

WHIP ADVISORY

Number Three

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* SUSPENSION *

EMERGENCY NATURAL GAS ACT OF 1977 (H.R. 2500)

Legislation authorizing emergency allocation of natural gas and emergency purchase of unregulated gas during the energy shortage is scheduled for House consideration Tuesday, February 1, under suspension of the rules.

ACTION BY THE 95TH CONGRESS

-Ordered reported by Interstate and Foreign Commerce Committee January 31 (voice)
-Reported
Floor Managers: Chairman Staggers and Congressman Dingell

BILL SUMMARY

H.R. 2500 would authorize the President to declare regional or national natural gas emergencies. He could then exercise emergency allocation and gas purchase authorities.

ALLOCATION: Through April 30, 1977, the President could order gas shifted from surplus to shortage areas through whatever interstate or intrastate pipelines that are necessary. He could order appropriate construction and operation of facilities. He could not divert so much gas from one area as to leave it in shortage.

GAS PURCHASE: Through July 31, 1977, the President could authorize any interstate pipeline or local distribution company served by an interstate pipeline to buy gas wherever it is available and without regard to price regulations of the Federal Power Commission. The President would set terms and conditions of such emergency purchase contracts.

OTHER: Other provisions would provide antitrust immunity in allocation arrangements, assure that non-regulated pipelines would not come under regulation because of actions under this emergency measure, and permit pipelines to pass along to their customers the additional cost of the emergency gas.

The Interstate and Foreign Commerce Committee Monday adopted several amendments, including a state-by-state price standard for emergency purchases of natural gas. The price is not to exceed that of intrastate contracts for new gas sold in the State in the second quarter of 1976 plus 15 percent except gas held by intrastate pipelines or other intrastate sources which receive up to 10% more. However, if the President determines that gas still is not available at that price, he could permit the price to go higher. The amendment, offered by Mr. Eckhardt, was adopted 23-17. Others are: (a) an exemption from the allocation authority for any gas that is owned by an end user and is merely being transported in a pipeline under Federal Power Commission Order 533; (b) a revised standard for compensating pipelines or local distribution companies that are forced to give up gas. The President must determine full compensation, taking into account current prices and reasonable replacement costs, including cost of operations, maintenance, capital amortization and taxes; (c) authority for the President to review compensation agreements entered into by participants and to reduce such compensation if he finds it excessive; (d) provisions intended to assure that the antitrust immunity afforded by the bill is not abused; (e) approval for emergency purchases from a producer affiliated with an interstate pipeline. But the President would be required to determine that the price of such purchases is not higher than sales between non-regulated persons. (As written, the bill prohibited purchases from such producers.)

The committee rejected by a vote of 7-29 an amendment offered by Mr. Brown which would have made allocated gas available for industrial uses.