

DOCUMENT RESUME

04552 - [B0104991]

Emergency Natural Gas Purchases: Actions Needed to Correct Program Abuses and Consumer Inequities. EMD-78-10; B-178205. January 6, 1978. 32 pp. + 4 appendices (5 pp.).

Report to the Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Energy: Effect of Federal Efforts on Energy Conservation (1607); Energy: Role of Fossil Fuels in Meeting Future Needs (1609); Materials: Availability of Nonrenewable Resources (1811).

Contact: Energy and Minerals Div.

Budget Function: Natural Resources, Environment, and Energy; Other Natural Resources (305); Natural Resources, Environment, and Energy: Energy (305).

Organization Concerned: Federal Power Commission; Federal Energy Regulatory Commission.

Congressional Relevance: House Committee on Interstate and Foreign Commerce; Senate Committee on Energy and Natural Resources; Congress.

Authority: Natural Gas Act of 1938, as amended (15 U.S.C. 717 et seq.). Emergency Natural Gas Act of 1977 (P.L. 95-2). Energy Supply and Environmental Coordination Act of 1974 (P.L. 93-319). FPC Order 467-B. FPC Opinion 699-B.

Under the Natural Gas Act of 1938, as amended, the Federal Power Commission (FPC) is responsible for regulating the interstate commerce of natural gas, including the price producers receive for natural gas and the price that pipeline companies can charge for transporting it. FPC issued regulations for emergency natural gas purchases to help alleviate temporary shortages in the interstate market, and the Congress provided the President with special powers to assure adequate supplies for high-priority uses during the adverse 1976-77 winter season. Findings/Conclusions: The manner in which FPC regulated emergency purchase provisions resulted in intrastate pipeline companies avoiding regulations while dealing in the interstate market. Consequently, many interstate pipeline companies were allowed to use emergency purchases for sales to low-priority customers that had alternate fuel capabilities. This was contrary to national policy of attempting to shift high-volume industrial and utility gas users to coal and other energy sources. These actions were also inequitable because high-priority customers not affected by curtailment were forced to bear part of the higher cost of emergency purchases, thereby subsidizing low-priority users. Problems encountered emphasize the need for taking strong measures to curb low-priority uses of emergency natural gas and improving the administration of emergency natural gas purchase programs. Recommendations: The Federal Energy Regulatory Commission should amend regulations for emergency purchases of natural gas to: define an emergency as a situation in which a gas company's supply for high-priority

use is endangered; establish the policy that emergency purchases are only for high-priority uses with limited exceptions; prohibit emergency purchases which require payment for gas not taken even though service is resumed to low-priority users; and prohibit emergency purchases for low-priority users that have facilities for alternate fuel use. The Secretary of Energy should: review purchases made under the Emergency Natural Gas Act which did not require prior authorization to determine eligibility of purchasers and appropriate penalties; and consider exercising his authority to intervene with State public utility commissions to promote policies. The Congress should amend the Natural Gas Act to give the President permanent authority to declare a natural gas emergency and to grant the Federal Energy Regulatory Commission authority to regulate the end price and use of gas obtained under emergency regulations.
(HTW)

04552

REPORT TO THE CONGRESS

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

Emergency Natural Gas Purchases: Actions Needed To Correct Program Abuses And Consumer Inequities

Large quantities of natural gas were allowed to be purchased on an emergency basis by interstate pipeline companies under the Emergency Natural Gas Act of 1977 and the emergency purchase provisions of the Federal Power Commission. Yet no restrictions were applied in terms of what constituted an emergency or what priorities should govern the use of emergency natural gas.

Many interstate pipeline companies used these emergency purchases to increase or maintain sales to low-priority customers that could use alternate fuels. Such actions are counterproductive to national conservation policies. Also they are inequitable because high-priority customers not affected by curtailment were forced to bear part of the higher cost of emergency purchases, thereby subsidizing low-priority users.

GAO recommends establishment of a firm policy that emergency provisions be used only to supply high-priority uses. GAO recommends also that the Congress give the President permanent authority to declare a natural gas emergency and to require mandatory allocation of natural gas between pipeline companies during the emergency.



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-178205

To the President of the Senate and the
Speaker of the House of Representatives

This report discusses improvements needed in the Federal regulation of natural gas obtained under emergency provisions to prevent its use counter to national conservation policies and to prevent the higher costs of natural gas so purchased from being borne inequitably. This report contains recommendations for consideration by the Congress.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53); the Accounting and Auditing Act of 1950 (31 U.S.C. 67); and Title V of the Energy Policy and Conservation Act, 1975 (42 U.S.C. 6201).

We are sending copies of this report to the Acting Director, Office of Management and Budget; the Secretary of Energy; and the Chairman, Federal Energy Regulatory Commission.

A handwritten signature in black ink, reading "James R. Heath".

Comptroller General
of the United States

D I G E S T

Inadequate administration of emergency purchases of natural gas allowed interstate pipeline companies to purchase large quantities of natural gas without restrictions in terms of what constituted an emergency or what priorities governed the use of natural gas.

The Federal Power Commission 1/ issued regulations for emergency natural gas purchases under the Natural Gas Act to help alleviate temporary shortages that occurred in the interstate market. To assure adequate natural gas supplies for high-priority uses during the extremely adverse 1976-77 winter heating season, the Congress provided the President with special powers under the Emergency Natural Gas Act of 1977. (See p. 3.)

These steps provided a means of meeting shortages in the interstate market with natural gas from areas of the intrastate market where supplies were available. They also permitted the transportation of the emergency natural gas through intrastate pipelines. (See p. 3.)

The result of the manner in which the Commission regulated its emergency purchase provisions, however, was that some intrastate pipeline companies avoided price and other regulations of the Commission while they also dealt in the interstate market. Thus the intrastate companies enjoyed the best of both worlds.

--They were not subject to price and other regulation by the Commission while dealing in the interstate market.

1/See p. 5 concerning the dissolution of FPC and the assumption of its responsibilities by the Federal Energy Regulatory Commission and the Department of Energy.

--They enjoyed the highest prices set by the forces of supply and demand in the intrastate market. (See p. 6.)

As a consequence, many interstate pipeline companies were allowed to use these emergency purchases to increase or maintain sales to low-priority customers that had alternate fuel capabilities. This resulted in actions counterproductive to national conservation policies.

The national policy for conserving scarce natural gas by shifting high-volume industrial and utility gas users to coal and other abundant energy source is well established. It was embodied in the Energy Supply and Environmental Coordination Act of 1974. (See p. 4.)

But, by allowing natural gas obtained under emergency provisions to serve low-priority industrial and utility uses, the Federal Power Commission and the Administrator of the Emergency Natural Gas Act acted contrary to this policy. If these low-priority users had been denied the use of emergency natural gas, it would have reduced their overall consumption of natural gas and encouraged or required a switch to coal or alternate energy sources on a temporary or permanent basis.

During 1976 interstate market prices for natural gas ranged from 29.5 cents to \$1.42 per thousand cubic feet. New and renegotiated contracts in the intrastate market, during the same period, averaged \$1.62 and \$1.69 per thousand cubic feet. Prices under the Emergency Natural Gas Act ranged from \$1.45 to \$3.04 per million British thermal units (roughly equivalent to a thousand cubic feet).

The higher cost of the emergency natural gas purchases under both the Emergency Natural Gas Act and the Natural Gas Act is passed to all natural gas consumers, not just to those who received the additional supplies. Therefore, low-priority users who might otherwise be curtailed are not required to bear the full cost of the higher priced emergency gas they receive. High-priority users that may not be affected by curtailment must bear a portion

of the higher cost of emergency purchases, thereby subsidizing low-priority users. (See pp. 9 and 15.)

To eliminate this inequity, low-priority users that have not yet installed facilities for alternate fuels should bear the full cost of any emergency natural gas they receive. This requirement would also provide an incentive to the low-priority users to switch to other more abundant fuels.

GAO recognizes that some low-priority customers may have not installed the facilities needed to exercise their capability to use alternate fuels. They should have a reasonable time to install such facilities before being denied natural gas obtained under emergency provisions. Care should be used, however, in establishing such a reasonable period to avoid further delays in installing the facilities. (See p. 27.)

The increasingly severe natural gas supply problems emphasize the need for

- taking immediate and strong measures to curb low-priority uses of emergency natural gas and
- improving the administration of emergency natural gas purchase programs.

If the emergency provisions are used by the Federal Energy Regulatory Commission (successor to the Federal Power Commission) according to the following recommendations, emergency legislation, such as the Emergency Natural Gas Act, should not be necessary every winter.

RECOMMENDATIONS TO THE FEDERAL ENERGY REGULATORY COMMISSION

The Commission should amend its regulations for emergency purchases of natural gas

- to define a natural gas emergency as a situation in which a natural gas company's gas supply for high-priority use is endangered;

- to establish the policy that emergency purchases are to be used only to supply high-priority uses with certain limited exceptions;
- to prohibit emergency purchases which require the purchaser to take the natural gas or pay for the volumes not taken even though service is resumed to low-priority users; and
- to prohibit purchasers from receiving emergency natural gas when they are serving low-priority users that have facilities for alternate fuel use.

It should also establish a surveillance and enforcement program to assure that emergency provisions are used in compliance with the law and regulations. (See p. 28.)

RECOMMENDATIONS TO THE SECRETARY OF ENERGY

The Secretary should review purchases made under the Emergency Natural Gas Act which did not require prior authorization by the Administrator of the act to determine which purchasers, if any, were ineligible and apply any appropriate penalties required under the act.

In addition, the Secretary should consider exercising his authority to intervene with State public utility commissions to promote Federal Energy Regulatory Commission policies on emergency purchases of natural gas. (See p. 5.) This would not be necessary if the recommendation to the Congress, stated on p. v, is followed. (See p. 29.)

