Collection: Reagan, Ronald: Gubernatorial Papers, 1966-74: Press Unit

Folder Title: Issue Papers – Energy Crisis (1 of 2)

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energy

ENROLLED BILL REPORT

Form BD-44 (Rev. 12-73 4M

AGENCY	AUTHOR	BILL NUMBER	DATE LAST AMENDED
DEPARTMENT OF FINANCE	Warren et al	AB 1575	5/2/74

SUBJECT:

Bill declares legislative findings relating to energy resources. It establisheds the State Energy Resources Conservation and Development Commission in the Resources Agency. The Commission, which is to be a salaried commission, consists of five members from specified backgrounds appointed for five-year terms by the Governor with the approval of the Assembly and the Senate. In addition, the Secretary of the Resources Agency and the Chairman of the Public Utilities Commission are ex officio, non-voting members of the Commission.

The bill provides for forecasting and assessment of energy demands and supplies, and for conservation of energy resources by designated methods. Provides for a program of power plant siting and certification of power facilities by the Commission. Certain facilities presently in the planning stage are exempted. Requires the Commission to carry on a program of research and development of energy resources, and provides for limiting the use of electrical and other forms of energy under designated emergency conditions. The bill further requires that environmental impact reports include a statement of measure to reduce wasteful, inefficient, and unnecessary consuption of energy. The bill also provides a comprehensive program for energy shortage contingency planning concerned with all types of energy and fuel resources.

The program outlined under the bill is to be funded through the State Energy Resources Conservation and Development Special Account in the General Fund which is created in the bill. Principal revenue in the account is derived from a surcharge of one-tenth of a mill per kilowatt hour to the cost of electric power sold to consumers in the state. If necessary to support the program after January 1, 1976, this amount may be increased to two-tenths of a mill. Adjustment of the rate to be charged will be based on an action by the State Board of Equalization. The surcharge rate is to be sufficient to provide the revenue necessary to fund expenditures from the account appropriated by the Legislature in the Budget Act for the 1975-76 fiscal year and each fiscal year thereafter. The surcharge is to be collected by the utility and quarterly payment will be made to the State Board of Equalization starting April 1, 1975.

HISTORY, SPONSORSHIP, AND RELATED BILLS

None

ANALYSIS

A. Specific Findings

This bill creates the State Energy Resources Conservation and Development Commission to be established in the Resources Agency. The Commission would complement the work of the State

SUMMARY OF REASONS FOR SIGNATURE/~~VETO~~

This bill will initiate a comprehensive program to enable the State to develop a long-range energy policy. The bill proposes development of information and research on all facets of the power problem. The program is self-financed and annual review of expenditures is provided.

RECOMMENDATION

SIGN THE BILL

DEPARTMENT REPRESENTATIVE	DATE	DIRECTOR	DATE
			5-20-74

Public Utilities Commission and other energy related agencies and would not supplant such bodies. The bill represents a major policy bill as it is concerned with the identification of emerging trends relating to energy supply, demand, conservation, public health and safety, and air and water quality standards.

The bill defines a comprehensive program of power plant siting and power facility certification with an elaborate system of reports and public hearings. Certain facilities presently in the planning stage are exempted. In addition, the program provides for an elaborate system of research and information collection related to all forms of energy resources including fossil fuels and nuclear, solar, and geothermal sources. The Commission is also to be responsible for a program of energy shortage contingency planning which will require each electric utility, gas utility, and fuel wholesaler or manufacturer in the State to prepare and submit to the Commission a proposed emergency load curtailment plan or emergency energy distribution plan. The latter material will be used as the basis for public hearings to develop statewide plans.

B. Fiscal Effect

This bill would provide its own financing through a surcharge of one-tenth of a mill per kilowatt hour to the cost of electric power sold to consumers in the State. It is reported that in 1969 there were 109 billion kilowatt hours sold, and in 1970 this figure was 115 billion kilowatt hours. This would place revenue at $10.9 million in 1969 and $11.5 million in 1970. Current estimates place return from the surcharge at $15 million to $16 million. Under the certification of electric generating facility capacity, fees for certification range from $1,000 to $25,000 based on net electric production capacity. These resources all flow into a special account in the General Fund.

No budget information is available at this time on which to base an accurate cost estimate. Research costs could be substantial and the direct cost of the Commission and staff will probably exceed $1 million. In addition, the State Board of Equalization will incur unidentified costs in collecting the surcharge.

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Energy

CONTACT:
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Press Secretary
Sacramento, Calif.
(916) 445-0680

NEWS FROM THE OFFICE OF LT. GOVERNOR ED REINECKE

PR - 39

Lt. Governor Ed Reinecke may deviate from these remarks but will stand by them.

HOLD FOR RELEASE - NOON, WEDNESDAY, MAY 1, 1974

SANTA BARBARA -- Lt. Governor Ed Reinecke today called Assembly Bill 1575 "reactionary legislation" which creates an official governmental body with widesweeping powers.

Speaking to members of the Santa Barbara Channel Club, Reinecke said he opposes the energy resources bill "simply because it creates a commission that could dictate our state's economic future."

Reinecke said the control of the state's future should be left in the hands of the private sector, and government should maintain its checks and balances system established in the Constitution between the legislature and the administrative branch.

"I am amazed that politicians seem to think the best answer to an issue is to create a commission and give it the powers reserved for elected officials," he said.

"In a sense, it is elected officials passing the buck to appointed commissioners, and then elected officials don't have to answer to the public for the tough decisions facing our state's future," Reinecke said.

Reinecke also cited the state's Energy Planning Council as an example of good government, as a council fought by the Democratic-controlled legislature.

"They keep saying the Energy Planning Council has no authority and that we need a powerful commission," Reinecke said. "The truth of the matter is that the council has worked and maintained a sound economy during the energy crisis, and that it should -- like all such councils or commissions -- not have widesweeping powers, and function autonomously."

# # # #

5/1/74/PR-39

Energy

State of California

ENERGY PLANNING COUNCIL

ELEVENTH AND L BUILDING, ROOM 704
1127 ELEVENTH STREET
SACRAMENTO 95814

RONALD REAGAN
GOVERNOR

April 22, 1974

SUGGESTED OPENING STATEMENT FOR GOVERNOR
@ 4/23/74 PRESS CONFERENCE

I want to emphasize that the energy shortage is still with us. Increased oil imports are reducing its severity but not eliminating the basic problem. Demand has simply outgrown our ability to supply and process energy. Petroleum refining capacity has not yet caught up with the significant new demand for fuel oil created by the need to replace our drastically reduced natural gas supplies. Where 50% of our electricity was generated by natural gas and only 7% by fuel oil just a short time ago, those percentages have now very nearly reversed.

This means that less oil can be made into gasoline; Californians must continue to observe the 55 mile per hour speed limit and to hold down unnecessary driving. It also means that we must continue to conserve natural gas and electricity in our homes, shops and factories. The less natural gas and electricity we use as consumers the less oil the utilities will have to burn to generate electricity.

California has been fortunate in that this past winter was warm and wet. Hydroelectric generation has been very high and we needed to burn less oil than expected in the generation of electricity. We can't count on that happening again next winter. The utilities will need all the oil they can store going into next winter to assure an adequate supply of electricity.

I therefore urge all Californians to keep up their energy conservation efforts. There will be enough gasoline, electricity, and natural gas for everyone's needs but only if we use them carefully.

Wes

Energy

CONTACT:
Earl C. Parker
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NEWS FROM THE OFFICE OF LT. GOVERNOR ED REINECKE

March 14, 1974

PR - 27

FOR IMMEDIATE RELEASE

SACRAMENTO -- Lt. Gov. Ed Reinecke has urged the federal government not to exempt California owned crude oil from price controls because "it is the responsibility of government officials to resist inflationary forces."

The Federal Energy Office will hold hearings this week on the recent decision to put a ceiling on the price of crude oil sold by the state government.

Reinecke submitted a minority position to the Federal Energy Office as one of three voting commissioners of the California State Lands Commission.

Reinecke said he does not concur with the two other commissioners that California should be exempt from price control.

In a telegram, Reinecke said:

"Exemption would increase cost to perhaps double the controlled price and cost increase would pass directly to the public who are the end users. Such price escalation contributes only to inflation, and it is a responsibility of government officials to resist inflationary forces.

(more)

"If the state is exempted, "Reinecke's telegram said, "the increased revenues will result in higher prices at the service stations. This increased revenue represents windfalls not planned for in the budget. Under current California law, use of state oil royalty revenues is restricted to specified programs that are adequately budgeted under controlled price. The price increase passed to the consumer is equivalent to a tax imposed arbitrarily and without consideration by either the legislature or the public.

"I urge strongly that state owned crude oil not be exempted from price controls," Reinecke's telegram went on to say.

"While I will continue to fight for adequate fuel for California," he said, "I will not support actions which increase prices and are inflationary.

"Open hearings on this issue are appropriate and I support such hearings as a means to air the public's views," he concluded.

# # #

Executive Department

State of California

Energy

REGULATIONS FOR CALIFORNIA'S GASOLINE EMERGENCY

In light of the state of emergency now existing in the counties of Los Angeles, Orange, Alameda, Contra Costa, Solano, San Mateo, Riverside, Santa Clara and Ventura, and pursuant to the authority vested in me to promulgate, issue and enforce rules, regulations and orders, I deem the following amended rules and regulations necessary for the protection of life and property:

1. At the retail level, gasoline may be dispensed into vehicles with a license plate whose last (or only) digit is an odd number (1, 3, 5, 7 and 9) only on odd numbered days of the month, that is, on the first, third, fifth, seventh and so on. Environmental license plates that contain letters only will be equivalent to the digit 1. Examples of odd number plates are as follows:

   SAM 123
   123 SAM
   MARTHA
   KAM 2345
   12345J
   J12345

2. At the retail level, gasoline may be dispensed into vehicles with a license plate whose last (or only) digit is an even number (0, 2, 4, 6 and 8) only on even numbered days of the month, that is, on the second, fourth, sixth, eighth, tenth and so on. Examples of even number plates are as follows:

   SAM 132
   132 SAM
   DAVE 2
   2 MARY
   KMA 3456
   01234J
   J01234
   W6ABC

3. For any calendar month in which there are 31 days, sales may be made on the thirty-first day of the month without regard to the registration plates of the motor vehicle.

