZEZINSKI
		MCINTYRE
		SCHULTZE

		ARAGON
		BOURNE
		BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
		RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

THE WHITE HOUSE

WASHINGTON

July 31, 1979

*Susan -
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"Eizenstat"
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MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *Stu*
SI LAZARUS *Si*

SUBJECT:

1981-84 Auto Fuel Economy
Standards; Tom Murphy's letter

Attached is a June 28 letter from Tom Murphy of GM concerning the recent DOT fuel economy standards decision and other upcoming regulatory decisions affecting the auto industry.

As you may recall, before leaving for the Tokyo summit, you asked me to set up a meeting on your return with Brock Adams and other interested administration officials to discuss DOT's economy standards through a formal rule-making proceeding. However, since DOT's decision can be challenged openly by the auto industry through a petition to open such a proceeding, it seemed to me and to all other concerned administration officials that it makes no sense for you to host a meeting on this issue, until and unless the industry petitions DOT to change the standard. In the absence of such a petition, no one in the administration is prepared to recommend that you should reverse DOT's decision -- despite the abrupt manner in which the decision was made known to the industry. Our conclusion that you should not now reconsider the decision to stick with the current, comparatively strict fuel economy standards is of course reinforced by the intervening OPEC price and supply decisions and our emphasis on sacrifice to conserve energy.

If GM and/or Ford submit formal petitions to change the standards, the petitions will be appraised in DOT and elsewhere, and if necessary the issue can be taken to you at that time.

Fred Kahn has spoken directly with Philip Caldwell of Ford, to tell him that a petition to DOT will be a necessary prerequisite for securing reconsideration of DOT's decision within the administration. The letter to Murphy assures that GM understands this also.

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THE WHITE HOUSE

WASHINGTON

To Thomas Murphy

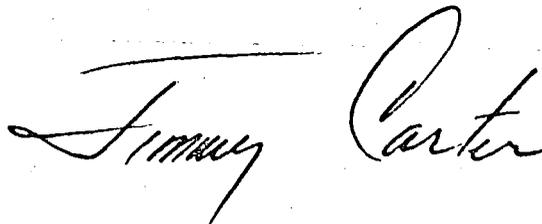
Thank you for your letter of June 28. As I stated to you over the telephone, I recognize the great significance of this decision to the auto industry and to the economy. If GM, or any other party submits a petition to DOT recommending revision of the existing fuel economy standards, we will carefully consider it. However, as you no doubt recognize, events reinforce the need for sacrifice throughout the economy to reduce our dependence on foreign oil, and we will have to continue to emphasize that need, too.

I also appreciate your bringing to my attention the number of important regulatory decisions scheduled to be made in fairly short order that significantly affect the auto industry. It is essential that the Regulatory Council follow through carefully and accurately on its project to assess the economic effects of these decisions. I have made my concern on that point known directly to Doug Costle and to Stu Eizenstat.

I hope and expect that General Motors and the rest of the industry will work closely with Doug on this study.

I deeply appreciate the understanding you have displayed on these and other important problems affecting the health of our economy and society.

Sincerely,

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in black ink and is positioned to the right of the typed name.

Mr. T. A. Murphy
Chairman
General Motors Corporation
General Motors Building
Detroit, Michigan 48202

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86
051125
GENERAL MOTORS CORPORATION

GENERAL MOTORS BUILDING
DETROIT, MICHIGAN 48202

T. A. MURPHY
CHAIRMAN

June 28, 1979

The President
The White House
Washington, D. C. 20500

Dear Mr. President:

It was thoughtful of you to call about the recent action on auto fuel economy standards. With the multitude of burdens and problems the President must face each day, I would not wish to add to them. I do, however, appreciate your concern.

As we discussed, it was a deep disappointment to us that Secretary Adams rejected our request for an independent review of the impact of the front-loaded fuel economy standards for 1981-84 on the consumer. For several months we had shared our data and estimates with DOT in the hope that we could thoroughly discuss all aspects of the standards to assure that the costs did not exceed the benefits. Unfortunately, we were not accorded the opportunity to review with DOT their interpretations of our data or the product plans they decided would be more appropriate than those we had included in our analysis.

