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CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE
SUBCOMMITTEE ON ENERGY AND POWER
WASHINGTON, D.C. 20515

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MEMORANDUM

TO: Members, Committee on Interstate and Foreign Commerce

FROM: John D. Dingell

There has been a great deal of discussion recently of the crises which may occur this winter as a result of natural gas shortages.

The Subcommittee on Energy and Power recently held hearings on the issue of this winter's predicted natural gas curtailments. I thought that you might be interested in some of the information that the Subcommittee has received on this subject, which is summarized in my opening remarks before the hearings. Accordingly, I am enclosing a copy of these remarks for your information.

PRESS RELEASE
FROM CONGRESSMAN JOHN D. DINGELL
CHAIRMAN, SUBCOMMITTEE ON ENERGY AND POWER
D-MICHIGAN, 16TH DISTRICT

FOR IMMEDIATE RELEASE
NOVEMBER 11, 1975

OPENING REMARKS
OF
HONORABLE JOHN D. DINGELL
CHAIRMAN
SUBCOMMITTEE ON ENERGY AND POWER
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE
AT HEARINGS CONCERNING THE NATURAL GAS SHORTAGE
NOVEMBER 11, 1975
10 a.m., Room 2322 Rayburn House Office Building

This morning we will look further into the accuracy and credibility of the predictions that there will be catastrophic shortages of natural gas this winter. Every time we peel back a layer of the fog that surrounds those predictions of shortage this winter, the more it appears that the predictions and the shortage figures which the responsible government agencies are issuing are phony, and that they are based on information developed by the gas industry to stampede the Congress into deregulating natural gas at the expense of the American consumer.

We have been told with great fanfare by the Ford Administration and the Federal Power Commission that deliveries of natural gas to many areas of the country will be curtailed by 3.2 trillion cubic feet, and that these curtailments will cause shutdowns in many industries and substantial economic dislocation this winter, causing many thousand -- possibly over 100,000 -- workers to lose their jobs this winter.

Where has the FPC obtained its data on the level of the shortage? The FPC has relied entirely on figures furnished by interstate gas pipeline companies.

The FPC did not conduct any independent surveys of the industries that will be affected, nor did it try to develop data on several matters which must be known to understand the effect of the curtailments.

At the request of Chairman Jack Brooks, my distinguished colleague who heads the House Government Operations Committee, the General Accounting Office recently made such an independent survey.

Listen to what the Comptroller General says in his report of October 31, 1975 (at p. 7):

> "The curtailment figures shown above have been emphasized in natural gas studies and reports prepared by FPC and FEA. However, we believe these figures may be misleading if used as an indicator of the impact of natural gas curtailments for end users or as a measure of gas consumption that will be curtailed.

Data on natural gas requirements, deliveries, and curtailments are provided to FPC by interstate pipeline companies. In general, the reports submitted do not show the economic impact of the curtailments on the areas involved. This deficiency was discussed in a recently published GAO report on "Need for the Federal Power Commission to Evaluate the Effectiveness of the Natural Gas Curtailment Policy" (RED-76-18, dated September 19, 1975). We found that the FPC reports (1) contained no information on the intrastate deliveries and curtailments of natural gas to end users, (2) did not consider to what extent alternative fuels or stored gas were available to offset the curtailments, and (3) contained no information on what gas supplies the curtailed pipeline customers might themselves own or purchase directly from producers.

The curtailments reported by pipeline companies generally showed reductions in natural gas supplies based on requirements or deliveries and not reductions in actual consumption by end users."

Unlike the FPC, the General Accounting Office went directly to many gas distributors, industrial end-users, and industrial trade associations, and asked questions about gas use, alternative fuel sources, gas storage capability, economic impact, numbers of employees who might be laid off, and other matters relevant to an accurate assessment of the alleged natural gas shortage.

What did the GAO find? Contrary to the FPC's and the gas industry's dire predictions of large-scale unemployment and widespread plant closures this winter, the GAO found that there will be only localized impacts. In some cases, there will be higher industry operating costs caused by the higher prices of alternative fuels. These costs will be no larger, and probably less, than if we deregulate the price of natural gas.