4. Gasoline shall not be sold to any vehicle that has more than one-half tankful of gasoline. When requested by the gasoline attendant, the customer shall permit inspection of the fuel gauge with the ignition key in the "on" position.

5. When dispensing gasoline to the general public, gasoline retailers shall not refuse to sell gasoline to anyone, on appropriate odd or even days, except to refuse to sell gasoline to vehicles with more than one-half a tankful of fuel.

6. No general hours or days of operation are required by these regulations. However, each gasoline retailer shall clearly post by signs legible from off the premises his anticipated minimum business days and hours of operation for dispensing gasoline.

   COMMENT:

   Individual retailers are the best judges of the business days and hours that satisfy their customers' needs, and are encouraged to work out staggered hours of operation in common marketing areas. All gasoline suppliers are urged to refrain from establishing additional retail stations, and are urged not to reduce the gasoline supplies available to existing stations in order to supply unnecessary new stations.

7. Each gasoline retailer shall manage his monthly fuel allocation so that it will last through the month.

   COMMENT:

   The need for maximum and minimum purchase limits appears no longer necessary. Gasoline retailers are discouraged from establishing maximum or minimum purchase limits; however if limits are adopted the retailer should clearly indicate these limits by signs legible from off the premises.

8. Each service station shall clearly indicate its gasoline supply and service situation by a sign or flag, easily visible from off the premises. If the flag system is used, the following will apply: Green flag--gasoline available for the general public (on appropriate days for appropriate license plates); yellow flag--gasoline available for emergency vehicles only; red flag--out of gasoline and/or closed. If the sign system is used, it should state the following, or equivalent information: Gasoline available--emergency vehicles only--out of gasoline and/or closed.

9. The following vehicles are exempt from ~~the provisions~~ sections 1 and 2 of these orders:

~~a) Emergency vehicles as defined in Section 165 of the California Vehicle Code.~~

a) Public transportation vehicles regularly used to transport passengers which are buses, taxis and vehicles rented for less than 30 days.

~~b) Buses regularly used to transport passengers, as defined in Section 233 of the California Vehicle Code.~~

b) Vehicles used for commercial purposes in the judgment of the gasoline retailer (see attachment A).

~~c) Vehicles used for commercial purposes in the judgment of the gasoline retailer.~~

c) Vehicles with out-of-state license plates.

d) U.S. Postal Service vehicles.

e) Vehicles operated by handicapped persons, who have no practical alternative to auto transportation, as designated by the following license plate letters:

DPW 000 - 999	000 - 999 DPY
DPX 000 - 999	000 - 999 DPZ
DPY 000 - 999	VET 000 - 999
DPZ 000 - 999	VTN 000 - 999
000 - 999 DPW	VTR 000 - 999
000 - 999 DPX	000 - 999 VET

~~Vehicles with out-of-state license plates are exempt from the alternate day ban on gasoline purchases but not from the one-half tank purchase provision.~~ Operators of the above exempt vehicles are urged to purchase gasoline only on appropriate alternate days whenever possible.

10. The following vehicles are exempt from the provisions of these orders:

a) Emergency vehicles as defined in Section 165 of the California Vehicle Code (see attachment B). b) Other emergency repair and service vehicles, whether public or private, used for functions directly related to the protection of life, property or public health. c) Vehicles operated in in an unusual emergency situation in the judgment of the gasoline retailer.

11. At the retail level, gasoline may be dispensed into separate containers only when necessary in the judg-

SECTION 165, DIVISION 1., STATE VEHICLE CODE

165. An authorized emergency vehicle is:

(a) Any publicly owned ambulance, lifeguard or lifesaving equipment or any privately owned ambulance used to respond to emergency calls and operated under a license issued by the Commissioner of the California Highway Patrol.

(b) Any publicly owned vehicle operated by the following persons, agencies or organizations:

(1) Any forestry or fire department of any public agency or fire department organized as provided in the Health and Safety Code.

(2) Any police department, including those of the University of California and the California State University and Colleges, sheriff's department, or the California Highway Patrol.

(3) The district attorney of any county or any district attorney investigator.

(4) Any constable or deputy constable engaged in law enforcement work.

(5) Peace officer personnel of the Department of Justice.

(6) Peace officer personnel of the state park system appointed pursuant to Section 5008 of the Public Resources Code.

(7) Peace officer personnel employed and compensated as members of a security patrol of a school district while carrying out the duties of their employment.

(c) Any vehicle owned by the state, or any bridge and highway district, and equipped and used either for fighting fires, or towing or servicing other vehicles, caring for injured persons, or repairing damaged lighting or electrical equipment.

(d) Any state-owned vehicle used in responding to emergency fire, rescue or communications calls and operated either by the Office of Emergency Services or by any public agency or industrial fire department to which the Office of Emergency Services has assigned such vehicle.

(e) Any state-owned vehicle operated by a fish and game warden.

(f) Any vehicle owned or operated by any department or agency of the United States government:

(1) When such department or agency is engaged primarily in law enforcement work and the vehicle is used in responding to emergency calls, or

(2) When such vehicle is used in responding to emergency fire, ambulance or lifesaving calls.

(g) Any vehicle for which an authorized emergency vehicle permit has been issued by the Commissioner of the California Highway Patrol.

Executive Department

State of California

OES RELEASE #7353
(amended)

On behalf of the Energy Planning Council, the Office of Emergency Services announces the following clarifications of the Emergency Gasoline Marketing Plan.

1. Vehicles used for commercial purposes: These guidelines were issued today for use by retailers in determining whether a vehicle is used for commercial purposes.

   A. Vehicles which by their design, size, or recognizable company identification are obviously being used for commercial purposes.

   B. Vehicles which are owned and operated as part of a company vehicle fleet as may be determined by company marking or the vehicle's registration.

   C. Individually owned vehicles used for commercial purposes, as evidenced by the presence of specialized equipment, instruments, tools of the trade or profession, supplies or other material which cannot be readily carried by the vehicle operator on public transportation, or any other evidence that it is necessary to use the vehicle for commercial purposes.

2. Doctors and Nurses: No blanket exemption is made for doctors and nurses. However, when they are using their vehicles for professional purposes (such as special calls) their vehicles should be considered as those being used for commercial purposes and when using their vehicles for emergency calls they should be considered emergency vehicles. Physicians and nurses are expected to do the same planning in fueling their vehicles for private use as are other citizens. In extreme emergency situations, they can call upon taxis, ambulances, or the local law enforcement agency,

3. Appointments: "Sales by appointment only constitute discrimination under Section 210.62 of the Federal Petroleum Allocation and Price Regulations, unless he (the retailer) conducted his business by appointment only prior to January 15, 1972 in so far as he continues his pre-existing practice."

4. FEO regulations also prohibit stations from selling exclusively to commercial vehicles.

ment of the gasoline retailer. Such sales shall be in the smallest practical quantity.

COMMENT:

Storage of gasoline in separate containers in the trunk of automobiles is an extremely dangerous practice.

12. Pursuant to the authority of Section 8665 of the Government Code, any violation of these orders or regulations is a misdemeanor and upon conviction, shall be punishable by a fine of not to exceed five hundred dollars ($500) or by imprisonment not to exceed six months or by both such fine and imprisonment.

Ronald Reagan
Governor of California

Attest:

Edmund G. Brown Jr.
Secretary of State

Date: March 15, 1974

by Mary Ann Miller
Deputy Secretary of State

Energy

OFFICE OF GOVERNOR RONALD REAGAN
Sacramento, California 95814
Clyde Walthall, Press Secretary
916-445-4571 2-27-74

RELEASE: Immediate

#131

Governor Ronald Reagan today announced a mandatory marketing plan for the sale of gasoline in California counties requesting him to declare a state of emergency in their areas because of the problems caused by the shortage of fuel.

The plan goes into effect March 1 in those counties that will have requested it by 5 p.m. Thursday. (Counties that have made the request up to now will be announced at today's press conference.)

"I would like to emphasize that this plan is only a temporary measure," Governor Reagan said. "I am taking this action at the request of a number of local government officials and gasoline retailers.

"The plan is designed to eliminate the long lines waiting for service at gasoline stations and to protect the general public and station attendants.

"There has been some violence and disruption of traffic at scattered locations. I am hopeful that this marketing plan will alleviate the problems caused by the shortage of fuel for both drivers and station attendants."

The plan provides that service stations in the affected counties will sell gasoline on even numbered days of the month only to customers whose vehicle license plates end in even numbers. Customers whose license plates end in odd numbers could purchase gasoline only on odd numbered days of the month.

Personalized license plates that have no numbers will be considered as odd numbers under the plan.

The plan will be enforced by local law enforcement officials. Violations would be a misdemeanor upon conviction with a maximum fine of $500 or six months in jail, or both. Citations would be issued to violators.

Service stations will be required to clearly indicate their supply of gasoline either by a sign or flag. If the flag system is used, a green flag will indicate gasoline is available for the general public (according to their license plates); yellow flags will indicate that gasoline is available for emergency vehicles only, and red flags will show that the stations are out of gasoline or closed.

The plan permits individual retailers to set their own hours for business and the days of operation. However, they will be required to manage their monthly fuel allocations so they will last throughout the month.

Emergency vehicles, buses and vehicles used for commercial purposes are exempted from the plan. Vehicles with out-of-state license plates are also exempted from the alternate day ban, but not from the half tank provisions.

The plan urges all gasoline suppliers to refrain from establishing additional retail stations and not to reduce existing supplies to open any unnecessary new stations.

Governor Reagan offered the plan to the requesting counties under the authority of the California Emergency Services Act.

# # #

Walthall

OFFICE OF GOVERNOR RONALD REAGAN RELEASE: Immediate
Sacramento, California 95814
Clyde Walthall, Press Secretary
916-445-4571 2-25-74 #126

Governor Ronald Reagan today announced in Los Angeles that he has directed Herbert Temple Jr., director of the Office of Emergency Services in Sacramento, to immediately send the following telegram to the boards of supervisors in the state's 58 counties (please note that the governor's reference is to a "marketing system" as opposed to rationing).

Text of the telegram:

"Governor Reagan will entertain formal requests from county governments to proclaim a 'state of emergency' for that county in order to exercise his emergency powers under the provisions of the Emergency Services Act to establish a marketing system for more orderly consumer purchasing of gasoline at the retail level.

