

M I N U T E S

SPECIAL COMMITTEE ON NATURAL GAS

July 7 and 8, 1975

Members Present

Representative Harold Dyck, Chairman  
Senator George Bell  
Senator Paul Burke  
Senator Vincent Moore  
Senator John Simpson  
Representative Richard Brewster  
Representative Keith Farrar  
Representative Ben Foster  
Representative Walter Graber  
Representative Herbert Rogg  
Representative William Southern

Staff Present

J. Russell Mills, Jr., Legislative Research Department  
William Wolff, Legislative Research Department  
Dr. James Drury, Legislative Research Department  
Don Hayward, Revisor of Statutes Office  
Dr. William W. Hambleton, Director, Kansas Geological Survey

Conferees

Robert Chitwood, President, Cities Service Gas Company  
Jack Finch, Cities Service Gas Company  
Richard Sidwell, Cities Service Gas Company  
Bob Berney, Natural Gas Supply  
Al Hall, Cities Service Gas Company  
Harry Ford, Cities Service Gas Company  
Tom Schwinn, Northern Natural Gas Company  
Eugene Smith, President, Reserve Pipeline Inc., Liberal, Kansas  
Dale Saffels, Chairman, Kansas Corporation Commission  
George Sims, Mobil Oil  
Eugene Shore, Southwest Kansas Irrigation Association, Johnson,  
Kansas  
Richard Byrd, Mesa Petroleum

Conferees (Continued)

Charles Randles, Gas Service Company  
Louis Stroup, Kansas Municipal Utilities Inc., McPherson, Kansas  
Bill Landry, Manager, Johns-Manville Corporation, McPherson, Kansas  
Don Girard, General Manager, Board of Public Utilities, McPherson  
Allan Hoffman, Farmland Industries, Kansas City  
Donna Paske, Boeing Company, Wichita, Kansas  
Jack Lacy, Director, Junction City/Geary County Economic Development Commission

July 7, 1975

Morning Session

The second meeting of the Special Committee on Natural Gas was called to order at 10:00 a.m., July 7, 1975, in Room 519-S by Chairman Harold Dyck. Introductory remarks were made by Chairman Dyck. He asked the members of the Committee to look over the minutes of the last meeting as they would be considered the next day.

The following materials were distributed to the Committee: a comparison chart entitled "Fuel Conversion Facts" (Attachment I); a letter from Senator Christy dated June 12, 1975 (Attachment II); a copy of Louisiana S.B. 9 (Attachment III).

The Chairman stated that he had received a call from Senator Janssen requesting to be excused on account of the wheat harvest. The Chairman also stated that staff was preparing a memorandum detailing several of the policy considerations which the Committee should take into account in their deliberations.

The Chairman introduced Dr. William W. Hambleton and noted that Dr. Hambleton had agreed to join the staff and provide whatever technical assistance he could to the Committee. Dr. Hambleton briefly discussed the distinctions between "interstate" and "intrastate" natural gas. He noted that intrastate gas is gas which is produced in Kansas, transported in an intrastate pipeline, and consumed in Kansas. Intrastate gas is regulated by the Kansas Corporation Commission. Interstate gas is gas dedicated to the interstate system and all gas transported in an interstate pipeline. This gas falls under the regulation of the Federal Power Commission. He noted that most of the gas consumed in Kansas is interstate gas. He also stated that "main line sales", i.e., gas sales directly from the pipeline to the consumer, were not regulated by either the state or federal agencies, although distributing companies are regulated by the Kansas Corporation Commission in the distribution of both intrastate and interstate gas.

Senator Bell asked if it were possible for a company to own both intrastate and interstate gas. The answer was that they could own both, but it is usually done through a subsidiary. Dr. Hambleton stated that the point he wanted to make was the degree of control exercised by the Kansas Corporation Commission regarding intrastate and interstate gas.

The first conferee was Mr. Robert Chitwood, President of Cities Service Gas Company, Oklahoma City. Mr. Chitwood stated that he wished to correct an earlier statement regarding "main line sales" of natural gas. He stated that such sales are regulated by the FPC in all respects except price. Mr. Chitwood gave a brief history of the Cities Service Gas Company noting that they are an interstate pipeline company serving local gas companies in 502 communities in Kansas, Missouri, Oklahoma, and Nebraska. Cities Service Gas Company buys about one-third of all the gas produced in Kansas and delivers about one-half of all the gas consumed in the state. The company employs about 500 persons in Kansas. Last year the company sold about 500 billion cubic feet of gas which supplied 54% of the total natural gas requirement in Kansas. This amount supplied 71% of the residential and commercial requirements and 49% of the industrial, electric power generation, and other natural gas requirements. Mr. Chitwood stressed three points which he had also made during his presentation to the Energy and Natural Resources Committees during the 1975 Session:

- 1) decontrol of the wellhead price of new gas is urgently needed;
- 2) federal regulation of intrastate markets and allocation of gas on a national level is probable; and
- 3) in the near term, imports can not be limited without hurting the economy.

The next conferee was Jack Finch, Manager of the Analysis and Planning Department of Cities Service, who described some of the relationships between the economy, energy, and natural gas. Mr. Finch stated that for the period 1947-1974, energy use in the United States rose at an average annual rate of 3.1%, while the GNP rose at 3.9%. He also stated that, during 1974, both the GNP and energy use declined 2.2%. Mr. Finch noted that in 1974 natural gas accounted for 83% of the total energy sources for Kansas, oil products 11%, and coal 6%. Mr. Finch emphasized the role of the Hugoton gas field by noting that, of the 12.6 trillion feet of reserves in Kansas, Hugoton accounts for 10.5 trillion feet or 82% of the total. He also stated that federal legislation to bring about deregulation of wellhead prices for new gas will help to spur drilling activity everywhere, including Kansas.

In response to a question, Mr. Finch noted that 68% of the 1974 upward revision in Kansas reserves came from reducing the abandonment pressure in the Hugoton field by 10 pounds to the new pressure of 40 pounds. Senator Bell asked for a definition of "potential reserves". Mr. Finch stated that these are reserves which are deemed to exist on the basis of statistical probabilities and other factors.

The next conferee was Richard Sidwell, Senior Transmission Engineer for Cities Service, who discussed the natural gas outlook for Kansas in 1975 and 1976. He noted that their gas supply will be down 14% from 1974; that curtailment of interruptible loads will jump from 70 BCF in 1974 to 157 BCF in 1975; and that about 50% of the deficiency between supply and demand will be borne by Kansas consumers. He stated that, in accordance with FPC priority categories, Cities Service has established a curtailment schedule which grants favored status, in order of priority to:

- 1) residential and small commercial users;
- 2) large commercial users, plan protection requirements, feedstock, and process needs;
- 3) other industrial requirements, separated into five priority classes with higher priorities given to those industries using smaller amounts of gas.

This curtailment will fall predominately on large purchasers of boiler fuel using 10 million cubic feet or more per day, i.e., electric utilities. Cities Service estimates that they will only be able to serve 21% of the gas demand for electric utilities in 1976, but will be able to serve 77% of the demand of small industrial consumers in 1976. Mr. Sidwell stated that it is very important that Kansas follow the same general end-use priority categories as adopted by the FPC and interstate pipeline companies. He also stated that in 1976 they will serve all of the residential and small commercial demand.

Representative Farrar asked where irrigation facilities are classed. Mr. Sidwell stated that they are in category three and could be curtailed. The Chairman asked how the gas for irrigation facilities could be regulated. It was stated that a monthly quota system could be established if it became necessary. It was noted that less than 1% of the gas provided by Cities Service is used for irrigation in Kansas.

Robert Berney, Vice-President, Natural Gas Supply, discussed the long-term gas supply outlook. He stated that their reserve life index (the ratio of remaining gas reserves to current annual production) had declined to 12 years, while the national

average is about 10 years. Mr. Berney stated that, if no new gas is added to their system, the following situations will occur:

- 1) after 1976, no new residential or small commercial additions will be made;
- 2) firm gas deficiency will begin in 1979 on peak days;
- 3) after 1980, only a small fraction of the interruptible requirement will be served;
- 4) after 1984, there will be no interruptible service; and
- 5) firm deficiency will reach 600 million cubic feet on peak days in the mid 1980's.

Mr. Berney also discussed gas exploration activities undertaken by Cities Service in Wyoming. He also noted that Cities Service and Northern Natural Gas are jointly pursuing a coal gasification project in the four-corners area of northwestern New Mexico. This coal gas will cost \$2.50 - \$3.00/MCF. They are also involved in a coal-gas project in the Powder River Basin area of northern Wyoming and southeastern Montana.

Senator Moore asked whether tax incentives would stimulate gas exploration in Kansas. It was stated that incentives would certainly help in this area. Senator Burke asked about the cost differences between transporting coal by slurry pipeline or railway. Mr. Chitwood stated that this was still a new area, but that the pipeline appeared to be the more economical method of transport. It was stated that the rate for new wells drilled after January 1, 1973, was 51¢.

Alfred Hall, General Counsel for Cities Service, discussed proposed federal legislation. He expressed opposition to S. 692, now before the U.S. Senate, because it would 1) extend federal control to intrastate gas, 2) restrict the price of new gas, 3) freeze the price of old gas, and 4) provide for allocation of the existing supply. He expressed support for Senator Pearson's amendment to S. 692 as an acceptable compromise.

Mr. Chitwood summarized the presentation by Cities Service Gas Company. He noted that his company has assets of about \$300 million. However, the new supply programs under discussion would cost nearly \$2 billion. He posed the main question as whether consumers want to pay more for more gas, or pay more for less gas. He stated that the situation will grow worse until Congress moves to deregulate wellhead prices. Transmission companies and distributors are now required to take an active role in the development of new supplies, both in exploration for natural gas and commercial development of synthetic gas. He stated that Kansans may do five things to cope with the gas problem:

- 1) establish a conservation ethic;
- 2) consider providing an environment which will lead to the establishment of a synthetic gas industry here;
- 3) resist the national allocation of gas;
- 4) support deregulation of new gas prices; and
- 5) recognize that local distributors must be able to tract the curtailment plans of their suppliers.

(Copies of the presentation by Cities Service Gas Company has been made available to each Committee member and are on file in the Legislative Research Department).

Senator Moore asked how Kansas would fare if it came to national allocation of gas. Mr. Chitwood said in his opinion Kansas would probably lose.

The meeting recessed at noon to be reconvened at 1:30 p.m.

#### Afternoon Session

The meeting was called to order at 1:30 p.m. by Chairman Dyck. The Chairman stated that he forgot to include in the hand-outs this morning a letter from Don Schnacke with KIOGA. He stated that at our last meeting he suggested that the conferees make suggestions to the Committee on potential courses of action. The letter represents KIOGA's views. (Attachment IV).

The next conferee was Tom Schwinn, Northern Natural Gas Company, Omaha, Nebraska who gave the attached opening statement (Attachment V). He stated that Northern Natural Gas Company is one of the largest single taxpayers in Kansas; that they distribute gas through Peoples Gas Company in Kansas; that they purchase a very small percent of the gas in Kansas. He stated that Northern cannot compete with intrastate buyers in bidding on gas to increase their supplies. They must go to independent producers. With the 13.5¢ well-head price in the Hugoton field, wildcatters have just quit looking for new gas on account of the low price. He stated that Northern is opposed to price fixing. He stated that the well-head price of gas has little bearing on the burner tip price. It is the cost of distribution that increases the cost. He stated that his company would like to urge this Committee to support Senator Pearson's amendment to S. 692. He also expressed opposition to S.B. 564.

Representative Foster asked if the legislature gave companies such as Northern Natural a tax break, would there be more exploration. Mr. Schwinn stated there was no question but that there would. Representative Foster asked if he had any more suggestions as to what could be done at the state level. The answer was that the state should look into considering incentives for wildcat exploration.

Chairman Dyck asked for a definition of a "wildcat" well. This is a well  $1\frac{1}{2}$  miles or more away from established production. Representative Southern asked what the FPC price was for new gas and if it was economical at that price. Mr. Schwinn stated that the price was 51¢ and that this is only marginally economical.

Representative Southern called the Committee's attention to a recent article in Business Week. (Attachment VI).

Mr. Schwinn stated that Northern has essentially the same policy as Cities Service in the area of curtailments.

Senator Bell stated that after listening to all the discussion concerning deregulation, he was uncertain that he could go along with complete deregulation; that some plan should be devised whereby companies can be encouraged to do more exploration with a chance of sufficient profit. Otherwise, if the risk was so great why not let the government do it. Mr. Schwinn stated that immediate deregulation would increase prices, but in Texas where new gas was discovered, the price has softened.