Let me quote a few of the conclusions from the GAO report (p. 13):

"Our survey of the eight states determined to be among the most severely curtailed by interstate pipeline companies did not support that concern in its totality. On the basis of the sustenance by distributors and end-users and assuming normal winter conditions, we did not identify any broad areas of projected large-scale unemployment or widespread shutdowns of industrial operations due to the natural gas curtailments. However, unseasonably cold weather early in the winter and/or a shortage of alternative fuels could considerably increase unemployment levels and the number of plant closures with adverse social and economic consequences.

"We did find indications that some smaller industrial companies in some localized areas such as southern New Jersey and North Carolina's piedmont area , would be severely impacted economically if actual curtailments were to reach projected levels and if alternative fuel supplies were not available. (The GAO, I understand, has subsequently learned that alternative fuels will be available to offset much of the expected gas shortage in New Jersey.)

* * * * * * * *

(Pp. 13-14):

"FEA officials told us that generally alterantive fuels such as fuel oil or propane would be available. However, these fuels currently cost 3 or 4 times the price that industrial users pay for interstate natural gas. It appears, therefore, that unless the winter is unusually cold, the most important economic impact of the curtailment will be in terms of higher industry operating costs caused by the increased fuel costs."

The public relations barrage by the Ford Administration and the Federal Power Commission for gas deregulation has not told the public:

- that industry has planned ahead for increasing shortages by installing alternative fuel capabilities;

- that natural gas is being directed away from inferior users such as for boiler fuel and power generation and thus conserving more gas for higher priority users such as feedstocks, etc.;

- that many gas utilities have and are increasing their own supplies of propane, SNG and LNG to supplement their natural gas supplies;

- that alternative fuels are expected to be in adequate supply for this winter;

- that gas storage capacities are increasing;

- that general economic slowdown has decreased the demand for gas;

- that the FPC has authority to approve procedures to facilitate deliveries of gas to shortage areas (such as 60-day emergency sales, limited term certificates and direct purchases of gas in the intrastate market) which can materially ease local shortages in the interstate market.

Another independent survey of the problem has been conducted by the Office of Technology Assessment. Both the GAO report of October 31 and the OTA report of November say that these factors will largely or entirely offset the natural gas shortage unless we have an unusually cold winter.

The Ford Administration has sought to imprint on the American public's mind the specter of a massive shortage of gas and dire economic consequences in terms of plant shutdowns and unemployment. For example, the Washington Star of October 31, 1975 carried this banner headline from the Federal Energy Administration:

"Gas Shortfall: 74% Worse in Maryland, 40% in Virginia."

Yet the GAO survey of the industries allegedly affected could not find any appreciable impact that would result from curtailments.

On the other hand, our Subcommittee has already found within the last month:

- that gas producers have violated the terms of their contracts with pipelines by not delivering the quantities of gas specified in the contracts;

- that the FPC knew about these violations as early as 1971, but took no action until October 14, 1975 -- 16 days before the heating season began -- at which time the FPC issued a policy statement declaring it will enforce the producers' contract delivery obligations.

- that the Union Oil Company of California, in hearings before the Federal Power Commission, admitted that significant offshore reserves under contract to the pipeline could be profitably produced, but refused to deliver gas from these reserves;

- that the FPC's belated investigations of the potential for accelerating gas deliveries to alleviate this winter's shortage has thus far failed to produce meaningful results;

- that serious questions were raised at our hearing on October 24, 1975, as to whether the commitment of the FPC commissioners and some of its top staff to deregulation would permit them to adequately investigate and effectively regulate the natural gas industry.

Those findings, coupled with the significantly reduced impact of the projected shortage this winter, seriously challenge the original arguments advanced for both short and long-term natural gas legislation.

As I said at the last hearing, if we cannot depend upon the FPC for its objective information concerning our available supplies and the potential for gas deliveries from committed reserves, then the Congress must conduct its own investigation so that people may know the facts and Congress may take appropriate action to ensure that adequate gas supplies are available for this winter and ensuing winters.