"Upon receipt of the formal request from the county, the governor will proclaim a 'state of emergency' implementing the plan generally outlined below.

"The plan will become effective March 1, 1974 and will consist of the following general provisions:

"(1) It will be mandatory;

"(2) It will be based on alternate days of the month and odd and even license plate numbers;

"(3) Gasoline will not be sold to vehicles whose fuel tanks are more than half full. The details of this plan will be provided tomorrow, February 26.

"It is requested that within 24 hours after receipt of this telegram the local counties will either:

"(1) Declare their local emergency and request proclamation of a 'state of emergency,' or;

"(2) Transmit to the director of the California Office of Emergency Services their decision not to declare a local emergency.

"It is planned that local state teams will be established to monitor the conduct of this program to include such functions as:

"(1) Provide assistance in resolving local government gasoline retail and consumer issues which can be resolved at the local level;

"(2) Identify problems related to the plan itself for transmission to the California Office of Emergency Services to identify and investigate distribution inequities within their counties;

"(3) Coordinate a program of voluntarily staggered business hours for retail service stations.

"It will be necessary that each county establish a control center to provide for this monitoring of the program.

"A telephone number for this control center should be announced and manned by competent persons to insure that citizens and the private businesses concerned have a continuous source of information and assistance. At the state level the emergency monitoring location will be the Office of Emergency Services."

# # #

Walthall

OFFICE OF GOVERNOR RONALD REAGAN
Sacramento, California 95814
Clyde Walthall, Press Secretary
916-445-4571 2-15-74

RELEASE: 12 NOON FRIDAY
FEBRUARY 15, 1974

PLEASE GUARD AGAINST PREMATURE RELEASE

#102

Governor Ronald Reagan today issued the following statement:

"I know I won't be telling you something new or unusual when I say we haven't as much gasoline as we've been used to having in the past.

"But our situation here in California through the next few months is not an emergency. With a little care and consideration, we'll have enough for all our necessary driving.

"Everyone can have about 80 percent of the gasoline we had before the energy shortage. This means we each only have to hold down our driving by 20 percent.

"Eliminating some unnecessary errands, doubling up now and then, holding down speed should do it.

"There is no need for panic or panic buying with the long lines we've seen on television. May I suggest not buying until you have less than half a tank.

"We have a contingency plan but we'd rather not have to use it, and we won't, if we all just eliminate one mile out of five. There will be an adequate supply for everyone."

# # # # # #

Walthall

OFFICE OF GOVERNOR RONALD REAGAN
Sacramento, California 95814
Clyde Walthall, Press Secretary
916-445-4571 12-12-73

RELEASE: Immediate

#597

Governor Ronald Reagan today announced that the following bill has been signed:

AB 1969 - Moretti Chapter 1218	Reduces the maximum speed limit for all vehicles in California to 55 miles per hour, effective January 1, 1974.

# # # # #

Garcia

Energy

TELEGRAM TO OIL COMPANY C.E.O.'s, 3/15/74

IN LIGHT OF CONTINUING DIFFICULTIES MANY PEOPLE ARE HAVING IN OBTAINING GASOLINE I AM ASKING THE OIL COMPANIES TO VOLUNTARILY OPEN THEIR COMPANY OWNED AND OPERATED STATIONS ON SUNDAYS. SEVERAL HAVE ALREADY AGREED. I HOPE YOU WILL JOIN THEM. PLEASE ADVISE ME WHETHER YOU ARE ABLE TO DO SO.

RONALD REAGAN
GOVERNOR

[illegible] for EM

1. Fred L. Hartley, President and Chairman of the Board
Union Oil Company
P.O. Box 7600
Terminal Annex
Los Angeles, California 90051

5/22

2. James E. Lee, President
Gulf Oil Company
P.O. Box 1166
Pittsburg, Penn. 15230

3. R. F. Tucker, President
Mobil Oil Company
150 East 42nd
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4. W. F. Martin, President
Phillips Oil Company
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Bartlesville, Oklahoma 74004

5. H.W. Woodruff, President
Texaco Oil Company
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6. M.A. Wright, Chairman and Chief Executive Officer
Exxon Oil Company
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7. Douglas Oil Company
D. J. McNutt, President
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8. T.F. Bradshaw, President
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9. H. J. Haynes, Chairman of the Board
Standard Oil Company
225 Bush Street
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10. Harry Bridges, President
Shell Oil Company
P.O. Box 2105
Houston, Texas 77001

11. Ray Abendroth, President
Time Oil Company
2737 West Commodore
Seattle, Washington

12. V. H. Dolan
American Oil Company
P.O. Box 1099
Kansas City, Missouri 64141

Energy

STATEMENT OF CALIFORNIA GOVERNOR RONALD REAGAN
BEFORE FEDERAL ENERGY OFFICE
WASHINGTON, D. C.
MARCH 13, 1974

The State of California appreciates this opportunity to appear today to present its views on the recent action of the Federal Energy Office in revoking the state and local government exemption from crude oil price ceilings.

This statement speaks primarily to the fiscal impact on California of the FEO action. State Controller Houston Flournoy, who is Chairman of the California State Lands Commission, will present details on the restrictive effects on crude oil production this amendment has had.

(Economic Impact on California)

Underneath the California tidelands exists a wealth of oil which belongs to all the people of the state. Under carefully devised legislation, this is being exploited in two forms: (1) oil and gas leases issued by the State Lands Commission in which the state receives a royalty percentage - in money or in oil; and (2) the net profits contracts system in the Long Beach tidelands in which the state and the City of Long Beach share the profits of production with the operating oil companies.

In simplified terms, under present leases and contracts, the State Treasury is entitled to the value of roughly 135,000 barrels of oil each day.

As everybody knows, the fair market price for domestic crude oil right now is $5.00 per barrel above the FEO imposed ceiling price. In California, and particularly on tidelands, where gravities generally are lower than in the mid-continent, this ceiling price is in the range of $4.25 and $4.75 per barrel. Thus, the fair market value of California crude, as shown by the exempt price, is currently over twice the ceiling price imposed by FEO.

Applying this $5.00 per barrel differential to the daily production from which California receives payment, it amounts to approximately $650,000 per day or $230,000,000 per year.

Put more bluntly: The FEO action revoking the state's exemption is costing the people of the State of California $650,000 a day - $230,000,000 a year.

Another vice of the FEO action is its retroactive effect - not only is the exemption lost, but it was back-dated to October 25. This action alone wiped out over $55 million due the State Treasury, and has put the State in the position of being required to pay back some money - claims so far of $1.3 million.

(California's Use of Tideland Oil Revenue)

Now the question has been asked, what would California do with all this money? Two points are important:

First - the tidelands oil is a public asset - owned by the people of California, and this oil is a depleting asset. Once a barrel of oil is out of the ground it is gone for good. Californians are entitled to receive fair market value for that oil. The FEO ceiling price order deprives the people of California of over half of that value, and at a time when California tidelands oil production has reached its peak. A federal rule which allows over half the value of oil to be kept by purchasers cannot be considered in the public interest.

Secondly - since the creation of the State Lands Commission in 1938, the California Legislature has recognized that tidelands oil is a capital asset and has directed that oil revenue be devoted to public capital projects. Initially this was the acquisition of State park lands. In the late 1950's and the 1960's a large portion of this revenue was devoted to California's outstanding Central Valley Water Project. $25 million of this revenue is still used annually for this purpose. The balance currently is devoted for capital outlay for California's University and College systems. The City of Long Beach's share of tideland oil has, of course, been used to help create a modern and thriving port.

There have been suggestions that this new money be devoted to energy related uses, such as rapid transit facilities as urged by State Controller Houston I. Flournoy and the California Legislature. This matter is currently under serious study and revenue derived from a scarce and valuable public asset will be used only for long-term and statewide public benefit.

(Roll-backs and the Consumer)

It has been suggested that to restrict California'a oil revenue to ceiling prices would result in lower gasoline prices at the pump. This requires two assumptions, neither of which will hold up:

First, that the California public-interest oil is a significant factor in the gasoline market. It is not. The 135,000 daily barrels of oil is virtually nothing against the 9 million plus barrels per day of crude oil production in the United States, or the 17 million plus barrels of daily demand in this country, or the 5 million plus barrels of imported crude oil and products free from price controls. At least 40 percent of all oil used in this country is not subject to price ceilings. California's share is miniscule.

The second assumption is that any savings resulting from an artificially restricted price impound on California's crude oil will be passed on to the consumer at the pump.

As the President said in his message on vetoing the Emergency Energy Act, roll backs on crude oil prices would result in "minimal, if any, reduction in gasoline prices". If this system created by the FEO worked perfectly, perhaps we could have that result. We all know the system is not working perfectly, and the FEO does not have the staff to make it perfect. As a recent newspaper article pointed out, FEO has the use of 300 IRS agents to check on the 225,000 service stations in this country, and in checks on 20,000 of them, found 25% were overcharging. There is no way of checking on whether this roll-back on State crude oil prices would be passed through to the consumer at the pump. If FEO could guarantee that result, California might reconsider its position. California can guarantee you that the

$230,000,000, if received by the State, would be expended for the public, the same people who are supposed to benefit by reduced prices.

(Federal - State Relationships)

Last September Governor Reagan created in California an Energy Planning Council to cope with the energy crisis. This is the agency that handles state functions under the Emergency Petroleum Allocation Act of 1973 enacted by Congress. The Energy Planning Council and its staff have cooperated fully with its Federal counterparts. The state has tried to work with the FEO so that we can all do a job that must be done.

Despite this, we have seen the FEO divert gasoline supplies to other states, saddle us with an excessive share of military oil products demands, particularly when the military could produce its demand from Elk Hills, and now this - cutting off our revenue. Actions such as this, which was taken without public notice and without public hearing, place an intolerable strain on our system of federalism. California believes an action of the Federal government which will have such an adverse effect on staete government and will override well established state policy, deserves far greater consideration and public airing than was given in this case. Fair treatment for the 20 million people of the State of California requires that the FEO action of February 21, 1974 be immediately repealed and the state and local government exemption be restored.

Thank you for this chance to express our grest concern over the action taken by the Federal Energy Office.