The next conferee was Eugene Smith, President, Reserve Pipeline, Liberal Kansas. In his opening remarks, Mr. Smith stated that his company had just received permission from the Kansas Corporation Commission to terminate operations in the State of Kansas and that he was no longer in the gas business in Kansas. He gave a resume of his education and employment; that he formerly had been employed by the FPC. He gave a history of the organization of his company in relation to the Hugoton field. He stated that Reserve Pipeline Inc., had been sold to a fertilizer company from Dodge City. He stated that the reason he wanted to appear before the Committee was to urge the Committee to listen to the people in the industry; that the oil and gas business is the most regulated business in the country. The shortages we are now experiencing are the result of too much regulation by the federal government; that the primary reason for the shortages was that an artificial demand was created due to the low price set by the FPC. Because of these low prices, industry switched to natural gas instead of using coal. Kansas has the lowest price gas moving in pipelines today. If this had not happened, coal would have remain a viable industry today. He stated that he would urge the governor, the Kansas Corporation Commission and the legislature to take the message of the gas producing industry to the federal agencies and make themselves heard. Much of the bad regulation

we have today is the result of some eastern states such as New York having a strong voice in matters before the FPC. He recommended that the legislature urge industry to locate as near to the source of energy as possible because every time you move natural gas, it increases the cost. He suggested that you not take any steps to discourage entrepreneurs from finding new gas. Natural gas should be allowed to compete in the market place with other fuels. He noted that in Kansas, in the Ellinwood and Spivey areas the gas is there, but its too expensive to get it out at the present low prices.

The Chairman asked if he was recommending that we bring industry to southwest Kansas. Mr. Smith stated that most of the gas in that area was committed to interstate markets; that there are situations outside the Hugoton field where all gases are committed to intrastate lines. He suggested that industries be urged to locate as near to the energy source as possible in order to minimize transportation costs.

Senator Bell asked what would prohibit a producer from constructing his own lines. Mr. Smith stated that this has been done. In Kansas, there is less of that than in other areas. Mr. Schnacke stated that there are 660 independent gas producers in Kansas and the majority do not have their own lines. Mr. Smith concluded that the flexibility of the industry was marvelous if unhampered by government regulation.

There was Committee discussion regarding the building of pipelines by one or two producers and the regulation or approval required by the Kansas Corporation Commission. The question was asked if they would have the right of eminent domain to cross property lines. The answer was, no they do not. Kansas has a law that you can use the ditches if you cannot negotiate a deal with the landowner.

The Chairman stated that he had received a letter from Mr. Eugene Shore with the Southwest Kansas Irrigation Association, Johnson, Kansas, and that he would like to appear before the Committee. Mr. Shore read his opening statement. (Attachment VII).

Discussion followed concerning the cost of electricity on page 3 of his statement. Representative Farrar stated that the feedlot industry in that area had made a great contribution to the economy of the area and was the reason for locating there due to the availability of feed because of irrigation. Mr. Shore stated that they were willing to pay a reasonable price for natural gas but if it went too high they would be forced to shut down. He did feel that the 13½¢ well-head price in the Hugoton field was too low.

The Chairman introduced Dr. Drury who submitted a memorandum outlining policy considerations relating to action by



state government in the field of natural gas. (Attachment VIII). He also stated that they were trying to assemble resource people to serve as advisors for the Committee and staff.

Senator Bell asked just where the state stands as far as statutes in this whole area. Dr. Drury stated that the best way would be to get some lawyer to explain what authority the Kansas Corporation Commission has now in the whole area.

Senator Simpson asked Dr. Drury concerning price regulation in his memo, which was part of the original bill we were dealing with. Dr. Drury stated that he was of the opinion that this would be included under "consumption" even though the exact term "pricing" was not used.

Discussion followed concerning what Louisiana had done in the matter of appropriating funds to establish an agency in Washington in order to be heard before congressional committees. Mr. Schnacke stated that he thought it would be a good thing for Kansas to join in such a venture as a gas producing state.

The Chairman said that it was reasonable to assume that anything we would do at the state level could be pre-empted by federal legislation and that we really were operating in a vacuum until we found out what the federal government was going to do.

The Chairman asked Mr. Dale Saffels, Chairman of the Kansas Corporation Commission, for any ideas he had. Mr. Saffels stated that the federal government controls about 90% of the gas reserves in the state today. He stated that most gas used in Kansas is interstate gas and that there is a tendency to think that "interstate" is a bad word. He also gave a resume as to what the Kansas Corporation Commission can control in relation to the FPC.

Discussion followed concerning how the Corporation Commission decides on how much production is allowed in the Hugoton field. Mr. Saffels stated that it is based on what will not injure the field and hearings are held every six months. He was of the opinion that the 13½¢ well-head price was ridiculous.

Representative Farrar stated that he would like to see a summary of just what authority the Kansas Corporation Commission has in this whole area. Mr. Saffels stated that they could probably prepare some kind of summary. The Chairman asked Mr. Saffels if he had any suggestions as to what the Committee could do. He answered that the question seemed to be: does the legislature want to expand the authority of the KCC in the regulation of intrastate gas. He also suggested that the Committee determine what the limitations are before it spends a lot of time on areas outside the state's authority.

Discussion followed with Mr. Saffels in the setting of priorities on the use of gas by the KCC. The question was asked if the KCC had the authority to determine the end-use of natural gas under existing statutes. Mr. Saffels stated that he feels the KCC already has such authority.

George Sims, Mobil Oil, stated that one question the Committee should be considering is the relationship of reserves which are available under the interstate system in relation to the intrastate system. He gave a resume of how the price was finally determined by the FPC. Oklahoma has twice the reserves that we do and Texas has five times more than we do. He was of the opinion that within five years, Kansas will be producing about the same amount of gas as we consume. From that time on, we will be rapidly wanting to import gas. At that point we will be on the looking end and we may want to be on the interstate side of this problem. There are not any more Hugoton fields in Kansas. There is a lot of natural gas in Kansas, but not at the volume that it is being used now.

Representative Farrar asked what is going to happen with the pressure drop in the Hugoton field. Are they going to allow them to raise the price? Mr. Sims said that no one in his right mind really believes we are going to get a great deal more for the Hugoton gas.

Mr. Schnacke stated that he would be in Washington the following day and asked if SCR 23 had been sent. Mr. Schnacke stated that the issue of tax incentives for exploration had come up in other committees, namely the Assessment and Taxation Committee, and that Senator Gaar, the Chairman felt that this should be handled by his Committee, but that this would be the decision of the Coordinating Council.

Discussion followed concerning the drafting of a resolution or letter showing the Committee's support for deregulation to be sent to the U.S. Senate. Representative Farrar made a motion, seconded by Representative Foster, that the Chairman appoint a Committee to draft such a letter for consideration at the next days meeting. Motion carried.

The meeting adjourned at 4:30 p.m.

July 8, 1975  
Morning Session

The meeting was called to order by Chairman Harold Dyck at 9:00 a.m., in Room 519-S. All members were present except Senators Doyen and Janssen.

The first order of business was consideration of the draft of a letter urging deregulation of natural gas to be signed by the Chairman to be sent to all the members of the United States Senate. Senators Bell and Simpson expressed some reservation in being able to support complete deregulation and that in some way it should show that not all members of the Committee support it. Representative Brewster expressed the same opinion.

Representative Foster made a motion that the Committee send the letter as drafted except that "we" should be clarified in the final draft. It was seconded by Senator Moore.

There was further discussion by Senator Simpson, Representative Brewster and Senator Bell concerning deregulation and their objection to it at this time. Representative Farrar stated that he thought that this was something that should be done now and not postponed because it would be coming up for consideration in Congress in a week or two. Senator Simpson expressed concern about the costs involved if prices went up by 40% for a family of four in heating their homes. He stated that he thought the resolution as adopted by the Intergovernmental Committee was a fairly good resolution. Senator Burke was of the opinion that phase-out regulation is the only answer.

Senator Moore stated that the industry would use a price increase for exploration and that it would not all be windfall profits.

Senator Simpson stated that he thought the letter should show the vote tabulation. Senator Bell suggested that the word, "consensus" be changed to "majority" in the draft. It was so agreed.

Senator Moore made a substitute motion that the letter as amended, be further amended to include the phrase, "opposition to the FPC taking over regulation of intrastate gas." It was seconded and passed.

The original motion made by Representative Foster to send the letter was voted on and passed.

The Committee viewed a Department of Commerce film entitled "Energy: Critical Choices Ahead." The Chairman asked where this film could be obtained if anyone were interested in having it shown in their home community. The film was from the Department of Commerce, Federal Building, Kansas City, and Kansas Power and Light also had purchased a copy of it.

Richard Byrd introduced Charles Randles, Gas Service Company, who read a prepared statement (Attachment IX). Committee discussion centered on the method of sales and distribution. Mr. Randles stated that Gas Service Company is paying about 40¢/MCF and selling it to consumers at about 70¢/MCF. He noted that their sales are split about 50/50 between residential and industrial users. Discussion concerned the establishment of categories in curtailment of usage and who regulates them. The answer was that Gas Service is regulated by the KCC, but that they must file these categories with Cities Service who in turn submits them to the FPC and they determine what categories are to be cut off first. Senator Simpson stated that if you are currently paying 40¢ to the pipelines for the gas, if the price would increase by \$1, what would that do to the price you are paying? Would it go

up \$1 or \$1.40. The answer was that it would go up \$1.40 and they would hope to pass this increase on to the consumer but this would be determined by the KCC.

Mr. Byrd submitted a chart comparing the price of gas at the well-head and at the burner tip. (Attachment X).

The next conferee was Louis Stroup, Kansas Municipal Utilities, Inc., McPherson, Kansas who gave the attached opening statement. (Attachment XI). The Chairman asked what the legislature did or did not do to help municipal utilities during the last session. Mr. Stroup stated that H.B. 2400 would have been a big help to them but it went nowhere. The Chairman asked why cities have or should have their own municipal utilities. The answer was that it was the choice of the voters. Representative Foster asked if their problem would be solved if the federal government owned the natural gas reserves. Mr. Stroup stated that he was not a great believer in that type of thing. We need access to some gas a little longer to solve our problems while we try to convert our facilities to use alternate sources of energy. We ask that you not cut us off but give us some time. We have millions of dollars invested in facilities. At the present time we can use only natural gas.

The Chairman asked if there were any other bills in the legislature that would benefit them. Mr. Stroup stated that he had asked for a hearing on S.B. 33 early in the session and got nowhere. In the discussion that followed it was brought out that two municipal utility companies had discontinued operation during the past six months.

The next conferee was Bill Landry, Plant Manager, Johns-Manville Fiber Glass, Inc., McPherson. Mr. Landry explained that this plant produces fiber glass insulation. He stated that for each BTU used in producing fiber glass insulation, 600 BTU's are saved over the normal mortgage lifetime of the building in which the insulation is installed. Mr. Landry expressed support for S.B. 564 as a means to fairly allocate natural gas at a fair price.

In response to questions, Mr. Landry noted that any increase in the cost of natural gas would be passed along to the consumer in the form of higher prices for insulation. He also stated that gas should not simply be sold to the highest bidder. It was stated that, at present, natural gas is the best fuel source for the process of fiber glass manufacture. Senator Moore asked whether KPL had urged Johns-Manville to appear before the Committee. Mr. Landry stated that this was not the case.

Mr. Landry introduced Don Girard, General Manager, Board of Public Utilities, City of McPherson, who submitted the attached statement. (Attachment XII). In the discussion that followed,

Senator Burke asked if municipal utilities are going to be self-sustaining, how can they bear the cost and justify the large expenditure that will be necessary to convert to other sources of energy. Mr. Girard stated that they were self-sustaining and got their financing through the issuance of municipal bonds.

The next conferee was Allan Hoffman, representing Farmland Industries who read his opening statement. (Attachment XIII).

Senator Simpson asked if Farmland Industries was engaged in oil and gas exploration. The answer was yes and an explanation was given on how it was being done. Senator Simpson asked how much gas is being used in the production of fertilizer. The answer was that in Kansas, it was approximately 110 MMCFD; 20 MMCFD is designed to operate on alternate fuels. Mr. Hoffman explained what research is being done by his company to convert to other sources of energy in the future. Further discussion concerned the high cost of fertilizer and exports.

The meeting recessed at noon to reconvene at 1:30 p.m.

#### Afternoon Session

The meeting was called to order at 1:30 p.m., by Chairman Dyck, who introduced Mr. Francis Gordon. Mr. Gordon has been selected to replace Mr. Tom VanBebber in the House of Representatives.

The next conferee was Donna Paske, from the Boeing Company in Wichita, who submitted the attached opening statement. (Attachment XIV).

Senator Moore asked Ms. Paske to give a history of Boeing's employment levels over the years. She stated that in 1974 the average was 11,000 persons, but that in 1972, there were just over 4,000 persons. Senator Moore stated that he was certain that employment had been as high as 27,000 and over the years, the average was probably between 12 to 14,000.

Ms. Paske stated that the Boeing Company consumed \$900,000 worth of energy in 1974. She noted that, even though production had increased, consumption had actually declined because of conservation measures such as lowering the plant temperature to 55 degrees. Fuel costs have risen, however, because of the increased use of alternate fuels. Ms. Paske stated that, even with a two or three-fold price increase, natural gas would still be cheaper than any available alternate fuel. She also stated that a national energy policy is greatly needed.

Ms. Paske stated that Boeing now pays an average of 67¢/MCF for natural gas and that the company could pay \$2.00 for gas and it would still be cheaper than alternate fuels because gas requires

less manpower in the manufacturing process. Ms. Paske stated that, in her opinion, industry would not be permitted to use natural gas in another decade.

