The original documents are located in Box 10, folder "Energy - Natural Gas Deregulation Report (2)" of the Ron Nessen Papers at the Gerald R. Ford Presidential Library.

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SECTION BY SECTION ANALYSIS

Brown Substitute for H.R. 9464

The Natural Gas Emergency Act of 1975

Section 2. Purpose

- establishes temporary emergency authorities to minimize impact of natural gas shortage on employment, food production, and public health, safety, and welfare.

Section 3. Definitions

- essential user (Sec. 3(2)): as set by the FPC, a user without an alternate fuel capability who needs gas to avoid substantial unemployment, impairment of food production, or impairment of the public health, safety, and welfare.

- new natural gas (Sec. 3(4)): natural gas first sold or delivered interstate commerce on or after 1/1/75, continued in interstate commerce upon contract expiration, or produced from wells commenced on or after 1/1/75.

- distressed interstate pipelines (Sec. 3(6)): as set by the FPC, an interstate pipeline unlikely to obtain enough gas to meet the needs of the direct and indirect essential users on its system.

- curtailed interstate pipeline (Sec. 3(7)): an interstate pipeline in curtailment.

- supply emergency period (Sec. 3(8)): the period from date of enactment to seven years thereafter.

Section 4. Access By Distressed Interstate Pipelines to Natural Gas

- within 15 days after enactment FPC to designate (upon petition or its own motion) distressed interstate and curtailed interstate pipelines - FPC shall modify designations as necessary during the supply emergency period (Sec. 4(a)).

- from enactment to April 15, 1976, distressed pipelines empowered to buy new natural gas other than OCS gas, at rates free of the Natural Gas Act, and empowered to pass through the rate paid (Sec. 4(b)).

- from April 16, 1976 through April 15, 1977, distressed and curtailed pipelines empowered to purchase new natural gas (including OCS gas) at rates free of the Natural Gas Act, and empowered to pass through the rate paid (Sec. 4(c)).

- from April 16, 1977 through the end of the supply emergency period, any interstate pipeline with a curtailment plan on file with the FPC is empowered to purchase new natural gas (including OCS gas) at rates free of the Natural Gas Act, and is empowered to pass the rate through (Sec. 4(d)).

Section 5. Relationship to Natural Gas Act

- exempts sales of new natural gas, the facilities used therefore and the seller from the Natural Gas Act - sales under the act deemed not to result in interstate dedication of reserves (Sec. 5(a) and (b)).

- transactions entered into during the supply emergency period extend beyond the period free of the Natural Gas Act (Sec. 5(c)).

Section 6. Investigation of Supply Emergency

- DOI to study gas supply and demand, reserves and annual deliverability, probable reserve additions and deliverability, and report to Congress.

Section 7. Rulemaking

- FPC authorized to issue rules necessary to effect the Act.

By Mr. TAYLOR of North Carolina:

H.R. 11049. A bill to correct inequities in certain franchise practices, to provide franchisors and franchisees with even-handed protection from unfair practices, to provide consumers with the benefits which accrue from a competitive and open-market economy, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. BOB WILSON:

H.R. 11050. A bill to reduce the rate of duty on unmounted underwater lenses; to the Committee on Ways and Means.

By Mr. FRASER (for himself, Mr. BERGLAND, Mr. BONKER, Mr. HOWARD, Mr. McKINNEY, Mr. MOAKLEY, Mr. MURPHY of New York, Mr. RICHMOND, Mr. OTTINGER, Mr. SARASIN, and Mr. WEAVER):

H. Con. Res. 503. Concurrent resolution indicating the sense of Congress that every person throughout the world has the right to a nutritionally adequate diet; and that this country increase its assistance for self-help development among the world's poorest people until such assistance has reached the target of 1 percent of our total national production (GNP); jointly, to the Committees on Agriculture, and International Relations.

By Mr. RISENHOOVER:

H. Con. Res. 504. Concurrent resolution relating to the authority of the Federal Trade Commission to prescribe rules preempting State and local laws; to the Committee on Interstate and Foreign Commerce.

By Mr. HAYS of Ohio:

H. Res. 906. Resolution to authorize funds for the continuing activities of the standing and select committees of the House of Representatives; to the Committee on House Administration.

By Mrs. SULLIVAN (for herself, Mr. FLOOD, Mr. SNYDER, Mr. BURKE of Florida, Mr. HUBBARD, Mr. EMERY, Mr. BYRON, Mr. COTTER, Mr. DELANEY, Mr. PRESSLER, Mr. YOUNG of Alaska, Mr. PATMAN, Mr. GILMAN, Mr. HENDERSON, Mr. JENRETTE, Mr. GUYER, Mr. RANDALL, Mr. KASTEN, Mr. JOHNSON of California, Mr. HAGEDORN, Mr. ROE, Mr. HEFNER, Mr. ROSTENKOWSKI, and Mr. GOODLING):

H. Res. 907. Resolution in support of continued undiluted U.S. sovereignty and jurisdiction over the U.S.-owned Canal Zone on the Isthmus of Panama; to the Committee on International Relations.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ASPIN:

H.R. 11051. A bill for the relief of Nuala T. Lotz; to the Committee on the Judiciary.

By Mr. BOB WILSON:

H.R. 11052. A bill for the relief of Jaime Schliapnik-Anderson; to the Committee on the Judiciary.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

330. By the SPEAKER: Petition of the National Council of State Garden Clubs, Inc., Lewisburg, W. Va., relative to the Forest Service's environmental education workshops; to the Committee on Agriculture.

331. Also, petition of the Common Council of Gladstone, Oreg., relative to revenue sharing; to the Committee on Government Operations.

332. Also, petition of the mayor and council of New Cordell, Okla., relative to revenue sharing; to the Committee on Government Operations.

333. Also, petition of the Dearborn County Board of Commissioners, Lawrenceburg, Ind., relative to revenue sharing; to the Committee on Government Operations.

334. Also, petition of the American Dental Association, Chicago, Ill., relative to the exclusion of Israel from UNESCO; to the Committee on International Relations.

AMENDMENTS

Under clause 6 of rule XXIII, proposed amendments were submitted as follows:

H.R. 9464

By Mr. BROWN of Ohio:

Strike all after the enacting clause and insert in lieu thereof the following:

That this Act may be cited as the "Natural Gas Emergency Act of 1975".

PURPOSE

SEC. 2. The purpose of this Act is to establish temporary emergency authorities for minimizing the detrimental effects on employment, food production, and public health, safety, and welfare caused by natural gas supply shortages.

DEFINITIONS

SEC. 3. As used in this Act

(1) The term "Commission" means the Federal Power Commission.

(2) The term "essential user" means a user or class of user who satisfies criteria to be established by the Commission, by rule, as indicative of a user for which no alternative fuel is reasonably available and whose supply requirements must be met in order to avoid substantial unemployment or impairment of food production or the public health, safety, or welfare.

(3) The term "interstate commerce" has the same meaning as such term has in section 2(7) of the Natural Gas Act (15 U.S.C. 717(a)(7).

(4) The term "New natural gas" means natural gas sold or delivered in interstate commerce: (A) which is sold or delivered in interstate commerce for the first time on or after January 1, 1975; (b) which is continued in interstate commerce after the expiration of a contract by its own terms (and not through the exercise of any power to terminate or renegotiate contained therein) for the sale or delivery of such natural gas existing as of such date; or (C) which is produced from wells commenced on or after such date.

(5) The term "interstate pipeline" means a person engaged in the transportation by pipeline of natural gas in interstate commerce and subject to the jurisdiction of the Commission under the Natural Gas Act (15 U.S.C. 717 et seq.).

(6) The term "distressed interstate pipeline" means any interstate pipeline which the Commission, taking into account any existing curtailment plan of such pipeline and the natural gas supplies available to such pipeline, determines is, to a significant extent, unlikely to obtain supplies of natural gas adequate to meet the requirements of essential users under any agreement (without regard to whether such agreement is for interruptible or firm service) to supply natural gas to such user by—

(A) such pipeline; or

(B) a person to which such pipeline supplies natural gas for purposes of resale.

(7) The term "curtailed interstate pipeline" means any interstate pipeline which has a curtailment plan, or other plan for reduced deliveries on file with the Commission, and which is curtailing or reducing deliveries under said plan.

(8) The term "supply emergency period" means the period, or any part thereof, which begins on the date of enactment of this Act and ends seven years thereafter.

(9) The term "national rate" means the maximum rate of price ceiling for natural gas sales established pursuant to the provisions of title 18, Code of Federal Regulations, section 2.56(a).

ACCESS BY DISTRESSED INTERSTATE PIPELINES TO NATURAL GAS

SEC. 4. (a) The Commission shall, not later than the end of the fifteen-day period which begins on the date of enactment of this Act, and shall as necessary throughout the supply emergency period, upon petition or upon its own motion, designate distressed interstate pipelines and curtailed interstate pipelines.

(b) During that part of the supply emergency period which extends from the date of enactment through April 15, 1976, sales of new natural gas produced from lands other than the Outer Continental Shelf may be made to any distressed intrestate pipeline for resale in interstate commerce at a rate or charge in excess of the national rate and any such rate of charge shall not be subject to the provisions of the Natural Gas Act; Provided, however, that the Commission shall have no power to deny, in whole or in part, recovery by any distressed interstate pipeline of the amounts paid by it for gas purchased hereunder.

(c) Druing that part of the supply emergency period which extends from April 16, 1976, through April 15, 1977, sales of new natural gas may be made to any distressed or curtailed interstate pipeline for resale in interstate commerce at a rate or charge in excess of the national rate and any such rate or charge shall not be subject to the provisions of the Natural Gas Act; Provided, however, that the Commission shall have no power to deny, in whole or in part, recovery by any distressed or curtailed interstate pipeline of the amounts paid by it for gas purchased hereunder.

(d) During the remainder of the supply emergency period, sales of new natural gas for resale in interstate commerce may be made to any interstate pipeline which has a curtailment plan, or other plan for reduced deliveries, on file with the Commission at a rate or charge in excess of the national rate and any such rate or charge shall not be subject to the provisions of the Natural Gas Act; Provided, however, that the Commission shall have no power to deny, in whole or in part, recovery by any such pipeline of the amounts paid by it for gas purchased hereunder.

RELATIONSHIP TO NATURAL GAS ACT

SEC. 5. (a) The provisions of the Natural Gas Act shall not apply to any sale or contract of sale of new natural gas made pursuant to this Act, to the facilities used in such sale, or the seller making such sale.

(b) Natural gas reserves, from which new natural gas subject to any such sale is produced, shall not be deemed dedicated to interstate commerce by reason of such sale.

(c) Upon termination of the supply emergency period, no transactions made or entered into, and no activities or operations undertaken after April 16, 1976 shall, under the provisions of this act, be or become subject to the provisions of the Natural Gas Act, and the Commission shall take no action to impair or modify, or prevent full performance of, any and all contract rights and obligations which arose during the supply emergency period; further, during the period following termination of the supply emergency period, as to those sales entered into during the supply emergency period, the Commission shall have no power to deny in whole or in part recovery by any such pipeline of the amounts paid by it for gas purchased hereunder.

INVESTIGATION OF SUPPLY EMERGENCY

SEC. 6. (a) The President, through the Department of the Interior, shall undertake a study of natural gas supply and demand, and shall determine the total estimated natural gas reserves of the United States, and the estimated annual deliverability of natural gas from such reserves; the probable additions to such reserves and deliverability; the total estimated demand for natural gas by users; and the probable increase, or decrease, in demand by end-use purchasers.

(b) Such study shall be based on information developed, or completely verified for accuracy, after the date of enactment of this Act.

A copy of the completed study shall be transmitted, in writing, to the Congress as soon as practicable after completion.

RULEMAKING

SEC. 7. The Commission shall have authority to issue rules and orders, as the Commission determines are necessary or appropriate to the exercise of the jurisdiction granted under this Act.

Amend the title to read as follows: "A bill to assure the availability of adequate supplies of natural gas during a supply emergency period."

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FRASER BILL OF JANUARY 27, 1976

SECTION BY SECTION ANALYSIS

Natural Gas Production and Conservation Act of 1975

Section 2.

- amends the Natural Gas Act by striking section 24, which reads "This act may be cited as the 'Natural Gas Act,'" by adding the same language before section 1 of the Act, and by relabeling as "Title I General Provisions" the remaining 23 sections of the Act.

Section 3.

- adds a new Title II, "Production and Conservation Incentives," to the Act -- the new title contains ten sections, §§201-210, as follows:

- §201 is the short title: The Natural Gas Production and Conservation Act.

- §202 is the definition section, with 20 definitions. The key definition is that for "new natural gas" (§202(8)): gas dedicated to interstate or intrastate commerce on or after January 1, 1976, as determined by the FPC in its discretion -- new gas is required to be dedicated for a term of not less than ten years. Old gas is defined (§202(9)) as gas dedicated to interstate commerce prior to January 1, 1976, as determined by the FPC in its discretion.

- §203 is the "new natural gas" pricing section. Under this section -

    - the FPC has 180 days from enactment to set an initial national base price for new gas -- the initial price is retroactive to 1/1/76 and is to be reviewed and reset every five years -- the FPC must set the price on a prospective cost/capital attraction basis (§203(g)).

- the initial national base price shall be adjusted for inflation or deflation (§203(b)), for rising production costs (§203(c)), and for gathering allowances, taxes, Btu adjustment, and impurity removal (§203(f)) -- a special price above the base may be authorized by the FPC for high cost production areas and for LNG and SNG (§203(d)).

- new gas may be sold or transferred in either interstate or intrastate commerce by a producer only if the price does not exceed the adjusted base price set in §203 (§203(a)) -- producers are prohibited from selling at new gas prices, and may sell only at old gas prices, gas discovered on Federal lands two years or more prior to enactment, unless they are able to convince the FPC it was reasonable not to dedicate the gas to interstate commerce (§203(e)).

- the cost of new gas to an interstate pipeline can be passed through by the pipeline dollar for dollar unless the cost exceeds the adjusted base price -- the excess can't be passed through (§203(i)).

- after enactment, all sales of new gas in interstate commerce and all dedications of natural gas in intrastate commerce must comply with the bill's new gas provisions (§203(j)).

- small producers may sell new gas at prices not to exceed the base price by more than 50 percent (§203(k)).

- the FPC obtains jurisdiction over SNG plants and ownership, and the interstate sale and transportation of SNG, but not the feedstock (§203(d)(3)(B)).

- §204 requires all purchasers to file new gas contracts and transfer agreements with the FPC.

- §205 restricts FPC price increases for old gas to increases necessary to cover production costs and to provide a reasonable return.

- §206 requires interstate pipelines to file separate tariffs for old gas, new gas, and SNG/LNG, and requires these pipelines and the distributors they serve to give priority for sales of old gas to residential users and small users.

- §207 contains provisions dealing with increasing gas supplies.

  - FPC must act on facility construction applications within 120 days of the filing of the application (§207(a)).

  - new gas sales by producers, other than SNG/LNG sales, are exempt from FPC sales certificate jurisdiction if the sale price is within the new gas pricing provisions of the bill (§207(b)).

  - facilities for transporting or gathering gas on Federal lands are required to be common carriers -- other such facilities are required to be common carriers to the extent of surplus capacity (§207(c)).

  - FPC is directed to gather reserve information and to make a comprehensive study of the gas industry (§207(f)).

- §208 requires the FPC to prohibit all post-1/1/76 boiler fuel use of gas, including intrastate use, other than by residential users and small users, unless the FPC determines alternate fuels other than oil are not available or their use would be infeasible -- pre-1/1/76 boiler fuel use to be prohibited as soon as practicable.

- §209 requires the FPC to prohibit curtailment of essential agricultural uses of gas, as determined by the Secretary of Agriculture, except to maintain service to residences, small users, hospitals and the like -- the prohibition applies to intrastate gas in any State where action consistent with the purpose of this provision has not been taken within 180 days of enactment (§209(a)).

  - FPC empowered to order interstate pipeline interconnections (§209(b)) and, in supply emergencies, is empowered to allocate gas to interstate pipelines unable to meet residential, small user, hospital or the like needs (§209(c)).