Energy

CABINET ISSUE MEMO

To: Governor Ronald Reagan

Date: December 17, 1973

From: Public Utilities Commission

No.: PUC 73-12

Signed By ______________________

Originated By VERNON L. STURGEON, President

ISSUE: Should the Governor evoke powers granted him by the Emergency Services Act to declare a statewide electrical-energy emergency and to order temporary relaxation of state air pollution standards to allow the burning of higher sulphur fuel oil solely for the generation of electrical energy.

FACTS: It is established that several municipally-owned electrical utilities serving significant population centers[1] are faced with oil supply shortages by the middle of January 1974 which will force curtailment of electrical generation by as much as 80%. Curtailment of this magnitude would produce dire health, safety and economic consequences for those affected. It is also established, however, that these utilities have prospects for obtaining significant quantities of conventional fuel oil (up to one year's supply for one) which are not useable under current air pollution restrictions regarding sulphur content.

DISCUSSION: Relaxation of the state air-quality restrictions which limit fuel oil for electric generation to .5% sulphur content is far preferable to requiring other utilities to give up some of their own inadequate supplies of scarce low-sulphur oil, because the former action would, in effect, increase the total supplies available to all, rather than further reducing the already diminished supplies of the other utilities. It appears also that insufficient time exists to allow the normal variance procedures of the ARB to run their course and allow this result prior to the dates projected for curtailment.

RECOMMENDATION: That the Governor take action by executive order accomplishing the purposes discussed herein. A form of executive order is attached for further reference.

1/ Cities of Burbank, Glendale and Pasadena.

GOVERNOR'S OFFICE
State of California

EXECUTIVE ORDER NO. ______

WHEREAS, it has been established that several electrical utilities serving significant population centers in this state are faced with the prospect of major curtailment of electric generation by the middle of January 1974 as a result of inadequate supplies of fuel oil meeting the applicable air quality restrictions imposed by this state through order, regulation or otherwise; and

WHEREAS, curtailment of electric generation in the magnitudes projected would constitute a condition of disaster and of extreme peril to the safety of persons and property in the areas affected; and

WHEREAS, such utilities have specific prospects for obtaining additional quantities of fuel oil which could prolong significantly the date at which such curtailment would otherwise occur, but which because of its sulphur content is not usable under current air quality restrictions imposed by this state; and

WHEREAS, the normal administrative procedures for obtaining permission to utilize such supplies of fuel oil for electric generation may not be sufficiently expeditious to enable the swift confirmation and utilization of such supplies; and

WHEREAS, supplies of fuel oil available to other utilities in this state which meet the applicable air-quality standards regarding sulphur content are also inadequate to meet the minimum requirements of such utilities; and

WHEREAS, I am empowered under Article 3 of Chapter 7 of the Government Code (California Emergency Services Act) to amend or rescind all orders and regulations necessary to carry out the provisions of that Act;

NOW, THEREFORE, IT IS HEREBY ORDERED that any restrictions, limitations or other regulations or orders imposed by any state or local agency regarding the permissible sulphur content of fuel oil suitable for the generation of electricity are hereby suspended for a period of ninety (90) days or until such time as legislation is adopted which would allow a continuation of such suspension for the duration of an energy emergency as defined in such legislation.

Date: December , 1973.

RONALD REAGAN
GOVERNOR OF CALIFORNIA

Management Bulletin

From the Office of Governor Ronald Reagan

November 26, 1973 MF 73-18

Clyde Walthall
Energy

TO: HEADS OF AGENCIES, DEPARTMENTS,
MAJOR UNITS AND OTHER KEY PERSONNEL

SUBJECT: Information Coordinator for Energy Planning Council

Proposals for news releases regarding Energy Planning Council activities or proposals not yet approved by them should be coordinated with the chairman (Lt. Governor Reinecke). Mr. Robert Hardgrove has been temporarily assigned to the Lt. Governor's Office to coordinate information releases for the Energy Planning Council and with the Governor's Office.

Departments proposing news releases should recommend whether the release should be issued by the Energy Planning Council Chairman (Lieutenant Governor), Governor, Agency, or Department.

Media calls for information on energy-related matters approved by the Council should be handled by the cognizant Agency or Department.

Ed Reinecke

ED REINECKE
Acting Governor

Management Bulletin

From the Office of Governor Ronald Reagan

MF 73-19
November 27, 1973

As a result of Executive Orders R 45-73 and R 46-73 being issued earlier this week, enclosed are two Governor's Memos 73-1 and 73-2 implementing the necessary action by your department.

Please review carefully and make every effort to see that the action necessary to carry out the intent of the Governor's directives is strictly observed in your department.

BY DIRECTION OF THE GOVERNOR:

Edwin Meese III

EDWIN MEESE III
Executive Assistant
to the Governor

Attachments

State of California

Memorandum

To : HEADS OF AGENCIES, DEPARTMENTS,
MAJOR UNITS AND OTHER KEY PERSONNEL

Date : November 26, 1973

Subject : Automobile Speed Limits

73-1

From : Governor's Office

As you know the country is facing a very real energy shortage this winter, and it behooves each of us to do everything possible to assure that enough fuel is available for our true needs in the coming months. We in State Government must set an example for all citizens of California, therefore, I have today signed Executive Order R 45-73. As a result, the State of California will voluntarily reduce the maximum speed of State vehicles to 50 miles per hour. Only vehicles driven by law enforcement personnel or those being operated in an emergency situation may exceed this limit.

The State had in service last year approximately 16,000 units traveling a total of 398,457,000 miles. Using this experience as a base for analysis, by reducing vehicle speed to a maximum of 50 miles per hour we can reduce the State's consumption of gasoline 10 percent.

Local government is being advised of our action for continuing fuel conservation and I am encouraging them to adopt the above guidelines.

I request each of you as administrators to advise your employees of this action.

Sincerely,

Ed Reinecke

Ed Reinecke
Acting Governor

DISTRIBUTION: A B C D E X F S G H I J K L R M N O P MM

State of California

Memorandum

To : HEADS OF AGENCIES, DEPARTMENTS, MAJOR UNITS AND OTHER KEY PERSONNEL

Date : November 27, 1973

Subject : Gasoline Gallonage and Mileage Restrictions

73-2

From : Governor's Office

I have today signed Executive Order R 46-73, which mandates each state agency will reduce the mileage driven on state business from that recorded in the 1972-73 fiscal year by 10%. Mileage of both state-owned automotive pool passenger vehicles and privately owned passenger vehicles shall be included. Our statistics show that state employees now drive 398,457,000 miles and use 26.5 million gallons of gasoline annually.

In addition, I request that a careful evaluation of need for each trip be made to further conserve fuel. Only those trips clearly to the benefit of the State which must be made by vehicle are appropriate. I ask that you carefully plan your trips to include a number of stops or meetings wherever possible in preference to making a number of single purpose trips. Car pools should be created whenever practical from a fuel standpoint. I therefore, direct that each person carefully evaluate any proposed trip.

Your assistance in helping to make a 10% reduction in mileage driven during the 1973-74 fiscal year is greatly appreciated.

Sincerely,

Ed Reinecke

Ed Reinecke
Acting Governor

DISTRIBUTION: A B C D E X F S G H I J K L R M N O P MM

Energy

August 1, 1973

ENERGY POLICY ISSUES

Agriculture and Services Agency

Issues	Action taken by Cabinet
a-1 Shall air conditioning be prohibited in new cars?	1. Agriculture and Services shall review the State's policies on purchasing State vehicles with air conditioners. The review shall include outlining the geographical areas of the State where vehicles are purchased with air conditioners and what effect would result if the State discontinued these policies.
	2. Agriculture shall determine to what extent the State can influence manufacturers into developing more efficient air conditioners.
a-2 Utilize advanced communication techniques to reduce travel, where feasible.	1. Agriculture and Services is to investigate the facilities available in order to expand conference calls on the ATSS telephone lines.
	2. Agriculture and Services is to develop additional information on the feasibility of utilizing closed circuit television between Sacramento, San Francisco and Los Angeles. This study would include summarizing the state-of-the-art for using closed circuit TV today, costs involved, availability of equipment, and if it is not available now, when it will be available for use.
a-3 Revision of State policy for leasing buildings to include establishment of minimum energy efficiency standards to be met before a building can be leased by the State.	1. Agriculture and Services is to write a Cabinet issue which accepts the recommended policy.
a-4 Replace gas-fired pilot lights with electrical starting devices.	1. Public Utilities Commission is to give the results of its energy hearings to Agriculture and Services for review. After its review, Agriculture and Services shall write a Cabinet issue for discussion on this matter.

a-5	Reduce packaging to conserve energy	1. Resources Agency will work with the Department of Agriculture, Consumer Affairs and Public Health to compile additional information on this subject in order to prepare a report to Cabinet. (no deadline set for presenting this report)
a-6	Set minimum energy performance specifications on all buildings in the State as a condition for granting building permits.	1. The Office of Planning and Research will work with Agriculture and Services in preparing a Cabinet issue which supports Senators' Alquist and Gregario's bill number SB 144.
a-7	Initiate a massive public educational program to encourage lower thermostat settings in the winter and higher thermostat settings in the summer.	1. Agriculture and Services is to prepare a Cabinet issue which implements this recommendation. 2. Agriculture and Services, working with the Department of Public Health, is to investigate lowering the lighting standards for State buildings.
a-8	Prohibit the use of electricity for resistive space and hot water heating on new installations.	1. Agriculture and Services is to prepare a Cabinet issue which would establish minimum performance standards in all new air condition units except those installed in motor vehicles.

Business and Transportation Agency

Issues	Action taken by Cabinet
b-1 Limit the maximum speed to 50 MPH on highways.	1. Business and Transportation is to gather additional information on reducing the speed limit; in particular, obtain input from private sectors such as trucking industry on potential energy savings v. costs.
b-2 Encourage voluntary car pooling.	1. Business and Transportation is to implement the recommended policy, wherever possible. (no mention of Business and Transportation preparing a Cabinet issue)
b-3 Expanding the bus systems.	1. Business and Transportation is to continue its present efforts on this matter and to prepare a progress report summarizing its efforts for the Cabinet's review.
b-4 Establish bicycle lanes and paths.	1. Business and Transportation is to continue its present departmental policies for non-motorized facilities for bicycle use. Business and Transportation is also to prepare a progress report summarizing its efforts on this matter. (no mention of deadline for presenting this report to Cabinet)
b-5 Develop taxes and other incentives designed to reduce the weight of the automobile.	1. Business and Transportation is to compile additional information for further discussion of this issue by the Cabinet.
b-6 Use gasoline tax funds for rapid transit.	1. Cabinet accepted the recommendation which deferred any action until September, 1973.
b-7 Establishment of a ceiling on per capita transportation.	1. Cabinet agreed to delete this issue by requesting no further study be conducted nor any recommendations be proposed.