RECOMMENDATIONS TO THE CONGRESS

GAO believes those provisions of the Emergency Natural Gas Act of 1977 which provided for emergency allocation authority are appropriate and should be embodied in the Natural Gas Act. Also the provisions of the Emergency Natural Gas Act of 1977 which were most useful in facilitating emergency purchases similarly should be embodied in the Natural Gas Act. In addition, the transportation costs of emergency purchases should be regulated.

The Congress therefore should amend the Natural Gas Act to give the President permanent authority to declare a natural gas emergency. Such legislation should permit the Federal Energy Regulatory Commission to require mandatory allocation of natural gas between both intrastate and interstate pipeline companies once the emergency is declared.

GAO also believes that the Federal Energy Regulatory Commission should have authority to assure that (1) the full cost of emergency natural gas is charged to the customers that receive it from distribution companies regulated by State public utility commissions and (2) such customers in low-priority categories do not receive such gas. This authority could eliminate the inequities discussed in this report and allow further implementation of national conservation policies.

The Congress therefore should amend the Natural Gas Act to grant the Federal Energy Regulatory Commission authority to regulate the ultimate end price and end use of natural gas obtained under emergency regulations issued pursuant to the Natural Gas Act, including that emergency natural gas distributed by pipelines or distribution companies under State regulation. Such authority would place the Commission in a position to prevent future abuses, such as those described in GAO's report. (See p. 29.)

AGENCY COMMENTS

GAO requested comments of the Secretary of Energy on its proposed report. Oral comments were received from officials of the Department of Energy and the Federal Energy Regulatory Commission. They agreed with the general thrust of this report and provided suggestions for improving it. These were considered in the preparation of the final report. On December 20, 1977, the Department of Energy provided specific comments on those aspects of our report which relate to the administration of the Emergency Natural Gas Act. The Department of Energy generally concurred with most of the recommendations related to the administration of the act. For those functions assigned to the Secretary, the Department said it would take the necessary action to see that they are appropriately implemented. (See p. 30.)

COMPANY COMMENTS

GAO provided extracts of our proposed report to the 25 companies named in this report to obtain their comments. Twenty-one companies responded, 19 in writing and 2 orally. Three companies stated that the material presented was factually correct and had no comments.

All of the comments were reviewed and, where warranted, changes were made to report data and statements. However, some companies expressed a difference of opinion concerning interpretations of certain information. The full text of the company comments are available on request. (See p. 3i.)

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ABBREVIATIONS

Bcf	billion cubic feet
BNG	Bureau of Natural Gas
DOE	Department of Energy
ENGA	Emergency Natural Gas Act of 1977
ERA	Economic Regulatory Administration
FERC	Federal Energy Regulatory Commission
FPC	Federal Power Commission
GAO	General Accounting Office
Mcf	thousand cubic feet
MMBtu's	million British thermal units
MMcf	million cubic feet
NGA	Natural Gas Act of 1938
Tcf	trillion cubic feet

CHAPTER 1

INTRODUCTION

Under the Natural Gas Act of 1938 (NGA), as amended (15 U.S.C. 717 et seq.), the Federal Power Commission (FPC) ^{1/} is responsible for regulating the interstate commerce of natural gas. The natural gas industry consists of three major components--natural gas producers, pipeline companies, and local distribution companies. FPC regulates the price the producers receive for natural gas and the price that pipeline companies can charge for transporting it. Wholesale deliveries of natural gas between interstate pipelines and distributors or direct industrial customers also fall under FPC jurisdiction.

FPC does not have authority to regulate natural gas in intrastate commerce (totally within the boundaries of a single State). When natural gas is resold instate to end users by a local distribution company, it is under the jurisdiction of State public utility commissions, not FPC. This has created a dual market situation in which the regulated price of interstate natural gas has been below the price of intrastate natural gas.

NATURAL GAS PRICES AND SUPPLIES

During 1976 the interstate market had about 11.4 trillion cubic feet (Tcf) of natural gas selling at prices which ranged from 29.5 cents per thousand cubic feet (Mcf) to \$1.42 per Mcf. The intrastate market had approximately 9 Tcf of natural gas flowing during the same period. New and renegotiated contracts in the intrastate market in 1976 averaged \$1.62 per Mcf and \$1.69 per Mcf of natural gas, respectively.

The natural gas market supply and demand situation has changed considerably over the past two decades. From 1955 to 1973 the amount of marketed natural gas rose from about 9.4 Tcf annually to over 22 Tcf, whereas gas utility customers during the same period increased from about 28 million to about 44 million. The early 1970s saw the beginning of a leveling and subsequent gradual decline in natural gas production, but the number of customers has slowly increased each year. Later the increase in consumer demand combined with the continuing decline in marketed production created

^{1/}See p. 5 concerning the dissolution of FPC and the assumption of its responsibilities by the Federal Energy Regulatory Commission and the Department of Energy.

an increasingly severe energy crunch situation, especially during short-supply periods, such as recently experienced during the 1976-77 winter.

PRIORITIES AND CURTAILMENTS

On March 2, 1973, FPC issued Order 467-B which set up nine priorities of service for use during periods of curtailed deliveries by interstate pipeline companies. The following categories of service established in the order are listed numerically by descending priority.

1. Residential, small commercial (less than 50 Mcf on a peak day).
2. Large commercial requirements (50 Mcf or more on a peak day); firm industrial requirements for plant protection, feedstock, and process needs; and pipeline customer storage injection requirements.
3. All industrial requirements not specified in other categories listed here.
4. Firm industrial requirements for boiler use at less than 3,000 Mcf a day but more than 1,500 Mcf a day where alternate fuel capabilities can meet such requirements.

Note: For all categories, "firm requirements" is defined as contracts under which the seller is expressly obligated to deliver specific volumes within a given time. In this category, no service interruptions are anticipated; yet, interruptions are permitted when supply to higher priority customers is threatened.

"Alternate fuel capability" is defined as a situation in which an alternate fuel could have been used whether or not the facilities for such use have actually been installed.

5. Firm industrial requirements for large-volume (3,000 Mcf or more a day) boiler fuel use where alternate fuel capabilities can meet such requirements.
6. Interruptible requirements of more than 300 Mcf a day but less than 1,500 Mcf a day where alternate fuel capabilities can meet such requirements.

Note: For all categories, "interruptible requirements" is defined as contracts under which the seller is not expressly obligated to deliver specific

volumes within a given time and which anticipates and permits interruption on short notice.

7. Interruptible requirements of intermediate volumes (from 1,500 Mcf a day through 3,000 Mcf a day) where alternate fuel capabilities can meet such requirements.
8. Interruptible requirements of more than 3,000 Mcf a day but less than 10,000 Mcf a day where alternate fuel capabilities can meet such requirements.
9. Interruptible requirements of more than 10,000 Mcf a day where alternate fuel capabilities can meet such requirements.

Categories 1 to 3 are generally referred to as high-priority uses. Categories 4 to 9 are usually low-priority uses.

FPC has modified this Order with respect to the application of curtailment programs on each particular pipeline. Certain pipelines have recently received orders from FPC which eliminates the firm and/or interruptible distinction with respect to contracts held by end users. This eliminates categories 6 through 9 as well as any references to the firm and/or interruptible distinction in categories 2, 4, and 5.

A recent FPC report showed that natural gas curtailments were projected to increase about 27 percent, from an actual curtailment of 3.0 Tcf from September 1975 to August 1976 to a projected curtailment of 3.8 Tcf for the same period 1 year later. This same report also estimated that, for the 1976-77 heating season (November through March), curtailments would increase about 20.8 percent, from an actual curtailment of 1.27 Tcf for the 1975-76 heating season to an estimated 1.53 Tcf for the 1976-77 heating season.

EMERGENCY PURCHASE PROVISIONS

FPC issued emergency purchase regulations under NGA authority to cope with emergencies caused by shortages and curtailments. Under these regulations FPC allows purchases of natural gas from the intrastate market into the interstate market at prices higher than the interstate prices. During the past heating season, about 94.3 billion cubic feet (Bcf) of natural gas were purchased under FPC's emergency purchase provisions.

To combat the natural gas shortages during the unusually severe 1976-77 winter, the Emergency Natural Gas Act of 1977 (ENGA) (Public Law 95-2) was enacted to provide the President with authority to take additional measures to assure adequate

natural gas supplies for high-priority uses. The President delegated this authority to the FPC Chairman, who was appointed Administrator for ENGA on February 2, 1977. These measures included:

1. Removing certain restrictions preventing intrastate companies from selling or transporting natural gas for interstate commerce.
2. Providing for mandatory allocations of natural gas between pipeline companies to protect high-priority users.
3. Permitting fair and equitable prices to be set for the natural gas purchased under the act.

This act added an estimated 39.5 million Mcf of natural gas to the interstate market this past winter and an estimated total of 147.2 million Mcf through July 31, 1977. We noted that about 104.8 Mcf of natural gas is needed to heat an average home for 1 year.

NATIONAL CONSERVATION POLICY

A national policy promoting conservation of scarce natural gas and encouraging high-volume industrial and utility users to shift to abundant coal and other energy forms is embodied in the Energy Supply and Environmental Coordination Act of 1974 (Public Law 93-319, June 22, 1974), as amended. In administering this act, the Federal Energy Administration may prohibit the use of natural gas and require the substitution of coal as the primary energy source in existing powerplants or other major fuel-burning installations. The Federal Energy Administration also may require that new powerplants or other major fuel-burning installations be designed and constructed with the capability of using coal as the primary energy source. The Federal Energy Administration has established a program to carry out these responsibilities.

The National Energy Plan issued by the President on April 29, 1977, continued emphasizing the need for industrial conversion from natural gas to coal and other energy sources. The plan states that, although oil and natural gas account for less than 8 percent of U.S. energy reserves, 75 percent of U.S. energy needs are met by these resources. It recommends correcting this imbalance by " * * * shifting industrial and utility consumption from oil and gas to coal and other abundant energy sources."