We will continue our resolve to meet the standards as they become applicable. We recognize the very real and pressing current concern regarding energy and the need for conservation. However, we remain convinced that front-loaded standards are needlessly expensive for the consumer at a time when every effort should be made to hold costs down and bring inflation under control.

My concern for this constriction on our business may become more understandable if I may delineate for you some other regulatory actions, either proposed or in place, relating to our business.

- Proposed diesel particulate standards for 1981 and further tightening in 1983. (These could eliminate use of the fuel efficient diesel engine.)
- A stringent oxides of nitrogen requirement for diesel engines in 1981, on which we have requested a four-year waiver (as permitted by law).

The President
June 28, 1979
Page 2.

- Tighter emission standards for passenger cars, beginning in 1981 -- in particular, a stringent standard on passenger car CO emissions on which we have requested a two-year waiver.
- Rules proposed by EPA to achieve major reductions in emissions from heavy duty trucks in 1983 and 1985.
- 1982 and 1983 fuel economy standards for light duty trucks, to be soon proposed by NHTSA.
- Requirements for passive belts and costly air cushion restraints, beginning 1982.

These requirements, which were put in place one by one with no consideration of their interaction or cumulative effect, are facing us on top of the constraints of a marketplace disturbed by energy shortages.

A serious review of these impacts is needed now. It appeared that the Regulatory Council might meet this need. However, in all candor, in the light of our recent experience, we wonder whether those who have been named to direct the Council's review of the auto industry will be amenable to objective review of costs and benefits and balancing of the nation's priorities.

Again, thank you for your call and your consideration. I hope we may be of assistance in meeting these problems.

Sincerely,



THE WHITE HOUSE
WASHINGTON

7-31-79

To Elliott Carter

I really appreciate
the extra work you
have done on our energy
programs, and the
quality of what you
have produced.

Jimmy Carter

Original to Elliott Carter

THE WHITE HOUSE
WASHINGTON

7-31-79

To Kitty Schirmer

I really appreciate
the extra work you
have done on our energy
programs, and the ex-
cellent result of your
efforts.

Jimmy Carter

original given to Stu for delivery

THE WHITE HOUSE
WASHINGTON

7-31-79

To Landon Butler

You are doing a
fine job in your
work with the labor
organizations. The results
speak for themselves -

Thank you,

Jimmy Carter

original to L. Butler

Peoplegram Response

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What's good about America?

*Star-Telegram readers respond to President Carter's
plea to "say something good about our country"*



By JACK TINSLEY
Star-Telegram Executive Editor

Thank you, Star-Telegram readers, for your response to President Carter's appeal to "say something good about our country."

You responded well—and sincerely—to our Peoplegram in Tuesday's and Wednesday's editions.

By Friday morning, well over 800 letters had been received, and it appeared certain the total would top the 1,000 mark.

While space limitations will not permit us to publish each response, this special section contains several hundred and reflects the thought and spirit of a variety of readers, young and old. They express love of country and positive attitudes toward the United States.

All replies will be presented to the White House in the near future.

House Majority Leader Jim Wright of Fort Worth plans to personally deliver the Peoplegrams to the president.

THE WHITE HOUSE
WASHINGTON

7-31-79

To Kitty Schirmer

I really appreciate
the extra work you
have done on our energy
programs, and the ex-
cellent result of your
efforts.

Jimmy Carter

THE WHITE HOUSE

WASHINGTON

7-31-79

To Eliot Cutler

I really appreciate
the extra work you
have done on our energy
programs, and the quality
of what you have helped
to produce.

Jimmy Carter

THE WHITE HOUSE

WASHINGTON

7-31-79

To Landon Dutter

You are doing a
fine job in your
work with the labor
organizations. The results
speak for themselves -

Thank you,

Jimmy Carter