Resources

Issues	Action taken by Cabinet
r-1 In view of large potential reserves and recent advances in drilling technology and safety equipment, should the offshore petroleum reserves be developed?	1. Resources Agency is to modify the recommendations presented so that safety factors are included and additional information on the four recommendations is provided. 2. After the recommendations have been modified to include the suggestions just listed, Resources Agency is to prepare a Cabinet issue.
r-2 Should California accomodate the vastly higher level of necessary imported petroleum by construction of deep water ports and, if so, where?	1. The Division of Oil and Gas is currently coordinating all comments submitted to them. This report will be available for Resources Agency's review not later than August 10, 1973. At that time the development of a Cabinet issue on this subject should be considered by the Resources Agency.
r-3 It has been estimated that through primary, secondary and tertiary recovery techniques the State has a potential onshore oil and gas reserve of 16 billion equivalent barrels. How can the State encourage full development of this reserve?	1. Resources Agency needs to change the recommendation reading "increase the depletion allowance" to "continue present depletion allowance". 2. Additional information on the other recommendations presented needs to be gathered by the Resources Agency and presented to the Cabinet for further discussion.

Summary of Cabinet actions prepared by the Office of Science and Technology.

John Matthews
st- Fed. Fuel
Allocation Officer
5-9686

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322

Energy

BRIEF ANSWERS TO CRITICAL QUESTIONS ON THE CURRENT PETROLEUM SHORTAGE

1) QUES: Why is there a shortage of petroleum products?

ANS: The two largest Arab exporting countries, Saudi Arabia and Kuwait, have reduced production and in conjunction with their Arab neighbors barred exports directly and/or indirectly to the U.S.

2) QUES: How great is the present shortage?

ANS: We estimate that the supplies available are about 100,000,000 gallons per day (12-13%) below the normal demand level.

3) QUES: Why is the shortage greater in certain areas of the country?

AND: There is no single reason. The Federal Energy Office has directed the companies to supply gasoline based upon 1972 sales, and in many instances the 1972 sales do not reflect the present needs of that section of the country.

4) QUES: Will the gasoline shortage get worse?

ANS: Probably. Increased driving normally occurs in spring and summer and will cause supplies of gasoline to become even tighter.

5) QUES: Will ample supplies be available when the Arab embargo ends?

ANS: The current supply crunch will ease, but we do not foresee a return to the virtually limitless supplies of the past. When the Arab embargo ends, it will be at least 6 weeks before the crude will reach U.S. distribution levels.

6) QUES: Why have the prices of oil and gasoline risen?

ANS: The primary one is the increased cost of both foreign and domestic crude.

7) QUES: Are the major oil companies forcing the independents out of business?

ANS: MOBIL has not and is not. The Federal Energy Office requires MOBIL to supply petroleum to all customers it serviced in 1972.

8) QUES: Are gas stations closing?

ANS: Yes. Marginal operations historically fail or are closed.

9) QUES: Why are the independent oil companies' prices for heating oil so much higher than those of the major oil companies?

ANS: The major oil companies have relied primarily on domestic product, whereas, many of the independents have relied primarily on foreign imports. In order to compensate for the enormous increase in foreign costs, the independents have been forced to raise their prices.

10) QUES: Why have oil company profits risen in the past year?

ANS: MOBIL's increase was attributed primarily to its operations outside of the U.S.

11) QUES: Why did the energy crisis hit us all at once?

ANS: The shortage of petroleum has been building for a number of years, but it was the Arab embargo that suddenly brought it to an acute state.

12) QUES: Are their enough refineries in the U.S. to meet requirements?

ANS: No.

13) QUES: What is the long-range outlook for the U.S.?

ANS: The long lead time required for the development of energy resources whether they be nuclear, coal or petroleum makes it doubtful that this country will achieve energy self-sufficiency even by 1985.

14) QUES: Does MOBIL favor gasoline or "end-use" rationing?

ANS: The problems faced by the public in some areas of the country have reached intolerable levels. MOBIL believes that if the problems increase, there will be a need to implement federal gasoline rationing.

QUESTIONS AND ANSWERS CONCERNING THE ENERGY SITUATION

These questions have been developed by Mobil in an effort to highlight issues most frequently raised by the media, government officials and the public.

The answers are based upon the most current data and information available to Mobil and will undoubtedly require review and revision soon after publication.

1) Why is there a shortage?

Initially the shortage was the result of the Arab oil embargo superimposed on an already tight and tightening supply situation. Saudi Arabia and Kuwait have barred exports directly and indirectly to the United States and certain other countries. In mid-October, these two countries reduced their production by 25% (later relaxed to a 15% cutback.) The reduction was made at a time when the world demand was entering the peak demand winter season. These production cutbacks have limited supplies to the great majority of importing countries worldwide, whether embargoed or not. The result was a desperate rush for crude by major consuming countries. Although the embargo commenced in October, the full impact was not felt in the United States until January because of supplies in transit.

Since early February, the crude allocation program adopted by the Federal Energy Office may be contributing significantly to the U.S. crude oil shortage. This program provides a disincentive to U.S. refiners, both small and large, to seek overseas crude for import into the U.S. This results because under the program refiners who have elected to reduce imports of high priced crude to give them below average crude availability are permitted to buy lower priced crude domestically. One company has instituted a court challenge to the program. Mobil, on its part, is continuing its efforts to make imported crude available, in spite of the requirement to sell nearly 2,000,000 gallons daily of crude to other companies. This is nearly 6% of our total availability of crude for our refineries.

2) <u>What is the extent of the current shortage of petroleum products?</u>

On the basis of projections before the embargo began, we estimated that the country would be consuming about 800 million gallons of all petroleum products every day this winter. We estimate that the supplies available are only 700 million gallons -- about 100 million gallons a day (about 12-13%) below the normal demand level. The reduction in petroleum supplies is entirely from imports -- a one-third reduction in the total U.S. imports that would have been required. This import shortfall covers both crude oil and finished products.

3) <u>Why are some areas shorter of gasoline than other areas?</u>

There is no single answer to this question. The Federal Energy Office required oil companies to supply agricultural users with their full requirements. Certain other classes of customers such as emergency and transportation services receive preferential allocations. The major portion of the shortage is borne by service stations.

The preferential allocation to agricultural users is clearly essential to maintain food production, and has probably tempered the shortage in rural areas. Furthermore, less long distance driving has probably reduced the demand by transients in the rural areas.

Conversely, the suburban and urban areas have generally been much tighter in supplies. Shortages have been particularly severe in areas of fast population growth, since these areas do not receive any higher relative allocation than areas of more modest growth. Speed limits are normally low in more densely populated areas, therefore, savings in gasoline consumption resulting from the 55 mph speed limit would also be less in these areas.

There are many other reasons. Less vacation driving has resulted in less demand in some locations on vacation routes. In some areas of the country, withdrawal from marketing by some companies has clearly intensified local shortages. In suburban areas there is probably a virtually irreducible minimum requirement to meet established living and commuting patterns. When this level is reached, service station run-outs become widespread.

The Federal Energy Office has the obligation to allocate products between states. The FEO has moved to increase allocations to the most critically short areas. This is being done by inventory drawdowns which are at relatively low levels and this will reduce future availabilities for the higher driving spring and summer periods.

4) Will the gasoline shortage get worse?

We expect that as the peak driving months approach the supplies of gasoline will become tighter. Historically, gasoline consumption has been about 4% higher in March than in February -- gradually increasing to about 15% higher in July and August than in February.

Refineries were maximizing heating oil in the fall and winter to insure no one went cold. With the help of a warm winter, this has been achieved.

In February, Mobil moved to maximum gasoline production. We believe most other companies have. However, estimated industry crude supply availability to refineries as reported by the Federal Energy Office for allocations are only 76% of refinery capacity for the February through April period. Even with every effort to maximize production, there may not be enough gasoline to go around.

If the gasoline supply situation continues to worsen, rationing would seem a preferable solution to the increased disruptions now occurring.

5) What gasoline volumes will Mobil supply to California in March?

Mobil's crude runs have been limited to 76% of capacity by the FEO allocations. On the basis of the allocation regulations Mobil had planned to supply 67.5 million gallons of gasoline to California in March. This would be equal to 94% of our March gasoline sales in 1972 and 91% of our March gasoline sales in California in 1973, and is based on an allocation fraction of 87% for gasolines. We are now reviewing our supply program in light of the recent 10% supplemental gasoline allocation given by the FEO to 28 states in late February to determine if it will be possible to continue allocations at the 87% level throughout March. However, we will be able to supply diesel fuels and heating oil on the basis of a 100% allocation fraction.

6) Will ample supplies be available when the embargo ends?

Mobil is not in a position to forecast the timing of the end of the embargo. However, even at the end of the embargo, the necessary tanker voyages will mean perhaps six weeks or more before crude can reach the United States from the Persian Gulf and another week or longer before it can be refined and moved to consumers.

We do not know at what level the Kuwait and Saudi Arabia Governments will set future production levels. There are reasons to believe they will not allow production to increase to the levels required to sustain the growth in oil demand that the world experienced the past few years. These countries, and many of the other crude exporting countries, may be unable to spend the income they would be receiving. Furthermore, they may want to preserve some of their petroleum reserves for their income in future generations. Kuwait, with an average per capita income approaching that in the United States, is reported to be considering a further production cutback.

With an end to the embargo, the current supply crunch will ease, but we do not foresee a return to the virtually limitless supplies of the past.

7) Why have prices of oil risen?

The oil industry is subject to rigid price controls. Under these control formulas, oil refiners are only permitted to pass on the increased costs of domestic and foreign crude oils and to pass on cost increases on imported products. Larger increases are not permitted.