This report discusses the use of these emergency provisions by the natural gas industry and the administration of these provisions by Federal officials. It also addresses the impact that such provisions have on supplies of natural gas and on the prices paid by consumers.

We are also reviewing other aspects of natural gas, including data collection, contingency planning, and options available for the future use of natural gas.

It should be noted that the recently established Department of Energy (DOE) brings all energy programs and responsibility under one executive agency. Most programs under NGA will be continued under the Federal Energy Regulatory Commission (FERC), replacing FPC. Therefore the recommendations in this report are being made to FERC and to the Secretary of Energy.

The Economic Regulatory Administration (ERA) of DOE will administer many of DOE's regulatory programs other than those of FERC. Programs for natural gas curtailment and emergency allocation are included in ERA's administrative responsibilities. ERA will also organize and manage an intervention program on behalf of the Secretary of Energy before FERC and other Federal and State regulatory agencies in support of DOE policy objectives.

SCOPE OF REVIEW

We reviewed the emergency purchase regulations issued pursuant to NGA, the provisions of ENGA, and the orders issued by the ENGA Administrator. We examined all emergency purchases made under NGA for a 2-year period ended April 30, 1977, and all emergency purchases made under ENGA. We interviewed FPC officials responsible for administering NGA and ENGA.

We obtained information from over 40 companies with respect to their involvement in and use of these emergency purchase provisions because they were serving some of the States most severely affected by natural gas shortages during the harsh 1976-77 winter. The companies produce, transport, or distribute natural gas in interstate and intrastate commerce in Alabama, Georgia, North Carolina, South Carolina, Pennsylvania, Texas, Ohio, and West Virginia.

CHAPTER 2

EMERGENCY PURCHASE REGULATIONS

ISSUED BY FPC UNDER NGA

Emergency purchases of natural gas have been used by interstate pipeline companies to maintain or increase sales to existing industrial customers and to displace alternate fuel consumption, contrary to national conservation policy. Also some intrastate pipeline companies have become a continuous source of natural gas for the interstate market. Thus they enjoy the best of both markets.

- They are not subject to price and other regulation by FPC and now by FERC while dealing in the interstate market.
- They enjoy the highest prices set by the forces of supply and demand in the intrastate market.

The cost of higher priced emergency gas used to serve low-priority users is shared throughout the pipelines' systems inequitably because high-priority users must bear part of these costs. These inequities are caused by (1) the existence of the dual market, (2) the limited regulation of low-priority use of this premium fuel, and (3) the liberal emergency purchase provisions linking the two markets.

At a March 30, 1977, meeting, FPC requested the Bureau of Natural Gas (BNG) staff to prepare a draft statement of policy on emergency purchase provisions. On April 15, 1977, BNG submitted its policy statement to FPC recommending amending these provisions to reduce the low-priority use of emergency natural gas. To date, however, FPC and FERC have not taken action on these recommendations. We believe these recommendations have considerable merit and should be seriously considered by FERC.

EMERGENCY PURCHASE REGULATIONS

The following regulations issued by FPC under NGA are intended to protect the public interest and safety during temporary natural gas emergencies or shortages.

Self-help measures

Natural gas pipeline and distribution companies under FPC's jurisdiction are allowed to purchase additional natural gas supplies from the intrastate market without FPC's express authorization. These purchases are limited to 60 days.

If the emergency is expected to last longer than 60 consecutive days, the seller or transporter is required to notify FPC that an extension of the emergency purchase is needed.

Extraordinary relief

For reasons other than damage to health and property situations--for instance an industrial customer facing curtailment of natural gas deliveries needs relief to avoid suspending operations--the end users may petition FPC for "extraordinary" relief. An end user may be applying for such relief because he needs the natural gas for feedstock purposes or because he lacks an alternate fuel capability. Generally extraordinary relief is granted by FPC for a sufficient period to allow the end user to develop an alternate fuel capability.

Emergency relief for life and property

To prevent irreparable damage to life or property during periods when gas supplies are curtailed, a pipeline company may, without prior FPC permission, respond immediately to meet the emergency situation by reallocating gas from other of its customers and by providing it to those needing gas only until the immediate emergency is over. This relief measure is designed to provide assistance during emergency situations, such as preventing possible equipment failures and protecting health, property, or agricultural products.

Exemption of temporary acts and operation and exemption of emergency sales or transportation

Natural gas pipeline companies under FPC's jurisdiction are allowed to construct and operate interconnection facilities, without prior FPC approval, where interruption or serious curtailment of service exists or is threatened because of facility failure, curtailment of natural gas supply, or unusual and unexpected demand on the facilities or the supply of natural gas. Natural gas emergency sales can be made by producers to pipeline companies without first obtaining a certificate from FPC to transport the natural gas.

EMERGENCY PURCHASES USED AS A GUISE FOR PRICE DEREGULATION

The prices paid for emergency purchases have been allowed to rise so that, in effect, there has been price deregulation of this facet of the interstate market. Some intrastate sellers have used the emergency purchase provisions to deal

extensively in the interstate market without Federal regulation and have commanded higher prices for their product than would normally be allowed. This practice is inequitable because these higher prices resulting from emergency purchases are shared by higher priority customers that may not benefit from the purchases.

Emergency purchase prices are influenced by intrastate natural gas prices

FPC Opinion 699-B issued September 9, 1974, states that an interstate pipeline company may pay a rate for emergency purchases "which a reasonably prudent pipeline purchaser would pay for gas under the same or similar circumstances." This determination is made when the purchaser files for a rate increase with FPC based on the increased cost of purchasing the emergency natural gas.

The national rate is the rate paid by interstate pipeline companies for natural gas sold in interstate commerce and has traditionally been used as the standard for determining the proper price for an emergency purchase. If the emergency purchase price is equal to or lower than the national rate, it is allowed by FPC.

If the emergency purchase price is higher than the national rate, the buyer must justify the rate paid for the emergency natural gas. To justify the higher rate, the buyer must provide information concerning:

1. The pipeline's need for natural gas.
2. The availability of other natural gas supplies.
3. The amount of natural gas dedicated to the purchase.
4. The comparison of the price with appropriate intrastate market prices in the same or nearby areas.
5. The relationship between the purchaser and the seller.

When the purchaser justifies a rate for the emergency purchase which exceeds the national rate, FPC allows the purchaser to pass the full cost of the emergency purchase on to its customers.

The interstate pipeline companies apparently are well aware that, for emergency purchases, FPC approves prices which are higher than the national rate, because most emergency purchases have exceeded the national rate. The emergency purchase rate we found which exceeded the national

rate by the greatest amount was made in December 1975 for \$2.28 per Mcf and exceeded the national rate by \$1.77 per Mcf.

High-priority customers pay in part for emergency natural gas going to low-priority users

When FPC approves the price, interstate pipelines are permitted to pass on the additional costs of high-priced emergency purchases to all their customers. Distribution companies can also pass on such increases to all their customers. Therefore higher priced emergency natural gas used to serve low-priority users is paid for, in part, by high-priority customers that may receive no benefit from the emergency purchase. In addition, most high-priority customers already pay higher rates for natural gas than low-priority customers that usually receive a discount for purchasing larger volumes of natural gas or that purchase on an interruptible basis.

Intrastate pipelines can make continuous sales of natural gas on the interstate market

Intrastate pipeline companies have taken advantage of FPC's lack of restraint by selling emergency natural gas almost continuously for long periods to interstate pipelines or distribution companies at unregulated prices. Memoranda from the FPC staff to FPC show that consecutive 60-day sales of natural gas by intrastate pipelines on the interstate market have become an accepted practice. FPC appears to have officially recognized the practice of allowing consecutive sales by a January 14, 1977, order which allows an intrastate pipeline company to sell natural gas continuously on the interstate market for 60 days as long as either the purchaser or the source of the natural gas is changed every 60 days.

FPC allows interstate pipeline companies to pay rates which approach or equal the highest intrastate rate for emergency purchases; therefore, intrastate pipeline companies are able to sell supplies of natural gas at these higher prices on the interstate market for an indefinite time.

Our review shows that two intrastate pipeline companies, the Oklahoma Natural Gas Company (Oklahoma) and the Delhi Gas Pipeline Corporation (Delhi) had been continuously selling natural gas on the interstate market at prices that exceeded the national rate. Between September 1974 and May 1977, Oklahoma made 45 sales totaling about 147 Bcf of

natural gas to interstate pipeline and distribution companies at prices that ranged from \$0.23 to \$1.02 per Mcf above the national rate in effect at the time of the sale. During the same period, Delhi made 38 sales to interstate pipeline and distribution companies which totaled about 65 Bcf of natural gas at prices that ranged from \$0.23 to \$1.46 above the national rate in effect at the time of the sale.

Forty-three of the emergency sales by Oklahoma and Delhi were made to interstate pipeline companies that reported their curtailment status to FPC, and 23 of these sales were made to interstate pipeline companies that were serving low-priority boiler fuel users at the time of the sale.

EMERGENCY PURCHASE PROVISIONS
ARE LIBERALLY REGULATED AND APPLIED

FPC's emergency purchase regulations are written and interpreted so that any interstate pipeline or distribution company can buy natural gas under emergency provisions as long as it is curtailing or threatened with curtailment of any customers, including low-priority users.

Since emergency natural gas purchases increase sales and revenues of interstate pipeline companies, we believe FPC's liberal regulation of the emergency provisions increases the incentive to interstate pipeline companies to make emergency natural gas purchases.