Senator Simpson inquired about the relationship between Boeing and the Wichita Industrial Energy Corporation. Ms. Paske said that Boeing was not a stockholder, but hoped to become a customer of the Corporation. She stated that Boeing required one billion cubic feet of gas annually and, due to curtailments, were presently receiving 55% of requirement.

The next conferee was Jack Lacy, Director, Junction City/Geary County Economic Development Commission, who presented the attached opening statement along with a copy of an editorial from the Wichita Eagle dated July 3, 1975. (Attachment XV).

Senator Moore took issue with Mr. Lacy's statement regarding the relationship between Anadarko Production Company, the Skelly refinery at El Dorado, the Mobil refinery at Augusta, and the Wichita Industry Energy Corporation. He stated that Mr. Lacy's statement was not entirely correct and that the Andarko line had been in existence for years, supplying the refineries in arrangement with KPL. The City of Wichita is not involved at all in this case except that the gas is being transported on the Anadarko lines to Wichita.

Representative Southern made the observation that over the years the doctrine of the Chamber of Commerce and Department of Economic Development had been for a totally free enterprise system and now it seems to me that because we are stepping on a few toes, that there is a reversal in that doctrine. Mr. Lacy stated that he was still very much in favor of the free enterprise doctrine; that he was not talking about price regulation; that he was talking about a diminishing natural resource.

Representative Foster stated that the statement contained partial truths and that the City of Wichita is not purchasing the Spivey-Grabs gas field for industrial use.

Senator Burke asked Mr. Lacy if he was in favor of the KCC having the authority to establish priorities on the end-use of natural gas of intrastate gas. Mr. Lacy stated that his prime concern was for the proper use of natural gas for residences and small industry in Kansas.

There was further discussion concerning the effect of contracts which the Wichita Industrial Energy Corporation might negotiate and how valid and binding they might be. Senator Simpson was of the opinion that this matter should be explored further.

The Chairman asked if all the members had read the minutes of the previous meeting. A motion was made by Senator Bell, seconded by Representative Brewster that they be approved. Motion carried.

Senator Burke asked if a copy of the Federal Power Commission Priorities was available. Staff will obtain it as soon as possible.

The Chairman passed out additional material that had been received from Senator Dole's office (Attachment XVI). He also stated that in meeting with the staff they had decided that perhaps it would be well to only have a one day meeting in August and that we are more or less waiting to see what is done on the national level. That they would try to have Rick Jones, an official with the Energy Project of the National Conference of State Legislatures, brief them on federal developments and also have testimony from Kansas Power and Light, and more information from the Kansas Corporation Commission.

Senator Simpson expressed concern that the letter to be sent to the U.S. Senate might give the impression that all members of the Committee favored total deregulation, when this was not an unanimous opinion. He informed the Committee that he was considering sending a separate letter detailing his concerns. Discussion ensued concerning the effects of both proposed letters. The Chairman stated that the letter, as amended, would be sent in accordance with the earlier vote of the Committee. (Attachment XVII).

Meeting adjourned.

Prepared by J. Russell Mills, Jr.

Approved by Committee on:

8-11-75

(Date)

FUEL CONVERSION FACTS

PRODUCT	APPROXIMATE HEAT VALUE
1 ton of bituminous coal	25 Mcf of natural gas 189 gallons of gasoline 4.17 barrels of crude oil
1 Mcf of natural gas	0.04 ton of coal (80 lb of coal) 7.58 gallons of gasoline 0.17 barrel of crude oil (7 gallons of crude oil)
1 gallon of gasoline	0.005 ton of coal (10.56 pounds of coal) 0.132 Mcf of natural gas (132 cubic feet of natural gas) 0.022 barrel of oil 0.917 gallon of oil
1 barrel of oil	0.24 ton of coal (480 pounds of coal) 6 Mcf of natural gas 45.5 gallons of gasoline
1 pound U <sub>3</sub> O <sub>8</sub> in Conc. (for electric power from LWR reactors)	8.9 tons of coal  37.1 barrels of crude oil

SOURCE: Coal Age



DON CHRISTY

SENATOR

39TH DISTRICT

BOX 278, SCOTT CITY, KANSAS 67871

June 12, 1975

Honorable Robert Bennett  
Governor of Kansas  
Topeka, Kansas

Emalene Correll  
Legislative Facilities  
Topeka, Kansas

Honorable James Cubit  
Garnett, Kansas

Honorable Ansel Tobias  
Lyons, Kansas

Senator Vincent Moore  
Wichita, Kansas

Honorable Keith Farrar  
Hugoton, Kansas

Mr. B. E. Nordling  
Hugoton, Kansas

Mr. Dale Williams  
Ulysses, Kansas

The impact on a shift from natural gas to diesel in the field of irrigation would be startling. It would take 2 million gallons per year; 60,000 gallons per day; 80 truck loads as normally delivered per day; during the busy part of the season. This is based on a county of 100,000 acres of irrigated land using 1 3/4 feet of water per acre. This also includes the fact that in Kansas approximately 60% of the irrigation wells are on natural gas, hence the typical county would have roughly 60% of the energy supplied by natural gas. This is not quite true in that the southwest Kansas area where gas is so prevalent, probably the figure runs considerably higher than that.

When we expand that to 2 1/2 million acres as applied to Kansas, we are talking about 50 million gallons of diesel fuel, 2,000 truck loads of fuel per day being delivered during the busy part of the season. In the case of corn, the indications from the irrigation engineers at Kansas State University it takes approximately one gallon of fuel to produce one bushel of corn under the dryland conditions of corn production in the corn belt. In the Western Kansas area under irrigation, I would estimate that one gallon of

-2--

fuel for water production can produce roughly two extra bushels of corn. This includes drying. However, much of the corn is stored wet as grain silage, then fed locally thus eliminating the energy normally used in drying and the storage is close to harvest which further reduces the cost of hauling. Irrigation in the eight southwestern states produced about one billion bushels of the ten billion bushels of the grain crops of the United States. These states are also the major gas producing states, hence heavy gas users for irrigation. We must move with caution since diesel motors, electric motors, fuel tanks and gearheads and other supplies necessary are in short supply. A conversion of several years would be required which in effect does not remedy the problem facing us on the immediate basis.

Sincerely,



Senator, Thirty-ninth District

DC/lr

Commissioner to assist the Commissioner of Conservation and others and to provide for its further powers, functions and duties, to provide for an emergency gas shortage allocation plan, including but not limited to priorities, allocations, and curtailment of energy uses and supplies of energy, to provide for intra-state natural gas price regulation, and to provide for the general and particular powers, duties and functions of the Commissioner of Conservation in connection with all of the foregoing matters, including but not limited to regulation of rates, tariffs and prices of intrastate natural gas suppliers and transporters, regulation of future sales and prices of intrastate natural gas direct to industrial users, regulation of the use of excess capacity in intrastate pipelines, the leasing and subleasing of pipelines by the Commissioner of Conservation, expropriation by pipeline companies, construction and operation of pipelines by the Commissioner of Conservation and the financing thereof by bonds or other obligations secured by revenues thereof, to define terms, to provide for the administration and enforcement of the Chapter, including penalties for violations, to require compliance with the provisions of the Chapter and rules, regulations and orders issued thereunder, regardless of contractual obligations, to provide with respect to the liabilities of persons who comply therewith, to provide for procedures, to provide for the application of the Chapter to Intrastate Liquefied Petroleum Gas, and to provide with respect thereto, to provide with respect to all of the foregoing matters, to provide for the immediate effectiveness of the Act, to provide for the construction of the chapter, to repeal conflicting laws and to repeal Act 750 of the 1972 Regular Session in its entirety.

Be it enacted by the Legislature of Louisiana:

Section 1. Chapter 7 of Title 30 of the Louisiana Revised Statutes of 1950 is hereby enacted to read as follows:

#### CHAPTER 7. NATURAL RESOURCES AND ENERGY ACT OF 1973

##### PART 1. GENERAL PROVISIONS

###### §501. Citation

The provisions of this Chapter shall be known and may be cited as the Natural Resources and Energy Act of 1973.

§502. Declaration of energy emergency; purpose of Chapter

A. It is the determination of the Legislature that existing and impending shortages of natural gas and other fossil fuels caused by inadequate domestic production, environmental constraints, impediments to the intrastate transportation of natural gas, and the unavailability of imports sufficient to satisfy domestic demand have caused, and will cause curtailment of vital public services, severe economic dislocations and hardships, including loss of jobs, closing of factories and businesses, and reduction of crop planting and harvesting, and, thus, there exists a serious threat to the health, safety and welfare of the residents of the State of Louisiana creating a statewide energy emergency, which is part of a nationwide energy emergency. These conditions require that the State of Louisiana provide for an agency to assume primary governmental responsibility for developing and enforcing emergency energy

shortage contingency plans; to implement and administer delegations of authority in this area to the state by the federal government; for dealing with existing and anticipated dislocations, shortages, distribution and transportation difficulties, to protect, conserve and replenish the natural resources of the state, and to prohibit and prevent the waste, wasteful use and wasteful utilization of natural gas, and to prevent the use of natural gas in such a manner and in such quantities as to threaten the premature exhaustion, extinction and destruction of the supply of natural gas in the State; to enforce the mandatory conservation, allocation, rationing, and safe and efficient transportation of these hydrocarbons and provide for an increase in available supplies of the state's energy resources, particularly the production, and safe and efficient transportation and use of natural gas, utilizing wholly intrastate facilities, in order to minimize the adverse effect of such shortages on the economy and industrial capacity of the State. The State must insure that measures will be taken to meet these existing emergencies and to conform as nearly as practical with national commitments and national requirements governing the transportation, distribution, and use of energy resources, and particularly to assure the best utilization for the benefit of the public of such natural gas as remains within the control and direction of the State of Louisiana.

B. The purpose for which this Chapter is enacted is to protect and conserve the natural energy resources of the state, and prevent the physical and economic waste, wasteful use and wasteful utilization thereof, through the development and implementation of a comprehensive energy policy for the State of Louisiana which will regulate the use, end-use, production, transportation, conservation, sale and prices of the state's energy resources, improve the available transportation facilities for movement of intrastate natural gas between the different parts of the state, provide for the equitable distribution of energy supplies to the residents and the commercial and industrial users of these energy supplies; and insure the maintenance of the highest practical level of energy supplies commensurate with the general health, safety, welfare and prosperity of the state.

C. This Chapter is enacted under the police power of the state, the residuum of the state's power not delegated to the federal government by the Constitution of the United States and the authority of the Legislature under the Constitution of Louisiana, including Paragraphs (C) and (D) of Section 1 of Article VI of the Constitution of Louisiana.

D. Notwithstanding anything herein to the contrary, this Chapter shall not apply to natural gas, not to exceed twenty five million cubic feet per day, owned or purchased by a person at or near the field where produced and transported by the purchaser through his own pipeline solely for his own consumption or to gas acquired, through an exchange of any portion of such gas, solely for his own consumption; provided that such gas may be made subject to the provisions of Part IV of this Chapter in cases where the Commissioner finds that an extreme emergency exists impairing gas otherwise required for the priorities set forth in Section 572 (1) (a), (b), (c), (d), and (e) which cannot be substantially otherwise provided for.

###### §503. Definitions

As used in this Chapter, the fol-

lowing words and phrases have the meanings ascribed to them in this Section except as otherwise provided in this Chapter unless a different meaning is required by the context:

(1) "Commissioner" means the Commissioner of Conservation of the State of Louisiana.

(2) "Person" means any natural person, corporation, political subdivision, association, partnership, receiver, tutor, curator, executor, administrator, fiduciary, or representative of any kind.

(3) "Gas" means any gas derived from or composed of hydrocarbons.

(4) "Intrastate natural gas" is defined as that gas produced, transported, and utilized wholly within the State of Louisiana, through the use of intrastate pipelines or of interstate pipelines where such use of interstate pipelines is or may hereafter be exempt from the control of the Federal Power Commission under the Natural Gas Act and/or rules and regulations promulgated by the Federal Power Commission thereunder; and gas, wherever produced, which is or may be transported into this state and delivered to an intrastate pipeline in this state to be used or consumed wholly within this state.

(5) "Intrastate pipeline" is defined as a pipeline which is located and operated wholly within the State of Louisiana for the transportation of intrastate natural gas within the State of Louisiana, which does not extend beyond the boundaries of the State of Louisiana, and which is not merely a local branch of an interstate pipeline system.

(6) "Intrastate natural gas transporter" is defined as any person owning or operating an intrastate pipeline.

(7) "Excess capacity" of intrastate gas pipelines is defined as that part of the capability of a pipeline system to transport intrastate natural gas from point to point along its line in excess of the immediate needs of the pipeline company or its subsidiaries or its parent or the subsidiary companies of its parent. In determining excess capacity, the Commissioner may disregard existing contracts for the transportation or sale of intrastate natural gas not then being performed or fulfilled. Excess capacity of intrastate pipelines may also be created as a result of intrastate natural gas delivery curtailment orders of the Commissioner in the implementation of the allocation, rationing and conservation measures governing the end-use of intrastate natural gas provided for in this Chapter.

(8) A "common carrier gas pipeline" is one which transports intrastate natural gas exclusively for hire by others.