The increased costs of crude oil are the primary reason for the increased costs of products. For example, during 1973 a typical Persian Gulf crude increased from about $2.32/bbl to $4.83/bbl by December. Further increases in 1974 of at least another $4/bbl have already occurred. U.S. crude oil production has also increased in price. Under price control formulas the maximum price of nearly three-fourths of U.S. crude production is established and now averages about $5.25/bbl. This level is about $1.00/bbl higher than the level last summer.

In an effort to stimulate additional production, some crude oil was freed from price control by the Congress and by the Federal price control authorities. This crude includes oil from very low production wells (called stripper wells), oil from new oil fields, and oil from fields where production has been increased.

The demand for crude much exceeded supply, and by December the oil which was exempted from price controls increased to $10.00/bbl or more. Congress now has under consideration the roll back of exempted crude prices.

In late 1973, the worldwide shortage of imported product led to even more rapid increases in the free market price of product than of crude. For example, last summer heating oil cost 24¢/gallon in Rotterdam; by late November the price had increased to over 70¢/gallon.

8) <u>Are the major oil companies forcing the independents out of business?</u>

Mobil has not and is not forcing any independent out of business. Under the allocation procedures of the Federal Energy Office, Mobil is required to sell to all customers we supplied in 1972. Moreover, while Mobil sells some product direct to customers, the great majority of Mobil sales are through independent distributors and service station dealers who are independent businessmen in every sense of the word.

9) Why has Mobil closed down service stations?

Over the years, it has been Mobil's policy to close down service stations that were no longer viable. For example, changing traffic patterns or the construction of competitive stations made these stations unattractive. In developing suburban areas and along new traffic arteries Mobil has constructed new stations. In 1973 Mobil sold nearly 7% more automotive gasoline in the United States than we sold in 1972.

10) Why have the oil company profits risen so in the past year?

Mobil can only speak for its own profits. In 1973, Mobil's profits did increase by 47%, but the increase occurred primarily from our operations outside of the United States. Many foreign currencies increased in value in 1973 and thus when expressed in dollars these earnings contributed significantly to Mobil's improved profit.

We believe the fairest means of analyzing earnings is in relation to the shareholders' investment. On this basis, Mobil's 1973 earnings in the U.S. did not reach the level achieved in 1968 through 1970 as is summarized below:

Mobil Return on Shareholders' Investment - %

	U.S.	Foreign	Total
1968	10.4	11.4	10.8
1969	10.8	10.9	10.9
1970	10.1	12.0	10.9
1971	9.3	14.2	11.5
1972	9.2	14.1	11.5
1973 (estimated)	10.0	21.3	15.5

Reports prepared by the Federal Trade Commission indicate that petroleum refining has earned a lower return, on average, than the total of all manufacturing industries in the United States during the past 10 years.

11) Why did the energy crisis hit us all at once -- who was responsible?

The Arab embargo triggered the petroleum shortage -- but it has been developing for several years.

The fault does not lie with petroleum alone. Other forms of energy used in the country have peaked out or even declined in the last few years. Coal, our most abundant natural resource, has dropped in use over the past few years-- partly because of environmental restrictions, partly because increased costs no longer made it economic to produce from some mines. Low natural gas prices stimulated consumption and discouraged exploration. As a result, natural gas production has peaked out. Environmental considerations delayed nuclear power plants. As the economy grew, oil was called upon to meet virtually the entire growth in energy, and is now required to meet nearly half of our country's energy requirements. Pollution abatement controls were further increasing petroleum consumption.

At the same time, environmental pressures delayed the Alaskan pipeline. If it had been started when initially proposed, it could now be supplying volumes equal to nearly one-half of our current shortage.

Moratoriums in 1969 and 1970 on offshore exploration on our continental shelves denied the U.S. of further supplies which would now be coming on stream.

It seems to us clear that the blame cannot be placed in any single place. The oil industry warned of some of the dangers, but did not foresee the magnitude or the timing of problems that would be forthcoming. We believe the most important single failure of the nation has been the absence of any consistent Federal policy to ensure the adequacy of all energy supplies.

12) <u>Does the United States have enough refineries in the U.S. to process our crude?</u>

In terms of the crude oil available right now during the embargo, the answer is yes. However, we do not have enough refining capacity for all the crude oil we produce here, plus what we normally import.

Assuming the Arab embargo is lifted, we expect demand for petroleum products in 1974 and 1975 to grow faster than announced refinery additions. We will have to supplement imported products -- as we have in the past.

However, by 1977, the U.S. can begin to reduce its reliance on imported product, <u>if</u> we have stability of government import and price policies and better public acceptance of the fact that our nation's own best interests are served when we are permitted to locate refineries close to market areas.

The shortfall in U.S. refinery capacity has resulted primarily from past U.S. government policies. Many areas outside the U.S. have welcomed refineries. Some also had natural deepwater ports or have encouraged the construction of superports to accommodate tankers far larger than can be handled at any U.S. port.

To some companies, the attractions of building refineries abroad to supply U.S. markets has been very great. As for Mobil, we have chosen instead to expand our refinery capacity here at home to meet U.S. demand. In 1973, we completed a new 160,000 barrel/day refinery in Joliet, Illinois.

The new U.S. energy policy announced last April encourages locating refineries in the U.S. by making it economically advantageous to import crude oil rather than finished products. In response to the new program, the oil industry has announced more than 3 million barrels/day of refinery expansions. Mobil has announced the intention to more than double the size of our Paulsboro, New Jersey refinery.

13) What is the longer range outlook for the U.S.?

The long lead time required for the development of energy resources will, we believe, preclude any quick achievement of energy self-sufficiency. Increased use of nuclear power and our abundant coal resources will provide one means of increasing self-sufficiency. However, it now takes us seven to eight years from planning to completion of a nuclear plant. Coal mines take three to five years to complete.

The development of an offshore oil field may take five years from initial exploration efforts -- and we, as a nation, have not as yet agreed to proceed with offshore exploration in areas with potential such as the Eastern Seaboard.

Recovery of oil from the shale-oil deposits of the West and production of synthetic oil from coal will take even longer. Research and small-scale plant operation must yet be completed before a commercial plant can be constructed. It is unlikely that these sources of energy can make a significant contribution to our needs before the mid-nineteen eighties.

In this situation, we believe obtaining energy self-sufficiency by 1980 is unrealistic. Even by 1985, self-sufficiency may well prove to be optimistic.

Clearly, the United States urgently requires an energy policy that establishes our goals within the framework of other national priorities. The petroleum and other energy industries must have a stable regulatory climate with clear groundrules established if they are to provide the investments which will be needed to provide the required energy resources.

I. Mobil Market Position: Gasoline - 8.6%   No. 2 H.O. - 1% (est.)

II. Mobil Retail Outlets (As of 12/31/73):

Company Owned/Leased	1372	(1)
Dealer Owned/Leased	872	
Distributor Supplied	8	
Total	2252	

(1) Of which 51 are Mobil Operated on a salary basis.

III. No. Of Mobil Stations Closed In 1973: 92   Annual Volume: 17,404,000

IV. No. Of Mobil Stations Opened In 1973: 19   Annual Volume: 14,750,000

Last 6 Mo. 1973: 10

V. No. Of New Station Openings Expected In 1974: 4

VI. Gasoline Sales Volume Mix: OG&L   Distributors   Commercial

N   Agriculture

VII. How Do We Market Heating Oil In The State?

1 Distributor
46 Consignees

VIII. Severity Of Gasoline Shortages On Motorist

A. AAA Fuel Gauge Reports

	Week Ending							
	1/20/74		1/27/74		2/10/74		2/17/74	
% Of Outlets	State	U.S.	State	U.S.	State	U.S.	State	U.S.
Open Mon.-Fri. After 7pm	55	44	45	43	18	31	25	28
Open Sat. After 7pm	56	43	39	38	16	28	21	26
Open Sunday	30	14	25	14	23	12	14	11
Limiting Purchases	15	19	16	22	28	28	24	29
Out Of Fuel	1	3	3	6	8	10	5	10