Section 4.

- amends Section 2 of the Natural Gas Act (the definitional section) in three respects -

  - it would include in the definition of "interstate commerce" (Natural Gas Act, §2(7)) commerce between a point on Federal lands and any other point, whether within a state or not.

  - it would add a new section 2(10), a definition for "synthetic natural gas," which would be gas other than gas well gas and oil well gas.

  - it would revise the definition of "natural gas" (Natural Gas Act, §2(5)) to include gas from both gas and oil wells, and to include any mixture of "synthetic" gas (the new element) with "natural" or "artificial" gas (terms now in the Act).

Section 5.

- expands section 20 of the Act, dealing with enforcement, to give U.S. district courts jurisdiction over civil enforcement actions under the Act and any regulations and certificates issued pursuant to the Act -- this jurisdiction would include the power to grant equitable relief (including mandamus), and the power to award costs (including attorney's fees) and damages (compensatory and punitive).

Section 6.

- requires DOI's Bureau of Economic Analysis to continue to compile GNP deflator data -- this data is required by section 3/203(b) of the bill.

By Mr. RAILSBACK:

H.R. 11548. A bill for the relief of Mr. Jae Won Park; to the Committee on the Judiciary.

By Mr. ROGERS (by request):

H.R. 11549. A bill for the relief of Lt. Col. Donald E. Weurz, U.S. Army; to the Committee on the Judiciary.

H.R. 11550. A bill for the relief of Olga Lucia Calad de Correa; to the Committee on the Judiciary.

By Mr. STEIGER of Arizona:

H.R. 11551. A bill for the relief of Juan Martinez Rodriguez; to the Committee on the Judiciary.

PETITIONS, ETC.

Under clause 1 of rule XXII,

373. The SPEAKER presented a petition of the Grand Voiture du Oklahoma, La Societe des 40 hommes et 8 Chevaux, Lawton, Okla., relative to the publication of the names of intelligence agents; to the Committee on Armed Services.

AMENDMENTS

Under clause 6 of rule XXIII, proposed amendments were submitted as follows:

H.R. 9464

By Mr. FRASER:

(Amendment in the Nature of a Substitute to the Krueger amendment.)

In lieu of the matter proposed to be inserted by the amendment offered by Mr. KRUEGER, insert the following: That this Act may be cited as the "Natural Gas Production and Conservation Act of 1975".

SEC. 2. The Natural Gas Act (15 U.S.C. 717 et seq.) is amended by striking out section 24 thereof (15 U.S.C. 717w) in its entirety and by inserting immediately after the enacting clause thereof and before section 1 thereof (15 U.S.C. 717) the following: "That this Act may be cited as the 'Natural Gas Act'.

TITLE I—GENERAL PROVISIONS

SEC. 3. The Natural Gas Act (15 U.S.C. 717 et seq.) is amended by adding at the end thereof the following new title:

"TITLE II—PRODUCTION AND CONSERVATION INCENTIVES

"SHORT TITLE

"SEC. 201. This title may be cited as the 'Natural Gas Production and Conservation Act'.

"DEFINITIONS

"SEC. 202. As used in this title:

"(1) The term 'affiliate' means any person directly or indirectly controlling, controlled by, or under common control or ownership with any other person as determined by the Commission by rule. In promulgating rules under this paragraph to specify when one person is an affiliate of another person, the Commission shall consider direct or indirect legal or beneficial interest in another person or any direct or indirect legal power or influence over another person, arising through direct, indirect, or interlocking ownership of capital stock, interlocking directorates or officers, contractual relations, agency agreements or leasing arrangements.

"(2) The term 'boiler fuel use of natural gas' means the use of natural gas or synthetic natural gas as the source of fuel for the purpose of generating steam or electricity in amounts in excess of 50 Mcf on a peak day.

"(3) The term 'Federal lands' means any land or subsurface area within the United States which is owned or controlled by the Federal Government or with respect to which the Federal Government has authority, directly or indirectly, to explore for, develop, and produce natural gas, except that nothing in this Act shall amend or change in any way any grant of land or right in land created by the Alaska Native Claims Settlement Act (43 U.S.C. 437) or any Act granting statehood to a State. The term includes the Outer Continental Shelf, as defined in section 2(a) of the Outer Continental Shelf Lands Act (43 U.S.C. 1331(a)). The term excludes lands which the Federal Government acquired by mortgage foreclosure and continues to hold mineral interests.

"(4) The term 'intrastate commerce' means commerce between points within the same State, unless such commerce passes through any place outside such State; except that all sales of new natural gas produced from Federal lands within a State and consumed within the same State shall be treated as sales of natural gas in interstate commerce.

"(5) The term 'joint venture' means any undertaking by two or more persons who have a community of interest in the purposes of the undertaking, and who share the right to control or direct the conduct of the undertaking."

"(7) The term 'major integrated petroleum company' means any company that, together with all affiliates, (A) owns or controls total assets that exceed $1,000,000,000 in value, (B) which is engaged in the production of crude oil, and (C) which is engaged in (i) the refining of crude oil, (ii) transporting of crude oil or refined petroleum products by major pipeline, or (iii) marketing of refined petroleum products;

"(7) The term 'Mcf' means one thousand cubic feet of natural gas at 60 degrees Fahrenheit and 14.73 pounds per square inch pressure;

"(8) The term 'new natural gas' means natural gas that is dedicated to interstate or intrastate commerce which the Commission in its discretion determines was not dedicated to interstate or intrastate commerce prior to January , 1976: *Provided*, That all such natural gas must be dedicated for a term of not less than 20 years, or until earlier depleted, to be eligible for sale at a price that does not exceed the applicable price pursuant to section 203; if such dedication is for a term of more than 10 years but less than 20 years, then a producer or small producer may sell such natural gas at a price not to exceed 75 percent of the price that would otherwise be applicable pursuant to section 203. No dedications of new natural gas after January 1, 1976, may be for a term of less than 10 years (unless earlier depleted).

"(9) The term 'old natural gas' means natural gas that, prior to January 1, 1976, was dedicated to interstate commerce on the date of the first delivery of such natural gas as determined by the Commission in its discretion.

"(10) The term 'pipeline' means a person engaged in the transportation by pipeline of natural gas in interstate commerce except that the term does not include persons who are exempt from the Commission's jurisdiction pursuant to sections 1(b) or 1(c) of this Act.

"(11) The term 'producer' means a person who (A) produces and sells more than 10 million Mcf of natural gas per year or (B) produces and sells natural gas and does not otherwise qualify as a small producer.

"(12) The term 'purchaser' means a person who purchases or acquires natural gas from a producer or small producer.

"(13) The term 'residential user' means a person who uses natural gas for personal, family, or household purposes.

"(14) The term 'small user' means a person or governmental entity that used not more than 50 Mcf of natural gas on its peak day of natural gas usage in the preceding calendar year.

"(15) The term 'small producer' means a person as determined by the Commission (A) who is not an affiliate of a person who produces and sells more than 10 million Mcf of natural gas; (B) who is not an affiliate of a person engaged in, or who is not himself engaged in, the transportation by pipeline of natural gas in interstate or intrastate commerce; and (C) who, together with all of his affiliates, if any, has not produced and sold more than 10 million Mcf of natural gas in any calendar year (subsequent to 1973) preceding the year in which he seeks to qualify for small producer pricing under section 203 (k): *Provided*, That the provisions of section 203(k) shall be applicable only to the first 10 million Mcf of natural gas production in any year following such qualification.

"(16) The term 'user' means a person or governmental entity using any natural gas after it is delivered in interstate or intrastate commerce. The term includes a producer or small producer who consumes natural gas (except for transporting or processing natural gas) in facilities owned or controlled or under common control by such producer or small producer.

"NEW NATURAL GAS

"SEC. 203. (a) GENERAL.—Notwithstanding the provisions of sections 4 and 5 of this Act ~~and except~~ as provided in subsection (l), new natural gas may be sold or transferred in interstate commerce or may be sold or transferred in intrastate commerce on or after the date of enactment of this title, by a producer only if its price does not exceed the sum of—

"(1) a base price at the wellhead as determined in accordance with subsection (g);

"(2) any applicable adjustment in accordance with subsection (b) or (c); and

"(3) an additional or lesser amount, if any, authorized or required to be charged under subsection (d) or (f).

"(b) BASE PRICE ADJUSTMENT.—Commencing January 1, 1977, and at annual intervals thereafter, the national base price enumerated in subsection (g) shall be adjusted by the Commission for any inflation or deflation by multiplying it by a number whose numerator is the annual implicit price deflator for gross national product as of the date of computation and whose denominator is the implicit price deflator for gross national product for the base year 1975 as compiled by the Bureau of Economic Analysis as initially published by the Department of Commerce. The adjusted base price shall only be applicable to new natural gas first delivered during the year for which such adjusted base price is applicable.

"(c) ADDITIONAL PRICE INCREASE.—A producer may, at the time of dedication of new natural gas, provide by contract for an automatic annual increase in the price of such natural gas which is delivered in a particular year. The amount of such increase may not exceed 2 percent per year of the adjusted base price of such natural gas at the time of such dedication, except the Commission may authorize an increase in the price that may be charged by a particular producer or small producer for flowing new natural gas by an additional amount if, at any time during the contract period, such an additional increase is shown to be necessary to cover the cost of production of such new natural gas and to provide a reasonable rate of return on investment to such producer or small producer.

"(d) SPECIAL PRICE.—(1) The Commission may authorize a person to charge for new natural gas an amount in excess of the price authorized in subsection (a) in any high-cost production area or at any vertical drilling depth as designated by the Commission. The Commission shall consider the establishment of such special prices simultaneously with the establishment of a national base price pursuant to subsection (g) of this section. The cost data for any such high-cost production or vertical drilling shall not be considered in establishing or reflecting the national base price. The Commission may designate one or more high-cost production areas or depths, and, pursuant to subsection (g), it may establish one or more high-cost rates if the Commission finds that—

"(A) the current and prospective costs of production over the next 5-year period in any such high-cost production area or depths as designated by the Commission are substantially above the current and prospective real costs of production upon which the national base price authorized under subsection (g) is based; and

"(B) the production of new natural gas in such designated high-cost production areas or depths promotes the public convenience and necessity.

"(2) The Commission shall authorize a person to charge a special price for new liquefied, regasified, or synthetic natural gas. Such special price may exceed the price authorized under subsection (a) if such person establishes to the satisfaction of the Commission that (A) such liquefied or synthetic natural gas production or regasification promotes the public convenience and necessity; and (B) such special price is just and reasonable.

"(3)(A) Any person receiving Commission authorization to produce, or to acquire from an affiliate, such synthetic natural gas, may include in its cost of service reasonable interest expenses on borrowed funds and a reasonable return on equity expended in connection therewith during the construction period of any plant constructed and operated for the purpose of manufacturing synthetic natural gas for sale.

"(B) Any such plant, any sales or transportation of such synthetic natural gas, and any person owning and/or operating such plant shall be subject to—

"(i) the jurisdiction and authority of the Commission under title I of this Act to the same extent as if it were a natural-gas company; and

"(ii) the provisions of this title,

except that such jurisdiction shall not include the feedstock of such plant.

"(e) Exception.—(1) The Commission shall prohibit a producer of new natural gas from selling such natural gas at a price authorized in this section if—

"(A) such producer had discovered such natural gas on Federal lands 2 years or more prior to the date of enactment of this title; and

"(B) such producer does not establish to the satisfaction of the Commission that it was reasonable for him to have failed to dedicate such natural gas to interstate commerce prior to the date of enactment of this title.

"(2) A producer of new natural gas who is prohibited by paragraph (1) from selling such natural gas at a price authorized under this section shall only be permitted to sell such natural gas in interstate commerce as if it were old natural gas, and as if it had been dedicated to interstate commerce as of the date of enactment of this title. Such a producer shall also be subject to the production requirements of section 207(d).

"(f) Additional Adjustments.—A producer or small producer shall increase or reduce the price at which he sells natural gas to a purchaser by the following factors:

"(1) a gathering allowance as specified by the Commission for any gathering actually performed by the producer or small producer;

"(2) the actual costs of removing carbon dioxide, water, sulfur, or other impurities incurred by the producer or small producer to deliver pipeline quality natural gas;

(3) any amount actually paid by a producer or small producer for State or Federal production, severance, or similar taxes;

(4) a proportional adjustment for British thermal unit (Btu) content from a base of one thousand Btu's per cubic foot of natural gas at 60 degrees Fahrenheit and 14.73 pounds per square inch pressure; and

(5) an amount equal to the uncompensated value of any advance payments or any other form of compensation paid to the producer or small producer.

(g) Commission Base Price Determination.—(1) Within 120 days after the date of enactment of this title, the Commission shall establish an initial national base price (to be retroactive to January 1, 1976) for new natural gas. The Commission shall review and reestablish the national base price and any high-cost production base price at 5-year intervals after the date of such initial establishment pursuant to paragraphs (2) and (3). Any subsequent price so established shall apply only to new natural gas first delivered during that 5-year period.

"(2) In establishing the initial national base price of new natural gas and initial high-cost production base prices, if any, and in establishing subsequent national and subsequent high-cost production base prices, the Commission shall consider with respect to new natural gas in the relevant area current and prospective real costs of production over the next 5-year period, plus a reasonable rate of return on investment which is conducive to attracting the capital necessary to discover and produce such natural gas.

"(3) In establishing any base price for new natural gas, the Commission shall proceed in accordance with the provisions of section 553 of title 5, United States Code. In addition the Commission shall afford interested persons an opportunity to present testimony in oral hearings, and it shall permit limited cross-examination by representative parties on any issue of fact which the Commission, in its discretion, determines is material if such cross-examination is necessary and appropriate in light of the time constraint under paragraph (1).

"(h) Contract Sanctity.—The Commission shall not order a decrease in the price of new natural gas with respect to any sale thereof which is made pursuant to the applicable base price, or special prices, if any, for new natural gas and which were in effect at the time such new natural gas is first delivered to the purchaser.

"(i) Cost Passthrough.—The Commission shall permit the passthrough, on a dollar-for-dollar basis, of the cost of all new natural gas incurred by any pipeline unless such costs exceed the applicable base price together with any adjustments or special prices, if any, for new natural gas in which case the Commission shall not permit such passthrough the amount that exceeds the amount permitted under this title.

"(j) Treatment of Other Gas.—(1) After the date of enactment of this title, all sales of natural gas in interstate commerce that are not sales of old natural gas shall comply with the provisions of this title concerning new natural gas.

"(2) After the date of enactment of this title, all dedications of natural gas in intrastate commerce shall comply with the provisions of this Act concerning new natural gas.

"(3) Notwithstanding the provisions of paragraphs (1) and (2) and section 202(10), of this title, any Federal agency, State, political subdivision of a State, Indian tribes, bands, or Alaska Natives may, with respect to new natural gas that they are entitled to taken as a royalty (not to exceed a combined and cumulative total of one-eighth interest within any State), withdraw such gas from interstate commerce after deliveries are commenced and may use or resell such gas in intrastate commerce as new natural gas. Nothing in this paragraph shall restrict the amount of royalties that may be taken by any landowner.

"(k) Small Producer Pricing.—Notwithstanding the provisions of sections 4 and 5 of this Act, a small producer may sell new natural gas in interstate or intrastate commerce at a price that exceeds the price authorized to be charged by a producer pursuant to subsection (a) so long as such price does not exceed the applicable authorized price by more than 50 percent except that a small producer may not sell new natural gas in interstate or intrastate commerce at a price that exceeds the price authorized to be charged by a producer pursuant to subsection (a) if such new natural gas was discovered by a producer, as determined by the Commission.

"FILING REQUIREMENT

"Sec. 204. All purchasers shall file with the Commission all new natural gas sales contracts, transfer agreements, or any other transfer arrangements.

