

FEB - 1 1977

Hand Delivered

1. Authorizes the President to allocate natural gas in the interstate system when severe shortages exist or are imminent, and other available measures are inadequate to protect life, health, or property.

Gives the authority to order deliveries of natural gas and require the transportation of gas for high priority users defined as homes, small commercial, and whatever else the President determines necessary to preserve life, health, or the maintenance of property.

Allocation authority expires April 30, 1977.

Conditions:

The President's allocation authority can be triggered by information as to shortages received by him from a State Governor, or brought to his attention by other sources.

The President's authority under this legislation can be delegated to any Federal officer or agency.

Pipelines and distribution companies which lose gas by allocation will be reimbursed, either in kind or at an agreed price, by the pipeline or distribution companies which receive allocated gas. If the compensation is not agreed upon, the President is required to provide full compensation.

Representatives of pipelines and distribution companies subject to allocation orders could meet, along with Government representatives, with limited antitrust immunity for actions necessary to comply with such Presidential order.

The President may require that intrastate pipelines be utilized on an emergency basis to transport natural gas between interstate pipelines but the intrastate pipelines will not become subject to Natural Gas Act jurisdiction thereby.

2. Allows the President to authorize emergency purchases of natural gas by (1) interstate pipelines and (2) local distribution companies (applicable to gas that is not price-controlled by the FPC).

Deliveries under emergency purchases must occur before August 1, 1977.

Pricing - Eckhardt Amendment

Sets a maximum price for emergency purchases based on State-by-State determination of price based on 2d quarter 1976 new contracts in State of origin plus 15%. If gas is purchased from a distributor rather than a producer, an additional 10% is allowed. The President may let price go higher if necessary to compete effectively with intrastate buyers.

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Pursuant to the provisions of clause 1, rule XX, and
by the direction of the Committee on Interstate and Foreign
Commerce, ~~Mr~~ I moved to take from the Speaker's
table the bill S. 474, with the House amendment thereto,
insist on the House amendment, and request a conference
with the Senate.

MOTION BY MR. _____

MR. SPEAKER, I MOVE TO SUSPEND THE RULES AND PASS THE
BILL S. 474 WITH AN AMENDMENT.

*Want to keep ~~people~~ same,
Help in small way employment.*

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE
U.S. HOUSE OF REPRESENTATIVES

THE PROVISIONS OF SECTION
4(a)(3) OF THE BILL, AS
REPORTED BY THE COMMITTEE,
DEAL WITH THE PROBLEM YOU
RAISED. I THINK THESE PROVISIONS
PROVIDE ADEQUATE ASSURANCE
THAT THE INTERESTS OF
YOUR REGION WILL BE
FAIRLY CONSIDERED.

CONFERENCE MOTION

I ask unanimous consent
to take from the speakers
table the Bill S. 474, with
the House amendment thereto,
insert on the House amendment,
and request a conference
with the Senate

General Leave - 5474

Albert Gore Jr.

REMARKS BY THE HONORABLE ALBERT GORE, JR.
CONCERNING H.R. 2500 — THE EMERGENCY NATURAL
GAS ACT OF 1977

MR. GORE. Mr. Speaker, to legislate in a crisis situation is undoubtedly the worst way to set public policy. It invites inefficiency and error; it raises additional complex questions and it enhances the possibility for inequity. ~~Unfortunately, we will not have an opportunity to step back and analyze.~~ ^{However, we} ~~We~~ are facing a critical natural gas shortage -- millions are out of work, our homes are threatened with fuel cut-offs, and our schools have been closed. The crisis necessitates action and it is for this reason alone that I urge my colleagues to support the Emergency Natural Gas Act.

I am not happy with this bill. ~~No one is.~~ ^{The} ~~But we must~~ ~~point is to limit disagreement and~~ move swiftly to avert the crisis that is imminent. We must prevent the possibility of people being removed from their homes for lack of fuel. This bill gives us the best chance of avoiding this situation.

Mr. Speaker, President Carter was insistent that the Emergency Natural Gas Act be passed quickly ~~and~~ with only limited amendments. The bill that we have reported out of the Interstate and Foreign Commerce Committee accomplishes that goal with a few very important concessions to equity.