###### §504. Division of Natural Resources and Energy

A. The Commissioner shall establish in the State Department of Conservation a Division of Natural Resources and Energy through which he shall administer, enforce and carry out the powers, duties and functions transferred to him by Part II of this Chapter or otherwise vested in him by this Chapter.

B. All of the funds, property and other things, and persons and functions merged, consolidated and transferred by the provisions of Part II of this Chapter to the Commissioner and/or the State Department of Conservation shall be in the Division of Natural Resources and Energy.

###### PART II. MERGER AND CONSOLIDATION OF AGENCIES

###### §521. Merger and consolidation of agencies or functions

A. In order to merge and con-

#### ACT No. 13

##### Senate Bill No. 9

By: Messrs. W. D. Brown, Elair, Egan, Kiefer, Lambert, Lauricella, Mouton, O'Keefe, Rayburn and Windhorst and Representatives Triche, Bagert, Borrello, Chabert, D'Geriamo, Freeman, Henry, A. Jackson, Leach, LeBlanc, LeBreton, Long, Reilly, Tazzin, Turnley, Wall and Womack

#### AN ACT

To amend Title 30 of the Louisiana Revised Statutes of 1950 by adding thereto a new Chapter to be designated as Chapter 7, to provide for the control of natural resources and energy to effect the conservation thereof by the prevention of waste, wasteful use and wasteful utilization thereof and the resultant economic waste by providing for a comprehensive energy policy for the State of Louisiana; and for the purposes thereof to provide for the establishment of the Division of Natural Resources and Energy in the State Department of Conservation, to consolidate and merge functions exercised by the state or the authority of the state in relation to energy into the office of Commissioner of Conservation by merging into said office the powers, duties and functions of the natural gas committee or commission authorized by Act 395 of 1972, the Board on Nuclear Energy, the Atomic Energy Development Agency, the Coordinator of Atomic Energy, the Louisiana Division of Radiation Control, and the former Louisiana Nuclear and Space Authority, and by transferring in connection therewith funds, property, things and persons to the State Department of Conservation, to create the Louisiana Energy

Attachment III

solidate into one agency, under authority of Section 32 of Article 1 of the Constitution of 1921, executive and administrative offices, boards, commissions and agencies of the State of Louisiana whose duties and functions are of a similar nature or character, the following named offices, boards, commissions and agencies are merged and consolidated into the State Department of Conservation:

(a) the natural gas committee or commission authorized by Act 367 of the 1972 Regular Session;

(b) the Board on Nuclear Energy, which is hereby transferred from the Louisiana Health, and Social and Rehabilitation Services Administration;

(c) the Atomic Energy Development Agency and the Coordinator of Atomic Energy, which are hereby transferred from the State Board of Commerce and the State Department of Commerce and Industry; and

(d) the Louisiana Division of Radiation Control, which is hereby transferred from the Louisiana Health, and Social and Rehabilitation Services Administration.

B. The functions, powers and duties of the former Louisiana Nuclear and Space Authority which were transferred to the State Board of Commerce and Industry and the State Department of Commerce and Industry, are hereby transferred to the Commissioner.

C. Except as otherwise provided herein, on and after April 1, 1974, the Commissioner shall exercise those functions of the state, authorized by the state, or now or hereafter authorized by the constitution and laws to be exercised which relate to the administration, management and operation of the functions, programs and facilities of the offices, boards, commissions, and agencies hereby merged and consolidated, as well as the functions, powers, and duties transferred to the Commissioner by Subsection B of this Section.

§522. Effect of transfer of functions

A. Under the transfer of functions provided for by this Part, any pending or unfinished business of any of said agencies shall be taken over and be completed by the Commissioner with the same power and authority as the agencies from which the functions are transferred. The Commissioner shall be the successor in every way to the agencies from which such functions are transferred, and every act done by the Commissioner in the exercise of such functions shall be deemed to have the same force and effect under any provisions of the constitution and laws in effect on and after the effective date of this Part as if done by the agencies from which such functions are transferred.

B. Whenever any agency from which functions are transferred hereby is referred to or designated by the constitution or by any law or contract or other document, such reference or designation shall be deemed to apply to the Commissioner. The legislature hereby specifically states that the provisions of this Part are in no way and to no extent intended to nor shall they be construed in any manner which will impair the contractual obligations of any agency heretofore existing, or of the State of Louisiana with respect to any such agencies. It is hereby specifically provided that all such obligations hereafter shall be deemed to be the obligations of the Commissioner to the

some extent as if originally made by the Commissioner. In like manner, and in order to prevent any violation of the provisions, terms or conditions of any gift, donation, deed, will, trust, or other instrument or disposition by which property of any nature or description has been vested in any agency affected by this merger, consolidation and transfer, or diversion from the purposes for which such property was donated, deeded, devised or bequeathed or otherwise vested in any such agency, it is hereby specifically provided that each and every such instrument or disposition hereafter shall be deemed to have been vested in the Commissioner in the same manner and to the same extent as if originally so done. In addition, the provisions of this Part shall not be construed or applied in such manner as to prevent full compliance by the state or any agency thereof with the requirements of any Act of the Congress of the United States or any regulation made thereunder by any officer or agency of the federal government by which federal aid or other federal assistance from the United States has been or is hereafter made available to this state or any subdivision or agency thereof, anything contained in this Part to the contrary notwithstanding, and such compliance hereafter shall be accomplished by the Commissioner.

§523. Transfer of records, money and equipment

All books, paper, records, money, choses in action and other property of every kind and description, movable and immovable, real and personal, heretofore possessed, controlled or used by any of the agencies affected by this Part, in the exercise of functions hereby transferred, are hereby transferred to the State Department of Conservation.

§524. Commissioner or merged agencies as agency of state for accepting and expending federal funds and carrying out purposes of federal laws

The commissioner is designated as the sole agency of the state for accepting, administering and expending any and all federal funds awarded or allocated to the state of Louisiana for any purpose covered by any provision of this Chapter and for carrying out the purposes of any federal law concerning any matter covered by the provisions of this Chapter; however, each of said agencies shall remain in existence as agencies within the Division of Natural Resources and Energy of the Department of Conservation and to the full extent required by any federal law or regulation, shall serve as the agency of the state to accept federal funds and administer them in connection with their programs and functions as provided by law prior to this merger and consolidation.

§525. Transfer of employees

All employees heretofore engaged in the performance of duties in any agency in the exercise of functions transferred by this Part to the Commissioner shall be transferred with such functions to State Department of Conservation to the full extent necessary to carry out the purposes of this Chapter and shall, so far as practicable and necessary, continue to perform the duties heretofore performed, subject to the state civil service laws and regulations and the laws and regulations governing the state employees retirement system.

§526. Orderly transfer

In order to effect an orderly transfer of the agencies and functions affected by this Part the fol-

lowing procedure shall be effected, to-wit:

(1) Not later than January 1, 1974, the governing authorities of each of the agencies herein merged, consolidated and transferred shall transmit to the governor, the commissioner of administration and the Commissioner such information necessary to effect plans for such consolidation, merger and transfer as may be prescribed by the commissioner of administration, including but not limited to the following: (a) a complete list of all personnel, their salaries and job description, (b) a complete inventory of all furniture, fixtures and equipment of every kind and description whatsoever; (c) all financial and bookkeeping records; (d) a summary of all floor space in state office buildings or otherwise then being utilized.

(2) There then shall be prepared and transmitted to the governor and commissioner of administration a "transition plan for consolidation" not later than February 15, 1974. This plan shall include a detailed procedure for the consolidation and merger of offices and functions, including the transfer and utilization of jobs, personnel, funds, office space and equipment, and such other information as the governor may require. Said plan shall be used by the Commissioner in accordance with the provisions of this Chapter in effectuating and implementing the purposes of this Chapter.

§527. Effective date of merger, consolidation and transfer of functions: appropriations

The merger, consolidation and transfer of functions provided for by this Part shall commence on March 1, 1974, and shall be completed on or before 30 days thereafter, and it is hereby specifically provided that when and as the merger, consolidation and transfer of functions is effectuated as to each of the boards, commissions, agencies, and entities affected by this Part, all funds then remaining to the credit of each from legislative appropriations, and any funds budgeted for or otherwise available to or for the benefit of any agency, institution, facility or program to carry out the functions herein consolidated, merged and transferred, shall follow the functions and activities herein transferred to the Commissioner. Thereafter the disbursement of and the accountability for said funds shall be the responsibility of the Commissioner.

§528. Agencies created at same session

In the event that any other laws are enacted at this 1973 Extraordinary Session which create and provide for boards or other agencies charged with the functions of the administration, enforcement, management or operation of matters and facilities governed by this Chapter, each such board or agency and its functions are hereby merged, consolidated and transferred into the State Department of Conservation in the same manner and to the same extent as are the boards, commissions, agencies and offices enumerated in this Part, such merger, consolidation and transfer to be completed no later than April 1, 1974.

### PART III. POWERS

§541. General powers; Commissioner, requirements

A. To accomplish the purposes of this Chapter the Commissioner is authorized to:

(1) Employ such officers, agents, employees, and professional personnel, including legal counsel, as he deems necessary for the performance of his pow-

ers and duties and prescribe the powers and duties and fix the compensation of officers, agents, employees, professional personnel;

(2) Contract, upon such terms as he may agree upon, for legal, financial, engineering and other professional services necessary or expedient in the conduct of the affairs of the State Department of Conservation under the provisions of this Chapter;

(3) Utilize the services of the other executive departments of the state upon mutually agreeable terms and conditions;

(4) Receive, by gift, grant, donation or otherwise, any sum of money, aid or assistance from any person or the United States, its agencies, the State of Louisiana or any political subdivision thereof;

(5) Represent the state in all matters involving or affecting the interest of the state and its residents, relative to its natural resources and energy, including particularly oil, gas, and other hydrocarbons, before the Federal Power Commission and other federal agencies, offices and Congressional Committees and in all judicial actions arising out of the proceedings of such agencies, offices and committees or in relation thereto; and, for this purpose, to employ special legal counsel to prosecute, defend, intervene or otherwise participate in such proceedings;

(6) Do any and all things necessary or proper for the development, regulation and accomplishment of the purposes of this Chapter.

§542. Administration and enforcement

A. Except as otherwise provided in this Chapter, the provisions of R.S. 30:5, 30:6, 30:13, and 30:15 shall apply to the administration and enforcement of this Chapter.

B. The legal counsel employed or retained by the Commissioner, when authorized by the Commissioner, shall be entitled to represent the state and the Commissioner and to appear in the courts and before agencies of this state or the agencies and courts of the United States and of other states, to carry out the purposes of this Chapter.

C. Whenever it appears to the Commissioner that any person has engaged, is engaged, or is about to engage in any acts or practices constituting a violation of this Chapter or of any regulation, rule or order issued hereunder, the Commissioner may bring an action in the court having jurisdiction, to enjoin such acts or practices and to enforce compliance with this Chapter or any rule, regulation, or order thereunder, and upon a proper showing a temporary restraining order or a preliminary or permanent injunction shall be granted without bond. The relief sought may include a mandatory injunction commanding any person to comply with this Chapter or any such regulation, rule or order issued hereunder, and to make restitution of money received in violation of any such regulation, rule or order. The Commissioner may transmit such evidence as may be available concerning such acts or practices or concerning apparent violations to the district attorney having jurisdiction over same who, in his discretion, may institute necessary criminal proceedings.

§543. Suit by party in interest upon commissioner's failure to sue

If the Commissioner fails to bring suit within ten days to restrain a violation as provided in Subsection C R.S. 30:542 any per-

by the violation who has notified the Commissioner in writing of the violation or threat thereof as requested the Commissioner to sue, may bring suit to prevent any or further violations, in the district court of any parish in which the Commissioner could have brought suit. If the court holds that injunctive relief should be granted, the Commissioner shall be made a party and shall be substituted for the person who brought the suit and the injunction shall be issued as if the Commissioner had at all times been the complaining party.

**§544. Violations, penalties.**  
Any person who willfully violates any provision of this Chapter or any regulation, rule or order of the Commissioner issued hereunder, or who willfully furnishes false information to the Commissioner under this Chapter, shall be deemed guilty of a misdemeanor and, upon conviction by a court of competent jurisdiction, shall be fined not more than \$10,000.00 or imprisoned for not more than one year, or both, for each violation.

**§545. Noncompliance not excused by contractual obligations.**  
Noncompliance with the provisions of this Chapter, or with rules, regulations, or orders issued by the Commissioner under this Chapter may not be excused on the basis of any private contractual obligation. No person who complies with the provisions of this Chapter or with the rules, regulations or orders of the Commissioner issued under this Chapter shall be liable in damages either ex contractu or ex delicto by reason of such compliance.