"OLD NATURAL GAS

"Sec. 205. The Commission, notwithstanding any other provision of law, shall not authorize an increase in the price charged by a producer or small producer of old natural gas unless such an increase is necessary—

"(1) to cover the cost of production (including deeper drilling or reworking operations) of such old natural gas and to provide a reasonable rate of return on investment to such producer or small producer; or

"(2) to afford (A) such a producer a price which is equal to a cost-based price which the Commission has authorized a similarly situated producer of old natural gas; or (B) such a small producer a price that is equal to a cost-based price which the Commission has authorized a similarly situated small producer to charge for old natural gas.

"RESIDENTIAL AND OTHER SMALL USERS

"Sec. 206. (a) General.—The Commission shall—

"(1) require all pipelines to file separate tariffs with respect to (A) old natural gas, (B) new natural gas, and (C) synthetic or liquefied natural gas in such form and manner as to reflect the price and average annual volumes of each which enter each such pipeline;

"(2) require all pipelines to give first priority for sales or transfers under the applicable tariff for old natural gas to local distribution companies, to the extent such old natural gas is available, to meet the requirements of each such company's residential users and small users; and

"(3) promulgate rules to govern sales, exchanges, or transfers among pipelines and sales, exchanges, or transfers to local distribution companies served by multiple pipelines, to the extent necessary to achieve the purpose of this section.

"(b) Enforcement.—It shall be unlawful for local distribution companies to charge residential users and small users rates which do not reflect the lesser cost of old natural gas for such users.

"INCREASING NATURAL GAS SUPPLIES

"Sec. 207. (a)(1) Prompt Certification.—All applications, except where two or more natural gas companies file competing and mutually exclusive applications under section 7(c) of this Act, for the construction of pipeline facilities subject to the jurisdiction of the Commission shall be decided by the Commission in accordance with paragraph (2).

(2) The Commission shall grant (with or without conditions) or deny such applications within 120 days of the filing of an application, or within 120 days after the date of enactment of this title in the case of applications pending before the Commission on such date. The 120-day period shall commence on the date on which such applications contain all of the information required by the Commission. If the Commission fails

to grant or deny any such application within the applicable 120-day period, the Commission shall be deemed to have approved such application as last submitted.

"(b) EXEMPTION.—Notwithstanding any other provision of law, sales of new natural gas (except synthetic or liquefied natural gas) by producers or by small producers may be made without any application for a certificate of public convenience and necessity under section 7(c) of this Act and such sale shall be made at a price pursuant to the applicable provisions of section 203.

"(c) COMMON CARRIER.—After date of enactment of this title the Commission shall, as a prerequisite to granting any certificate of public convenience and necessity for facilities for transporting or gathering natural gas on Federal lands, require such transportation and gathering facilities to be common carriers for use by any pipeline to transport natural gas upon payment of a reasonable transportation fee. The Commission shall require other natural gas gathering and transportation systems to operate on such a common-carrier basis for use by any pipeline to the extent that surplus capacity is available.

"(d) RESOURCE EVALUATION.—In estimating the value of natural gas on Federal lands for the purpose of determining the sufficiency of any bid, the Secretary of the Interior shall utilize the appropriate applicable price ceiling established by the Commission as adjusted pursuant to section 203.

"(e) DEDICATION REQUIREMENTS.—After the date of enactment of this title, all production of new natural gas from Federal lands shall be sold or transferred to a pipeline.

"(f) RESERVE INFORMATION.—(1) The Commission is further authorized and directed to conduct studies of the production, gathering, storage, transportation, distribution, and sale of natural, artificial, or synthetic gas, however produced, throughout the United States and its possessions whether or not otherwise subject to the jurisdiction of the Commission, including the production, gathering, storage, transportation, distribution, and sale of natural, artificial or synthetic gas by any agency, authority, or instrumentality of the United States, or of any State or municipality or political subdivision of a State. It shall, insofar as practicable, secure and keep current information regarding the ownership, operation, management, and control of all facilities for production, gathering, storage, transportation, distribution, and sale; the total estimated natural gas reserves of fields or reservoirs and the current utilization of natural gas and the relationship between the two; the cost of production, gathering, storage, transportation, distribution, and sale; the rates, charges, and contracts in respect to the sale of natural gas and its service to residential, rural, commercial and industrial consumers, and other purchasers by private and public agencies; and the relation of any and all such facts to the development of conservation, industry, commerce, and the national defense. The Commission shall report to the Congress and may publish and make available the results of studies made under the authority of this subsection.

"(2) In making studies, investigations, and reports under this section, the Commission shall utilize, insofar as practicable, the services, studies, reports, information, and programs of existing departments, bureaus, offices, agencies, and other entities of the United States, of the several States, and of the natural-gas industry. Nothing in this section shall be construed as modifying, reassigning, or otherwise affecting the investigative and reporting activities, duties, powers, and functions of any other department, bureau, office, or agency in the Federal Government.

"NATURAL GAS CONSERVATION

"SEC. 208. (a) GENERAL.—The Commission shall by rule prohibit all boiler fuel use of natural gas in interstate and intrastate commerce if such use is not initially contracted for prior to January 1, 1976, by users other than residential or small users unless, upon petition by a user, the Commission determines that—

"(1) alternative energy supplies, other than crude oil or products refined therefrom or propane, produced in any State are not available to such user; or

"(2) it is not feasible to utilize such alternative fuels at the time of such Commission determination.

"(b) EXISTING CONTRACTS.—The Commission shall promulgate, by rule, a national plan to prohibit as soon as practicable boiler fuel use of natural gas initially contracted for prior to January 1, by users other than residential or small users. In determining practicability, the Commission shall consider all relevant factors, including the availability of alternative energy supplies produced in any State, other than crude oil or products refined therefrom or propane, the ability to satisfy applicable pollution prevention standards when using such alternative fuels, and the need to avoid imposing unreasonable economic hardships. The Commission shall coordinate its activities with other Federal agencies to assure that boiler fuel use of natural gas by users other than residential or small users is ended to the maximum practicable extent 10 years after the date of enactment of this title. The Commission shall also encourage conservation and more efficient use of natural gas by all other users.

"(c) PROCEDURE.—In implementing the provisions of this section with respect to intrastate commerce, the Commission shall apply the provisions of section 17 of this Act.

"(d) EFFECT ON OTHER LAWS.—Nothing in this title shall impair any requirement in any State or Federal law pertaining to safety or environmental protection. The Commission, in determining feasibility or practicability, where required by this section, shall not assume that there will be any lessening in any safety or environmental requirement established pursuant to State or Federal law.

"NATURAL GAS CURTAILMENT

"SEC. 209. (a) ESSENTIAL AGRICULTURAL PURPOSES.—(1) Except to the extent that natural gas supplies are required to maintain natural gas service to residential users, small users, hospitals, and similar services and products vital to public health and safety, and notwithstanding any other provision of law or of any natural gas allocation or curtailment plan in effect under existing law, the Commission shall, by rule, prohibit any interruption or curtailment of natural gas and take such other steps as are necessary to assure as soon as practicable the availability in interstate commerce of sufficient quantities of natural gas for use for any essential agricultural, food processing, or packaging purpose for which natural gas is essential, including but not limited to irrigation pumping, crop drying, use as a raw material feedstock or process fuel in the production of fertilizer and essential agricultural chemicals in existing plants (for present or expanded capacity) and in new plants. The Secretary of Agriculture shall determine by rule the essential agricultural, food processing, or packaging purposes (other than boiler fuel use of natural gas) for which natural gas is essential. The Secretary of Agriculture shall also certify to the Commission the amount of natural gas which is necessary for such essential uses to meet requirements for full domestic food production.

"(2) Notwithstanding any other provision of law, any regulation promulgated by the Commission to implement paragraph (1) shall also apply with respect to the availability of natural gas sold in intrastate commerce in any State which the Commission determines has not, within 180 days after the date of enactment of this title, taken action substantially consistent with the purposes of this subsection.

"(b) FACILITY INTERCONNECTIONS.—Notwithstanding the provisions of section 7 of this Act, the Commission may, by order in accordance with this subsection, direct any pipeline to establish a physical interconnection between any specified facility of such pipeline and any specified facility of any other such pipeline. The Commission shall apportion equitably the costs of any such interconnection to the pipeline or piplines initially benefiting therefrom. The Commission may issue such an order upon petition of any natural-gas company, producer, small producer, or user, or appropriate State agency, or on its own motion, after (1) publishing a notice thereof in the Federal Register; (2) allowing interested persons an opportunity to submit written data, views, and arguments and providing an opportunity for a hearing; and (3) finding (and publishing such finding together with the reasons therefor) that the establishment of such interconnection is in the public interest for the purpose of facilitating the transportation or sale of natural gas in the event that a natural-gas supply emergency develops within the service area of any pipeline affected by such order.

"(c) NATURAL-GAS SUPPLY EMERGENCY.—The Commission may declare that a natural-gas supply emergency, as ascertained by the Commission, exists along the transmission routes or within the service area of a pipeline which is unable or may be unable to supply its residential users, small users, hospitals, and other services and products vital to public health and safety, and other users using natural gas as a raw material in uses other than boiler fuel for which there is no substitute, with the amounts of natural gas determined by the Commission to be necessary after all possible conservation measures are taken to preserve public health or safety or to avoid extreme economic hardship. Any such declaration shall state the nature and extent of such supply emergency, its likely duration, and the remedial steps proposed or ordered by the Commission to deal with such emergency. Whenever such an emergency is declared, the Commission may, by order, direct any pipeline or pipelines which is not itself experiencing such an emergency to make specified deliveries of natural gas, directly or indirectly, to the pipeline which is experiencing such emergency. The amount of natural gas specified to be delivered pursuant to such order may not exceed the amount which such pipeline can deliver without creating a comparable emergency or significant unemployment along its own transmission routes or within its own service area. A pipeline delivering natural gas pursuant to such an order shall be compensated for such gas at a rate equal to the highest rate at which natural gas is sold for resale by such pipeline.".

SEC. 4. Section 2 of the Natural Gas Act (15 U.S.C. 717a) is amended (1) by inserting in paragraph (7) thereof after "thereof," and before "but only insofar" the following: "or between a point upon Federal lands within a State and any other point,"; (2) by inserting in paragraph (5) thereof (A) after "gas" and before "unmixed" the following: "produced from a gas well or an oil well" and (B) by inserting after "natural" and before "and" the following: "synthetic"; and (3) by inserting the following new paragraph:

"(10) 'synthetic natural gas' means gas entering a pipeline or intrastate pipeline or local distribution company produced from any source other than a gas well or an oil well. As used in this paragraph 'intrastate pipeline' means a person engaged in the transportation by pipeline of natural gas in intrastate commerce.".

SEC. 5. Section 20 of the Natural Gas Act (15 U.S.C. 717s) is amended by adding at the end thereof the following new subsection:

"(d)(1) Any district court of the United States in which venue is appropriate under section 1391 of title 28, United States Code, shall have jurisdiction, without regard to the citizenship of the parties or the amount in controversy, with respect to any civil action involving any alleged violation of—

(A) this Act, the Federal Power Act, or any other Federal law under which Congress directs the Commission to exercise any independent regulatory function;

(B) any duly authorized rule, regulation, or license issued under any such law; or

(C) any condition of any certificate of public convenience and necessity issued by the Commission under any such law.

(2) The Court shall have the power to grant such equitable relief as is necessary to prevent, restrain, or remedy the effect of such violation, including declaratory judgment, mandatory or prohibitive injunction relief, and interim equitable relief, and the court shall further have the power to award (A) compensatory damages to any injured person or class of persons, (B) costs of litigation including reasonable attorney and expert witness fees, and (C) whenever and to the extent deemed necessary or appropriate to deter future violations, punitive damages. Any court of appeals of the United States in which venue is appropriate under section 1391 of title 28, United States Code, shall have jurisdiction, upon petition by the Commission, to grant appropriate mandatory or prohibitive injunctive relief, and, at any time interim equitable relief.".

SEC. 6. The Bureau of Economic Analysis shall continue to compile, and the Department of Commerce shall continue to publish, the implicit price deflator for gross national product, in accordance with procedures consistent with those in effect on January 1, 1976, in order to carry out the purposes of this Act.

FACTUAL DESCRIPTIONS OF BILL AND RESOLUTIONS INTRODUCED

Prepared by the Congressional Research Service pursuant to clause 5(d) of House rule X. Previous listing appeared in the CONGRESSIONAL RECORD of December 3, 1975, page H12026:

H.R. 10600. November 6, 1975. Education and Labor. Directs the Secretary of the Interior and the Secretary of Agriculture to extend the Youth Conservation Corps program to provide year-round employment for young adults between the ages of 19 and 24.

H.R. 10601. November 6, 1975. Education and Labor. Directs the Secretary of the Interior and the Secretary of Agriculture to expand the Youth Conservation Corps program to provide year-round employment for young adults between the ages of 19 and 24.

H.R. 10602. November 6, 1975. Education and Labor. Directs the Secretary of the Interior and the Secretary of Agriculture to expand the Youth Conservation Corps program to provide year-round employment for young adults between the ages of 19 and 24.

H.R. 10603. November 6, 1975. Agriculture. Authorizes the Secretary of Agriculture to incur expenses for emergency medical services for persons seriously ill or injured within the National Forest System in addition to existing authority for the transportation of such persons.

H.R. 10604. November 6, 1975. Ways and Means. Amends the Social Security Act to define the amount of income spent by a parent for the support of a child which may be excluded from such parent's income in determining his or her eligibility for supplemental security income benefits.

H.R. 10605. November 6, 1975. Education and Labor. Requires recipients of Federal aid to higher education to provide for the registration of qualified senior citizens, as defined in this act, without charge or tuition, for scheduled classes and programs on a space-available basis.

H.R. 10606. November 6, 1975. Interstate and Foreign Commerce. Amends the Securities Act of 1933 and the Securities Exchange Act of 1934 to require the Securities and Exchange Commission to regulate the issuance and trading of municipal bonds and similar securities.

H.R. 10607. November 6, 1975. Ways and Means. Amends the Internal Revenue Code to prohibit a deduction by any electric or gas public utility for any amount paid or incurred by such utility to advertise or promote the sale or use of electrical energy or gas.

H.R. 10608. November 6, 1975. Ways and Means. Amends the Internal Revenue Code to prohibit a deduction by any electric or gas public utility for any amount paid or incurred in such utility to advertise or promote the sale or use of electrical energy or gas.

H.R. 10609. November 6, 1975. Ways and Means. Amends the Internal Revenue Code to prohibit a deduction by any electric or gas public utility for any amount paid or incurred by such utility to advertise or promote the sale or use of electrical energy or gas.

H.R. 10610. November 6, 1975. Interstate and Foreign Commerce. Directs the Interstate Commerce Commission and the Federal Maritime Commission to establish nondiscriminatory rates for the transportation of recycled materials in commerce. Grants the Administrator of the Environmental Protection Agency standing to intervene in such administrative proceedings.

Requires the establishment of a national transportation rate policy for recycled materials. Establishes a transportation research program coordinated by the Secretary of Transportation to develop improved methods of transporting recycled materials.

H.R. 10611. November 6, 1975. Ways and Means. Amends the Internal Revenue Code to provide a limited income tax deduction for the performance of volunteer public service in fields having particular importance to the welfare of the community.

H.R. 10612. November 6, 1975. Ways and Means. Amends the Internal Revenue Code to provide for revisions of the tax laws. Extends the current year individual income tax reductions. Continues the present rates for the corporate normal tax and the corporate surtax exemption.

H.R. 10613. November 6, 1975. Interior and Insular Affairs. Directs the Secretary of the Interior to sell all rights to phosphate deposits in certain lands in Florida.

H.R. 10614. November 6, 1975. District of Columbia. Extends the authority of the Secretary of Health, Education, and Welfare to make grants to the Commissioner of the District of Columbia, under the District of Columbia Medical and Dental Manpower Act of 1970, for one additional year.

H.R. 10615. November 6, 1975. Agriculture. Prohibits the importation of any dairy product into the United States unless it has been inspected and found to be wholesome and unless the foreign farms and plants in which such products were produced comply with all inspection, grading and other standards prescribed by the Secretary of Agriculture.