We asked nine interstate pipeline companies what uses could be served while making emergency natural gas purchases. Five companies generally stated that the purpose of emergency purchases was to enable companies to provide continuous service to high-priority needs. Two companies stated that they were not concerned as much with serving a certain priority level as they were in protecting the entire system. These companies use emergency purchases to augment system supply in trying to maintain a particular level of service, including service to low-priority customers. Another company said that the fact that it could not supply its full contract quantities enabled it to purchase emergency natural gas. The remaining company said that it purchased emergency natural gas if its daily supply flow and storage withdrawals were not adequate to meet priority 1 and 2 requirements. This company believed, however, that, before the enactment of ENGA, there was no limit to the priorities that could be served with emergency supplies.

Information submitted to FPC by interstate pipeline companies indicates that, during the summers of 1975 and

1976 (April 1 to October 31), 12 interstate pipeline companies made 135 emergency purchases, totaling over 54 Bcf of natural gas, while they were serving or shortly before they began serving low-priority boiler fuel end users with alternate fuel capability. For example, 1 pipeline company made 18 emergency purchases totaling about 13.3 Bcf of natural gas while serving electric utility and interruptible customers. Appendix I identifies the pipeline companies that were serving low-priority customers, the volumes of natural gas purchased, and the types of customers served while these emergency purchases were made during these summer periods.

In addition, during the past winter, when some interstate pipelines had to curtail high-priority users, 7 interstate pipeline companies made 64 emergency purchases totaling almost 17 Bcf of natural gas while they were serving or shortly before they began serving boiler fuel end users with alternate fuel capability.

One pipeline company made 15 emergency purchases totaling about 1.9 Bcf of natural gas while serving low-priority boiler fuel users. Appendix II identifies the pipeline companies that were serving low-priority customers, the purchase price and volumes of the natural gas, and the lowest priority served while these emergency purchases were made during the 1976-77 winter.

"Take-or-pay" provisions in emergency purchase contracts can also lead to low-priority use of emergency natural gas. Take-or-pay provisions require the buyer to pay for all the contracted volumes of natural gas, even though the buyer may no longer need or take all the volumes. One pipeline company made an emergency purchase this past winter under a contract containing a take-or-pay provision. Company officials said that, even though the weather warmed up and the company's supplier resumed normal service, the company was unable to terminate deliveries of natural gas under its emergency purchase contract. As a result, the company put some of the emergency gas into storage and also began serving customers in categories as low as priority 7.

CHAPTER 3

ADMINISTRATION AND USE OF ENGA

The primary purpose of ENGA was to assure adequate natural gas supply for high-priority uses. We found, however, that ENGA provisions, like FPC emergency provisions, were used to serve low-priority uses.

During the 1976-77 heating season and on into the 1977 summer months, natural gas obtained using ENGA emergency purchase provisions was used to serve low-priority uses. The Administrator did not assure that the natural gas purchased under ENGA served only high-priority uses; in fact, he even approved some contracts when he knew low-priority customers were being served by the purchaser.

In addition, the Administrator assumed no responsibility for regulating transportation charges for the emergency gas, thereby allowing transportation charges which may be in excess of the additional costs incurred by the pipeline companies. We did not make an extensive analysis of these transportation costs because the time required would have prevented issuing this report in time for our recommendations to be considered for use during the coming winter.

Despite the deficiencies we found to exist in ENGA administration, we found the following positive accomplishments. Shortly after ENGA was passed on February 2, 1977, large quantities of gas began moving from the West to the gas shortage areas in the East. These emergency sales were rapidly arranged by industry officials and approved by the Administrator, thereby alleviating the threat to life, health, and property.

The Administrator accomplished this by using the cooperative efforts of industry and by reassigning regular FPC personnel. This required extraordinary effort by these people.

ENGA LEGISLATIVE GOALS

The purpose of ENGA, as stated in the act, is:

"To authorize the President of the United States to order emergency deliveries and transportation of natural gas to deal with existing or imminent shortages by providing assistance in meeting requirements for high priority uses; to provide authority for short-term emergency purchases of natural gas; and for other purposes." (Under-scoring supplied.)

ENGA PROVISIONS

ENGA's most important provisions are described below.

Section 3 gives the President the authority to declare a natural gas emergency if he finds that the natural gas supply for high-priority use in the United States or any region thereof is endangered. The declaration of a natural gas emergency permits the President to invoke the allocation provisions of section 4 of the act. The act also gives him the power to declare the emergency ended. The emergency period so declared by the President took place between February 2 and April 1, 1977.

Section 13 allows the President to delegate the authority of administering ENGA. On February 2, 1977, he designated the Chairman of FPC as the Administrator of ENGA.

Section 6 authorized emergency sales from the intrastate market to the interstate market at fair and equitable prices through July 31, 1977. It stated that FPC could not exercise its authority under NGA to disallow amounts paid for natural gas purchased under ENGA by interstate pipeline companies. It stated also that the fact that a pipeline company was in compliance with the ENGA provisions would not subject the pipeline company to regulation under NGA. The Administrator stated that exempting intrastate pipelines from subsequent regulation by FPC was perhaps the most important factor in allowing natural gas to move quickly and efficiently to areas where it was most needed.

Section 9 complemented section 6. It declared those clauses in natural gas contracts which prohibited the comingling of interstate and intrastate natural gas against public policy and unenforceable if the natural gas under the contracts was purchased pursuant to certain sections of ENGA.

Section 11 provides penalties for violations of orders issued under section 4 or 6(c) of ENGA. Where willful violations occur, fines of not more than \$50,000 a day can be levied for each separate violation. For other violations of orders issued under section 4 or 6(c), civil fines of not more than \$25,000 a day for each violation can be levied.

Section 12 required weekly reporting of prices and volumes of natural gas delivered, transported, or contracted for under ENGA. It also required that the President report his actions taken under ENGA to the Congress not later than October 1, 1977. The President's report has not been issued to date.

Section 4 allowed, until April 30, 1977, the Administrator of ENGA to reallocate natural gas among interstate pipeline systems to assure that public health and safety were maintained. This provision was not exercised.

Section 7 complemented the allocation provisions of section 4 by specifying the determination and disposition of compensation that an interstate pipeline would have received had the allocation authority been exercised. It also specifies how the cost of the gas purchased under sections 4 and 6 will be passed on to distribution companies.

ORDERS OF ENGA ADMINISTRATOR

The Administrator of ENGA issued several program orders to carry out ENGA. The most important of these orders are described below.

Order 2 defined "fair and equitable" prices, thus prescribing the price of natural gas sales under section 6(a) of the act. Emergency natural gas purchases could be made without prior notification to or authorization from the Administrator where

- the price for such sales was equal to or less than \$2.25 per million British thermal units (MMBtu's)--roughly equivalent to one Mcf of natural gas;
- the seller of the natural gas would be required to use alternate fuel to replace the natural gas sold, if the price of the natural gas was equal to or less than the cost of the alternate fuel plus 7 percent; or
- a distribution company or intrastate pipeline company made an emergency sale of natural gas and charged its overall replacement cost plus applicable transportation and storage costs, if any.

Prices in excess of these levels were permitted only upon the Administrator's authorization.

Order 4 implemented the provisions of section 12 by requiring the purchaser or recipient of the natural gas to report on prices, volumes, and other information on the emergency purchases.

Order 6 stated that, although the mandatory allocation provisions of section 4 of ENGA were applicable, the term "emergency supplies" as used in section 6 meant the supplies of natural gas necessary to enable the purchaser

only to serve high-priority uses of natural gas. Therefore, according to Order 6, no company directly or indirectly serving end uses in FPC categories 4 through 9 (low-priority uses) would be eligible to purchase natural gas under section 6.

Order 6-A stated that the purchaser was responsible for determining whether it was qualified to make a purchase under Order 6. If it was later demonstrated that the purchaser was not qualified to purchase gas under Order 6, Order 6-A provided that the purchaser could be liable for civil and/or criminal penalties under section 11.

Order 7 prescribes that the cost of natural gas purchased by interstate pipeline companies under ENGA be allocated in the following manner:

1. If natural gas was purchased for specific customers, those customers are required to pay for the natural gas in proportion to the natural gas they received.
2. If natural gas was purchased for general system supply, the increased cost of the natural gas is passed on to all customers.

LOW-PRIORITY USES SERVED WITH ENGA PURCHASES

Natural gas obtained under ENGA was used to serve low-priority uses because measures were not taken by the Administrator or the pipeline companies to assure that only high-priority uses were served. In some cases pipeline companies requested and received authority to make emergency purchases under ENGA even though they reported that they were concurrently serving low-priority uses. We believe these practices were counter to the national conservation policy and to Order 6. We found no instances in which pipeline companies attempted to conceal the fact that they were serving low-priority users with natural gas purchased under ENGA.

We also believe these practices were inequitable because low-priority users that may otherwise be curtailed are not required to bear the full cost of the higher priced emergency natural gas that they receive. Some high-priority customers that may not have been affected by curtailment received no benefit from the emergency purchase under ENGA; however, these customers must bear part of the higher cost of the natural gas obtained under ENGA and thereby subsidize low-priority users.

The Administrator delayed prohibiting
emergency purchase contracts while
concurrently serving low-priority uses

After his appointment, the Administrator quickly began to issue program orders, some as program guidelines and some to authorize specific purchases, to provide natural gas to pipeline companies and municipalities. However, he did not require that natural gas pipeline and distribution companies must be serving only high-priority uses when entering into emergency natural gas purchase contracts under ENGA until 20 days after his appointment when he issued Order 6 on February 22, 1977. The following examples and those included in appendix III of this report show how this delay allowed three pipeline companies to purchase in excess of 7 million Mcf of natural gas under ENGA while serving low-priority uses.

The Colorado Interstate Gas Company (CIG) reported to the Administrator on February 15, 1977, that 2 days earlier it began to receive natural gas under an ENGA emergency purchase contract. CIG later reported to FPC that, during the week of February 14, 1977, it began serving low-priority customers in category 6 of FPC guidelines. CIG has estimated that about 4,000 Mcf of natural gas a day, or a total of about 672,000 Mcf of natural gas, was purchased under the contract while low-priority customers were being served.