**§546. General powers to control natural resources and energy.**  
A. The Commissioner shall have the powers and duties of:

- (1) Developing a program for the equitable distribution of energy supplies in Louisiana;
- (2) Preparing all necessary studies of the sources of energy available to the State of Louisiana;
- (3) Preparing and implementing plans and programs for the conservation of all available energy resources and the prevention of the physical and economic waste, wasteful use or wasteful utilization thereof and conducting, or having conducted appropriate research in connection therewith;
- (4) Preparing and implementing plans and procedures to carry out the policies and programs of all federal and state laws, rules and regulations pertaining to the mandatory and voluntary conservation, allocation, rationing and distribution of energy resources and supplies; and
- (5) Promulgating regulations for the mandatory allocation of the use and end-use of intrastate natural gas, and of such fossil fuels and other fuels as the state may be directed or requested by the federal government to allocate, ration, conserve or otherwise control.

B. The Commissioner shall have and exercise all necessary power and authority to supervise, govern, regulate and control the production, transportation, distribution, storage, sale, use and end-use of intrastate natural gas, including the power and authority to supervise, govern, regulate and control intrastate natural gas transporters and all aspects of sales of intrastate natural gas including direct sales to industrial users for fuel or for other uses; provided, however, the Commissioner shall have no authority to regulate the sale prices of intrastate natural gas except as authorized by the provisions of this Chapter with respect to prices on

regulated gas and prices under contracts executed after the effective date of this Chapter.

C. The Commissioner is empowered to take such actions, and promulgate such rules, regulations, and orders, as necessary to provide for the enforcement of the laws of the United States and regulations of appropriate federal agencies to the extent such enforcement, power, authority and responsibility is delegated to the state, for the mandatory allocation or rationing of natural gas, crude oil, residual fuel oil, refined petroleum products and other fuels.

**§547. Extraction of ethane and heavier hydrocarbons not prohibited; not regulated as natural gas.**

The Commissioner shall not have the authority to prohibit the extraction of ethane and heavier hydrocarbons from natural gas, nor shall these hydrocarbons be regulated as intrastate natural gas under this Chapter.

**§548. Exercise of powers.**  
The Commissioner shall exercise his powers so as to provide, under the priorities hereinafter set forth, to the maximum extent practicable, for:

- (1) Protection of public health, safety, and welfare (including maintenance of hospitals, juvenile and adult correctional institutions, nursing homes, dormitories, hotels, motels, and residential heating, such as individual homes, apartments, and similar occupied dwelling units);
- (2) Maintenance of agricultural operations, and the processing of agricultural products, including farming, ranching, dairy, water conservation and commercial fishing activities, and services directly related thereto, and maintenance of food processing plants, businesses and facilities processing products for human consumption;

(3) Operations and encouragement of exploration, production, processing, and refining efforts to attain maximum production or extraction of oil, intrastate natural gas and other hydrocarbons;

(4) Maintenance of all public services (including facilities and services provided by municipal, cooperative, or investor owned utilities or by any state or local government or authority, and including transportation facilities and services which serve the public at large);

(5) Maintenance of commercial and industrial, business, plant and facility operations, particularly to minimize economic dislocation of business, and industry, and employment therein;

(6) Preservation of an economically sound and competitive petroleum, petrochemical and chemical industry;

(7) Assistance to private industry in obtaining the most efficient and safe transportation of intrastate natural gas from the sources of supply and reserves to the different parts of the state through intrastate pipelines, regardless of the ownership of the intrastate pipelines, to obtain maximum utilization of all existing intrastate pipelines within the state of Louisiana, the intent of this Chapter being to encourage, direct, mandate and enforce the use of excess capacity of intrastate pipelines to foster the movement of intrastate gas about the state of Louisiana.

**§549. Accounting.**  
The Commissioner shall be empowered to promulgate and enforce a uniform system of accounting by intrastate natural gas transporters, where deemed ad-

visable by the Commissioner, to assure that intrastate natural gas transporters accurately report the results of their operations thereby facilitating rate regulations in those instances where the Commissioner is called upon to establish reasonable rates for the transportation and sale of gas.

**§550. Compilation and publication of information by commissioner.**

The Commissioner shall be empowered to gather, analyze, maintain and publish information on intrastate natural gas pipelines and producers, transporters, distributors, and users of intrastate natural gas.

**§551. Commissioner not subject to other agencies.**

Notwithstanding any other provisions of law to the contrary, the Commissioner, in the exercise of his powers, functions and duties as provided in this Chapter, shall not be subject to the supervision, regulation, control or jurisdiction of the Louisiana Public Service Commission, or the State Mineral Board. Also, the fees, rates, rental and other charges and services of the pipelines and related facilities under his administration shall not be subject thereto.

**§552. Regulation by commissioner of gas transporter exempt from FPC.**

The Commissioner shall have the power and authority to regulate the rates, services and facilities of any person certified as an intrastate natural gas transporter, and the Commissioner, or his delegate, may certify to the Federal Power Commission that the Commissioner has regulatory jurisdiction over the rates and services of such person and facilities and is exercising such jurisdiction, with the intent that such certificate shall constitute conclusive evidence of such regulatory power or jurisdiction as permitted by 15 U.S.C.A. 717 (c).

**§553. Excess capacity.**

A. The Commissioner shall be empowered to investigate the need for using excess capacity of an intrastate pipeline and when appropriate, and if an intrastate natural gas transporter and a person owning an intrastate natural gas supply or reserve cannot by private contract agree upon arrangements for, and rates and charges for, the transportation of that person's intrastate natural gas, the Commissioner may require an intrastate natural gas transporter to transport the intrastate natural gas of such person within the intrastate pipeline system from and to the points desired by that person, as long as the need therefor exists; provided however, that the transporter may terminate the contract or enforcement proceedings for use of its pipeline by that person upon giving the Commissioner and that person ninety days notice that it will, in fact, have a specific need for the excess capacity of its pipeline, or a part thereof, to transport its own gas or the gas of its subsidiaries or of its parent or of a subsidiary of its parent, or to satisfy the requirements of its own transportation or sales contracts for which it then possesses adequate gas supplies to fulfill.

B. The Commissioner shall be empowered to investigate the purported need of the transporter to so utilize its excess capacity and to disapprove the transporter's termination of the contract if, in fact, the transporter does not have a bona fide need for the excess capacity; or if, in the opinion of the Commissioner, the public interest and the pur-

poses of this Chapter would be best served by a continuation of the transportation of the gas of the other party. It is deemed in the interest of the state to utilize the total maximum capacity of intrastate pipelines at all times for the movement of intrastate gas about the state of Louisiana with the transporter to receive adequate compensation as hereinafter provided for any such use of its pipeline.

C. The Commissioner shall possess jurisdiction over all intrastate pipelines and all intrastate natural gas transporters and shall be empowered to require natural gas transporters to use and/or make available its excess capacity for transport of natural gas owned by others under the provisions of this Section.

D. Intrastate natural gas transporters which transport gas for others under the provisions of this Chapter shall be protected in their transporting of intrastate gas for the purposes of this Chapter from liability to their existing contract purchasers, as a result thereof, and shall not be liable to their contract purchasers under any circumstances from having utilized the excess capacity in their lines for the benefit of the public as defined in this Chapter. No natural gas contract purchaser will be entitled to claim losses, damages or compensation from a pipeline company as a result of the pipeline company having complied with the directions, mandates and orders of the Commissioner.

The owner of intrastate natural gas transported under the provisions of this Section shall retain title thereto while the gas is in transit.

E. The Commissioner shall be empowered to investigate and regulate the rates, charges and services for transport of intrastate natural gas in intrastate commerce on his own motion or upon the request of either a transporter or a person using or desiring to use the excess capacity of an intrastate pipeline. If a transporter and a person using or desiring to use the excess capacity of an intrastate pipeline cannot agree, then the Commissioner may, after hearing or hearings involving interested parties, fix the rates and charges for the transportation of intrastate natural gas in intrastate pipelines on either a point to point basis within a pipeline or on a segment of a pipeline, with the rates to be fixed by the Commissioner to be sufficient in amount to reimburse the transporter for the cost of furnishing the particular services in each instance, and to return to the transporter a reasonable profit for its services and use of its facilities, commensurate with the rates of return for similar services performed by the instant transporter and other transporters performing reasonably related and similar services in the state of Louisiana so far as deemed practicable under the circumstances; provided, that the total cost to the pipeline company of the pipeline company's entire intrastate pipeline system shall be considered in establishing the price for any transportation service performed, and also for establishing its cost for the transportation of its own gas for sale to others.

**§554. Certificates of transportation; expropriation.**

A. The Commissioner shall issue a certificate of transportation to each intrastate natural gas transporter. All such transporters receiving a certificate of transportation from the Commissioner shall possess the right of expropriation with authority to expropriate private property under the general state expropriation

laws, and shall have the right to lay, maintain and operate pipe-  
together with telegraph and  
one lines necessary and in-  
tial to the operation of these  
pipelines, over private property  
thus expropriated, and have the  
further right to lay, maintain and  
operate pipelines along, across,  
over and under any navigable  
stream or public highway, street,  
bridge or other public place, and  
also have the authority, under the  
right of expropriation herein con-  
ferred, to cross railroads, street  
railways, and other pipelines, by  
expropriating property necessary  
for the crossing under the general  
expropriation laws of this state.  
The right to run along, across,  
over or under any public road,  
bridge or highway, as before pro-  
vided for, may be exercised only  
upon condition that the traffic  
thereon is not interfered with,  
and that such road or highway is  
promptly restored to its former  
condition of usefulness, at the ex-  
pense of the pipeline owner, the  
restoration to be subject also to  
the supervision and approval of  
the proper local authorities.

B. In the exercise of the privi-  
lege herein conferred, owners or  
operators of such pipelines shall  
compensate the parish, municipi-  
pality or road district, respective-  
ly, for any damage done to such  
public road, in the laying of pipe-  
lines, telegraph or telephone  
lines, along, under, over or across  
the same. Nothing in this Section  
shall be construed to grant any  
transporter the right to use any  
public street or alley of any par-  
ish, incorporated city, town or  
village, except by express per-  
mission from the parish, city or  
other governing authority.

§555. Construction, extension  
or abandonment of facilities;  
condemnation proceedings

A. Whenever the Commission-  
er, after notice and opportunity  
for hearings, finds such action  
necessary or desirable in the pub-  
lic interest and to accomplish the  
purposes of this Chapter, he may  
by order direct an intrastate nat-  
ural gas transporter to extend or  
improve its transportation facili-  
ties, to establish physical con-  
nection of its transportation facili-  
ties with a gas field gathering  
system or to the pipeline facili-  
ties of another pipeline com-  
pany, reasonably commensurate  
in size and distance with the  
quantity of natural gas available  
for transportation therein. Pro-  
vided, however, that the Commis-  
sioner shall have no authority to  
compel the enlargement of trans-  
portation facilities for such pur-  
poses, or to compel such trans-  
porter to establish physical con-  
nection when to do so would im-  
pair its ability to render adequate  
service to its customers.

B. No intrastate natural gas  
transporter shall abandon all or  
any portion of its facilities sub-  
ject to the jurisdiction of the  
Commissioner, or any service  
rendered by means of such facili-  
ties, without the permission and  
approval of the Commissioner  
first had and obtained, after a  
finding by the Commissioner that  
the available supply of natural  
gas is depleted to the extent that  
the continuance of service is un-  
warranted, or that the public in-  
terest and energy needs permit  
such abandonment.

C. No intrastate natural gas  
transporter shall engage in the  
transportation of intrastate nat-  
ural gas for others, subject to the  
jurisdiction of the Commissioner,  
or undertake the construction or  
extension of any facilities there-  
for, or acquire or operate any  
such facilities or extensions  
thereof, unless there is in force  
with respect to such transporter  
an order of the Commissioner au-

thorizing such acts or operations  
unless exempt therefrom under  
the terms of this Chapter or  
waived by the Commissioner  
under the authorities granted here-  
under. Provided, however, that if  
any such transporter or pre-  
decessor in interest was bona fide  
engaged in transportation of nat-  
ural gas, subject to the jurisdic-  
tion of the Commissioner, prior  
to the effective date of this Chap-  
ter, over the route or routes or  
within the area for which appli-  
cation is made and has so oper-  
ated since that time, the Commis-  
sioner shall issue such order  
without requiring further proof  
that the public interest will be  
served by such operation, and  
without further proceedings, if  
application for such order is  
made to the Commissioner with-  
in ninety days after passage of  
this Chapter. Pending the deter-  
mination of any such application,  
the continuance of such operation  
shall be lawful.

In all other cases the appli-  
cation shall be decided in accor-  
dance with the procedures other-  
wise provided in this Chapter and  
such order shall be issued or de-  
nied accordingly. Provided, how-  
ever, that the Commissioner may  
issue a temporary order in cases  
of emergency, to assure main-  
tenance of adequate service or to  
serve particular customers, with-  
out notice or hearing, pending  
the determination of an appli-  
cation for a permanent order,  
and may by regulation exempt  
from the requirements of this  
Section temporary acts or opera-  
tions for which the issuance of  
an order therefor will not be re-  
quired in the public interest.

D. Applications for orders as  
provided for in Paragraphs A, B  
and C above shall be made in  
writing to the Commissioner, be  
verified under oath, and shall be  
in such form contain such infor-  
mation, and notes thereof shall  
be served upon such interested  
parties in such manner as the  
Commissioner shall, by regu-  
lation, require.