H.R. 10616. November 6, 1975. Interstate and Foreign Commerce. Amends the Natural Gas Act to prohibit the Federal Power Commission from regulating certain transactions involving new natural gas. Directs the Commission to establish a ceiling price on new natural gas produced from offshore Federal lands to remain in effect through December 31, 1980.

Amends the Energy Supply and Environmental Coordination Act of 1974 to authorize the Administrator of the Environmental Protection Agency to prohibit the use of natural gas as boiler fuel by major fuel burning installations if adequate alternatives are available.

Grants standby authority to the President to allocate propane during natural gas shortages.

H.R. 10617. November 6, 1975. Rules; Interstate and Foreign Commerce. Establishes an Office of Consumer Protection within the legislative branch to represent the interests of consumers before Federal agencies and the courts, to encourage and support research on consumer products, to receive and act upon consumer complaints, and to gather and disseminate information on matters of consumer interest.

Requires Federal agencies considering actions which may substantially affect the interests of consumers to notify the Office, and to consider the interests of consumers.

Permits Congressional committees to order the Director of such office to intervene, representing consumer interests, in proceedings of Federal agencies which may substantially affect consumers.

H.R. 10618. November 6, 1975. Interior and Insular Affairs. Directs the Secretary of Agriculture to study certain lands in the Angeles and San Bernardino National Forests in California as to their suitability for designation as wilderness.

H.R. 10619. November 6, 1975. Interstate and Foreign Commerce. Amends the Regional Rail Reorganization Act of 1973 to authorize and direct the Secretary of Transportation to pay overdue State and local taxes on behalf of railroads in reorganization.

H.R. 10620. November 6, 1975. Interstate and Foreign Commerce. Increases the penalty, under the Communications Act of 1934, for certain violations of rules and regulations promulgated under the Act.

H.R. 10621. November 6, 1975. Banking, Currency and Housing. Amends the National Housing Act with respect to recertification of the income of individuals receiving certain mortgage benefits.

H.R. 10622. November 6, 1975. Post Office and Civil Service. Provides for the restoration to the surviving spouse of a Federal service annuitant, of Federal health benefits coverage, at the same time that the survivor's annuity is restored upon the dissolution of the remarriage of the surviving spouse.

H.R. 10623. November 6, 1975. Judiciary. Specifies the tax treatment of a certain individual under the Internal Revenue Code.

H.R. 10624. November 7, 1975. Judiciary. Amends the Bankruptcy Act to set forth procedures for the adjustment of debts of political subdivisions, public agencies and instrumentalities.

H.R. 10625. November 7, 1975. Public Works and Transportation. Stipulates that in any case where the Secretary of Transportation has approved any project for construction of a highway on the Interstate System such approval shall constitute a contractual obligation of the United States to be paid from the Highway Trust Fund.

Sets forth criteria for such approval.

H.R. 10626. November 7, 1975. Interior and Insular Affairs. Defines the Menominee Indian Tribe of Wisconsin, under the Menominee Restoration Act, as the Indians for which hospital and medical care was being provided, by or at the expense of the Public Health Service, on the date of August 16, 1957.

H.R. 10627. November 7, 1975. Interior and Insular Affairs. Authorizes the Secretary of the Interior to acquire certain privately held property within the boundaries of national battlefields in order to prevent the establishment of commercial enterprises within the boundaries of such battlefields.

H.R. 10628. November 7, 1975. Small Business; Banking, Currency and Housing. Amends the Small Business Act by authorizing the Small Business Administration to make loans to individuals and home-builders for the purchase and installation of spy magazine comes immediately to mind, for fingering him. So do Victor Marchetti and John Marks and Fletcher Prouty, for their campaign to identify CIA personnel. And Philip Agee, for his call to "neutralize" CIA operatives.

But they are not the only guilty ones. There are others, many others. There are the journalists who have feasted on and profited by the exposure of the CIA, who have laid open intelligence methodology, who have drummed up criticism of the agency to the point of hysteria.

There are the congressional select committees, that have carried out a public investigation of the CIA for a year but have yet to get down to the gut issues of agency reform and reorganization. They have yet to say a single word about the absurdly transparent cover that most agency operatives carry overseas.

There is the Administration, which has failed to provide proper cover for CIA personnel—the Department of State, which insists on identifying its own officers as an elite within embassies. It categorizes CIA officers separately in its departmental directories, and thus simplifies the task of fingering them.

The terrorists had many accomplices. None of us is guiltless—neither those who held their silence nor those who spoke out but were not persuasive enough.

We sent Dick Welch out to do a job for us—to obtain intelligence on adversaries real and potential—and then withheld the support he needed to do his job, or even to survive.

Maybe, just maybe, his death will have some meaning. Maybe it will at last turn the debate on the future of American intelligence into a constructive dialog.

Maybe it will lead to a much-needed reorganization of the CIA. To improvement of cover. To protection of information dealing with intelligence methodology.

Dick Welch was a holder of the CIA's highest accolade, the intelligence medal. He was a first-rate public servant. Americans can take pride in the way he lived his life and learn some lessons from the way he met his death.

HONORING OUR AMERICAN INDIAN HERITAGE

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Kansas (Mr. SHRIVER) is recognized for 5 minutes.

Mr. SHRIVER. Mr. Speaker, today I introduced a bill to provide for the striking of a commemorative medal honoring the American Indian heritage. It seems most appropriate to me during this Bicentennial Year to recognize the important historical, cultural and social contributions which have been made to our Nation by these native Americans.

The commemorative medals, which would be struck by the mint, would be delivered to the Mid-America All-Indian Center, Inc., of Wichita, Kans., in time for its grand opening week, May 23–28, 1976. The design for this national medal will be done by Blackbear Bosin, a well-known Kiowa/Comanche artist-in-residence at the Center.

Mr. Speaker, the Mid-America All-Indian Center, Inc., directed by Jay Hunter in Wichita, has been designated as a national Bicentennial activity by the American Revolution Bicentennial Administration.

It also has great significance to the people of Kansas and to the native Americans it serves.

Located at the confluence of the Big and Little Arkansas Rivers in a prime location in downtown Wichita, the impressive and new structure housing the Center was financed with a $2 bond issue by the city of Wichita.

One of the primary goals of the Center is to stimulate the educational and economic advancement of American Indian people. It has implemented programs in the areas of manpower training, health related services, social services, and special programs for Indian arts and crafts.

These programs, which will be expanded as time goes by, are intended to meet the needs of the Indian people, locally and nationally, and provide a two-way bridge for education and understanding between Indian and non-Indian cultures for the present and future.

Many people have been involved in working hard to achieve the creation and operation of this Center, and I am pleased to sponsor this bill which not only will recognize the contributions of American Indians to our national heritage, but will help further the work of the Mid-America All-Indian Center in Wichita.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Michigan (Mr. CONYERS) is recognized for 60 minutes.

[Mr. CONYERS addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. GONZALEZ) is recognized for 5 minutes.

[Mr. GONZALEZ addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

CONTINUED REGULATION OF NATURAL GAS PRICES IS NEEDED

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Minnesota (Mr. FRASER) is recognized for 5 minutes.

Mr. FRASER. Mr. Speaker, the House will soon consider natural gas legislation. Efforts are being made to substitute permanent deregulation for emergency legislation, which was designed to deal only with shortages through the winter of 1976–77.

The House Commerce Subcommittee on Energy and Power is now engaged in an exhaustive examination of solutions to our long-range natural gas problems. It is wrong to bypass the committee process and bring deregulation legislation to the floor prematurely. The Commerce Committee should have the opportunity through the record of its current process and bring deregulation legislation dealing in a comprehensive fashion with natural gas prices and supply. Only in this way can we hope to get reasoned and sound legislation on an exceedingly complex issue.

I have urged the Energy and Power Subcommittee to make needed changes in the present system of natural gas regulation. I believe that the Nation's natural gas problems can best be solved by improving and extending Federal regulation in such a way as to reinforce the primary aim of the 1938 Natural Gas Act, namely: "to protect consumers against exploitation at the hands of natural gas companies."

There seems to me to be three possibilities as far as natural gas policy is concerned:

One, we go on as we have been, with uncertainty of future prices keeping new onshore gas from flowing into interstate pipelines and discouraging full development of offshore resources.

Two, we deregulate as the administration, the oil and gas industry, my colleague from Texas (Mr. KREGER) and my colleague from Ohio (Mr. BROWN) propose.

Or three, we establish a climate of certainty under continued regulation, which we would extend to the intrastate market in order to close the wide gap in prices that presently exists between the inter- and intrastate markets.

At the moment we have the worst of these three possible alternatives as far as the flow of gas supplies is concerned—although residential consumers remain better off than they would be under deregulation.

A great effort is being made to show that deregulation is the only solution to the natural gas problem. This claim—that the natural gas supply problem would be solved by letting the marketplace determine price levels—rests on the premise that workable competition exists within the natural gas producing industry.

This is simply not the case. Sales by natural gas producers to pipeline companies are noncompetitive in both a structural and functional sense.

It needs to be said in discussing the natural gas industry that we are in fact discussing the oil industry. The leading companies in both industries are one and the same, and gas and oil-producing operations cannot be reasonably separated for purposes of analysis.

In 1974, sales by the top eight natural gas producers made up 60 to 90 percent of new contract sales to interstate pipelines. Even more significant is the fact that in an industry in which production is regionalized, a very few producers as a rule dominate a given region.

The fact that power is concentrated in this industry, that 85 percent of gas produced is controlled by about 25 major companies, that the number of major interstate pipeline companies is few—34 to 40, I believe—is important, but less important than the fact that the gas market is not functionally competitive.

Producers naturally want the highest wellhead price they can get. That is how a free market system works. But the customers of the producers—the pipeline companies—have no incentive to bargain for as low a price as they can get. If pipeline companies were as interested in getting lower prices as producers are in getting higher ones, then perhaps a free marketplace could protect consumers from prices higher than are needed, just, reasonable.

But the pipeline companies pass through the entire cost of the gas they purchase to their customers, who for the most part are captive customers. The pipelines are acutely aware of the dwindling nature of the commodity which they sell. They essentially make their profit on the use of their facilities and not on markup of gas. These facilities—the pipelines themselves—represent a tremendous investment and make up the largest part of consumer gas bills. So it is in the interest of the pipeline company to pay whatever price is asked in order to get commitment of gas to its system.

Moreover, the big interstate pipelines more and more are acquiring producing subsidiaries in order to assure themselves supplies. This gives them another incentive to pay high prices at the wellhead.

Distributors too—private gas utility companies—have begun to acquire producing assets. Washington Gas & Light, for example, and the New York City metropolitan distributors, who have banded together for this purpose, are investing in producing wells.

Natural gas, then, is a resource which because of its mode of delivery to consumers, because of the fixed nature of its assets, and because of the structure of the natural gas industry itself, cannot be priced on a free market basis.

Given this set of circumstances, a free rket, or deregulation, would not give a competitive price.

If regulation then is necessary, and I firmly believe that in the natural gas industry it is, ideal regulation would be that which would stimulate competitive market conditions. That is what regulation of rates based on cost plus a fair rate of return is. The aim of good price regulation is to set the price of a commodity at the lowest level which will bring forth adequate supplies of that commodity. That is what the FPC has been doing for the last 20 years, but it has been doing so incompletely—that is, only for interstate supplies—and therefore ineffectively. It has been doing so against a background of resource constraints—constraints on supply which price cannot influence. And perhaps most important of all, it has been regulating in an atmosphere of expectation of imminent deregulation.

Gas producers at present would have more than adequate incentive to bring on new supplies were they not holding out for incomparably larger gains under deregulation. The current system guarantees producers a 15- to 18-percent return on investment, a guarantee given to no other American industry. Regulated gas prices, with the FPC stretching its price-expanding authority to the utmost, have risen at an average rate of 30 percent a year since the beginning of the decade. For these same 5 years, unregulated gas prices rose roughly 600 rcent.

Published data—in the Federal Power Commission News, November 14, 1975, page 43—show that while the number of successful exploratory gas wells declined slightly from 1955 to 1[illegible]2 and then picked up somewhat through 1974, the number of developmental wells—that is, holes punched in the ground in areas where producers know there is gas—dropped sharply after 1960.

The inference is clear. It is only reasonable to assume from these figures that producers have probably been accumulating supplies which can be brought on tap once deregulation and a fourfold increase in prices are in the offing.

It is easy to find evidence of withholding of supplies in expectation of bigger profits upon deregulation. After all, that is merely good business practice. It is difficult, however, if not impossible, to estimate the extent of such withholding.

At an FPC hearing in July 1973, for example, the Okmar Oil Co. asked for a price ceiling twice as high as the existing ceiling. In response to an FPC query as to what the company would do if it were denied its request, a company official replied:

> The first thing we would do is look again at the intrastate market, because that is the obvious and quickest move. The second alternative would be not to market the gas at all . . . And then we have a third alternative . . . Uncommitted gas reserves now are apparently among the finest assets that a company can have . . . We are being contacted by other gas producing companies, independents and majors who . . . have expressed their willingness to bid on the come, so to speak, to take the gamble that the reserves would appreciate in the ground.

Another company, Belco Petroleum Corp., also asked the FPC in 1973 for a rate increase in the south Louisiana area from 26 cents per thousand cubic feet to 45 cents per thousand cubic feet. The company president testified that if the request were turned down—

> Then we expect that both ourselves and the rest of the industry will defer a lot of their exploratory drilling until they find out what happens in 1977 "[the year in which the area rate for South Louisiana was due to expire].

In seeking a solution to natural gas problems, we must find a mechanism to end the ability of the gas-producing companies to withhold production in the short term from the market.

We must also recognize the fact that demand will continue to outdistance supply no matter what we do, and that therefore we need to apportion end-use. The free market system—price rationing—cannot do the job of priority allocation. At present, in intrastate use of gas, the largest part goes for boiler use.

H.R. 8892, the Natural Gas Production and Conservation Act, which my colleague from Wisconsin (Mr. OBEY) and I, along with 26 other Members have introduced, would remove disincentives for production of natural gas and would at the same time assure adequate supplies of gas at reasonable prices to residential consumers and other high-priority users.

Our bill would achieve these goals by:

First, setting a national ceiling on new wellhead prices based on prospective costs and capital-attraction needs;

Second, drawing new onshore supplies back to the interstate market by establishing parity of price between intrastate and interstate new gas prices, and

Third, severely restricting industrial boiler use of natural gas.

When my colleague from Wisconsin (Mr. OBEY) and I introduced H.R. 8892 last July, we realized that the House Commerce Energy and Power Subcommittee would be considering long-range solutions to natural gas supply problems as soon as it had completed work on the Energy Conservation and Oil Policy Act. But we felt that it was important at that time to have a rallying point for those who believe that deregulation would be a serious mistake.

I wish to emphasize that we consider our bill a point of departure, that we earnestly hope that the subcommittee will go on to draft legislation extending and improving regulation of natural gas, and that the House will permit them to do so.

I cannot urge strongly enough that Members reject any premature efforts at this time ot push through permanent deregulation of natural gas.

THE GAO CAN TELL US WHAT IS, AND WHAT IS NOT, HAPPENING TO BANK REGULATION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. PATMAN) is recognized for 20 minutes.

Mr. PATMAN. Mr. Speaker, I have today requested the General Accounting Office to conduct an immediate and full-scale audit of the bank regulatory activities of the Federal Deposit Insurance Corporation, the Comptroller of the Currency, and the Federal Reserve System.

It is important that the air be cleared and that the public and the Congress be fully informed about all the ramifications of the "problem" banks which have been reported in the national press in recent days. We need to know what is and what is not happening on bank regulation if we are to maintain the confidence of the American people in the banking industry.

These recent disclosures have ended whatever thin rationale the banking agencies had for maintaining secrecy. What we need now is a full-scale review and an independent evaluation of the situation—with particular emphasis on the regulatory structure at the Federal level.

I am aware that there are various administrative and statutory roadblocks to gaining GAO access to documents and records relating to this evaluation, but I hope that the banking agencies will voluntarily cooperate. This is a national problem and it is in the public interest that the questions which have been raised about the banking system be answered fully and I am convinced that the bank regulators will want to cooperate with the GAO audit.