CALIFORNIA SHARE OF MARKET REPORT
DECEMBER, 1973

	THIS PERIOD	% OF REGION	LAST YEAR	PERCENT CHANGE	YEAR TO DATE THIS	YEAR TO DATE LAST	YTD CHANGE GALLONS	YTD CHANGE PERCENT	% OF YTD THIS	% OF YTD LAST	CHANGE
STANDARD OF CA	141,411	17.38	144,034	- 1.82	1,704,635	1,636,247	+68,388	+ 4.18	16.55	16.38	+ .1
SHELL	127,674	15.69	116,897	+ 9.22	1,553,045	1,399,845	+153,199	+10.94	15.08	14.01	+ 1.0
ATLANTIC RICHFIELD	90,530	11.13	85,557	+ 5.81	1,091,541	1,053,941	+37,599	+ 3.57	10.60	10.55	+ .0
UNION	76,020	9.34	78,298	- 2.91	1,025,161	906,545	+118,616	+13.08	9.95	9.07	+ .8
MOBIL	67,194	8.26	71,961	- 6.62	887,001	889,941	-2,940	- .33	8.61	8.91	- .3
TEXACO	65,965	8.11	71,819	- 8.15	883,340	861,692	+21,649	+ 2.51	8.57	8.62	- .0
GULF	39,417	4.84	37,582	+ 4.88	567,933	501,698	+66,236	+13.20	5.51	5.02	+ .4
PHILLIPS	36,593	4.50	46,699	-21.64	524,481	501,100	+23,382	+ 4.67	5.09	5.02	+ .07
EXXON	28,376	3.49	31,018	- 8.52	412,664	373,489	+39,174	+10.49	4.01	3.74	+ .27
MAJOR TOTAL	673,181	82.73	683,865	- 1.56	8,649,800	8,124,498	+525,302	+ 6.47	83.97	81.31	+ 2.66
DOUGLAS	32,410	3.98	29,113	+11.32	317,092	333,310	-16,218	- 4.87	3.08	3.34	- .26
GOLDEN EAGLE	17,350	2.13	17,388	- .22	215,769	200,987	+14,783	+ 7.36	2.09	2.01	+ .08
POWERINE	16,292	2.00	17,876	- 8.86	215,166	198,301	+16,864	+ 8.50	2.09	1.98	+ .11
MOHAWK	13,175	1.62	16,114	-18.24	160,714	134,519	+26,195	+19.47	1.56	1.35	+ .21
FLETCHER O & R	11,948	1.47	13,066	- 8.56	117,253	153,363	-36,109	-23.54	1.14	1.53	- .39
BEACON	11,680	1.44	15,446	-24.39	154,847	163,321	-8,474	- 5.19	1.50	1.63	- .13
TOSCOPETRO	9,340	1.15	5,290	+76.57	80,267	38,962	+41,306	+106.02	.78	.39	+ .39
MACMILLAN	7,181	.88	14,773	-51.39	108,111	190,823	-82,712	-43.35	1.05	1.91	- .86
SIGNAL O & G	4,440	.55	15,440	-71.25	97,378	151,370	-53,992	-35.67	.95	1.51	- .56
TIME	4,040	.50	8,403	-51.92	48,180	91,531	-43,351	-47.36	.47	.92	- .45
SUNLAND	3,339	.41	3,125	+ 6.85	40,599	31,195	+9,404	+30.15	.39	.31	+ .08
NEWHALL REF	2,783	.34	0		5,949	0	+5,949		.06	.00	+ .06
KERN COUNTY REF	2,638	.32	951	+177.44	15,112	13,575	+1,537	+11.32	.15	.14	+ .01
EDGINGTON	2,120	.26	5	9999 +	20,611	18	+20,593	9999 +	.20	.00	+ .20
AUTOTRONIC SYS	1,348	.17	0		2,264	0	+2,264		.02	.00	+ .02
SIMAS/ASHLAND	236	.03	554	-57.39	7,234	49,578	-42,344	-85.41	.07	.50	- .43
NORRIS SUPPLY	50	.01	111	-54.67	934	688	+ 246	+35.68	.01	.01	+ .00
R & M PET	44	.01	0		54	0	+ 54		.00	.00	+ .00
LOCKHEED AIR	40	.00	0		96	0	+ 96		.00	.00	+ .00
HERBST	37	.00	64	-42.59	825	407	+ 418	+102.68	.01	.00	+ .01
FULL CIRCLE	15	.00	0		163	0	+ 163		.00	.00	+ .00
MCNEECE	10	.00	0		10	0	+ 10		.00	.00	+ .00
WHITE JAMES	9	.00	0		18	0	+ 18		.00	.00	+ .00
CHEM OIL & TIRE	2	.00	0		2	0	+ 2		.00	.00	+ .00
FRANCISCO LAB	0	.00	0		0	0	+ 0		.00	.00	+ .00
CARIBOU	0	.00	0		8	0	+ 8		.00	.00	+ .00
BLOCK MILTON	0	.00	0		0	0	+ 0		.00	.00	+ .00
SEASIDE	0	.00	7,539	-100.00	24,759	80,917	-56,157	-69.40	.24	.81	- .57
FREDERICKSEN	0	.00	9	-100.00	36	27	+ 9	+33.72	.00	.00	+ .00
COATES WM JR	0	.00	0		0	0	+ 0		.00	.00	+ .00
GOLDEN GATE	0	.00	9	-100.00	123	414	- 291	-70.20	.00	.00	+ .00
SIERRA TAHOE	0	.00	0		4	0	+ 4		.00	.00	+ .00
COASTAL STATES	0	.00	0		0	19,471	-19,471	-100.00	.00	.19	- .19
PACIFIC SUPPLY	0	.00	14	-100.00	11	163	- 152	-93.52	.00	.00	+ .00
SOUTH TERMINALS	0	.00	0		4,274	0	+4,274		.04	.00	+ .04
NEWHALL	0	.00	1,812	-100.00	13,243	13,307	- 64	- .48	.13	.13	+ .00
WHITE	0	.00	0		36	0	+ 36		.00	.00	+ .00
MISCELLANEOUS	2	.00	91	-97.26	686	1,143	- 457	-39.97	.01	.01	+ .00
INDEP. TOTAL	140,528	17.27	167,191	-15.95	1,651,831	1,867,391	-215,560	-11.54	16.03	18.69	- 2.66
GRAND TOTAL	813,710	100%	851,056	- 4.39	10,301,631	9,991,889	+309,743	+ 3.10	100%	100%	

CA REPORT DATE - 2/22/74
GALLONAGE FIGURES ARE ROUNDED TO THE NEAREST 1000

LUNDBERG SURVEY, INC.
12041 STRATHERN ST.
NO. HOLLYWOOD, CA. 91605

Q. How is Mobil required to allocate product?

A. 1. Allocation of crude is the first step in the Mandatory Program. Crude supplies are adjusted through obligatory sales so that all refiners are operating at nearly the same percentage of refining capacity. For February through April of this year, the indicated operating level is about 76% of capacity. Because Mobil completed a new refinery at Joliet, Illinois, in 1973, Mobil crude runs for the four-month period will be about the same as in 1972.

2. The second step in the allocation process is determination of the product mix which the refineries will produce. The F.E.O. has not exercised this authroity. Mobil is now operating on a maximum gasoline made.

3. The allocation of refined product available is calculated based the priorities established by F.E.O. Agricultural customers and the military are to be supplied 100% of thier current requirements. A State set-aside of 3% (gasoline) - 4% (distillates) of supplies available is made each month. Other customers (e.g. emergency services, energy production, sanitation, telecommunication, transportation, trucking) receive an allocation based on current requirements. Other customers, including service stations, receive an allocation based on purchases for the corresponding month in 1972.

4. The allocation fraction used to determine a customers allocation is arrived at by subtracting from the total available supply (1) total military requirements, (2) total agricultural requirements, and (3) State setaside volumes. The net remaining supply total is divided by the total maximum volume authorized by the FEO (less agriculture and military requirements). The resulting percentage is the allocation fraction used to calculate a customers monthly allocation of fuel.

An example of a service station calculation for March is provided below:

Product	Base Period Volumes(1)	x	Allocation Level(2)	=	Allocation Requirements	x	Allocation Fraction(3)	=	Monthly Allocation
Gasoline	20,000		100%		20,000	.	0.87		17,400

(1) Base period = March 1972

(2) Set by FEO

(3) Available supply divided by maximum volume authorized by FEO

There are provisions for the allocation level to be adjusted if there are unusual growth or hardship cases.

CALIFORNIA

ALLOCATION FRACTION

	GASOLINE	HEATING OIL	DIESEL
February	87%	100%	95%
March	87 (1)	100	100

VOLUMES MOBIL SUPPLIED TO THE STATE (000)

	GASOLINE	HEATING OIL	DIESEL
February 1972	66,294	551	13,811
February 1973	64,334	40	7,343
March 1972 Actual	71,917	479	13,405
March 1973 Actual	74,365	43	7,525
March 1974 Allocation	67,465	500	12,453

(1) We are now reviewing our supply program in light of the recent 10% supplemental gasoline allocation given by the FEO to 28 states in late February to determine if it will be possible to continue allocations at the 87% level throughout March.

East of Rockies

In 1972, Mobil sold 5.2 billion gallons of gasoline and 3.1 billion gallons of distillate. This increased in 1973 to 5.6 billion gallons of gasoline and 3.2 billion gallons of distillate.

Mobil operates in all States east of the Rockies with minimal coverage in Mississippi and Alabama.

Mobil supplies these areas from refineries at Beaumont, Paulsboro, Buffalo, August and Joliet - East Chicago. Input to these refineries consists of a combination of crude delivered in from Canadian, South American, African and Mid-East sources plus domestic United States crude and gas liquid production.

Product is moved from these refineries in the largest economic bulk shipments possible to intermediate redistribution points where again reshipments are made in the largest quantities possible and so on to minimize freight, handling costs and inventory throughout the distribution system.

Example: Beaumont loads tankers of 10 million gallon capacity for delivery to New York. Product is pumped ashore and reloaded into barges of 1 1/4 million gallon capacity and delivered to the Brooklyn terminal where it is loaded into 3,000 gallon capacity trucks for delivery to New York City service stations.

The transportation facilities used consist of a fleet of owned and chartered tankers and barges, tank cars, trucks and common carrier pipeline.

Mobil uses 217 loading transshipment terminal sources of supply East of the Rockies to meet customer demands.

Mobil's tankage facilities and reserves East of the Rockies are as follows:

	(MBbls) Gasoline	(MBbls) Distillate
Gross Tankage	17,211	26,722
Available Tankage	15,490	24,050
1972 Sales	123,809	73,809
Annual Turnover	8 Times	3 Times
Peak Month Demand	12,381	11,071
Days Reserve - Tankage Full	37	65
- Tankage 50% Full	18	32

Distribution Facilities
February 26, 1974

West Coast

Mobil's West Coast area includes all sales made within the states of Washington, Oregon, Idaho, California, Nevada, Utah, Arizona and Alaska.

In 1972, Mobil sold 1209 million gallons of gasoline and 400 million gallons of distillate throughout the West Coast area. In 1973, the gasoline volume increased to 1253 million gallons and the distillate declined slightly to 360 million gallons.

Mobil supplies these demands from refineries at Torrance, California and Ferndale, Washington. Input to these refineries consists of a combination of foreign and domestic crude and gas liquid production.

Product is moved from these refineries primarily through common carrier pipeline systems and some chartered marine equipment. Redistribution from terminal sources is made by a combination of owned and hired truck.

Mobil uses 34 loading/transshipment terminal sources of supply in the West Coast area to meet these customer demands.

Mobil maintains the following tankage and reserve position in the West Coast area.

