

Congress of the United States
House of Representatives
Washington, D. C.

May 20, 1976

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Honorable Warren G. Magnuson
U. S. Senate
Washington, D. C. 20510

Dear Senator Magnuson:

S. 3422

I have had an opportunity to examine ~~H. R. 9464~~ and have discussed it with John Dingell, Chairman of the Subcommittee on Energy and Power, as well as several of the potential conferees. Though we look favorably upon an earnest and studied attempt at compromise, we are of one mind that it would be little less than an affront to our Committee and to the House to attempt to reach a compromise solely around the provisions of S. 3422. Such would be to by-pass a conference involving H. R. 9464 and such bill as the Senate desires to take to conference.

However, we feel very strongly that the issue of gas pricing should be dealt with promptly and that some immediate informal discussions may facilitate our coming to agreement.

Though, of course, there cannot be a prior understanding with respect to the ultimate outcome of the conference, it is possible to set out certain basic goals and principles which would indicate avenues within which it seems practical to move from the provisions of H. R. 9464 toward reconciliation of differences between that bill and S. 3422. They are:

1. Any legislation concerning pricing of natural gas in the United States should create substantial increased incentives for developing new gas.
2. Such legislation should simplify and streamline the regulatory process as far as feasible considering other social values.

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3. Such legislation should eliminate, or at least reduce, the price gap between interstate and intrastate gas.
4. Such legislation should consider whether or not price distinctions should be drawn between producers of different size and if so, how to create adequate incentives for all companies within the industry. In this respect, in the case of independents, special consideration should be given respecting gas going out of contract under its own terms.
5. Such legislation should create price certainty as a guide to investment decisions and regulatory certainty as a guide to entering into gas sales contracts. However, except where absolutely needed to encourage new production, the legislation should retain a cost-related pricing concept.
6. Cost based pricing of gas which is not new gas and which is not under contract may, in the case of independents, take into account the replacement cost of such gas, if the same is deemed to be necessary in order to encourage such replacement.

I take this unusual course to emphasize the grave importance of settling the gas pricing issue prior to the time when residential consumers may go cold next winter, industries may shut down and workers may be laid off.

I know that we on our respective committees have worked hard to avoid such prospect. But there are certain interest groups who are willing to hold people in the North, the East, the Middle Atlantic states and elsewhere hostage in order to extract from them and their representatives in Congress decontrol of natural gas.

I know that you will give this matter your careful attention and you may be assured of our interest and cooperation in seeking a prompt resolution of our differences.

Sincerely,