Mr. Speaker, I have written to each of the agencies requesting that they make their records available to the GAO. I am not asking that the GAO disclose individual transactions, but that they provide the Congress and the public with an evaluation of the performance of the

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DINGELL SUBSTITUTE FOR H.R. 9464
(As Passed by Full Committee
on December 2, 1975)

SECTION BY SECTION ANALYSIS

Sec. 2. Purpose

- to establish temporary (to April 15, 1977) emergency authorities for minimizing the impact of natural gas curtailments on employment, food production, and the public health, safety, and welfare.

Sec. 3. Definitions

- principal definitions are:
  - essential user (Sec. 3(2)): as set by the FPC, a user without an alternate fuel capability who needs gas to avoid unemployment, impairment of food production, or impairment of the public health.
  - new natural gas (Sec. 3(5)): gas, other than from the Outer Continental Shelf, which was not committed to interstate commerce on September 9, 1975 (either by contract with an interstate pipeline, or by production from a reserve subject to a dedicated reserve contract on that date).
  - distressed interstate pipeline (Sec. 3(8)): as established by the FPC, an interstate pipeline unlikely to obtain enough gas to meet the needs of its "essential users".
  - supply emergency period (Sec. 3(9)): the period from enactment to April 15, 1977.

Sec. 4. Access By Distressed Interstate Pipelines To Natural Gas

- within 15 days after enactment, FPC to designate, by order, distressed interstate pipelines - this initial designation may be revised upon petition or upon the FPC's own motion - FPC has 21 days to rule on petition, and a failure to rule is deemed a denial - FPC action on a petition is final for purposes of judicial review. Sec. 4(a).

- pipelines petitioning for designation as "distressed" must show efforts to secure additional supply from interstate sources and must show efforts to require its existing suppliers to fulfill their contract and certificate delivery obligations. Sec. 4(b).

- during the supply emergency period (from enactment to April 15, 1977), sales of new natural gas may be made to any distressed interstate pipeline at any rate - the rate is deemed "just and reasonable" within the Natural Gas Act. Sec. 4(c).

Sec. 5. Treatment of Rates or Charges In Excess of the National Rate

- rates for supply emergency gas in excess of the national rate (i.e., the maximum rate set by the FPC for regulated interstate sales) to be surcharged as a special operating expense to all users other than residential, and small commercial (any user using less than 50 Mcf/peak day), users, and hence not fully rolled-in. Sec. 5(a).

- distressed pipelines to report weekly on their supply and deliverability status. Sec. 5(b).

- supply emergency period new natural gas may not be delivered to a distribution company unless the distributor agrees to the surcharge accounting system established in Sec. 5(a), except if the appropriate state commission finds the gas would replace higher priced SNG or LNG. Sec. 5(c) and 5(d).

Sec. 6. Relationship to the Natural Gas Act

- exempts supply emergency period new natural gas sales to distressed interstate pipelines from the abandonment provisions of the Natural Gas Act (Sec. 6(a)(1)), but not the transportation provisions (Sec. 6(b)).

- emergency sales deemed not to result in dedication of reserves. Sec. 6(a)(2).

Sec. 7. Unenforceable Contract Provisions

- to facilitate the sale in interstate commerce of intrastate gas, anti-commingling contract provisions are declared against public policy and unenforceable during the supply emergency period.

Sec. 8. Production Obligations of Natural Gas Producers

- the failure of a producer to comply with any contract or certificate obligation to deliver gas to any interstate pipeline during the supply emergency period is a violation of enforcement provisions (Sec. 11) but not the penalty provisions (Sec. 10) of the bill.

Sec. 9. Pipeline Interconnections

- authorizes the FPC, by rule, to direct any pipeline to interconnect with any other pipeline (Sec. 9(a)) - authorizes the FPC to order any pipeline to transport supply emergency period new natural gas purchased by a distressed interstate pipeline (Sec. 9(b)) - exempts from FPC jurisdiction any pipeline subject to this provision which is otherwise unregulated (Sec. 9(c)).

Sec. 10. Penalties

- as established by the FPC, sets a civil penalty of $10,000 per violation, with each day of a continuing offense a separate violation. Sec. 10(a).

- for willful violations, sets criminal penalties of a $25,000 fine, five years imprisonment, or both. Sec. 10(b).

Sec. 11. Enforcement

- gives Attorney General (at FPC request) power to seek equitable relief and allows any person to bring a civil action in a U.S. District Court. Sec. 11(a) and 11(b).

- makes the standard for judicial review of any FPC rule or order an "arbitrary and capricious" standard. Sec. 11(c).

- gives reviewing courts equitable (including TRO and mandamus) powers on review of the FPC's denial of a designation of distress. Sec. 11(d).

Sec. 12. Rulemaking

- authorizes FPC to issue rules necessary to carry out the bill.

Sec. 13 Effect on State Law

- prohibits a State (or any political subdivision or agency thereof) from barring distribution company agreement with the Sec. 5 surcharge system.

Sec. 14. Report

- requires the FPC to report to the President and Congress, by June 15, 1977: the volumes of new natural gas acquired by distressed interstate pipelines during the supply emergency period; the prices involved; curtailments of those pipelines and the impact of emergency period new natural gas purchases thereon; producer compliance with contract and certificate obligations and distressed pipeline efforts to obtain compliance; and distressed pipeline efforts to secure interstate gas as a supplemental supply source during the emergency period.

PURPOSE

SEC. 2. The purpose of this Act is to establish temporary emergency authorities for minimizing the detrimental effects on employment, food production, and public health, safety, and welfare caused by natural gas supply shortages.

DEFINITIONS

SEC. 3. As used in this Act

(1) The term "Commission" means the Federal Power Commission.

(2) The term "essential user" means any existing user or class of existing users which user or class of users satisfies criteria which the Commission determines carry out the purposes of this Act. In establishing such criteria, the Commission shall consider—

(A)(i) the availability of alternative fuels, on reasonable terms and at reasonable prices, to such user or class of users as a substitute for curtailed supplies of natural gas, and

(ii) the extent to which conversion to such alternative fuel would require such user or class of users to incur unreasonable capital costs; and

(B) the significant impacts of curtailment of natural gas supplies to such user or class of users, taking into account the capability of such user or class of users to

utilize alternative fuels and the costs associated with such conversion, upon—

(i) unemployment,

(ii) domestic food production, and

(iii) public health, safety, and welfare.

(3) The term "interstate commerce" has the same meaning as such term has in section 2(7) of the Natural Gas Act (15 U.S.C. 717(a)(7)).

(4) The term "Outer Continental Shelf" has the same meaning as such term has in section 2(a) of the Outer Continental Shelf Lands Act (43 U.S.C. 1331(a)).

(5) The term "new natural gas" means natural gas which—

(A) was not committed to interstate commerce on September 9, 1975, and

(B) is not produced from lands located on the Outer Continental Shelf.

Natural gas shall be considered to have been committed to interstate commerce on September 9, 1975, if—

(A) such natural gas was contractually obligated to an interstate pipeline on September 9, 1975, or

(B) such natural gas is produced from a reserve—

(i) which reserve was subject to a dedicated reserve contract on September 9, 1975, or

(ii) production from which reserve during a fixed term was subject to a dedicated production contract on September 9, 1975,

termination of which production was subject to the provisions of section 7 of the Natural Gas Act.

(6) The term "person" includes any governmental entity.

(7) The term "interstate pipeline" means any person engaged in the transportation by pipeline of natural gas in interstate commerce and subject to the jurisdiction of the Commission under the Natural Gas Act (15 U.S.C. 717 et seq.)

(8) The term "distressed interstate pipeline" means any interstate pipeline (or a person acting on behalf of such a pipeline) which the Commission, taking into account any existing curtailment plan of such pipeline and the natural gas supplies projected to be available to such pipeline, determines is, to a significant extent, unlikely to obtain supplies of natural gas adequate to meet the projected requirements of essential users supplied directly by such pipeline or by any person to which such pipeline supplies natural gas for purposes of resale.

(9) The term "supply emergency period" means the period which begins on the date of enactment of this Act and ends on April 15, 1977.

(10) The term "national rate" means the maximum rate or charge for natural gas sales established pursuant to the provisions of title 18, Code of Federal Regulations, section 2.56(a).

(11) The term "local distribution company" means any person which purchases natural gas from an interstate pipeline for transportation, local distribution, and resale to natural gas users.

(12) The term "small commercial user" means any user of natural gas, for other than residential purposes, who uses less than 50 Mcf of natural gas per day on a peak day.

(13) The term "natural gas" has the same meaning as such term has in section 2(5) of the Natural Gas Act (15 U.S.C. 717(a)(5)).

(14) The term "base volume", with respect to a customer of a distressed interstate pipeline, means the volume of natural gas which such pipeline certifies, pursuant to section 5(b)(1)(B), would be available to such customer.

ACCESS BY DISTRESSED INTERSTATE PIPELINES TO NATURAL GAS

SEC. 4. (a)(1) Within 15 days after the date of enactment of this Act, the Commission shall, by order, designate distressed interstate pipelines. Thereafter throughout the supply emergency period the Commission shall, as necessary, *upon petition or upon its own motion, designate distressed interstate pipelines.*

(2) Within 21 days after filing of any petition by an interstate pipeline requesting designation as a distressed interstate pipeline, the Commission shall grant such pipeline designation as a distressed interstate pipeline or deny such pipeline such designation. Failure by the Commission to act on any such petition within such 21-day period shall be deemed a denial of such designation. Any grant or denial of such designation shall be deemed final agency action for purposes of judicial review authorized by chapter 7 of title 5, United States Code.

(b) Any petition filed with the Commission by any interstate pipeline, which petition requests the Commission to designate such pipeline as a distressed interstate pipeline, shall include a statement by such pipeline detailing—

(1) the efforts such pipeline is pursuing and will pursue, throughout the duration of the supply emergency period, to utilize administrative and judicial remedies available to it to assure compliance by any natural gas supplier of such pipeline with the terms of any contractual or certification obligation of such supplier to deliver natural gas to such pipeline at a prescribed or minimum rate;

(2) the efforts such pipeline is making and will

make, throughout the duration of the supply emergency period, to secure additional supplies of natural gas from sources, which have previously supplied the interstate market, under rules and procedures of the Commission in existence on the date of enactment of this Act; and

(3) certifying that such pipeline is not in violation of the terms of any certificate of public convenience and necessity issued by the Commission to such pipeline.

(c) During the supply emergency period, sales of new natural gas for resale in interstate commerce may be made to any distressed interstate pipeline at a rate or charge in excess of the national rate. Any such rate or charge shall be deemed a just and reasonable rate or charge and shall not be subject to so much of the provisions of section 4(a) of the Natural Gas Act which would otherwise pertain to the justness and reasonableness of such rate or charge.

TREATMENT OF RATES OR CHARGES IN EXCESS OF THE NATIONAL RATE

SEC. 5. (a)(1) The excess of any rate or charge made pursuant to a sale authorized by section 4(c) of this Act over the national rate shall not be included in the general expenses of a distressed interstate pipeline for purposes of establishing or revising such pipeline's general schedule of rates or tariffs.

(2) Such excess shall be treated by such pipeline as a

special operating expense and shall be passed through in a special surcharge schedule of rates or tariffs, which surcharge schedule of rates or tariffs shall be applicable to accounts, other than those of residential and small commercial users, of customers which receive natural gas in volume amounts in excess of such customer's base volume.

(b)(1) During the supply emergency period, each distressed interstate pipeline shall report to the Commission on a weekly basis—

(A) an estimate of the daily volumes of natural gas (excluding any volumes of natural gas available by reason of the purchase of such gas by such pipeline pursuant to the provisions of this Act) such pipeline is likely to have available for delivery to its customers;

(B) an estimate, by customer, of the daily volumes of natural gas such pipeline is likely to have available for delivery to each customer through application of such pipeline's curtailment plan to the daily volume of natural gas (excluding any volumes of natural gas available by reason of the purchase of such gas by such pipeline pursuant to the provisions of this Act) such pipeline estimates it is likely to have available for delivery to each customer; and

(C) the daily volumes of natural gas delivered by

such pipeline to each customer during the preceding week.

(2) The Commission shall establish procedures by which distressed interstate pipelines shall comply with the requirements of this subsection.

(3) If the curtailment plan of any distressed interstate pipeline results in or provides for establishment of a seasonal, rather than a daily, entitlement for any customer, the estimate required by paragraph (1)(B) shall be calculated by—

(A) dividing the remainder of—

(i) such seasonal entitlement, less

(ii) the cumulative volume of natural gas delivered to such customer by such pipeline during the period to which such seasonal entitlement applies,

by the number of days remaining in the period to which such seasonal entitlement applies; or

(B) such method as the Commission may prescribe.

(c) Except as provided in subsection (d), natural gas in volume amounts in excess of a local distribution company's base volume may not—

(1) be delivered by a distressed interstate pipeline to such local distribution company unless such pipeline obtains an agreement from such local distribution com-

pany to treat as a surcharge applicable to accounts, other than those of residential and small commercial users, any surcharge rate or tariff charged such local distribution company by such pipeline pursuant to the requirements of subsection (a)(2); and

(2) be accepted by a local distribution company unless such local distribution company treats as a surcharge applicable to accounts, other than those of residential and small commercial users, any surcharge rate or tariff charged to such local distribution company by such pipeline pursuant to the requirements of subsection (a)(2).

(d) Natural gas in volume amounts in excess of a local distribution company's base volume may—

(1) be delivered by a distressed interstate pipeline to such local distribution company; and

(2) be accepted by a local distribution company; without regard to the requirements of subsection (c), if a State or local agency exercising regulatory authority over the rates or charges of such local distribution company finds that acceptance of such volume amounts in excess of such local distribution company's base volume would displace volumes of higher priced synthetic natural gas or liquefied natural gas and thereby reduce the rates which such local distribution

company would otherwise charge residential and small commercial users.

RELATIONSHIP TO THE NATURAL GAS ACT

SEC. 6. (a)(1) The provisions of section 7 of the Natural Gas Act relating to abandonment of facilities or service shall not apply to any sale of new natural gas to a distressed interstate pipeline delivery of which new natural gas to such distressed interstate pipeline occurs only during the supply emergency period.

(2) Natural gas reserves, from which new natural gas subject to any such sale is produced, shall not be deemed dedicated to interstate commerce by reason of such sale and the provisions relating to abandonment of facilities or services of section 7 of the Natural Gas Act shall not apply to any such reserves solely by reason of such sale.

(b) Except as otherwise provided in this Act, provisions of the Natural Gas Act shall apply to the transportation or sale of new natural gas subject to the provisions of this Act to the extent that the provisions of the Natural Gas Act are applicable otherwise to such transportation and sale under the terms of such Act.

PUBLIC POLICY—UNENFORCEABLE CONTRACT PROVISIONS

SEC. 7. (a) It is hereby declared to be the public policy of the United States to facilitate during the supply emergency *period the resale of quantities of natural gas, in excess of a purchaser's requirements or the requirements of such purchaser's normal customers, to distressed interstate pipelines.*

(b) Contractual provisions prohibiting the commingling of natural gas subject to such contract with natural gas subject to the jurisdiction of the Federal Power Commission are hereby declared against public policy and unenforceable with respect to natural gas delivered to a distressed interstate pipeline, during the supply emergency period, pursuant to the provisions of this Act.

PRODUCTION OBLIGATIONS OF NATURAL GAS PRODUCERS

SEC. 8. During the supply emergency period, the failure by any producer of natural gas to comply with the terms of any contractual or certification obligation of such producer to deliver quantities of natural gas to any interstate pipeline at a prescribed or minimum rate shall be a violation of this Act which shall be subject to the provisions of section 11, but not the provisions of section 10, of this Act.

PIPELINE INTERCONNECTIONS

SEC. 9. (a) To carry out the purposes of this Act, during the supply emergency period the Commission may, by rule, direct any pipeline to establish a physical interconnection between any specified facility of any such pipeline and any specified facility of any other pipeline. The Commission may apportion the costs of any such interconnection and any such apportionment shall be equitable.