The El Paso Natural Gas Company began a series of 21 emergency natural gas purchases under ENGA on February 17, 1977, even though it had begun to serve low-priority customers in FPC's categories 4 and 5 on February 13, 1977. The company reported to the Administrator that the natural gas from these purchases began to flow on February 19, 1977. The company estimated that, while it was serving low-priority customers, it purchased over 5.3 million Mcf of natural gas under these contracts.

ENGA transactions were approved
irrespective of low-priority
service by the purchaser

Our review included an assessment of ENGA sales authorized by the Administrator to determine whether the emergency sales complied with the criteria the Administrator established in Order 6. We found emergency purchases using ENGA provisions which failed to meet the Administrator's criteria.

On February 25, 1977, CIG filed an application pursuant to section 6 of ENGA for authorization to purchase about

3,000 Mcf of natural gas a day. CIG requested that this natural gas be determined to have been contracted for on February 17, 1977, and therefore not precluded by Order 6 (Feb. 22, 1977), or, in the alternative, that the provisions of Order 6 be waived to permit the proposed purchase.

In a statement filed to the Administrator, CIG stated that it entered into a firm oral contract for the purchase of the natural gas on February 17, 1977. The agreement provided that CIG purchase the natural gas at a price of \$2.25 per MMBtu through July 31, 1977, and thereafter CIG would purchase the remaining volumes at the applicable national rate for new natural gas. CIG stated that the seller had an outstanding offer from an intrastate purchaser to buy the natural gas at 25 cents per Mcf above the applicable national rate established by FPC. CIG was serving uses in FPC priorities 4 through 9 at the time the contract was executed. Before February 22, 1977, CIG spent about \$20,000 to connect this natural gas supply to its pipeline system. CIG advised the Administrator that the parties were unwilling to start deliveries without prior authorization from the Administrator.

The Administrator stated that, before February 22, 1977, CIG and the seller had entered into a firm oral contract for the purchase of the natural gas and that CIG had installed the facilities necessary to receive the natural gas into its pipeline system. According to the Administrator, these circumstances indicated that CIG had contracted for the purchase of the natural gas before February 22, 1977; therefore, Order 6 did not preclude the purchase of this gas by CIG. Even though he was aware that CIG was serving low-priority users, the Administrator approved this transaction on February 28, 1977.

This ENGA purchase established a precedent which was used as a basis for approving other emergency purchases where low-priority uses were being served. This precedent, herein referred to as the Colorado Interstate criteria, contained the following requirements.

- Before February 22, 1977, the purchaser and the seller must have had a firm contract for the purchase of the natural gas.
- Funds must be spent by either the seller or the purchaser before February 22, 1977, to facilitate the delivery of the natural gas.

--After the ENGA purchase has terminated, there must be a long-term commitment of the natural gas to the interstate market.

On February 28, 1977, the Administrator was advised against this practice by his staff. The staff noted that emergency purchase requests involving claims of oral contracts were practically impossible to validate on any reasonable basis. According to the staff, it is not a question of the veracity of CIG or the producers but, rather, a problem of setting an impossible standard by which all parties, including other pipelines and producers, can be treated.

The following table summarizes the emergency natural gas purchases made under ENGA which the Administrator authorized using the Colorado Interstate criteria. All purchasers were serving low-priority uses at the time the purchase was authorized by the Administrator.

<u>Purchaser</u>	<u>Number of purchases</u>	<u>Estimated volume (Mcf)</u>
CIG	1	92,400
Columbia Gas Transmission Corporation	1	176,000
Natural Gas Pipeline Company of America	9	10,464,000
Northern Natural Gas Company	5	756,730
Tennessee Gas Pipeline Company	1	28,075
Transwestern Pipeline Company	3	2,006,800
United Gas Pipeline Company	<u>4</u>	<u>4,222,000</u>
Total	<u>24</u>	<u>17,746,005</u>

The following examples of these emergency purchases show the conflicting positions of the Administrator and his staff. They also show that the Colorado Interstate criteria was not consistently applied by the Administrator.

The Columbia Gas Transmission Corporation requested authorization on April 13, 1977, to purchase emergency natural gas under ENGA from eight natural gas producers in New Mexico, Oklahoma, and Texas. The corporation said it did not qualify to purchase natural gas under Order 6; yet, it requested approval on the basis of its firm oral agreements that had been made with the sellers before Columbia's commencement of service to boiler fuel users and upon which some of the sellers had spent funds in reliance on the corporation's offers to purchase the natural gas.

The Administrator authorized two sales, even though his staff had advised him that the corporation's request was inconsistent with the Colorado Interstate criteria. The staff noted that the corporation did not qualify to make emergency purchases after it began indirect natural gas deliveries to low-priority users. The staff recommended that the corporation's request be denied, except for the emergency purchase which resulted from the oral agreement made before February 22, 1977.

The North Central Oil Corporation, Transwestern Pipeline Company, and CIG filed an application on April 5, 1977, for authorization to permit Transwestern to commence an emergency natural gas purchase under ENGA from North Central through July 31, 1977. Included in the agreement was a provision that, subsequent to the emergency purchase under ENGA, CIG would purchase the remaining reserves from North Central at FPC's applicable area or national rate. The filing also noted that, if the ENGA sale was allowed, North Central and CIG would compromise and settle pending litigation regarding certain natural gas reserves.

On or about March 14, 1977, North Central and CIG executed formal documents providing for the long-term commitment of North Central's natural gas, subject to North Central's right to make an emergency sale under ENGA. Transwestern then agreed to purchase available natural gas supplies from North Central.

Transwestern stated that, at the time of execution of the contract on March 15, 1977, with North Central and at all times before such execution, it reasonably believed that it was qualified to make an emergency natural gas purchase under Order 6. On March 17, 1977, Transwestern learned

that it was not eligible to purchase natural gas under this order because it was indirectly serving low-priority uses.

In a memo of April 6, 1977, the Administrator's staff advised him that most of Transwestern's sales were made to two customers, and both customers had been serving low-priority users since early in March. According to the memo, Transwestern could have found out that it was indirectly serving low-priority customers by simply making two telephone calls. The memo recommended that the Administrator consider not authorizing this purchase.

Since the emergency purchase request satisfied the Colorado Interstate criteria, the Administrator allowed this purchase on April 12, 1977.

The Inexco Oil Company, a small independent intrastate natural gas producer, entered into negotiations with CIG on March 1, 1977, for the long-term sale in the interstate market of Inexco's natural gas from completed wells and from wells in the process of being completed. As a condition to Inexco's agreement to make a long-term sale to the interstate market, Inexco required that it be permitted to first sell the natural gas under ENGA provisions at the permissible price of \$2.25 per MMBtu's. Inexco also agreed that, upon the execution of the emergency contract under ENGA and the subsequent long-term sale, it would compromise and settle a pending lawsuit with CIG relating to natural gas in the area from where the emergency natural gas was to be withdrawn. After these agreements were reached, Inexco and CIG attempted to locate a buyer capable of acquiring the natural gas under ENGA.

Under a March 11, 1977, agreement, Transwestern purchased natural gas under ENGA provisions from Inexco, and the natural gas deliveries commenced on or about March 16, 1977. Transwestern ceased taking deliveries on March 18, 1977, because, shortly after the deliveries commenced, Transwestern learned that some of its customers were serving low-priority uses.

Inexco applied to the Administrator on March 25, 1977, for authorization to continue the sale because of its previous agreement to make long-term dedication of natural gas to the interstate market. The Administrator determined that, even though Transwestern was serving low-priority customers, it could continue making the natural gas purchase from Inexco under ENGA.

The Administrator stated that:

"Transwestern reasonably relied upon information contemporaneously available to it when it executed the subject contract. Furthermore, CIG will gain an additional long-term supply of gas if this sale is approved which it might not otherwise obtain."

The Administrator also noted that:

"Order No. 6 prescribed a rule of reasonableness not an absolute rule. The circumstances at the time of the execution of the contract are to be looked at to determine if a pipeline's execution of that contract is reasonable in light of the information then practicably available to it."

The Administrator stated that:

"Certain transactions have been authorized where no written contract had been executed but substantial detrimental reliance on the pipeline's eligibility to purchase gas under Order No. 6, has been demonstrated prior to the time the pipeline determined that it was not eligible to make a purchase under Order No. 6."

In approving the emergency purchase under ENGA, the Administrator stated that:

"Transwestern has satisfied these criteria and is hereby authorized to continue to purchase this gas from Inexco notwithstanding Order No. 6."

On April 14, 1977, Inexco filed an application to the Administrator requesting a supplemental order that Transwestern be authorized to purchase the volumes of natural gas which were not delivered between March 16, 1977, when Transwestern terminated deliveries and March 28, 1977, when Transwestern was authorized to continue the purchase. The Administrator granted the supplemental order on April 15, 1977, even though he was advised by his staff the same day that no emergency existed on Transwestern's system at that time or between the dates of March 16 and March 28, 1977.

The Tennessee Gas Pipeline Company filed a request on March 25, 1977, to make several emergency purchases of natural gas on the basis of oral agreements it had entered

into with the sellers on or before March 3, 1977. In his March 30, 1977, decision allowing one of the emergency purchases, the Administrator noted that the company was serving low-priority uses. According to the company's filing, it first learned that certain of its customers were serving low-priority uses on March 3, 1977, yet the Administrator approved the one sale because it " * * * satisfies the Colorado Interstate criteria * * *."

We noted, however, that one key requirement of the Colorado Interstate criteria was missing--that as a result of this ENGA transaction, a long-term dedication of the remaining reserves would be available to the interstate natural gas market.

TRANSPORTATION CHARGES AND PURCHASERS' ELIGIBILITY NOT REGULATED

The Administrator did not act to regulate the reasonableness of charges for transporting natural gas purchased under ENGA emergency provisions, nor did he act to check the eligibility of those who made emergency purchases which did not require his advance authorization.