	(MBbls) Gasoline	(MBbls) Distillate
Gross tankage	3,561	1,552
Available tankage	3,205	1,397
1972 West Coast sales	28,786	9,524
Annual Turnover	9 times	7 times
Peak Month Demand	2,879	1,200
Days Reserve - tankage full	33 days	44 days
tankage 50% full	16 days	22 days

Distribution Facilities
February 26, 1974

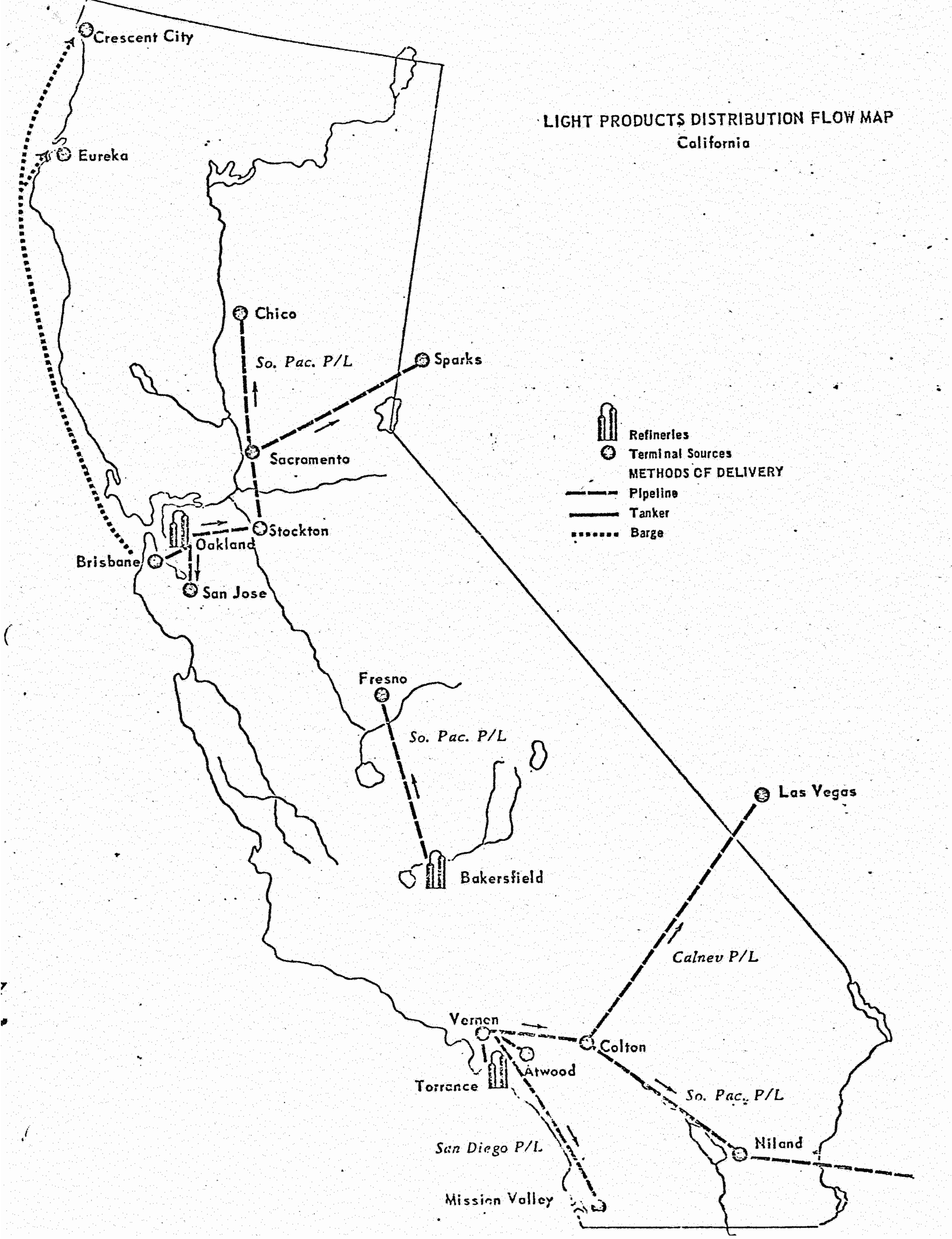
CALIFORNIA

Mobil's primary source of product to meet California demands is the Torrance Refinery in the Los Angeles Basin.

From Torrance, product is moved by Mobil, Southern Pacific and San Diego Pipeline systems to terminals in Southern California and into Arizona.

The second main source for product is in Oakland area where product is shipped via Southern Pacific Pipeline to terminals in Central California and Western Nevada. Product is also barged northward to Eureka and Crescent City where it is redistributed by truck to Northern California and Southern Oregon customers.

Bakerfield and Fresno sources supply customers in the San Joaquin Valley and into Western Nevada.


LIGHT PRODUCTS DISTRIBUTION FLOW MAP
California
Refineries
Terminal Sources
METHODS OF DELIVERY
Pipeline
Tanker
Barge
Crescent City
Eureka
Chico
So. Pac. P/L
Sparks
Sacramento
Stockton
Oakland
Brisbane
San Jose
Fresno
So. Pac. P/L
Bakersfield
Las Vegas
Calnev P/L
Vernon
Colton
Atwood
Torrance
So. Pac. P/L
San Diego P/L
Niland
Mission Valley

CALIFORNIA

	(MBbls) Gasoline	(MBbls) Distillate
Excluding Torrance Tankage		
Gross Tankage	1,021	224
Available Tankage	919	202
1972 Sales	20,743	3,919
Annual Turnover	23 times	19 times
Peak Month Demand	2,074	784
Days Reserve	13	7
Including Torrance Tankage*		
Gross	2,558	683
Net	2,302	615
1972 Sales	20,743	3,919
Annual Turnover	9 times	4 times

*Torrance Refinery also delivers product into Arizona and Nevada

EXCERPT FROM JACKSON, MISSISSIPPI, FUNDRAISER (11-15-73) Q and A

Q Looking at another side that California has led the field, in September of 1972, the Rand Corporation published a report they had prepared for the California State Assembly called "California's Electricity Quandry...Slowing the Growth Rate", a tax free series on California's Energy Problems. Contained therein was a series of recommendations, such as revising utility rate schedules, providing minimum efficiency standards for appliances by virtue of state law, shifting a greater part of the energy burden to solar, and upgrading buildings, etc. First off, what has the legislature done to implement those recommendations?

A Well, I can't actually recount at this time, out of some 1,200 bills that were passed in the last session, 756 of them in the last 48 hours....

Q That's par for the course....

A I don't know....administratively, we have been conscious of the energy crisis for quite some time. I have to tell you that some of our legislative leadership out there, up until just recently, were not taking it seriously; they were out being a little demagogic, making big statements that the whole thing was a phoney, devised by the oil companies and so forth, and that there wasn't really a crisis.

We've had briefings at governor's conferences before by experts and we were convinced (I think most governors were) that the energy crisis was for eal, and we know it's for real in California. We do have some plans going forward, and we think that many of those things that were proposed are long needed and long overdue, eg., better insulation of houses to minimize heat waste.

If there's one thing in the energy crisis that we've learned, it is that if you had a bar this wide (demonstrated) going across a chart, indicating how much of the natural resources it took to produce, or how much electricity came out of those, you would find that the bar would be this wide (demonstrated) in natural resources. It would only be half that wide for the actual energy you're getting; the other half is waste---the waste of heat resources, etc. An atomic power plant uses hundreds of millions of water a day for cooling, and then that boiling hot water is allowed to cool and go to waste. Couldn't that heat energy be applied?

The most extreme example of what could be applied is a town in Sweden near the Arctic Circle. Here is a town with an atomic power plant in a cave underneath the town, which uses that hot water piped into the homes and the business structures of the town. They don't have to have furnaces and they don't have to burn oil, coal or gas. They heat themselves with the hot water that was used for cooling the atomic energy plant.

Q Klamath Falls in Oregon uses geothermal energy in their schools and apartments up there.

A Yes, we have experimented. We're producing power from geothermal sources in California, and are exploring a whole new field down on the desert (Imperial County).

Q Do you think the prospects are good for completing that program down there and bringing that electricity on up?

A Yes. I am fascinated, also, with the development of solar energy. I think that that has been a long-neglected field.

Q Do any of the state universities have any major programs to move forward in that area?

A Yes, they're working in connection with us on that, on the research end of it. It isn't all as easy as just simply finding a hot spring, and saying this will work. For example, we find some of our geothermal fields contain too many minerals in them. There is no metal used today that would not create a problem of corrosion in pipes, pumps, etc. It would be impossible to use them.

CONTACT:
Earl C. Parker
Press Secretary
Sacramento, Calif.
(916) 445-0680

NEWS FROM THE OFFICE OF LT. GOVERNOR ED REINECKE

JANUARY 11, 1974
PR-2

NOTE TO THE MEDIA: Copies of the report can be obtained from the Energy Planning Council, Room 704, 11th and L Bldg., Sacramento 95814

FOR IMMEDIATE RELEASE

SACRAMENTO -- A report today by the State Energy Planning Council shows that California has become dependent on out-of-state sources for well over half of its total energy supply.

Lt. Gov. Ed Reinecke, chairman of the Energy Planning Council, said, in 1973, California obtained about 58 percent of its gas requirements from the southwestern states.

Last year, the state's rate of consumption of natural gas was about 1.12 million equivalent barrels of oil per day.

Forecasted delivery rates for the first quarter of 1974 are .750 million equivalent barrels of oil per day.

Reinecke said this reduction in delivery of natural gas will require greater use of fuel oil by public utilities.

California's dependence is further complicated by the fact that the state has no significant supply of commercial coal readily available as an alternative fuel for gas or oil.

Also complicating the state's energy situation are the Arab nation's oil embargo, declining production of oil and gas within the state, abnormal military demands for products from California, and anticipated natural gas deliveries from Canada which did not materialize.

Reinecke said the report, projecting California's energy balance for the first quarter of the new year, sees a petroleum product deficit of 535,000 barrels per day or 25 percent of the demand.

(more)

Wesley G. Bruer, coordinator for the Energy Planning Council, said, "Demand for petroleum products in California will exceed supplies at least until adequate availability of crude oil enables refineries to return to near-capacity production."

The most immediate and critical fuel shortage is in residual fuel oil supplies. Low sulfur crude and residual fuel oil are used for direct burning in power plants and industrial plants. A net 15 percent statewide conservation in electrical use would stretch existing inventories into mid-April.

Reinecke said, "The steps taken thus far by the council will enable business and industry to set guidelines for the coming months." This report, according to Reinecke, forecasts possible shortages in the coming months, and will assist the state in taking measures to alleviate economic lags in specific industries or state communities, thus, preventing drastic job losses.

Reinecke also said gasoline demands in January will probably be brought into balance with supply by a combination of increased conservation measures, allocation programs, and higher prices.

According to Bruer, "The total energy picture is very complex and the present situation for both supply and demand is extremely fluid. New data becomes available daily and this report should be regarded as preliminary.

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