(b) The Commission may order any pipeline to transport new natural gas purchased by a distressed interstate pipeline pursuant to the provisions of this Act.

(c) Compliance by any pipeline with any rule or order issued pursuant to the authority of this section shall not subject such pipeline to regulation as a common carrier under any provision of State or Federal law. Compliance by any pipeline with any such rule or order shall not subject such pipeline to regulation under the Natural Gas Act if such pipeline is not otherwise subject to such regulation.

PENALTIES

SEC. 10. (a)(1)(A) Any person determined by the Commission, after notice and an opportunity for a presentation of views, to have violated any provision of this Act or any rule or order promulgated pursuant to the authority of this Act, shall be liable to the United States for a civil penalty of not more $10,000 for each violation; and if any such violation is a continuing one, each day of violation shall constitute a separate offense. The amount of any such penalty shall be assessed by the Commission by written notice.

(B) In determining the amount of such penalty, the Commission shall take into account the nature, circumstances, extent and gravity of the violation committed and, with respect to the person found to have committed such violation, the degree of culpability, any history of prior offenses, ability

to pay, effect on ability to continue to do business, and such other matters as justice may require.

(2) Such civil penalty may be recovered in an action brought by the Attorney General on behalf of the United States in the appropriate district court of the United States or, prior to referral to the Attorney General, such civil penalty may be compromised by the Commission. The amount of such penalty, when finally determined (or agreed upon in compromise), may be deducted from any sums owed by the United States to the person charged. All penalties collected under this subsection shall be deposited in the General Fund of the Treasury of the United States.

(b) Any person who willfully violates any provision of this Act or any rule or order promulgated pursuant to the authority of this Act shall be fined not more more than $25,000, or imprisoned for not more than five years, or both, for each such willful violation.

ENFORCEMENT

SEC. 11. (a) The Attorney General, at the request of the Commission, may bring an action against any person to redress any violation of a provision of this Act, or any rule or order promulgated pursuant to the authority of this Act. Any person may bring a civil action against any other person alleging a violation of any provision of this Act or any rule or order promulgated pursuant to the authority of this Act.

(b) The district courts of the United States shall have jurisdiction with respect to any civil action brought under subsection (a). The court shall have the power to grant such equitable relief as is necessary to prevent, restrain, or redress the effect of such violation, including declaratory judgment, mandatory or prohibitive injunctive relief, and interim equitable relief, and the courts shall further have the power to award (A) compensatory damages to any injured person or class of persons, (B) costs of litigation including reasonable attorney and expert witness fees, and (C), whenever and to the extent deemed necessary or appropriate to deter future violations, punitive damages.

(c) A rule or order promulgated pursuant to the authority of this Act or any determination or designation made by the Commission pursuant to the authority of this Act is subject to judicial review to the extent authorized by, and in accordance with, chapter 7 of title 5, United States Code, except that (A) the second sentence of section 705 thereof is not applicable, and (B) the appropriate court shall only hold unlawful and set aside such a rule, order, determination or designation on a ground specified in subparagraph (A), (B), (C), or (D) of section 706(2) thereof. In the case of any appeal by any interstate pipeline from any denial of designation of such pipeline as a distressed interstate pipeline, the reviewing court shall have jurisdiction under this

Act to grant such equitable relief, including mandamus to the Commission, as such court deems necessary, except that such court shall not have jurisdiction—

(A) to issue an ex parte temporary restraining order, or

(B) to restrain or enjoin any Commission action other than the denial of designation of such pipeline as a distressed interstate pipeline.

RULEMAKING

SEC. 12. The Commission is authorized to issue rules and orders which the Commission determines are necessary or appropriate to carry out the purposes of this Act.

EFFECT ON STATE LAW

SEC. 13. No law or regulation of any State or political subdivision thereof, or of any agency or instrumentality thereof, may prohibit a looal distribution company from agreeing to treat, or from treating, any surcharge rate or tariff charged to such local distribution company by a distressed interstate pipeline pursuant to the requirements of section 5(a)(2) as a surcharge applicable to accounts other than those of residential and small commercial users. Nothing in this Act shall affect the authority of any State, political subdivision thereof, or of any agency or instrumentality thereof, to regulate the application of any such surcharge rate or tariff to accounts other than those of residential and small commercial users.

REPORT

SEC. 14. Not later than June 15, 1976, the Commission shall report to the President and the Congress with respect to: the volumes of new natural gas purchased or acquired by distressed interstate pipelines during the supply emergency period; the prices at which such gas was purchased or acquired by such pipelines; the extent of curtailments experienced by each such pipeline during such period; compliance by producers of natural gas with the terms of any contractual or certification obligation to deliver natural gas to interstate pipelines at prescribed or minimum rates; the extent to which interstate pipelines have pursued administrative and judicial remedies to compel compliance by natural gas producers with the terms of any contractual or certification obligation of such producers to deliver quantities of natural gas to interstate pipelines at prescribed or minimum rates; the efforts of interstate pipelines to secure additional supplies of natural gas under the rules and procedures of the Commission in existence on the date of enactment of this Act; and the effectiveness of this Act in reducing levels of curtailments and in reducing the adverse economic and employment consequences of curtailments which would have occurred if supplies of new natural gas had not become available to interstate pipelines pursuant to the provisions of this Act.

[COMMITTEE PRINT]

DECEMBER 1, 1975*

94TH CONGRESS
1ST SESSION

H. R. 9464

A BILL

To assure the availability of adequate supplies of natural gas during the period ending June 30, 1976.

By Mr. DINGELL and Mr. STAGGERS

SEPTEMBER 9, 1975

Referred to the Committee on Interstate and Foreign Commerce

NOVEMBER 20, 1975

As reported by the Subcommittee on Energy and Power

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NATURAL GAS
FACTS AND FIGURES FOR 1974
TECHNICAL REPORT 76-1

January 22, 1976

FEDERAL ENERGY ADMINISTRATION
OFFICE OF THE DEPUTY ASSISTANT ADMINISTRATOR
FOR DATA AND ANALYSIS
OFFICE OF OIL AND GAS ANALYSIS

Natural Gas Facts and Figures for 1974*

This report shows the sources and dispostion of natural gas volumes in the United States during 1974.

A schematic diagram provides a general picture of how gas flows from the supply source to the end-use customer.

Information is provided on average wellhead interstate and intrastate gas prices, city gate prices (wholesale) and end user prices (retail).

A description of the several types of sales not regulated by the Federal Power Commission is also provided.

Table 1

BUREAU OF MINES TERMINOLOGY ASSOCIATED WITH NATURAL GAS PRODUCTION AND 1974 VOLUMES (MCF)

1.)	Gross withdrawals	:	22,849,793	- Gas withdrawn from oil and gas wells
	Minus			
2.)	Repressuring	:	1,079,890	- Gas injected into the reservoir in order to increase recovery
	Equals			
3.)	Net withdrawals	:	21,769,903	-
	Minus			
4.)	Vented and Flared	:	169,381	- Includes direct losses on producing properties and residue blown into the air.
	Equals			
5.)	Marketed production	:	21,600,522	- Volume delivered to processing plants, sold to pipelines or sold directly to end-use customers by producers.
	Plus			
6.)	Withdrawals from storage	:	1,700,546	- Gas withdrawn from storage reservoirs.
	Plus			
7.)	Imports	:	959,284	-
	Equals			
8.)	Total Supply	:	24,260,352	
	Minus			
)	Lease and Plant Fuel	:	1,477,386	- Fuel used on leases or in processing plants
	Minus			
10.)	Extraction losses	:	887,490	- Volume shrinkage resulting from extraction of natural gas liquids
	Minus			
11.)	Transmission losses	:	288,731	- Gas lost or unaccounted for in the transmission process
	Minus			
12.)	Pipeline fuel	:	668,792	- Fuel used by pipeline for compressors, etc.
	Minus			
13.)	Injected into Storage		1,784,209	- Gas injected into storage reservoirs
	Minus			
14.)	Exports		76,789	-
	Equals			
15.)	Deliveries to consumers	:	19,076,955	

In 1974, 24.3 TCF of gas supply was available, of which 79 percent was delivered for end-use consumption. The remaining 21 percent was used for exports, used for repressuring, extraction of natural gas liquids, fuel, or was reported as lost and unaccounted for during transmission.

DISTRIBUTION OF NATURAL GAS: 1974

In 1974 the 19.08 TCF of natural gas reported as delivered was distributed as follows:

TABLE 2
1974 End-use Distributions of Natural Gas (TCF)

Total	Residential	Commercial	Industrial	Electric Utilities	Other
19.08	4.79	2.26	8.31	3.43	0.29

Other: The category other is defined as deliveries to municipalities, public authorities, street lighting, etc.

NATURAL GAS TRANSMISSION SYSTEM

Figures 1 traces the flow of natural gas from the sources of supply to end-use deliveries.

INTERSTATE AND INTRASTATE PRICES

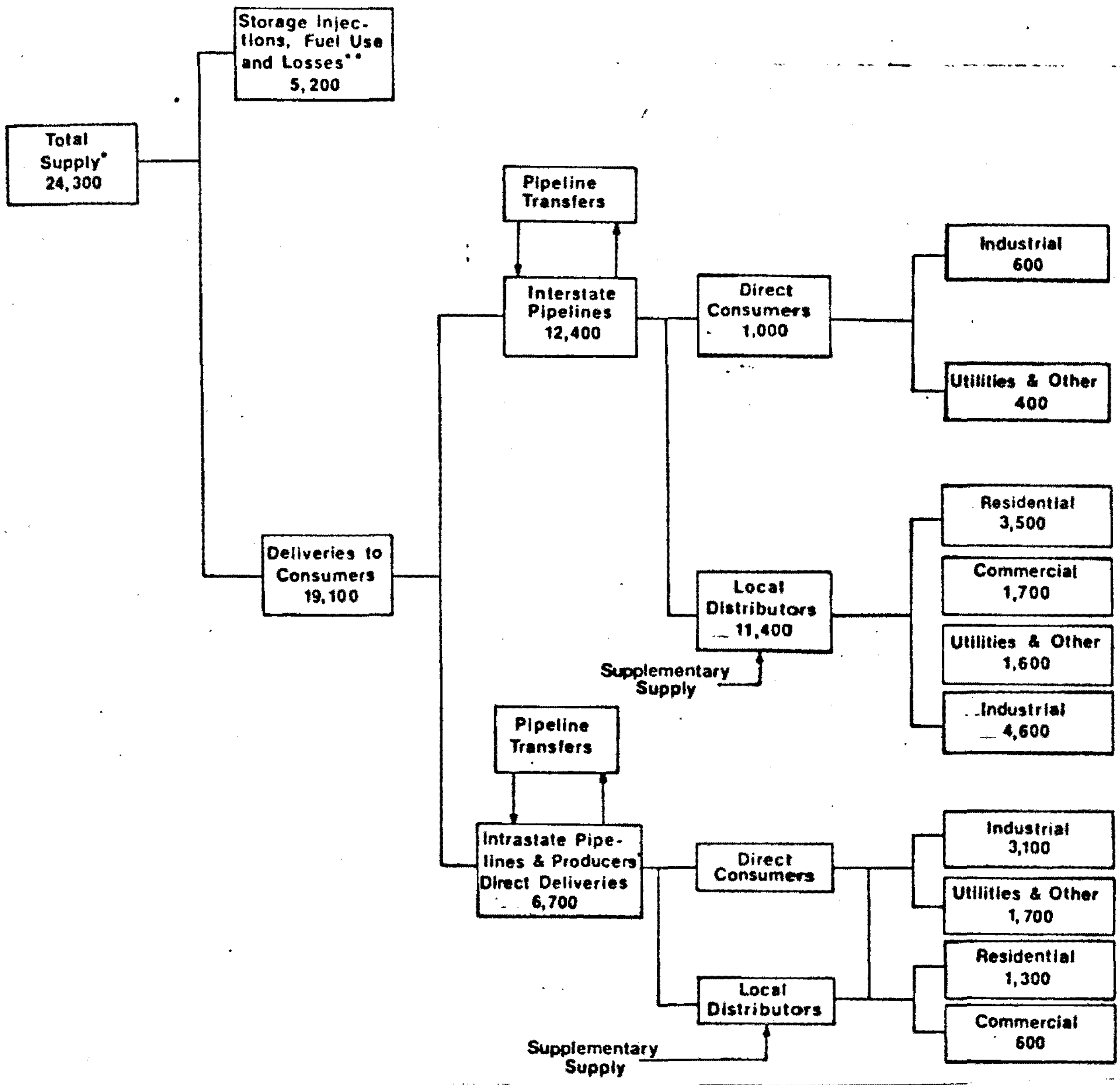
Most of the contracts for the purchase of gas by interstate pipelines from producers are for terms of 15 to 20 years. The price distribution of old interstate contracts as of 1972 (latest year available) are as follows.

TABLE 3
Price Distribution of Old Gas Contracts-Interstate Gas
(1972)

Price ¢/MCF	% of Gas	Price ¢/MCF	% of Gas
Over 31	5.3	17.01-19	17.6
29.01-31	1.2	15.01-17	9.2
27.01-29	4.7	13.01-15	4.7
25.01-27	10.0	11.01-13	2.7
23.01-25	3.7	9.01-11	.03
21.01-23	21.3	below 9	.01
19.01-21	19.3		

Interstate gas volumes are classified as old gas or new gas by the FPC for producer price regulation purposes. In 1974, the ceiling prices for old gas were still on an area basis and ranged from 11¢ per Mcf to 28¢ per Mcf, the base ceiling price for new gas sold for resale to interstate pipelines was 42¢ per Mcf and the average price for all gas purchased by interstate pipelines from domestic producers was 27¢ per Mcf. The average price for intrastate gas, not subject to the FPC's jurisdiction is estimated to be 37¢ per Mcf. These prices along with transportation and distribution mark-ups to end-users are presented in Figure 2.

Overview — U. S. Natural Gas System [Bcf]



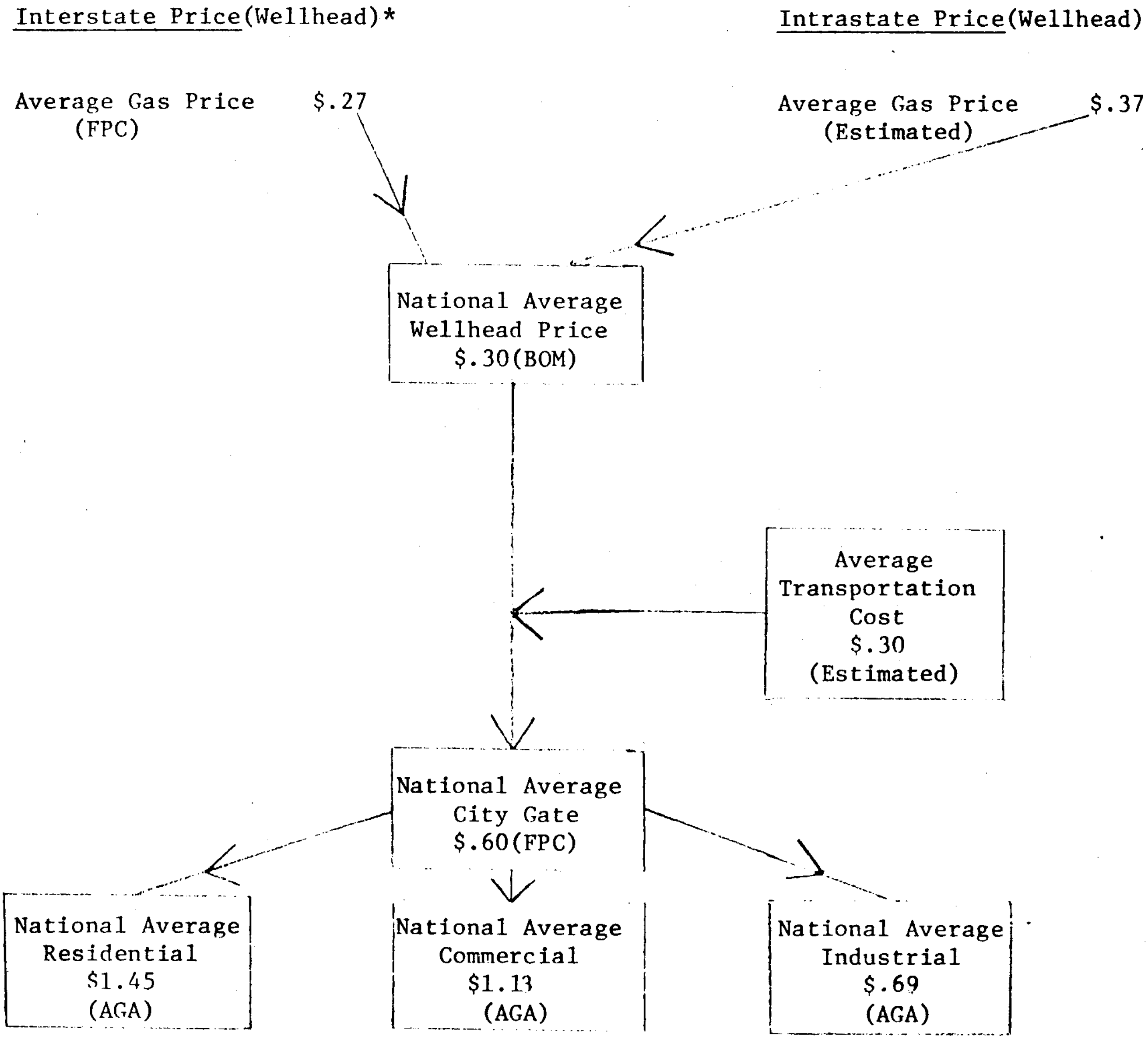
* Supply includes U.S. marketed production, withdrawals from storage, and imports.