We did not analyze the reasonableness of the transportation charges or check the purchasers' eligibility, since it would have prevented our issuing this report in time for our recommendations to be considered for implementation during the coming winter.

However, considering the manner in which these emergency provisions have been used and regulated and the information presented below, we believe that abuses may have occurred in the areas of transportation charges and emergency purchases which did not require the Administrator's authorization.

Transportation charges

On February 3, 1977, the Administrator issued Order 2 which established price guidelines for emergency purchases of natural gas made under ENGA. The Administrator did not, however, establish guidelines for related transportation charges, including a fuel use component. Fuel usage refers to the amount of energy or fuel required to move the emergency natural gas through the pipeline above the fuel required to move the volumes of natural gas that would normally flow through the pipeline.

According to ENGA officials, the Administrator's advisory staff had differing opinions concerning the Administrator's authority to regulate the transportation charges for natural gas purchased under ENGA and the Administrator determined that he had no authority to regulate these transportation charges. The officials said that, if both parties to the ENGA transactions agreed to the transportation charges applicable to that transaction, there was nothing the Administrator could do regarding the equitableness of the transportation charge. He therefore took no action to establish guidelines for transportation or fuel use charges.

We observed several instances in which the transportation charges may have been in excess of the costs or fuel required to transport the natural gas. The following examples illustrate possible excessive transportation charges.

The Eastern Shore Natural Gas Company filed a request on February 24, 1977, for authorization under ENGA to purchase about 1,700 Mcf of natural gas a day for 31 days. The Natural Gas Pipeline Company of America was one of the pipeline companies transporting the natural gas for Eastern Shore. Natural retained 15 percent of the volumes transported as compensation for providing the services and "* * * to protect the integrity of Natural's gas supply available to serve its own customers." Natural based its transportation charge, in part, on its estimate that 9 percent of the volumes transported would be required for "* * * recovering the incremental compressor fuel consumed in providing the transportation service * * *."

In response to our questions concerning this transportation charge, Natural noted that because "* * * there is no practical way to trace fuel usage for a particular source of gas * * *" calculations were used to establish the incremental or additional fuel required to transport the additional volumes of emergency natural gas. Using these calculations, Natural determined that the actual incremental fuel used for this transaction was only 4.3 percent of the volumes of this emergency purchase.

Natural also stated:

"The basic logic underlying this type of charge was that, given the gas curtailment situation at that time, it would be more beneficial both to Natural and its customers to receive payment in kind as opposed to monetary compensation."

The Panhandle Eastern Pipeline Company was one of several natural gas pipeline companies that acted as agent for its customers in making emergency purchases under ENGA. For those customers for whom the company acted as agent, it levied a uniform transportation charge of 20 cents for each Mcf of natural gas; where the company did not act as agent, it levied a transportation charge up to 23.25 cents per Mcf of natural gas. The company also retained, as fuel reimbursement, from 8 to 11 percent of the natural gas transported.

Concerning such transactions, the company stated that:

"The percentage of natural gas retained by Panhandle as fuel reimbursement for the various transportation agreements * * * is based on the incremental fuel required to transport these volumes across the Panhandle system."

The company presented an incremental fuel requirement study which:

"* * * shows the incremental fuel required to transport additional volumes across the Panhandle system to be 11 percent. This study is based on the increased horsepower required to move an additional 60,000 Mcf per day from Panhandle's first mainline compressor station at Liberal, Kansas through the Edgerton Station on the Indiana-Ohio border."

The company noted that, in order to avoid a reduction in natural gas deliveries to its existing customers, it:

"* * * has utilized this incremental fuel reimbursement approach in all of its transportation agreements, both emergency and long-term agreements."

The company also told us that it retained from 8 to 11 percent of the natural gas transported; however, it could not determine the actual amount of fuel used for each ENGA transaction or the actual volumes of emergency natural gas transported each day through its system. The company said that, if the fuel reimbursement was in excess of the additional fuel actually needed to transport the emergency natural gas, the excess fuel "* * *" would be available for system supply for the benefit of all customers."

The Pacific Gas and Electric Company (PG&E) agreed to have natural gas to which it was entitled diverted to companies in the East which were in need of additional supplies. These transactions were in the nature of loans which were subject to repayment in kind. A diversion charge of 35 cents per Mcf of natural gas, plus a carrying charge beginning on April 1, 1977, of 1.8 cents a month per Mcf of natural gas on the outstanding balance of the natural gas loaned, was levied by PG&E. According to PG&E, the diversion charge included some costs for the use of PG&E's underground storage facilities because, in order to maintain service to its customers, PG&E estimated that some natural gas would have to be withdrawn from its underground storage facilities.

PG&E said the diversion charge generated about \$520,000 in revenue, whereas the out-of-pocket operating expenses related to the diversion of this natural gas amounted to about \$7,600. According to PG&E, "The balance in excess of such identifiable costs is being passed through to natural gas customers of PG&E * * *" and the rate reduction for PG&E customers attributed to the ENGA transactions will be effective January 1, 1978.

Inadequate monitoring of ENGA purchases not requiring prior authorization of the Administrator

On March 8, 1977, the Administrator appointed the Compliance Officer to review the reported actions taken by the parties involved in the emergency transactions. In performing this function, the Compliance Officer was required to determine (1) that transaction reports complied with the requirements of the Administrator's orders and (2) whether the reported transactions, in his opinion, were consistent with the ENGA orders. The Compliance Officer was not responsible, however, for taking enforcement actions against companies violating ENGA provisions. Any violations found by the Compliance Officer were to be reported to the Administrator for action.

Order 2 provided that emergency natural gas purchases did not require prior authorization by the Administrator if the price was \$2.25 per MMBtu's or less; however, Order 4 required that certain information concerning all emergency purchases be reported to the Administrator.

The Compliance Officer stated that 167 emergency purchases were made which did not require the Administrator's prior authorization. The Compliance Officer stated also that

he checked the reports on such emergency purchases to insure that all the required information was reported. If an incomplete report of a purchase was submitted, the Compliance Officer attempted to obtain the missing information from the company.

During the time Order 6 was in effect, however, no review was made of the emergency purchases which did not require the Administrator's prior authorization to determine if the purchaser was serving only high-priority uses as required by Order 6. The Compliance Officer said it was not his responsibility to determine if these emergency purchases met the requirements of Order 6. No one on the Administrator's staff checked the purchasers' eligibility.

The Administrator did require sworn statements by purchasers concerning their eligibility under Order 6 for emergency purchases that he specifically authorized. Such statements were not required, however, for emergency purchases which did not require the Administrator's prior authorization. Since the Administrator allowed some emergency purchases which did not qualify under Order 6, some companies that made emergency purchases which did not require his prior authorization also may not qualify under Order 6. We therefore believe that these emergency purchases which did not require the Administrator's prior authorization should be reviewed by DOE to assure their compliance with Order 6.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

There was inadequate administration of the Emergency Natural Gas Act of 1977 and the emergency purchase provisions of FPC. Large quantities of natural gas were allowed to be purchased on an emergency basis by interstate pipeline companies; yet, no meaningful restrictions were applied to the purchase of these volumes in terms of what constituted an emergency or what priorities should use emergency natural gas.

The combination of the significant differences in prices between the interstate and intrastate markets and the manner in which FPC regulated its emergency purchase provisions contributed to the incentives and opportunities for some intrastate pipeline companies to avoid FPC price and other regulations while dealing in the interstate market. Thus they enjoyed the best of both markets--high prices and little regulation.

As a consequence, many interstate pipeline companies were allowed to use these emergency purchases to increase or maintain sales to existing low-priority customers that had alternate fuel capability. This resulted in actions which were counterproductive to implementation of national conservation policies. The national policy for conserving scarce natural gas by shifting high-volume industrial and utility users to coal and other abundant energy sources has been well established since 1974. FPC and the Administrator of ENGA acted contrary to this policy by allowing natural gas obtained under emergency provisions to serve low-priority industrial and utility uses. We believe that, if these low-priority users had been denied the use of natural gas obtained through emergency provisions, it would have reduced their overall consumption of natural gas and encouraged or required them to use their capability to switch to coal or alternate energy sources on a temporary or permanent basis.

Some low-priority customers may have not installed the facilities needed to exercise their capability to use alternate fuels. We believe low-priority customers should have a reasonable time to install such facilities before they are denied natural gas obtained under emergency provisions. But care should be used in establishing such a reasonable period to avoid further delays in installing the facilities.

FPC emergency purchase provisions were not adequate to protect high-priority consumers from supply shortages during the severe 1976-77 winter; hence, ENGA was passed. Although the main purpose of ENGA was achieved--the protection of high-priority consumers--its administration left much to be desired.

There was no regulation of transportation charges or fuel usage charges under ENGA; however, these charges are regulated by FPC for emergency purchases made under its jurisdiction. The purchasers had little incentive to bargain for fair charges under ENGA because of their ability to pass the higher cost through to the consumer and still maintain their profit margins.

The opportunity of sellers to obtain prices--\$2.25 per Mcf of natural gas--which were above the highest intrastate rates and the opportunity of purchasers to obtain supplies to meet demand contributed to ENGA's being administered and used in the same manner as FPC emergency provisions. ENGA quickly became a means to meet the demand for general system supply, including low-priority uses. Low-priority users that may otherwise be curtailed are not required to bear the full cost of the higher priced emergency gas that they receive.

Some high-priority customers that may not be affected by curtailment must bear part of the higher cost of emergency purchases and thereby subsidize low-priority users. To eliminate this inequity in the future, low-priority users that have not yet installed facilities for alternate fuels should bear the full cost of any emergency natural gas they receive. This requirement would also provide an incentive to low-priority users to switch to other more abundant fuels.