E. Except in the cases gov-  
erned by the provisions contained  
in Subsection C of this Section,  
an order shall be issued to any  
qualified applicant, therefore, au-  
thorizing the whole or any part of  
the operation, service, construc-  
tion, extension, or acquisition  
covered by the application, if it is  
found that the applicant is able  
and willing properly to do the  
acts and to perform the service  
proposed and to conform to the  
provisions of this Chapter and the  
requirements, rules, and regu-  
lations of the Commissioner  
thereunder, and that the pro-  
posed service, operation, con-  
struction, extension, or acquisi-  
tion, to the extent authorized by  
the order, is or will be required  
by the present or future public  
interest; otherwise, such appli-  
cation shall be denied. The Com-  
missioner shall have the power to  
attach to the issuance of the cer-  
tificate and to the exercise of the  
rights granted thereunder such  
reasonable terms and conditions  
as the public interest may re-  
quire.

F. The Commissioner, after a  
hearing had upon his own motion  
or upon application, may deter-  
mine the service area to which  
each authorization under this Sec-  
tion is to be limited. Within such  
service area as determined by the  
Commissioner an intrastate nat-  
ural gas transporter may enlarge  
or extend its facilities for the pur-  
pose of supplying increased mar-  
ket demands in such service area  
without further authorization.

G. Nothing contained in this  
Section shall be construed as a  
limitation upon the power of the  
Commissioner to issue an order  
for service of an area already

being served by another trans-  
porter.

H. No intrastate natural gas  
transporter shall connect its sys-  
tem with, move gas into or re-  
ceive gas from another pipeline  
system, including other pipelines  
or pipeline systems owned by the  
company, without prior approval  
of the Commissioner.

§556. Lease and sublease of  
pipelines by commissioner

To encourage the construction,  
expansion, improvement or bet-  
terment of intrastate natural gas  
pipelines, particularly pipelines  
and related facilities necessary,  
incidental or useful to the con-  
nection of existing intrastate nat-  
ural gas pipeline systems with gas-  
producing wells or gas fields, gas  
wells or gas fields capable of pro-  
ducing gas in commercial quan-  
tities, and to assist in the gather-  
ing of either private "in-kind"  
royalty or state-owned "in-kind"  
royalty, or both, the Commis-  
sioner may lease from any person,  
firm, corporation, partnership or  
association, under the best terms  
and conditions as the Commis-  
sioner may be able to prudently  
negotiate, a pipeline system or  
systems, or parts thereof, pre-  
sently existing or hereinafter  
being built, including pipelines,  
pumps, storage and all other facili-  
ties, structures, and projects  
incidental, necessary or useful in  
the production, transportation,  
distribution and delivery of in-  
trastate natural gas and hydro-  
carbons, which, in the judgment  
of the Commissioner may provide  
necessary facilities to make avail-  
able supplies of intrastate natural  
gas to the residents, commercial  
businesses, and/or industries of  
Louisiana. The Commissioner  
may also sub-lease to any person  
any pipeline which he may so ac-  
quire, upon the best terms and  
conditions as the Commissioner  
may be able to prudently nego-  
tiate, including a rental based  
upon a scheduled payment to be  
made for each 1000 cubic feet of  
gas transported through the sub-  
leased line in amounts deter-  
mined by the Commissioner to  
reasonably assure payment of the  
rental under the lease from the  
anticipated supply of gas to be  
transported during the term of  
the lease. The Commissioner is  
not authorized to enter into a  
lease as authorized herein until  
he has first determined that no  
other pipeline is or will be avail-  
able to transport the particular  
supply of intrastate natural gas in  
question to the residents, com-  
mercial businesses, and/or in-  
dustries of Louisiana, for the rea-  
son that this special power of the  
Commissioner is to be utilized  
only for the purpose of making  
available to the residents, com-  
mercial businesses and/or in-  
dustries of Louisiana supplies of  
intrastate natural gas which  
might otherwise not be made  
available for production and dis-  
tribution or which might other-  
wise not be available for input  
into the intrastate pipeline dis-  
tribution or transportation sys-  
tems within the State of Loui-  
siana.

§557. Construction and oper-  
ation of pipelines by Com-  
missioner

A. The commissioner shall be  
empowered to plan, finance, con-  
struct in accordance with the pro-  
visions of Section 2211 of Title 38  
of the Louisiana Revised Statutes  
of 1950, develop, acquire, main-  
tain and operate a pipeline sys-  
tem or systems, inclusive of pipe-  
lines, pumps, storage and all facili-  
ties, structures and properties  
incidental and necessary or useful  
in the transportation, distribution  
and delivery of natural gas and  
hydrocarbons from any and all  
points of production to points of  
consumption or to the points of

distribution for consumption,  
within or without the State of  
Louisiana, inclusive of a pipeline  
system within the area  
under the jurisdiction of the  
state, to facilitate the production,  
transportation, distribution and  
delivery of natural gas and hydro-  
carbons, including gas and hydro-  
carbons received as royalties "in-  
kind" by private land or mineral  
owners, under private leases, and  
by the state, pursuant to mineral  
leases by the state, its agencies  
and political subdivisions, and  
gas and hydrocarbons acquired  
by purchase or otherwise by the  
state from private land or mineral  
owners.

B. In order to provide for the  
financing, construction, devel-  
opment, maintenance and oper-  
ation of said pipeline systems,  
the commissioner may lease or  
rent to others, after advertise-  
ment in accordance with the pro-  
visions of Section 142 of Title 30  
of the Louisiana Revised Statutes  
of 1950, the facilities constructed  
pursuant to the authority con-  
ferred herein, and all facilities,  
structures and properties neces-  
sary and incidental, to facilitate  
the production, transportation,  
distribution and delivery of nat-  
ural gas and other hydrocarbons  
from point of production to point  
of consumption or to the point of  
distribution for consumption.

C. The commissioner may bor-  
row funds not to exceed  
\$50,000,000.00 for implementation  
of the purposes of this Section  
and mortgage and pledge any  
lease or leases granted by, as-  
signed or subleased by the com-  
missioner.

D. Anything herein to the con-  
trary notwithstanding, the com-  
missioner shall not exercise any  
of the rights or powers granted to  
him in Subsections A, B, and C of  
this Section, if private persons,  
firms, or corporations are per-  
forming the acts and services, or  
are constructing or have con-  
structed the facilities to provide  
the services contemplated by this  
Section. Prior to exercising any  
of such rights or powers, the  
commissioner shall publish in the  
official journal of the state a notice  
describing the acts, facilities,  
or services contemplated by the  
commissioner, and any private  
persons, firms or corporations de-  
siring to perform the acts or ser-  
vices or to construct the facilities  
to provide the services described  
in the notice, shall have a period  
of thirty days from the date of  
last publication of the notice  
within which to notify the com-  
missioner of their intention to  
perform the acts or services or to  
construct the facilities to provide  
the services described in the no-  
tice. In the absence of such noti-  
fication by a private person, firm  
or corporation, or if such person,  
firm or corporation, having given  
notice of intention to perform the  
acts or services or to construct  
the facilities to provide the ser-  
vices contemplated by the com-  
missioner, fails to commence  
same within sixty days from the  
date of notification of the com-  
missioner of such intention, the  
commissioner may proceed to  
perform the acts, construct the  
facilities or provide the services  
originally contemplated.

E. In exercising the rights and  
powers granted to him in this  
Section, the Commissioner shall  
be vested with authority to:

(1) Acquire by expropriation  
any properties necessary or use-  
ful for the purposes of this Sec-  
tion, in accordance with the gen-  
eral expropriation laws of the  
state. The Commissioner shall  
not have the authority to ex-  
propriate mineral leases, gas sup-  
plies, gas reserves, oil refineries,  
minerals, mineral rights or pipe-  
lines used in connection there-

with. No person shall be granted a responsive appeal from any writ rendered by a district court in any expropriation action filed by the commissioner hereunder in which it is held that a requested expropriation be approved.

(2) Provide such light, water, police protection and other services for the facilities as he deems advisable.

(3) Establish and collect reasonable fees, rates, tariffs, or other charges for the use of all facilities administered by him and for all services rendered by him.

F. In the exercise of the powers, duties and functions granted to the Commissioner in Subsection A hereof, with respect to the production, transportation, distribution and delivery of natural gas and hydrocarbons received as royalties "in-kind" by private land or mineral owners under private leases and by the state pursuant to mineral leases by the state, its agencies and political subdivisions, the Commissioner shall allocate and/or ration all such natural gas and other hydrocarbons received as "in-kind" royalties in accordance with the priorities established in paragraphs (a) through (i), inclusive, of R.S. 30:572 and, notwithstanding any other provisions of R.S. 30:572 or any other law to the contrary, the priorities established in said paragraphs (a) through (i), without any change or modification thereof whatsoever, shall govern the allocation and/or rationing of natural gas and other hydrocarbons received as "in-kind" royalties unless the Commissioner determines such priority use is impractical under the circumstances.

G. Within 90 days after the effective date of this Act, the Commissioner of Conservation shall promulgate a set of rules and regulations for intrastate pipeline safety, using as a guideline those rules and regulations authorized by 49 U.S.C.A. §1671-1684 inclusive as established by the United States Secretary of Transportation.

#### §558. Bond issue for pipeline

A. In order to finance capital improvements authorized by R.S. 30:557, the Commissioner shall have the power to borrow money not to exceed \$50,000,000.00 and evidence the borrowing in the issuance and sale of bonds or other obligations of the State Department of Conservation, the principal and interest of which shall be payable solely out of revenues herein authorized to be dedicated and pledged for such payment.

B. The bonds or other obligations issued under authority of this Section shall be solely the obligations of the State Department of Conservation and shall recite on their face that they do not constitute obligations of the state of Louisiana or of any parish, municipality or other political subdivision of the state. The bonds or other obligations shall be authorized and issued by written authorization of the Commissioner and shall be of such series, bear such date or dates, mature at such time or times, bear interest at such rate or rates, be in such form, either coupon or fully registered without coupons, carry such registration and exchangeability privileges, be payable in such medium of payment and at such place or places, be subject to such terms of redemption and be entitled to such priorities on the revenues authorized by this Section to be pledged for the payment of principal and interest of such bonds or other obligations as such written authorization may provide. The bonds and the coupons, if any, attached thereto shall be executed in the

form and manner provided by the Commissioner's written authorization.

C. The bonds or other obligations issued under authority of this Section shall be sold by the State Bond Commission in accordance with R.S. 39:1403, except as otherwise provided herein, to the highest bidder on sealed proposals at public sale at not less than par and accrued interest, after publication of notice of sale at least seven days in advance of the date of sale in newspapers or financial journals published at such places as the State Bond Commission may determine, reserving to the State Bond Commission the right to reject any and all bids.

D. Any bonds or other obligations issued hereunder shall be payable from and be secured by the pledge of the revenues derived from the operation of the pipeline system or systems, as constructed, acquired, extended or improved with the proceeds of the bonds, subject only to prior payment of the reasonable and necessary expenses of operating and maintaining the system or systems. Any holder of the bonds or other obligations or of any of the coupons thereto attached may by appropriate legal action compel performance of all duties required of the Commissioner in order to enforce payment of the bonds when due. If any bonds or other obligations issued hereunder is permitted to go into default as to principal or interest, any court of competent jurisdiction may, pursuant to the application of the holder of the bonds or other obligations, appoint a receiver for the system or systems who shall operate the system or systems and collect and distribute the revenues thereof pursuant to the provisions and requirements of the Commissioner's written authorization for the bonds.

If more than one series of bonds or other obligations is issued hereunder payable from the revenues of the system or systems, priority of lien on such revenues shall depend on the time of the delivery of the bonds or other obligations each series enjoying a lien prior and superior to that enjoyed by any series of bonds or other obligations subsequently delivered, except that where provision is made in the proceedings authorizing any issue or series of bonds or other obligations for the issuance of additional bonds or other obligations in the future on a parity therewith pursuant to procedure or restrictions provided in such proceedings, additional bonds or other obligations may be issued in the future on a parity with such issue or series in the manner so provided in such proceedings.

E. All bonds or other obligations issued under the provisions of this Section shall constitute negotiable instruments within the meaning of the Louisiana Negotiable Instruments Law. The bonds or other obligations and the income thereof shall be exempt from all taxation within the state of Louisiana.

F. When the Commissioner has issued bonds and pledged the revenues of the pipeline system or systems for the payment thereof as herein provided, the Commissioner shall operate and maintain the system or systems and shall impose and collect fees and charges for the services furnished by the system or systems, including those furnished to the State Department of Conservation, in such amounts and at such rates as shall be fully sufficient at all times to (1) pay the expenses of operating and maintaining the system or systems,

(2) provide a sinking fund sufficient to assure the prompt payment of principal of and interest on the bonds or other obligations as each falls due, (3) provide such reasonable fund for contingencies as may be required by the Commissioner's written authorization for the bonds or other obligations, and (4) provide an adequate depreciation fund for repairs, extensions and improvements to the system or systems necessary to assure adequate and efficient service to the public. No board or commission other than the Commissioner shall have authority to fix or supervise the making of such fees and charges, which shall be in amounts reasonably necessary for the purposes herein stated.