** Gas for such purposes as lease and plant fuel, pipeline compressor fuel, extraction loss, and transmission losses.

Source: Based primarily on data from "Natural Gas Production and Consumption: 1974" (Washington, DC: Bureau of Mines, Mineral Industry Surveys, 1975).

Note: Divisions between interstate and intrastate volumes are estimated.

FIGURE II
1974 PRICES OF NATURAL GAS
AT VARIOUS STAGES OF THE PRODUCTION
TRANSPORTATION AND DISTRIBUTION SYSTEM
($/MCF)



*Note: In 1974 the national base ceiling price for natural gas regulated by FPC was 42¢/Mcf. Old gas was regulated on an area price ceiling basis with rates ranging from 11¢ (Oklahoma Other Area) to 28¢ (Appalachian area). The FPC reports that the weighted average initial price, inclusive of adjustments, for new intrastate contracts for the period 1-1-74 to 1-1-75 was 92¢ per Mcf.

Description of Types of Sales Not Regulated by FPC

There are several types of sales by producers where it is recognized that the Federal Power Commission has no jurisdiction. Such sales do not require FPC certification nor is the producer's price controlled, either directly or indirectly. These sales are:

1. Direct sales and delivery by a producer to an end-user or distributor for consumption within the state of origin.

2. Sales and delivery directly to an intrastate pipeline, i.e., a pipeline which purchases and sells all of its gas within the state where the gas is produced.

3. Sales to a natural gas processing plant within the state of origin for redelivery to (1) or (2) above.

4. Sales to an interstate pipeline company but with delivery into separate pipeline systems from which all gas is consumed within the state where the gas is produced i.e., an intrastate system operated by an interstate pipeline.

In addition, there are sales by producers to interstate pipelines under certain conditions over which the Federal Power Commission has not in the past asserted jurisdiction, either directly or indirectly. These sales are:

5. Sales to an interstate pipeline where the gas is delivered at a point on a branch line within the state where the gas is produced and all of the gas downstream from the point of delivery is consumed within the state.

6. Sales to an interstate pipeline where the interstate pipeline terminates in the state where the gas is produced and the gas picked up in the state is consumed in the same state i.e., the pipeline downstream of the point where this gas is purchased does not cross the state line.

The regulatory status of sales under these conditions is currently under review by the Commission in several individual pipeline cases. The pipelines resell such gas under the terms of their FPC Tariffs, i.e., at FPC regulated prices. The question before the Commission is whether the full unregulated prices paid under (5) and (6) type purchases should be rolled in with the regulated purchased gas prices in determining the proper purchased gas cost allowance for rate making purposes, e.g., incremental rates. Thus, the Commission may in the future exert indirect control over the field prices for such sales.

The FPC may also exert indirect control over the field price of gas under certain conditions through its certification procedures. This occurs under the following conditions:

7. Direct sales by producers to end-users, distributors or intrastate pipelines within the state where the gas is produced and the gas is transported through an interstate pipeline.

8. Direct sales by producers to end-users outside of the state of origin.

Under these transportation conditions, the FPC may consider the field price of the gas in determining whether or not the transportation of such gas is in the public interest and whether a Certificate of Public Convenience and Necessity should be issued.

The FPC exerts direct control over producer's wellhead or field prices where:

9. The sale is made to an interstate pipeline and delivered into a system from which all or any portion of the gas in the system is transported and sold outside of the state of origin.

10. The sale or delivery of the gas is made to a natural gas processing plant or to another producer for resale or redelivery to an interstate pipeline as in (9) above.

The varying degree of control exerted by the FPC upon producer gas prices is roughly reflected in the statistics collected by the FPC. The Commission does not collect nor publish data pertaining to the intrastate sales by producers that are considered non-jurisdictional (1, 2 and 3 type sales) except in limited and infrequent cases, e.g., reports of intrastate contracts by interstate companies. Intrastate sales to an interstate pipeline, whether definitely intrastate (Type 4) or "questionably" intrastate (Types 5 and 6), are collected and included in the published FPC statistics. The volumes involved are not generally reported separately but instead are included in the total purchased gas and sales figures. Sales of the "indirectly controlled" (Types 7 and 8) appear in the FPC statistics under the category "Gas Transported For Others."

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NATURAL GAS DEREGULATION ANALYSIS

TECHNICAL REPORT

FEA 76-3

JANUARY 23, 1976

OFFICE OF POLICY AND ANALYSIS
FEDERAL ENERGY ADMINISTRATION

EXECUTIVE SUMMARY

Deregulation of natural gas yields higher prices and higher prices bring forth higher production. Current legislation has artifically created two separate but interdependent markets for natural gas. Without deregulation, the interstate consumers of natural gas will bear a disproportionate share of the burden of declining production. Under present regulation the absolute quantity of natural gas consumption in the interstate market would decline by 43 percent while the quantity available to intrastate customers would increase by 29 percent.

Projected Natural Gas Production

If natural gas wellhead regulation continues at current real prices, total domestic natural gas production would decline from the 1974 level of 21.6 TCF to less than 18 TCF by 1985. If regulations are combined with a national price ceiling of $1/MCF, production would reduce to less than 16 TCF. However, if new contracts are deregulated, FEA estimates that 1985 production could rise to 22.3 TCF. Forecasts of domestic production and sales to the interstate market under several legislative alternatives are summarized in Figure 1. These various bills and the associated production estimates imply different costs to the consumers, create different regional imbalances, and can affect the oil import position of the United States. To the extent that gas shortages are translated into oil consumption, oil imports will increase. The difference between deregulation and continued regulation could be as much as 2 million barrels per day.

Cost of Deregulation

Short Term: While the long-run impacts of natural gas deregulation are important, the short-run effects in 1976 include higher costs. For example, FEA estimates the 1976 impact of the Pearson-Bentsen bill to be a total cost of $5 billion to $6 billion.

Long-Term: FEA estimates of the long-run impact of gas deregulation on residential fuel bills are computed for several of the proposed legislative actions pending before Congress. Figure 2 shows the 1980 and 1985 Annual Residential Fuel Cost for several of the pending bills.

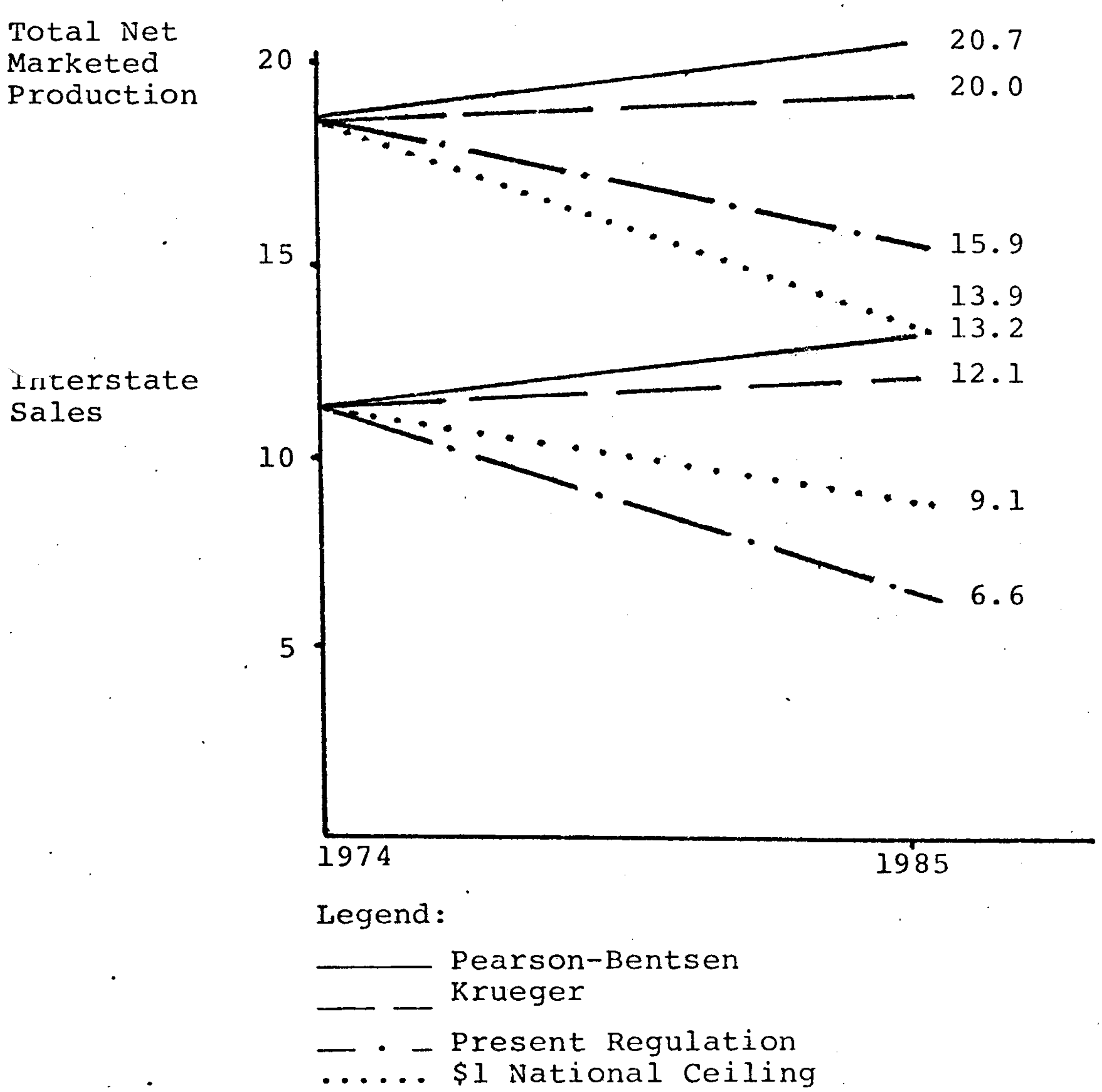
The Annual Residential Fuel Cost in 1985 is lowest under the Pearson-Bentsen Bill because of the impact of incremental pricing, lowering the first cost to the consumer but increasing the cost to the industrial sector. To the extent that increased industrial costs are passed through, the total costs to all consumers will be comparable to the other bills.

Interstate and Intrastate Sales

The various legislative options provide for markedly different long-run impacts on the interstate market. The current regulations have contributed to a reduction of interstate sales from over 13 TCF to 11.6 TCF in 1974. This reduced supply has caused an increase in the estimates of gas curtailments and the extension of supply interruptions to higher priority users. Continuation of current regulations would reduce interstate sales to less than 7 TCF in 1985 while increasing intrastate sales from 7.2 TCF to 9.3 TCF. The alternative deregulation proposals will maintain or increase sales to the interstate market without reducing the levels in intrastate sales.

FIGURE 1

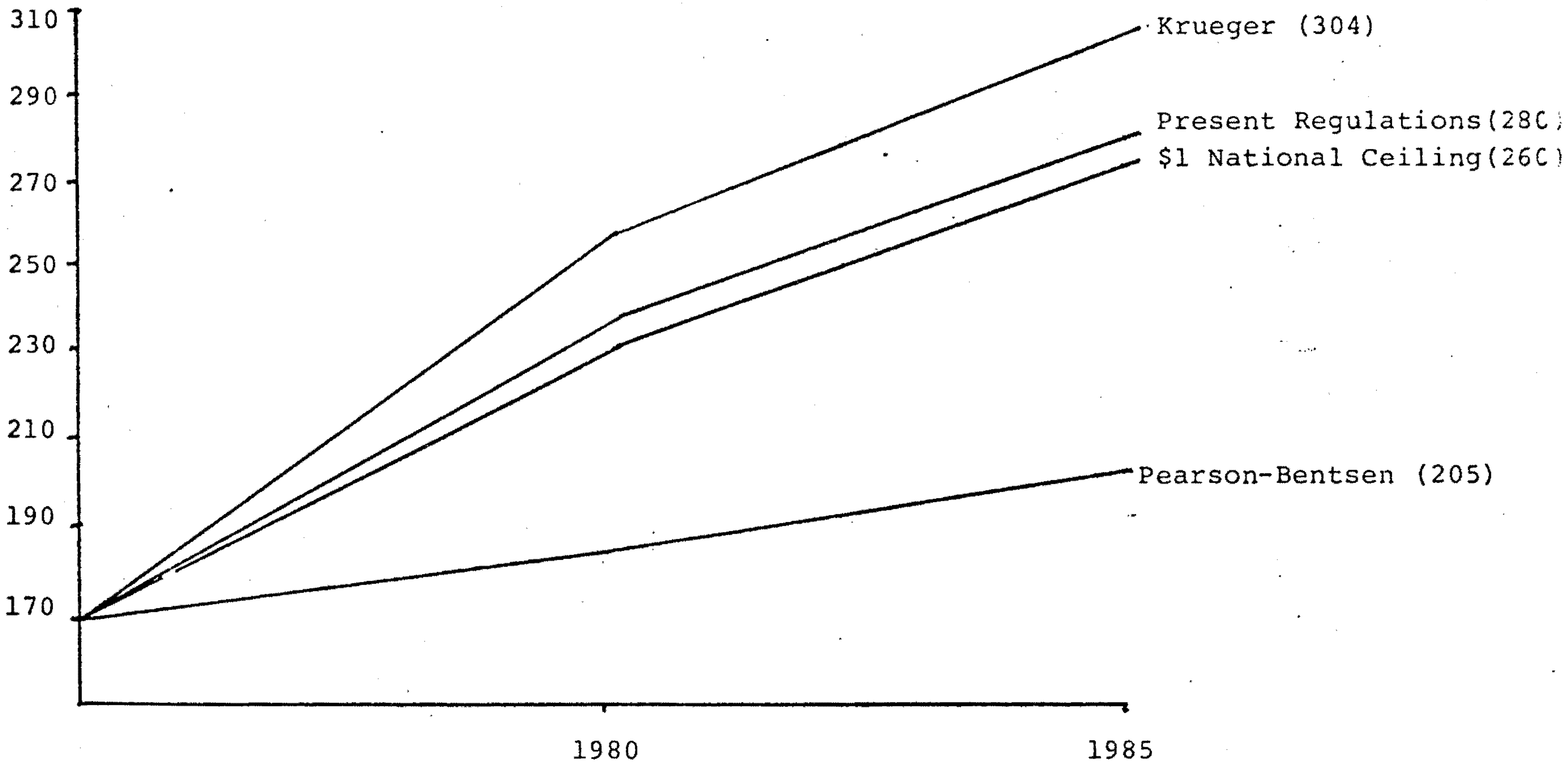
NET MARKETED NATURAL GAS PRODUCTION UNDER VARIOUS POLICIES*: TOTAL PRODUCTION AND INTERSTATE (TCF)



* Intrastate sales are the difference between total net marketed production and interstate sales.