The increasingly severe natural gas supply problems experienced during recent years emphasize the need for (1) taking immediate and strong measures to curb low-priority uses of emergency natural gas and (2) improving the administration of emergency natural gas purchase programs. Emergency legislative, such as ENGA, should not be necessary every winter if FPC's emergency provisions are used as we are recommending.

RECOMMENDATIONS TO THE FEDERAL ENERGY REGULATORY COMMISSION

We recommend that the Federal Energy Regulatory Commission amend its regulations for emergency purchases of natural gas:

1. To define a natural gas emergency as a situation in which a natural gas company's natural gas supply for high-priority use is endangered.
2. To establish the policy that natural gas obtained under emergency purchase provisions may be served only to high-priority users and those low-priority customers that have not installed facilities for alternate fuel use. A date should be established by FERC which will allow a reasonable time necessary for low-priority customers to install such facilities. Also these low-priority users should bear the full cost of any emergency natural gas they receive during that period.
3. To prohibit emergency purchases which require the purchaser to take the natural gas or pay for the volumes not taken even though service is resumed to low-priority users.
4. To prohibit purchasers from receiving emergency natural gas when they are serving low-priority users that have facilities for alternate fuel use.

We recommend also that FERC establish a surveillance and enforcement program to assure that emergency provisions are used in compliance with the law and regulations.

RECOMMENDATIONS TO THE SECRETARY OF ENERGY

We recommend that the Secretary review the purchases made under ENGA which did not require the Administrator's prior authorization to determine which purchasers, if any, were ineligible and apply any appropriate penalties required under the act.

In addition, the Secretary should consider exercising his authority to intervene with State public utility commissions to promote the amended FERC policies on emergency purchases of natural gas. This would not be necessary if the second recommendation to the Congress is followed.

RECOMMENDATIONS TO THE CONGRESS

We believe those provisions of ENGA which provided for emergency allocation authority are appropriate and should be embodied in NGA. Also the provisions of ENGA which were most useful in facilitating emergency purchases similarly should be embodied in NGA. In addition, the transportation costs of emergency purchases should be regulated.

We therefore recommend that the Congress amend the National Gas Act to give the President permanent authority to declare a natural gas emergency which would then permit FERC to require mandatory allocation of natural gas between both intrastate and interstate pipeline companies once the emergency is declared. This legislation should include provisions which:

- Protect nonjurisdictional companies (those not regulated under NGA) from breach of contract suits resulting from having to commingle nonjurisdictional supplies with jurisdictional supplies.
- Guarantee that nonjurisdictional companies will not come under NGA regulations as a result of actions taken pursuant to emergency provisions.
- Establish guidelines for transportation charges assessed by pipeline companies when these companies transport natural gas under emergency provisions. These guidelines should contain criteria by which the propriety of these transportation charges will be measured.

We also believe that FERC should have authority to assure that (1) the full cost of emergency natural gas is charged to the customers that receive it from distribution companies regulated by State public utility commissions and (2) such customers in low-priority categories do not receive such gas. This authority could eliminate the inequities discussed in this report and allow further implementation of national conservation policies.

We therefore recommend that the Congress amend NGA to grant FERC the authority to regulate the ultimate end price and end use of natural gas obtained under emergency regulations issued pursuant to NGA, including that emergency natural gas distributed by pipelines or distribution companies under State regulation.

AGENCY COMMENTS

On October 20, 1977, we requested comments of the Secretary of Energy on our proposed report. On November 1, 1977, we received oral comments from DOE and FERC officials which were considered in this report. On December 20, 1977, the Department of Energy provided specific comments on those aspects of our report which relate to the administration of the Emergency Natural Gas Act. The Department of Energy generally concurred with most of the recommendations related to the administration of the act. For those functions

assigned to the Secretary, the Department said it would take the necessary action to see that they are appropriately implemented.

COMPANY COMMENTS

We provided extracts of our proposed report to the 25 companies named in this report to obtain their comments. Twenty-one companies responded, 19 in writing and 2 orally. Three companies stated that the material presented was factually correct and had no comments.

All of the comments were reviewed and, where warranted, changes were made to report data and statements. However, some companies expressed a difference of opinion concerning interpretations of certain information. The full text of the company comments are available on request.

The El Paso Natural Gas Company said that, for some of the days during the time it was making emergency purchases, it partially or completely curtailed priority 4 and 5 customers. El Paso was, however, serving these low-priority customers during most of the time it was making emergency purchases, which we believe was not appropriate.

The Panhandle Eastern Pipeline Company questioned the source and accuracy of our data and statements. After rechecking the information provided by Panhandle and FPC during our review, however, we believe the data and the statements made concerning Panhandle are accurate.

The Inexco Oil Company said that the Administrator of ENGA was using the best information available to all parties that were attempting to alleviate a crisis and that to look back now and state that there was some type of abuse appears unjust. We believe, however, that in this case the Administrator did not have the best information available to all parties. As the Administrator's staff stated in its April 6, 1977, memo, the Transwestern Pipeline Company (that purchased natural gas under ENGA from Inexco) could have found out that it was indirectly serving low-priority customers by simply making two telephone calls. (See p. 20.) It should also be noted that Transwestern had no comments on this matter, except to state that as soon as it became aware that it was serving low-priority uses, it discontinued the emergency purchase.

The Pacific Gas and Electric Company said that its charge for diverting natural gas to eastern companies was fair and reasonable to both the eastern companies and their consumers and to PG&E's own customers. Our report does not

reach any conclusion regarding the reasonableness of PG&E's charges. We simply have noted that there is a large difference between the revenues received from this charge and the actual costs involved in the transaction and that this and other storage or transportation charges for emergency purchases should be more closely monitored.

The Northern Natural Gas Company said that its emergency purchases were a reasonable and prudent effort to protect its high-priority customers. Northern said also that such contracts were on a take-or-pay basis and were executed at a time when no low-priority customers were being served. We agree that, at the time of the purchases, Northern was attempting to protect its high-priority customers by making emergency purchases. However, when the weather became warmer Northern was able to serve low-priority customers while still making emergency purchases. This situation shows exactly why we are recommending that take-or-pay provisions in emergency purchase contracts be prohibited. Once the emergency is over, the emergency purchase should be terminated, rather than being used to serve low-priority customers.

The Texas Gas Transmission Corporation said that during April 1, 1975, to October 31, 1975, it was curtailing all its low-priority customers and that, although it had no control over the end use of the natural gas, it assumed that only high-priority uses were served. Such assumption, however, is not always valid because there is no control over the end use of emergency natural gas, and therefore we have recommended that the Congress give FERC the authority to regulate the end use and price of emergency natural gas.

The United Gas Pipeline Company has expressed concern that, to protect high-priority users, a great degree of flexibility is needed in emergency purchase provisions to allow for contingencies, such as colder than normal weather, loss of supply due to hurricanes, regulatory timelags in the attachment of new supplies, and equipment failure. Although some flexibility is needed, we believe that excessive flexibility caused many of the abuses described in this report. We believe also that the criteria outlined in this report for emergency purchase provisions will not only allow for the protection of high-priority customers but also prevent emergency natural gas from being used by low-priority customers that can use other fuels.

EMERGENCY PURCHASES MADE BY INTERSTATE PIPELINE COMPANIES
UNDER FPC REGULATIONS WHILE LOW-PRIORITY CUSTOMERS
WERE BEING SERVED--SUMMERS OF 1975 AND 1976

<u>Date</u>	<u>Purchasing company</u>	<u>Number of purchases</u>	<u>Category of customer being served</u>	<u>Total volumes purchased</u> (Mcf)
4/76 to 10/76	Arkansas-Louisiana Gas Company	6	Electric utility	a/419,345
4/75 to 10/75	El Paso Natural Gas Company	15	Electric utility	1,165,769
4/76 to 10/76	El Paso Natural Gas Company	33	Electric utility	3,457,893
4/75 to 10/75	Mississippi River Transmission Corporation	1	Electric utility	299,307
4/76 to 10/76	Montana-Dakota Utilities Company	1	Electric utility	3,420
4/75 to 10/75	Panhandle Eastern Pipeline Company	14	Electric utility	12,860,425
4/76 to 10/76	Panhandle Eastern Pipeline Company	4	Interruptible	503,711
4/75 to 10/75	United Gas Pipeline Company	11	Electric utility	1,193,200
4/76 to 10/76	United Gas Pipeline Company	38	Electric utility	30,457,129
4/75 to 10/75	Lone Star Gas Company	2	Electric utility	1,245,705
4/76 to 10/76	Lone Star Gas Company	1	Electric utility	2,151,504
4/75 to 10/75	Louisiana-Nevada Transit Company	1	Interruptible	35,250
4/75 to 10/75	Southern Natural Gas	2	Interruptible	65,617
4/75 to 10/75	Texas Gas Transmission Corporation	2	Electric utility	86,067
4/75 to 10/75	Cities Services Gas Company	1	Electric utility	11,194
4/75 to 10/75	Northwest Pipeline Corporation	2	Interruptible	133,728
4/76 to 10/76	Northwest Pipeline Corporation	1	Interruptible	8,678
Total	<u>12</u>	<u>135</u>		<u>54,097,942</u>

a/Total contains some estimated volumes.