G. Any written authorization of the Commissioner authorizing the issuance of bonds or other obligations shall be published at least three times in ten days in a newspaper published in the city of Baton Rouge. For a period of thirty days from the date of the publication, any person in interest may contest the legality of the written authorization of the Commissioner and of the bonds or other obligations to be issued pursuant thereto and the provisions securing the bonds or other obligations, including the validity of any lease or other contract pledged to the payment thereof. After the expiration of thirty days no one shall have any right of action to contest the validity of the bonds or other obligations, the validity of the security pledged to the payment thereof or the provisions of the written authorization pursuant to which the bonds or other obligations were issued, and all the bonds or other obligations and all proceedings relating thereto shall be conclusively presumed to be legal, and no court shall thereafter have authority to inquire into such matters.

H. The Commissioner may by written authorization authorize the issuance of bonds or other obligations for the purpose of refunding, extending and unifying the whole or any part of the principal, interest and redemption premiums on any outstanding bonds or other obligations issued under the authority of this Section. The refunding bonds or other obligations may either be sold and the proceeds applied to or deposited in escrow for the retirement of the outstanding bonds or other obligations, or may be delivered in exchange for the outstanding bonds or other obligations. The refunding bonds or other obligations shall be authorized in all respects as original bonds or other obligations are herein required to be authorized. The Commissioner, in authorizing the refunding bonds or other obligations, shall provide for the security of the bonds or other obligations, the sources from which the bonds or other obligations are to be paid and for the rights of the holders thereof in all respects as herein provided for other bonds or other obligations issued under the authority of this Section. The Commissioner may also provide that the refunding bonds or other obligations shall have the same priority of lien on the revenues pledged for their payment as was enjoyed by the bonds or other obligations refunded.

#### PART IV EMERGENCY GAS SHORTAGE ALLOCATION PLAN

§571. Establishment, promulgation and implementation of plan

The Governor of Louisiana shall have the authority pursuant to the police powers granted him by the Constitution of this State, from time to time to declare a state of emergency as a result of

extreme shortages of existing intrastate natural gas for human needs pursuant to paragraphs (a) through (e) of Subsection (1) of Section 572. In connection therewith, as soon as practicable, the Commissioner shall establish and promulgate a plan for statewide emergency intrastate natural gas conservation, allocation or rationing, which shall be implemented and enforced by the Commissioner under controls and enforcement procedures hereinafter provided. The plan shall remain in effect as implemented and changed from time to time by the Commissioner, until the Governor, by proclamation, shall declare that a state energy emergency no longer exists. The plan shall maintain, preserve and protect all vital services in the state depending upon intrastate natural gas and, to the extent deemed practicable by the Commissioner, shall provide for the curtailment of unnecessary and lesser priority uses of intrastate natural gas.

#### §572. Priorities

The allocation or rationing and conservation program under the plan provided for by this Part shall include the following:

(1) A priority system and plan to be implemented without delay, for conservation, allocation, and/or rationing of intrastate natural gas qualitatively and quantitatively among distributors and consumers. To the extent practicable, such priority allocation or rationing programs shall include, but not be limited to, measures to insure that available intrastate natural gas will be distributed on a priority basis to users within the state to avoid or minimize adverse impacts on the public health, welfare and economic well-being of the State; provided, however, that unless the Commissioner rules otherwise, in the event of a serious emergency and until hearings can be had as hereinafter provided for, the priorities of mandatory allocations and rationing shall, to the maximum extent practicable, be as follows:

(a) First priority shall be given to the protection of public health, safety and welfare including maintenance of gas and electrical services for hospitals, juvenile and adult correctional institutions, nursing homes, dormitories, education facilities, hotels, motels, and residences such as individual homes, apartments and similarly occupied dwelling units, and publicly owned water sewerage and storm water drainage systems producing their own energy, which systems supply services to the aforesaid;

(b) Second priority shall be given to the maintenance of agricultural operations, and the processing of agricultural products, including farming, ranching, dairy, water conservation and commercial fishing activities, and services directly related thereto, operations of food processing plants, businesses and facilities processing products for human consumption;

(c) Third priority shall be given to exploration, production, processing and refining efforts to attain maximum production or extraction of oil, natural gas or other hydrocarbons;

(d) Fourth priority shall be given to the maintenance of commercial and industrial business activities utilizing less than 1 1/2 million cubic feet of gas on a peak day;

(e) Fifth priority shall be given to the maintenance of all public services, including facilities and services provided by municipal, cooperative, or investor-owned utilities required for customers

me under Paragraphs (b), (d) next above, or by any state or local government or authority, and including transportation facilities and services which serve the public at large. This priority shall not apply to those publicly owned water, sewer and storm water drainage systems referred to under Paragraph (a) next above, since those are of the first priority;

(f) Sixth priority shall be given to the preservation of an economically sound and competitive petroleum, petrochemical, and chemical industry, provided that, except in cases where the Commissioner finds that an extreme emergency exists and the above priority needs cannot be substantially otherwise provided for, those industries requiring the use of intrastate natural gas for plant protection, feedstock or process needs, and public utilities generating electricity for sale to consumers listed above under Paragraphs (a), (b), (c), (d), and (e), which own or have acquired at the wellhead their own source of intrastate natural gas supply or which acquire such gas supply or any portion thereof from a wholly owned subsidiary company and which are using such supply in the operation of their own facilities, shall, as long as they continue to use said gas for plant protection, feedstock or process needs, or for generating electricity for sale to consumers listed above under Paragraphs (a), (b), (c), (d), and (e), have and be recognized as possessing first priority, above all others, for use of said gas. Industrial companies not owning intrastate natural gas reserves for their own use for plant protection, feedstock or process needs shall be subject to curtailment first, and those companies owning intrastate natural gas reserves for their own use or which acquire such gas supply or any portion thereof from a wholly owned subsidiary company for such purposes shall be subject to curtailment second; provided, further, that any person to whom those industries requiring the use of intrastate natural gas for plant protection, feedstock or process needs which own their own source of intrastate natural gas may have heretofore contracted to sell a portion of their own gas for plant protection, feedstock or process needs shall have a priority for the use of said gas for plant protection, feedstock or process needs equal to the priority accorded to their vendor by this Paragraph;

(g) Seventh priority shall be given to the maintenance of industrial requirements not specified in Paragraph (f) next above, except for boiler fuel;

(h) Subject to the priorities established in R.S. 30:572(1) (a) and (b), eighth priority shall be given to industrial plants, including electrical generating plants to the extent not provided for in Paragraph (e) above, having a present requirement for use of intrastate natural gas for boiler fuel not possessing present alternate fuel capabilities. Such plants may, however, be required by the Commissioner to convert to alternate fuels within a reasonable time; considering all pertinent circumstances, or suffer curtailment by order of the Commissioner of its use of intrastate natural gas. Provided that, if a plant shall have commenced reasonable preparations to so convert, it shall not be required to convert or suffer curtailment as a consequence thereof before July 1, 1975. The Commissioner may re-

quire the industry affected to submit to him evidence as to why the industrial plant cannot convert to alternate fuels within the delay specified, and, if the user alleges otherwise, and if required by the Commissioner, why the industrial plant cannot be operated on a profitable basis with the use of alternate fuels.

The Commissioner may authorize the use of intrastate natural gas for use as boiler fuel if the industry demonstrates that it cannot convert to alternate fuel capability by reason of the fact that it is economically unfeasible, that the industrial plant would otherwise have to close, because it could not operate with a margin of profit considered reasonable in the particular industry, or that the cost of converting to alternate fuels is totally disproportionate to the existing investment in plant facilities. If the Commissioner determines that for those reasons the industrial plant cannot reasonably be converted to the use of alternate fuel capabilities and remain in business, the Commissioner may, if he determines that intrastate natural gas is available for such use, grant to that industry a higher priority of use than is herein provided;

(i) Ninth priority shall be given to industrial plants, including electrical generating plants to the extent not provided for in Paragraphs (e) and (h) above, having a present requirement for boiler fuel use, in those instances where alternate fuel capabilities may exist, or may be installed with relatively minimal cost and delay. Industries possessing existing alternate fuel capabilities or, if the Commissioner determines that alternate fuel capability can be installed with relatively minimal cost or delay, may be curtailed in their gas supply by the Commissioner, and directed by the Commissioner to change from use of intrastate natural gas to use of alternate fuels within a limited time to be fixed by the Commissioner considering all pertinent circumstances. The Commissioner may, if he determines that intrastate natural gas is available for such use, and if the Commissioner determines that it is economically unfeasible to operate a plant with alternate fuels, grant to the plant a higher priority of use.

Notwithstanding any other provision of this Chapter or any other law to the contrary, the Commissioner shall have the authority to order the husbanding and storage of intrastate natural gas to the extent that he deems necessary to protect the public interest.

In the exercise of the powers, duties and functions granted to the Commissioner in this Chapter, with respect to the production, transportation, distribution and delivery of natural gas and hydrocarbons received as royalties "in-kind" by private land or mineral owners under private leases and by the state pursuant to mineral leases by the state, its agencies and political subdivisions, the commissioner shall allocate and/or ration all such natural gas and other hydrocarbons received as "in-kind" royalties in accordance with the priorities established in paragraphs (a) through (i), inclusive, of R.S. 30:572 and, notwithstanding any other provisions of R.S. 30:572 or any other law to the contrary the priorities established in said paragraphs (a) through (i), without any change or modification thereof whatsoever, shall govern the allocation and/or rationing of natural gas and other hydrocarbons received as "in-kind" royalties unless the Commissioner

or determines such priority in use is impractical under the circumstances.

§573. Application of priorities; exceptions

The priorities of end-use deliveries set forth above shall be applied to the deliveries to all intrastate natural gas transporters during periods of curtailment on each transporter's system; except, however, that, upon a finding of extraordinary circumstances by the Commissioner, exceptions to those priorities may be permitted.

§574. Curtailment orders

A. The Commissioner is empowered to require intrastate natural gas transporters to curtail delivery of intrastate natural gas in conformance with the priorities for use of intrastate natural gas set forth in R.S. 30:572, and the Commissioner shall be empowered to promulgate and enforce supply curtailment programs.

B. Notwithstanding the priorities for use of intrastate natural gas set forth in R.S. 30:572, the curtailment of deliveries of intrastate natural gas shall be accomplished by order by the Commissioner whenever he determines that such curtailment is necessary in order to accomplish the purposes of this Chapter, provided that no such order for the curtailment, allocation, or redistribution of intrastate natural gas shall be issued by the Commissioner unless and until the Governor declares an extreme state of emergency pursuant to Section 571 hereof.

§575. Curtailment of lower priority before curtailment of higher priority

The above list of priorities requires the full curtailment of the lower priority category volumes to be accomplished before curtailment of any higher priority volume is commenced, unless the Commissioner finds exceptions to be in the public interest. Additionally, the above list required both the direct and indirect customers of a pipeline that use intrastate natural gas for similar purposes to be placed in the same category of priority.

§575.1 Deliveries not to be reduced more than ten per cent.

Any other provisions of this Chapter to the contrary notwithstanding, no daily allocation, curtailment or priority of intrastate natural gas shall result in a reduction of more than ten per cent (10%) of the maximum daily quantity of intrastate natural gas contracted to be delivered to a purchaser under any contract existing on the effective date of this Chapter, or to natural gas not in excess of 25,000,000 cubic feet of natural gas per day owned by a person at or near the field where produced and transported by said person through his own pipe line for his own consumption not in excess of 25,000,000 cubic feet of natural gas per day. This exception shall not apply to contracts for the purchase of gas hereafter executed. The price to be charged by the intrastate natural gas transporter to any person receiving reallocated natural gas shall be the arithmetic average of the price of intrastate natural gas delivered or deliverable pursuant to contracts entered into in the State of Louisiana within 90 days prior to such reallocation, and in the event that no such contract has been executed during that period, then the price shall be based upon similar contracts entered into within one hundred eighty (180) days prior to such reallocation, but in no event shall such price be less than the price stipulated in such contract. Such allocation made pursuant to this section shall be redistributed and only to those persons purchasing

intrastate natural gas use within priorities one through (e) inclusive or subsection (1) of Section 572 hereof.

§575. Change in priorities; hearings

The Commissioner shall prescribe the rules of order or procedure in hearings or other proceedings to be held in relation to this emergency gas shortage allocation plan. No change in the above listed priorities for allocation or rationing shall be accomplished by the Commissioner, in the absence of a serious immediate emergency, except after a public hearing upon at least ten days' notice given in the form and manner and at a time and place prescribed by the Commissioner. The Commissioner may in his discretion designate a member of his staff to conduct public hearings in his behalf. Any person having an interest in the subject matter of the hearing shall be entitled to be heard.

§577. Change in priorities without hearing; emergency

A. If the Commissioner finds an emergency to exist which in his judgment requires a change in the above priorities for allocation or rationing of intrastate natural gas, without first having a hearing, his emergency order providing for such a change shall remain in force no longer than thirty days from its effective date, unless the Commissioner had been physically unable to hold or complete public hearings on the matter by reason of the pressure of multiple public hearings being sought in such matters, in which event, the emergency order shall remain in effect until such time as the Commissioner can physically conduct a hearing on the problem. However, such hearing in any case must be held within a maximum period of 120 days or such order will automatically expire. In any event, the emergency order shall expire when a rule, regulation or order made after notice and hearing with respect to the same subject matter becomes effective.