FIGURE 2

ANNUAL RESIDENTIAL FUEL BILL
(CONSTANT 1975 $/YR)



NATURAL GAS DEREGULATION ANALYSIS

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NATURAL GAS DEREGULATION ANALYSIS

1. Introduction

This technical paper presents a quantitative analysis of issues associated with natural gas deregulation. The major analytical topics addressed are the impact of prices on natural gas supply, estimates of the impact of current proposed natural gas deregulation on the total residential fuel bill and the residential natural gas fuel bill, and estimates of the total cost of deregulation to the consumer in 1976. The impact estimates include only gas consumption from domestic sources, excluding liquified natural gas, synthetic fuels and imported natural gas. Thus, total gas consumption from all sources will be above that reported in this paper.

This paper is the latest in a series of preliminary documents addressing this subject. The series of revisions have evolved with the improvements in the underlying data base and methodology. This is the first revision to fully incorporate the estimates developed in conjunction with the revision of the Project Independence studies.

2. Impact of prices on Natural Gas Supply

Prior to the preparation of the first Project Independence studies, the major sources of information regarding the potential supply of natural gas were found in the forecasts of the Federal Power Commission, the estimates of the Natural Gas Potential Supply Committee, the TERA Modeling System of the American Gas Association, the MacAvoy-Pindyck Model developed by researchers at MIT, and the oil and gas model of the National Petroleum Council. The Federal Power Commission forecasts and those of the Natural Gas Supply Committee did not derive from formal models and the TERA and MacAvoy-Pindyck system did not contain the necessary regional detail available in the National Petroleum Council Model. Therefore, the Federal Energy Administration began an effort to modify the National Petroleum Council model to permit integration into the overall Project Independence studies.

The revised supply model produces estimates of natural gas production which recognize the difference in costs and, therefore, prices of producing from reserves of different size and quality. This price sensitivity is essential in evaluating the impacts of fuel competition or in assessing the potential supply results from gas price deregulation.

The revision of estimates for Project Independence is completed within FEA. This section presents estimates of these revised gas supply figures, explains the methodology of development, and compares the FEA forecasts to other estimates that are available. These figures indicate the importance of prices in determining potential gas supply and indicate the impacts of continuation of price regulation below market clearing levels. The effects of alternative regulatory structures are discussed in more detail in section 4.

The prices discussed in this section refer to new gas prices at the wellhead. Since old contract prices can continue in effect, the costs to the consumer could be correspondingly lower.

2.1 Natural Gas Supply

If new natural gas prices are deregulated and real uncontrolled oil prices remain at their current level, FEA estimates that total domestic production will be 22.3 TCF in 1985 at a wellhead price of $2.13. If full deregulation does not occur and new natural gas prices are set at $1.00/MCF at the wellhead, this supply estimate could drop to 15.8 TCF. The sensitivity of these aggregate estimates are displayed by separating the discussion into the contribution of total supply that comes from gas wells (non-associated gas) and that which comes from wells that primarily produce oil (associated gas). The historical production of non-associated and associated natural gas appear in Table 1.

Table 1

Historical Production of Associated and Non-Associated Production (TCF)

	Associated*	Non-Associated*
1966 **	4.6	12.9
1967	4.7	13.6
1968	4.6	14.7
1969	4.8	15.9
1970	4.8	17.1
1971	5.0	17.1
1972	4.8	17.7
1973	4.8	17.8
1974	4.2	17.1

*Preliminary net production
**Not available prior to 1966
Source: Reserves of Crude Oil, Natural Gas Liquids and Natural Gas in the United States and Canada and United States Productive Capacity as of December 31, 1974. Volume 29, May 1975. American Gas Association

Previous to 1966, separate production estimates for non-associated and associated gas were not reported. However, estimates of additions to reserves to proved reserves are reported and appear in Table 2. This table shows that in 1967, when FPC price regulations became a constraint (or binding), proved reserves peaked and have been declining since then. Except for 1970, additions to reserves have been declining since 1967. It is felt that the decline since 1967 in both additions to reserves and proved reserves is a result of the FPC price controls which while implemented in 1954 revised in 1961 and became a binding constraint in the 1966-1967 period.

Non-Associated Gas

The FEA model and assumptions produce estimates of natural gas production for 12 oil and gas producing regions. The actual production from these regions depends upon a number of factors including demand, relative transportation costs, leasing rates, and uncertainties about the total available supply of gas. Non-associated gas production in 1974 was 17.1 TCF. Under the FEA business as usual conditions (BAU), the national production possibilities as a function of price are depicted in Table 3. Non-Associated production at the lowest price examined, \$1.00/MCF, is 13.3 TCF in 1985. At the highest price, \$2.80/MCF, the figure rises to 18.1 TCF. In 1990, the range is even greater, going from 8.8 TCF to 17.9 TCF for \$1.00 and \$2.80 respectively.

Table 3 indicates the effects of depletion and the changes in production over time as a function of price. This phenomenon is depicted in more detail for selected prices in Figure 1.

Table 2

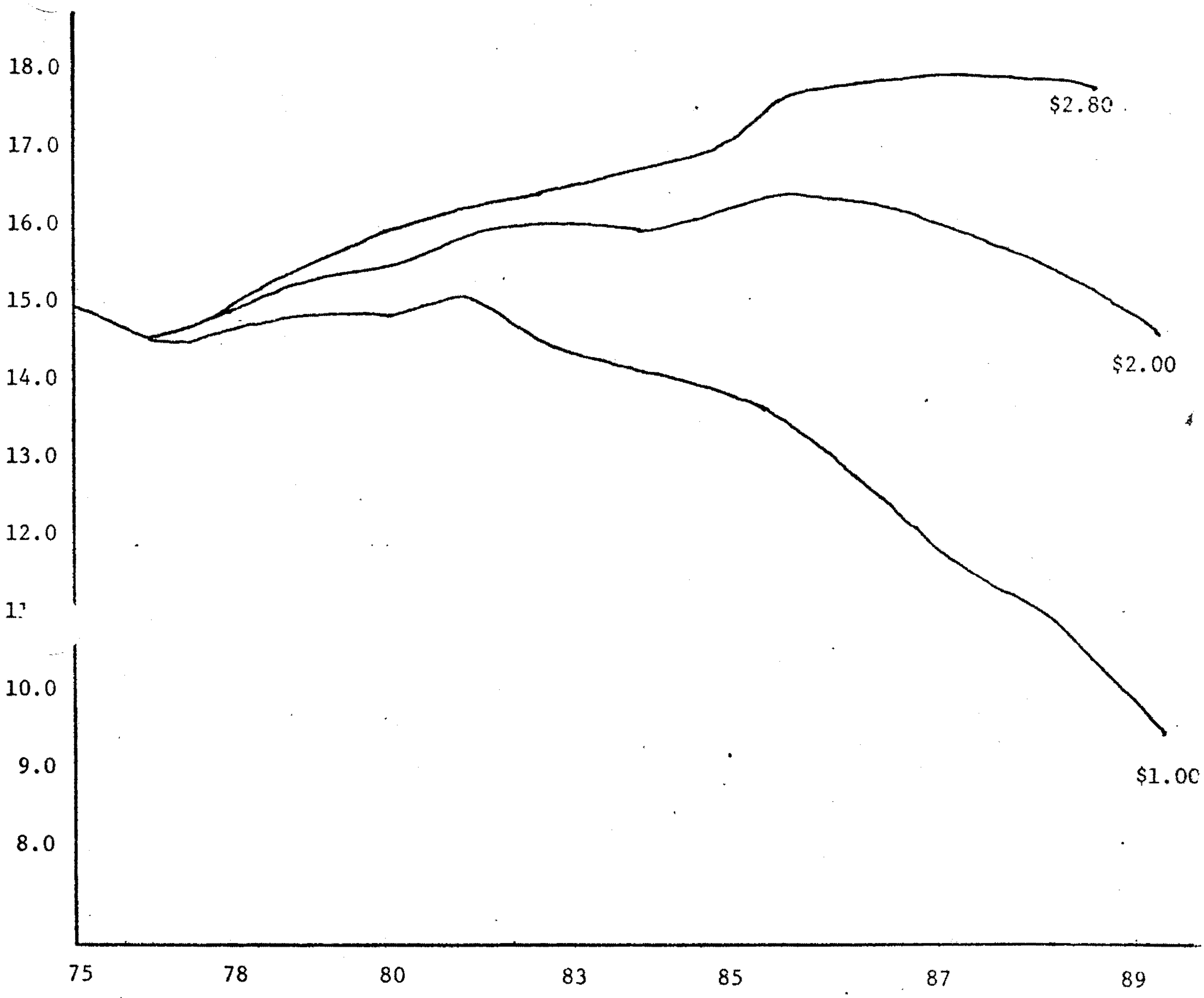
ANNUAL ESTIMATES OF PROVED NATURAL GAS RESERVES IN THE UNITED STATES, 1945 THROUGH 1974, TOTAL ALL TYPES

(TCF)

Year	Total of Discoveries, Revisions and Extensions	Proved Reserves at End of Year
1945		146
1946	17	159
1947	10	165
1948	13	172
1949	12	179
1950	11	184
1951	15	192
1952	14	198
1953	20	210
1954	9	210
1955	21	222
1956	24	236
1957	20	245
1958	18	252
1959	20	261
1960	13	262
1961	17	266
1962	19	272
1963	18	276
1964	20	281
1965	21	286
1966	20	289
1967	21	292
1968	13	287
1969	8	275
1970	37	290
1971	9	278
1972	9	266
1973	6	249
1974	8	237

rce: See Table 1

FIGURE 1
NON-ASSOCIATED NATURAL GAS PRODUCTION FROM THE LOWER 48 STATES ANA OCS IN THE BUSINESS-AS-USUAL OUTLOOK



* Interval from 1980 to 1989 fitted on 1980 and 1989 observations for the $1.00 case.

Table 3

Non-Associated Gas Production (TCF)
(BAU)

Wellhead Price (1975 $)	1980	1985
$0.60	9.9	5.9
$1.00	15.4	13.3
$1.20	15.6	14.5
$1.40	16.0	15.5
$1.70	16.1	16.1
$2.00	16.2	16.6
$2.20	16.2	16.9
$2.40	16.3	17.3
$2.80	16.5	18.1

Regardless of price the Outer Continental Shelf (OCS) contribution to production is constant in 1980 (3.7 TCF) and in 1985 (4.5 TCF). This special characteristic for the OCS is a temporary phenomenon, applicable over this time frame because of the limitations on leasing. The forecasts with higher leasing rates or for later years show greater OCS production and response to price changes.

The sensitivity of these production estimates to factors other than price have been examined under two separate scenarios other than BAU prepared by FEA. The primary pessimistic or optimistic assumptions are summarized in Table 4

Table 4

Optimistic and Pessimistic Outlook Assumptions

	Pessimistic	BAU	Optimistic
Resource Assessment	USGS "Mean" Minus 36%	USGS "Mean"	USGS "Mean" Plus 36%
OCS Leasing**	18.7 Million Acres	27.7 Million Acres	39.7 Million Acres
Investment Tax Credit	10% through 1977; 7% thereafter	10% through 1977; 7% thereafter	10% throughout

*These represent ± one standard deviation around the USGS "statistical" mean.
**Oil leasing not separated from gas leasing here.

These alternate assumptions produce significantly different production estimates, but the basic price sensitivity of the output is preserved. Table 5 indicates the effects of the alternate scenarios on the production estimates for 1985. The difference in production from the pessimistic to the optimistic is 3.9 TCF at $2.00.

Table 5

Non-Associated Gas Production (TCF)
(1985)

Wellhead Price (1975 $)	Pessimistic	BAU	Optimistic
$2.00	15.2	16.6	19.1
$2.80	16.2	18.1	20.9

Associated Gas Production

In addition to the volumes of gas from gas wells, there is a significant contribution of production from wells that are primarily oil wells. In 1974, this amounted to 4.2 TCF. The evaluation of the price sensitivity of associated gas is complicated by the importance of the price of oil and the significant contribution of higher oil production that comes from increased gas prices. Table 4 depicts these effects for 1985 by displaying the business as usual associated gas supply under two assumptions. The first group indicates the associated gas supply if gas and oil prices are assumed to be in approximate BTU equilibrium for the consumer. This indicates that the supply of associated gas would rise from 2.54 TCF at $1.00/MCF to 4.19 TCF at $2.00/MCF in 1985.

Table 6

Associated Gas (TCF)

Wellhead Price (1975 $)	Production With Oil Prices at BTU Equilibrium		Gas and Incremental Oil at $13	
	1980	1985	1980	1985
$1.00	2.31	2.54	3.45	3.80
$2.00	2.49	4.19	3.92	6.59

The second group depicts the gas equivalent if prices of uncontrolled oil maintain their current real level and the increased oil production due to gas price changes is included on a BTU basis. This indicates that as prices range from $1.00 to $2.00 the production of natural gas or natural gas equivalents could increase from 2.54 TCF to 4.19 TCF or from 3.80 TCF to 6.59 TCF in 1985, depending upon corresponding assumptions about the world price of oil.

Special Regions

In addition to the associated and non-associated gas production estimates of the FEA model, there is a contribution from areas known as special regions (Alaska, tight gas) which is estimated separately. The 1985 estimated supply from special regions is .17 TCF at under $1.00 and .46 TCF over $1.10.

Price Sensitivity

The estimates for associated and non-associated production show a significant response to higher prices. The aggregate supply elasticities over the range of $1.00/MCF to $2.00/MCF range from .42 to .47 depending upon assumptions about oil prices. These estimates are higher than those that have been inferred from the November 1974 Project Independence Report. The methodology that produces these figures, and the changes from previous assumptions, are outlined in a later section. A comparison of these estimates and those of other models is also presented.

2.2 Natural Gas Reserves

Additions to reserves are a fundamental element in the forecasting procedure and a popular criteria for evaluating the sustainability of the production estimates. The FEA methodology, expanded below, includes a fixed decline curve which implies a final ration for production and reserves on a regional basis.

In examining natural gas reserves the important numbers are non-associated gas proved reserves at the end of the year and net additions to non-associated gas proved reserves. The relevant historical data for 1966 to 1974 appear in Table 7.

TABLE 7

ANNUAL ESTIMATES OF PROVED NON-ASSOCIATED NATURAL GAS RESERVES IN THE UNITED STATES (TCF)

	Additions to Reserves	Total Reserves at End of Year*
1966	17.0	217.4
1967	17.9	221.8
1968	13.9	220.9
1969	6.8	211.8
1970	9.3	204.1
1971	8.9	195.9
1972	7.8	186.1
1973	3.9	172.2
1974	7.0	162.2

*Includes revisions and extensions.
Source: See Table 1

The regional breakdown of reserves for 1974 end of year are recorded in Table 7.

TABLE 8

ANNUAL ESTIMATES OF 1974 PROVED NON-ASSOCIATED NATURAL GAS RESERVES BY REGION (TCF)

Region	Proved Reserves at End of 1974
Alaska (1)	5.4
Pacific Coast (2)	2.1
Pacific Coast OCS (2A)	0.2
Western Rocky Mtn (3)	9.1
Eastern Rocky Mtn (4)	4.6
W. Texas - E. New Mexico (5)	14.4
W. Gulf Basin (6)	59.8
Gulf of Mexico OCS (6A)	30.9
Mid Continent (7)	30.8
Michigan Basin (8,9)	1.2
Appalachian (10)	3.7
Atlantic Coast (11)	0.0
Atlantic Coast OCS (11A)	0.0
TOTAL	162.2