One amendment that was successfully blocked yesterday in Committee reflects the President's wishes to limit the scope of the bill and avoid delay. The amendment would have expanded allocation authority to cover industrial production in severely curtailed areas. While there is an urgency to get our factories into full production, our first priority must be to protect our residential homes. This bitterly cold winter is far from over. If we begin to divert supplies for lower priority natural gas uses, we could be faced with the intolerable situation of forcing people out of their homes in February or March. No one can assure me that natural gas will be available for both high and low priority uses during the winter and as I have had to make a choice, I want to make certain that we protect our ^{people.} ~~home owners.~~ In addition, this amendment would have caused regulatory delay in allocating emergency natural gas and would have posed enormous administrative difficulties that we can ill afford at this time. I was pleased to see that my colleagues agreed with this assessment and voted against this debilitating amendment.

The Commerce Committee made a number of changes in the bill which I believe corrected overlooked inequities. The most important amendment placed a ceiling price on

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emergency natural gas bought in the intrastate market. Without such a ceiling, consumers will be helplessly caught in a demand squeeze where prices could go as high as \$4.00 per mcf. It is ^{plainly}~~plain~~ unfair to force consumers to pay exorbitant prices merely because critical shortages exist. The only beneficiary of such a policy would be the major natural gas producers who would be receiving a tremendous windfall. The people of Tennessee, Ohio, and Pennsylvania have suffered enough already -- It is cruel to expect them to dig any deeper into their pockets. There is no market situation to check natural gas prices and this is why this amendment is so necessary in protecting our nation's natural gas consumers.

There is concern that insufficient gas will become available in the intrastate market under the ceiling price provision. However, if the President makes that finding, he can raise the ceiling price. I believe this amendment is ~~em~~inently fair, and successfully balances our twin goals of getting sufficient gas flowing while protecting our natural gas consumers.

I was pleased to see that the Commerce Committee corrected two other problem areas that were overlooked.

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One required the President to look at unemployment factors before using his allocation authority. Hopefully this will prevent unbearable burdens on those areas already experiencing high unemployment rates. The second amendment required the President to meet with the Governors prior to making any emergency allocation decisions.

~~states~~ This will insure that the President is fully aware of the situation in severely curtailed states. In Tennessee, *along with our entire Congressional delegation,* for example, the Governor *has* asked the President to declare the state a federal disaster area eligible for relief. There is no one who should know the emergency situation in the state better than the Governor and I feel it is important to have this consultation provision.

Mr. Speaker, the events of the last few weeks have adversely affected nearly every American. Hopefully, this legislation will help solve the immediate crisis. Yet, the larger questions remain. For example, The Tennessean, a major newspaper in the Nashville area carried a front page headline on Sunday, January 30th indicating that producers were hoarding natural gas in anticipation of this emergency legislation. This is ^a most serious charge *-- one which appears to be supported by the ~~presenting~~ evidence available -- and* *one* that I will continue to investigate as emergency supplies are made available.

There is little question that this crisis has given *us* all yet another painful indication of the need for a comprehensive

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long-range energy policy. As the Washington Post stated in an editorial today, the last time we faced such a crisis in 1973, "We responded briefly and feebly to the challenge." We cannot afford a ^{weak}~~week~~ response this time. As a member of the Commerce Committee, I look forward to working long and hard ^{to find}~~in finding~~ effective solutions. ^A Basic to any comprehensive policy is a forceful and meaningful conservation program. Homeowners must continue to keep their thermostats down because the shortages of the last few weeks ^{may well be}~~are~~ here to stay.

We are all in this together and we won't be able to solve our energy problems unless we have a concentrated effort by all Americans. The legislation we are dealing with today should give us temporary relief. Let us not forget though that this is only the first in a series of energy crises unless we confront the long-range challenge of energy conservation and energy policy.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE
U.S. HOUSE OF REPRESENTATIVES

Time : 20 min.

2 Mr. Staggers

~~5 Dingell~~

~~2 Moffett~~

~~2 Krueger~~

~~2 ECKHARDT~~

2 WRIGHT

2 Sharp

~~2 Carney~~ miss 2.1

17

Dingell 1.

1 Mr. Staggers

* 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-affiliated 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.



February 1, 1977

FEB 1 1977

SUPPLEMENT
TO THE LEGISLATIVE REPORT
FOR THE WEEK OF JANUARY 31, 1977

* * * * *

* EMERGENCY NATURAL GAS -- H.R. 2500, which gives
* the President authority to establish an emergency
* allocation program and an emergency natural gas
* purchase program, will be considered under sus-
* pension of the rules today.
*

* SMALL BUSINESS ACT -- H.R. 2647, increasing the
* ceiling on SBA loan programs, will also be called
* up under suspension of the rules today.
*

* * * * *

EMERGENCY NATURAL GAS ACT (H.R. 2500)

FLOOR SITUATION: Under suspension of the rules; 40 minutes of debate; not subject to amendment; two-thirds majority vote required for passage. The measure will be managed by Chairman Staggers.