EMERGENCY PURCHASES RECEIVED BY INTERSTATE PIPELINE COMPANIESUNDER FPC REGULATIONS WHILE LOW-PRIORITY CUSTOMERSWERE BEING SERVED--1976-77 WINTER

<u>Company</u>	<u>Purchase price</u> (dollars)	<u>Estimated total volume</u> (Mcf)	<u>Date of initial delivery of purchases</u>	<u>Start of low-priority service</u>	<u>Lowest priority served</u>
Arkansas-Louisiana Gas Company	Not given	9,800	2/10/77	2/21/77	4
Cities Service Gas Company	1.94/Mcf	3,007,763	2/11/77	2/22/77	4
	1.85/Mcf	10,867	2/9/77	2/22/77	4
	1.85/Mcf	21,500	3/2/77	2/22/77	4
	1.85/Mcf	3,578	3/17/77	2/22/77	4
	1.85/Mcf	51,780	4/12/77	2/22/77	4
	1.85/Mcf	18,888	4/5/77	2/22/77	4
	1.85/MMBtu's	3,921	3/30/77	2/22/77	4
	Total	3,118,297			
El Paso Natural Gas Company	1.44/Mcf	71,400	2/16/77	2/13/77	5
	1.44/Mcf	444,000	2/18/77	2/13/77	5
	1.44/Mcf	27,000	2/24/77	2/13/77	5
	1.44/Mcf	228,000	2/23/77	2/13/77	5
	0.53/Mcf	51,000	2/22/77	2/13/77	5
	1.44/Mcf	267,600	2/26/77	2/13/77	5
	1.43/Mcf	198,000	3/1/77	2/13/77	5
	1.44/Mcf	88,140	3/10/77	2/13/77	5
	1.44/Mcf	270,000	3/11/77	2/13/77	5
	1.44/Mcf	45,000	3/2/77	2/13/77	5
	1.44/Mcf	10,260	3/22/77	2/13/77	5
	1.44/Mcf	174,000	3/28/77	2/13/77	5
	1.44/Mcf	7,260	3/28/77	2/13/77	5
	1.45/Mcf	57,300	4/11/77	2/13/77	5
	1.45/Mcf	12,780	4/28/77	2/13/77	5
	Total	1,951,740			
Michigan-Wisconsin Pipeline Company	1.68/Mcf	180,000	2/14/77	(a)	4
	1.44/Mcf	4,500	3/1/77	(a)	4
	2.25/MMBtu's	81,000	3/2/77	(a)	4
	2.25/MMBtu's	360,000	3/15/77	(a)	4
	2.25/MMBtu's	27,240	3/18/77	(a)	4
	2.25/MMBtu's	73,860	3/18/77	(a)	4
	2.25/MMBtu's	54,000	3/29/77	(a)	4
	1.44/Mcf	1,980	3/28/77	(a)	4
	1.68/Mcf	630,000	4/1/77	(a)	4
	1.68/Mcf	270,000	4/2/77	(a)	4
	2.25/MMBtu's	510,000	4/2/77	(a)	4
	2.25/MMBtu's	96,480	4/6/77	(a)	4
	2.25/MMBtu's	120,000	4/19/77	(a)	4
	2.25/MMBtu's	7,500	4/19/77	(a)	4
	2.25/MMBtu's	7,500	4/19/77	(a)	4
	2.25/MMBtu's	60,000	4/28/77	(a)	4

APPENDIX II

APPENDIX II

APPENDIX II

APPENDIX II

	<u>Purchase price</u>	<u>Estimated total volume</u>	<u>Date of initial delivery of purchases</u>	<u>Start of low-priority service</u>	<u>Lowest priority served</u>
	(dollars)	(Mcf)			
Michigan-Wisconsin Pipeline Company (cont.)					
2.25/MMBtu's		60,000	4/28/77	(a)	4
2.25/MMBtu's		52,500	4/28/77	(a)	4
2.25/MMBtu's		42,240	4/1/77	(a)	4
1.85/Mcf		1,559,032	4/4/77	(a)	4
2.05/Mcf		<u>Not available</u>	4/25/77	(a)	4
Total		<u>4,197,832</u>			
Natural Gas Pipeline Company of America					
1.44/Mcf		62,220	2/10/77	2/7/77	b/Pro rata
1.44/Mcf		60,000	2/4/77	2/7/77	Pro rata
1.44/Mcf		99,000	2/4/77	2/7/77	Pro rata
1.44/Mcf		240,000	3/2/77	2/7/77	Pro rata
1.44/Mcf		240,000	3/2/77	2/7/77	Pro rata
1.44/Mcf		240,000	3/2/77	2/7/77	Pro rata
1.44/Mcf		1,325,474	3/11/77	2/7/77	Pro rata
1.44/Mcf		195,000	3/2/77	2/7/77	Pro rata
1.45/Mcf		120,000	4/22/77	2/7/77	Pro rata
0.94/Mcf		60,000	4/9/77	2/7/77	Pro rata
1.75/Mcf		<u>3,962,540</u>	4/29/77	2/7/77	Pro rata
Total		<u>6,604,234</u>			
Northern Natural Gas Company					
1.44/Mcf		97,262	2/14/77	2/21/77	6
1.45/Mcf		10,127	4/22/77	2/21/77	6
1.82/Mcf		157,046	4/29/77	2/21/77	6
1.98/Mcf		<u>330,746</u>	4/8/77	2/21/77	6
Total		<u>595,181</u>			
United Gas Pipeline Company					
-		120,000	2/5/77	3/7/77	c/4
1.50/Mcf		180,000	2/11/77	3/7/77	4
1.50/Mcf		67,500	3/11/77	3/7/77	4
1.50/Mcf		22,500	3/11/77	3/7/77	4
1.55/Mcf		<u>30,000</u>	4/6/77	3/7/77	4
Total		<u>420,000</u>			
Total		<u>16,897,084</u>	64 purchases		

a/Michigan-Wisconsin has been serving priorities 1, 2, and 3 and about 50 percent of priority 4 since September 1, 1976, in accordance with its FPC-approved curtailment plan.

b/Natural's curtailment plan is not based on end users but is based on all customers getting a percentage of their contracted volumes of natural gas.

c/Since November 1976 United has been operating under a four category court-ordered curtailment program which differs substantially from FPC's nine category plan.

EMERGENCY PURCHASE MADE UNDER ENGA BY INTERSTATE PIPELINE
COMPANIES WHILE SERVING LOW-PRIORITY CUSTOMERS
FEBRUARY 2 TO FEBRUARY 22, 1977

<u>Company</u>	<u>Purchase price</u> (dollars)	<u>Estimated total volume</u> (Mcf)	<u>Contract date</u>	<u>Date of initial delivery of purchases</u>	<u>Start of low-priority service</u>	<u>Lowest priority served</u>
Colorado Interstate Gas Company	2.25/MMBtu's	<u>672,000</u>	-	2/13/77	2/15/77	6
El Paso Natural Gas Company	2.25/MMBtu's	65,200	2/17/77	2/19/77	2/13/77	5
	1.44/Mcf	784,000	2/18/77	2/22/77	2/13/77	5
	2.25/MMBtu's	1,318,110	2/17/77	2/23/77	2/13/77	5
	2.25/MMBtu's	302,022	2/17/77	3/1/77	2/13/77	5
	2.25/MMBtu's	133,280	2/18/77	3/14/77	2/13/77	5
	2.25/MMBtu's	144,838	2/22/77	3/15/77	2/13/77	5
	2.25/MMBtu's	305,900	2/17/77	3/21/77	2/13/77	5
	2.25/MMBtu's	631,260	2/17/77	3/28/77	2/13/77	
	2.25/MMBtu's	143,276	2/17/77	4/25/77	2/13/77	5
	2.25/MMBtu's	349,184	2/17/77	5/5/77	2/13/77	5
	2.25/MMBtu's	44,805	2/17/77	5/6/77	2/13/77	5
	2.25/MMBtu's	40,716	2/17/77	5/6/77	2/13/77	5
	2.25/MMBtu's	158,000	2/17/77	5/5/77	2/13/77	5
	2.25/MMBtu's	207,284	2/17/77	5/16/77	2/13/77	5
	2.25/MMBtu's	90,292	2/22/77	5/16/77	2/13/77	5
	2.25/MMBtu's	36,610	2/17/77	5/23/77	2/13/77	5
	2.25/MMBtu's	16,310	2/17/77	5/23/77	2/13/77	5
	2.25/MMBtu's	378,000	2/17/77	5/23/77	2/13/77	5
	2.25/MMBtu's	150,975	2/17/77	5/18/77	2/13/77	5
	2.25/MMBtu's	52,080	2/17/77	7/ 1/77	2/13/77	5
	2.25/MMBtu's	<u>986</u>	2/17/77	7/3 ^a /77	2/13/77	5
	Total	<u>5,353,129</u>				
Michigan-Wisconsin Pipeline Company	2.25/MMBtu's	341,000	2/17/77	2/27/77	(a)	4
	1.47-1.49/Mcf	489,000	2/11/77	2/19/77	(a)	4
	2.25/MMBtu's	324,000	2/11/77	2/20/77	(a)	4
	2.25/MMBtu's	<u>46,726</u>	2/10/77	4/1/77	(a)	4
Total		<u>1,200,726</u>				
Total		<u>7,225,854</u>				

^a/Michigan-Wisconsin has been serving priorities 1, 2, 3, and about 50 percent of priority 4 since September 1, 1976, in accordance with its FPC approved curtailment plan.

OFFICIALS RESPONSIBLE FOR ACTIVITIESDISCUSSED IN THIS REPORT

<u>Tenure of office</u>	
<u>From</u>	<u>To</u>

FEDERAL POWER COMMISSION

CHAIRMAN:

John N. Nassikas	8-1-69	10-20-75
Richard L. Dunham	10-20-75	8-10-77
Charles B. Curtis	8-10-77	10-28-77

EMERGENCY NATURAL GAS ACT OF 1977

ADMINISTRATOR:

Richard L. Dunham	2-2-77	8-10-77
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DEPARTMENT OF ENERGY

SECRETARY:

James R. Schlesinger	10-1-77	Present
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ADMINISTRATOR, ECONOMIC
REGULATORY COMMISSION:

David J. Bardin	10-1-77	Present
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CHAIRMAN, FEDERAL ENERGY
REGULATORY COMMISSION:

Charles B. Curtis	10-28-77	Present
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