BACKGROUND: The Interstate & Foreign Commerce Committee reported the bill by voice vote (H.Rept. 95-2). The severe cold winter weather prompted President Carter to send this emergency legislation to Congress to give him the power to allocate natural gas supplies and temporarily lift some existing federal price ceilings on natural gas in an attempt to protect high priority gas users.

SUMMARY: This bill authorizes the President to establish a 90-day emergency natural gas allocation program, and a 180-day emergency natural gas purchase program, triggered by a declaration of a national emergency.

Emergency Allocation Program

Under this emergency program, the President is authorized to do the following:

- * Order interstate pipelines to deliver gas to one another to prevent interruption of gas to homes and for essential public services. This authority would not include ordering intrastate pipelines to deliver to the interstate market. (An amendment to broaden the allocation authority to permit the President to order allocation of natural gas for industrial uses was defeated in committee.)
- * Order intrastate pipelines to transport gas between interstate pipelines (only to the extent of their utilized capacity). Compliance by a pipeline with an order under this provision would not subject the pipeline to regulation under the Natural Gas Act or as a common carrier.

The allocation authority expires upon termination of the emergency, but no later than April 30, 1977.

Emergency Purchase Program

Under the emergency purchase program, interstate pipelines and local distribution companies in the interstate system would be permitted to purchase supplies of natural gas apart from FPC price ceilings under the Natural Gas Act. Prices charged under this authority must be "reasonable", which is defined as not exceeding 115% of average new gas sales during the second quarter of 1976. The ceilings are applied on a producing-state-to-producing-state basis. However, the President may permit a

higher price if he determines that it is necessary in order to permit interstate purchasers to compete more effectively with other purchasers for available supplies of natural gas.

The presidential authority to authorize emergency purchases expires on July 31, 1977.

Other Provisions

The bill allows a party to raise as a defense to any breach of contract action, the fact that the conduct or action taken was in compliance with allocation orders issued by the President. Actions taken or meetings held to carry out allocation orders are provided limited protection from antitrust attack. A defense is afforded to such antitrust attack if the action taken was necessary to carry out an allocation order or the meeting was held pursuant to a request of the President, and complied with procedural requirements specified in the bill. The defense is not available if the plaintiff shows the activity was taken or the meeting was held for the purpose of injuring competition.

The bill overcomes contractual provisions which could act as impediments to the flow of natural gas supplies from intrastate sources to interstate purchasers, and which could escalate intrastate natural gas prices by reason of emergency purchases made under authority of this legislation.

The measure states that violators of orders contained in the bill will be subject to civil penalty of up to \$25,000. A willful violator would be subject to a fine of up to \$50,000. Each day of violation would constitute a separate violation. The Attorney General has the power to seek injunctions against anyone who violates provisions of the bill.

In issuing any order or in granting any authorization, the President must require that the prices and volumes of gas which are delivered, transported, or contracted for be reported and made available to Congress. Moreover, the President must report to Congress not later than October 1, 1977, regarding his actions under this Act.

AMENDMENTS: Bills considered under suspension of the rules are not open to amendment.

COMMENTARY: The Administration requested the legislation. The Consumer Federation of America, Energy Action, and the natural gas industry do not oppose the bill.

* * * * *

SMALL BUSINESS ACT AMENDMENTS (H.R. 2647)

FLOOR SITUATION: Under suspension of the rules; 40 minutes of debate; not subject to amendment; two-thirds majority vote required for passage. The measure will be managed by Chairman Smith.

BACKGROUND: The Small Business Committee reported the bill by a unanimous vote of 23 YEAS (H.Rept. 95-1). Legislation nearly identical to H.R. 2647 passed the House by a vote of 341 to 2 on June 7, 1976. The current ceiling on Small Business Administration (SBA) financial activity is expected to be breached in February.

SUMMARY: This bill raises the overall loan ceiling on SBA's five major programs from \$6 BILLION to \$8 BILLION, an increase of \$2 BILLION. (The programs affected are regular business loans, displaced business loans, handicapped assistance loans, economic opportunity loans, and procurement contracts.) As part of the increase in the overall ceiling, the limit on outstanding economic opportunity loans is increased by \$75 million, from \$450 million to \$525 million, and the limit on financial assistance to small business investment companies is increased by \$375 million, from \$725 million to \$1.1 BILLION. The bill also increases the surety bond guarantees fund from \$56.5 million to \$110 million.

AMENDMENTS: Bills considered under suspension of the rules are not open to amendment.

COMMENTARY: The SBA requested an overall ceiling increase of \$2.5 BILLION.

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