B. Any interested person directly affected by any curtailment procedures, rules, regulations or orders of the Commissioner relating to the emergency gas shortage allocation plan has the right to request the Commissioner to call a hearing for the purpose of taking action in respect to such matter by making a request thereof in writing. Upon receiving the request, the Commissioner shall as soon as the physical circumstances of the Commissioner will permit, considering especially pending hearings and requests for hearings, call a hearing. After the hearing, and with all convenient speed, and in any event within thirty days after the conclusion of the hearing, the Commissioner shall take whatever action he deems appropriate with regard to the subject matter. In the event of failure or refusal of the Commissioner to issue an order within the period of thirty days, he may be compelled to do so by mandamus at the suit of any interested persons.

§578. Results contrary to intent of plan; hardship cases

A. If the results of some aspects of the emergency gas shortage allocation plan promulgated by the Commissioner are contrary to its stated intent, the person affected may request the Commissioner to grant an exception on the basis of unintended results.

B. Notwithstanding the procedures set forth above, the Commissioner shall possess express authority to alter the emergency gas shortage allocation plan in



Individual situations in order to alleviate exceptional hardship in the event of serious emergencies.

§593. Discrimination by suppliers prohibited

A. No supplier shall discriminate against any purchaser by failing to make allocations as described under the emergency gas shortage allocation plan, or under any rules, regulation or order issued pursuant thereto, or by imposing terms or conditions on sales upon any single purchaser other than those imposed upon all other purchasers at an equivalent level of trade, except as may be lawful and normal general practice.

B. It is the intent of this Section that suppliers shall deal with the purchasers of intrastate natural gas supplies under the priority allocation plan provided for by this Part and as it may be changed from time to time by the Commissioner. The emergency gas shortage allocation plan shall not be construed to require intrastate natural gas suppliers to sell to others who do not arrange proper credit or payment for products. However, a supplier may not require or impose discriminatorily more stringent credit terms or payment schedules on purchasers of intrastate natural gas supplies than the supplier's normal business practice during the first half of 1972.

§590. Prohibitions: Bonded Indebtedness of Political Subdivisions

Notwithstanding any provision of law or this Act to the contrary, no existing contract, agreement or understanding for the delivery and sale of intrastate natural gas involving a parish, municipality or other political subdivision, shall be altered, amended or changed by any action, order or directive of the Commissioner or any provision hereof if the effect thereof reduces or could reduce the allocation of natural gas to be delivered or sold thereby below the allocation necessary to generate sufficient revenues to pay the debt-service requirements of any bonds of a parish, municipality or other political subdivision.

## PART V. NATURAL

### GAS PRICE REGULATION

#### §591. Definition

As used in this Part, unless otherwise clearly indicated, the following term has the meaning ascribed to it below:

(1) "Natural gas company" means a person engaged in the production or sale of intrastate natural gas.

#### §592. Necessity for regulation

It is declared that the business of selling intrastate natural gas is affected with a public interest, and that state regulation in matters relating to the sale of intrastate natural gas is necessary in the public interest to conserve the natural resources of the state and prevent the physical and economic waste, wasteful use and wasteful utilization thereof. It is further declared that the sale of intrastate natural gas at a price below the fair market value of such gas, especially as compared to the price of other fuels, is one of the primary causes of the present energy crisis in the state in that it has caused and is causing the physical and economic waste, wasteful use and wasteful utilization of intrastate natural gas.

The provisions of this Part shall only apply to contracts for the sale of intrastate natural gas executed and completed after the effective date of this Act, except that in no case shall the provisions of this Part apply to the sale of intrastate natural gas at the wellhead.

§593. Sales direct to industrial users

The Commissioner shall have the power and authority to supervise, govern, regulate and control minimum sales prices of intrastate natural gas direct to industrial users whether for fuel, or for utilization in any manufacturing process or otherwise.

#### §594. Public utilities

The provisions of this Part shall apply to purchase prices of intrastate natural gas in purchases by privately or publicly owned public utilities. The provisions of this Part shall apply to sale prices of intrastate natural gas in sales by privately or publicly owned public utilities direct to industrial users, but shall not apply to sales of such gas by such utilities to other users.

#### §595. Exemption

The provisions of this Part shall not apply to any contract agreement or understanding that involves or affects less than one billion cubic feet of natural gas to be produced, transported, delivered or sold within a twelve month period; provided, that for good cause shown the Commissioner may, if he considers it necessary to the accomplishment of the purposes of this Chapter, decrease the amount of gas which may be produced, transported, delivered or sold under this exemption; and, further provided that no such contract shall be exempt from the filing provisions of this Part.

#### §596. Waiver of requirements

The Commissioner may waive any requirement of this Part when upon reasonable cause shown he finds that the application of enforcement thereof will work an undue hardship on the person affected or will seriously impede the efficiency of his administration of this Part, and that the application or enforcement thereof is not necessary to the accomplishment of the purposes of this Chapter.

#### §597. Notice filing

Any provision of this Part to the contrary notwithstanding, as to any contract, agreement or understanding or proposed contract, agreement or understanding affecting the purchase or sale of intrastate natural gas, the parties thereto may furnish the Commissioner with notice thereof, in a form and under conditions to be established by the Commissioner, and unless the Commissioner gives notice to the contrary to the parties thereto, within 15 days after the receipt of such notice, the same shall be deemed to have been accepted by the Commissioner without objection and to be in compliance with the provisions of this Part. If, however, the Commissioner deems it advisable to consider the proposal further, the Commissioner shall notify the parties accordingly and the matter shall thereafter be processed by the Commissioner in accordance with the provisions of this Part.

#### §598. Prices; schedules; suspension of new rates

A. No prices charged, demanded, or received under future contracts by any natural gas company for or in connection with the sale of intrastate natural gas shall be less than the just and reasonable minimum price accepted by the Commissioner under Section R.S. 30:597 or as determined by the Commissioner under R.S. 30:529, and any other price not so accepted or determined is declared to be unlawful. All rules and regulations affecting or pertaining to such prices shall be just and reasonable.

B. Except as ordered by the Commissioner to effectuate the purposes of this Chapter, no natural gas company shall, with re-

spect to any sale of intrastate natural gas (1) make or grant any undue preference or advantage to any person or subject any person to any undue prejudice or disadvantage, or (2) maintain any prices or service, contrary to the purposes of this Chapter.

C. Under such rules and regulations as the Commissioner may prescribe, every natural gas company shall file with the Commissioner within such time (not less than ninety days after the effective date of this Chapter) and in such form as the Commissioner may designate, schedules showing all prices for any sale of intrastate natural gas and the classifications, practices, and regulations affecting such prices, together with all contracts which in any manner affect or relate to such prices.

D. Unless the Commissioner otherwise orders, no change shall be made by any natural gas company in any such price or in any rule, regulation, or contract relating thereto, except after thirty days' notice to the Commissioner and to the public. Such notice shall be given by filing with the Commissioner new schedules stating plainly the change or changes to be made in the schedule or schedules then in force and the time when the change or changes will go into effect. The Commissioner, for good cause shown, may allow changes to take effect without requiring the thirty days' notice herein provided for by an order specifying the changes so to be made and the time when they shall take effect and the manner in which they shall be filed and published.

E. Whenever any such new schedule is filed, the Commissioner shall have authority, either upon complaint of any party to a contract affected thereby, or upon his own initiative without complaint, at once, and if he so orders, without answer or formal pleading by the natural gas company, but upon reasonable notice, to enter upon a hearing concerning the lawfulness of such prices; and pending such hearing and the decision thereon, the Commissioner, upon filing with such schedules and delivering to the natural gas company affected thereby a statement in writing of his reasons for such suspension, may suspend the operation of such schedule and defer the use of such prices, but not for a longer period than six months beyond the time when it would otherwise go into effect, and after full hearings, either completed before or after the price goes into effect, the Commissioner may make such orders with reference thereto as would be proper in a proceeding initiated after it had become effective. If the proceeding has not been concluded and an order made at the expiration of the suspension period, on motion of the natural gas company making the filing, the proposed change of price shall go into effect, unless the Commissioner shall by order further extend the delay. At any hearing involving a price sought to be changed, the burden of proof to show that the proposed change is lawful and is not contrary to the purposes of this Chapter, shall be upon the natural gas company, and the Commissioner shall give to the hearing and decision of such questions preference over other questions pending before him and decide the same as speedily as possible.

#### §599. Fixing prices

Whenever the Commissioner, after a hearing had upon his own motion or upon complaint of any party to a contract, shall find that any price demanded, charged, or

collected thereunder by any natural gas company in connection with any sale of intrastate natural gas is below the just and reasonable minimum price determined by the Commissioner, considering the fair market value of intrastate natural gas of like kind, quality and character, to be necessary to prevent the physical and economic waste, wasteful use and wasteful utilization thereof, or that any rule, regulation, practice or contract affecting such price is unjust, unreasonable, unduly discriminatory, or preferential, or is otherwise contrary to the purposes of this Chapter, the Commissioner shall determine the just and reasonable minimum price, rule, regulation, practice or contract which will effectuate the purposes of this Chapter, to be thereafter observed and in force, and shall fix the same by order.

The Commissioner shall have the power to order an increase in any price contained in the currently effective schedule of such natural gas company on file with the Commissioner, but shall not have the power to decrease such price. Notwithstanding any other provision of this Part or any other law to the contrary, the Commissioner shall have no authority to fix the minimum sales prices of intrastate natural gas on a statewide basis, but, rather, shall fix said prices on either a contract by contract basis or on a field by field basis in any instance at the discretion of the Commissioner.

#### §600. Periodic and special reports

A. Every natural gas company shall file with the Commissioner such annual and other periodic or special reports as the Commissioner may by rules and regulations or order prescribe as necessary or appropriate to assist the Commissioner in the proper administration of this Part. The Commissioner may prescribe the manner and form in which such reports shall be made.

B. It shall be unlawful for any natural gas company willfully to hinder, delay, or obstruct the making, filing, or keeping of any information, document, report, memorandum, record, or account required to be made, filed, or kept under this Part or any rule, regulation, or order hereunder.

#### §601. Services, records, information from other agencies

In carrying out the purposes of this Part, the Commissioner shall, so far as practicable, avail himself of the services, records, reports, and information of the executive departments and other agencies of the government, and the Governor may, from time to time, direct that such services and facilities be made available to the Commissioner.

#### §602. Complaints

Any party to a contract of sale complaining of anything done or omitted to be done by any natural gas company in contravention of the provisions of this Part may apply to the Commissioner by petition, which shall briefly state the facts, whereupon a statement of the complaint thus made shall be forwarded by the Commissioner to such natural gas company, which shall be called upon to satisfy the complaint or to answer the same in writing within a reasonable time to be specified by the Commissioner.

#### §603. Investigations by commissioner; attendance of witnesses; depositions

A. The Commissioner may investigate any facts, conditions, practices, or matters which he may find necessary or proper in order to determine whether any person has violated or is about to violate any provision of this Part or any rule, regulation, or order thereunder, or to aid in the en-

Enforcement of the provisions of this Part or in prescribing rules or conditions hereunder, or in giving information to serve as a basis for recommending further legislation to the Legislature. The Commissioner may permit any person to file with him a statement in writing, under oath or otherwise, as he shall determine, as to any or all facts and circumstances concerning a matter which may be the subject of investigation.

B. For the purpose of any investigation under this Part, the Commissioner or any officer or employee of the State Department of Conservation designated by him is empowered to administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memoranda, contracts, agreements, or other records which the Commissioner finds relevant or material to the inquiry. Witnesses summoned by the Commissioner to appear before him shall be paid the same fees and mileage that are paid witnesses in the courts of this state.

C. In case of contumacy by, or refusal to obey a subpoena issued to, any person, the Commissioner may invoke the aid of any court of competent jurisdiction in requiring the attendance and testimony of witnesses and the production of books, papers, correspondence, memoranda, contracts, agreements, and other records. Such court may issue an order requiring such person to appear before the Commissioner or officer or employee of the State Department of Conservation designated by the Commissioner, there to produce records, if so ordered, or to give testimony touching the matter under investigation or in question; and any failure to obey such order of the court may be punished by such court as a contempt thereof. All process in any such case may be served in the judicial district whereof such person is an inhabitant or wherever\* he may be found or may be doing business. Any person who willfully shall fail or refuse to attend and testify or to answer any lawful inquiry or to produce books, papers, correspondence, memoranda, contracts, agreements, or other records, if in his or its power so to do, in obedience to the subpoena of the Commissioner, shall be guilty of a misdemeanor and upon conviction shall be subject to a fine of not more than \$1,000 or to imprisonment for a term of not more than one year, or both.

D. The testimony of any witness may be taken at the instance of a party, in any proceeding or investigation pending before the Commissioner, by deposition at any time after the proceeding is at issue. The Commissioner may also order testimony to be taken by deposition in any proceeding or investigation pending before him at any stage of such proceeding or investigation. Such depositions may be taken before any person authorized to administer oaths not being of counsel or attorney to either of the parties, nor interested in the proceeding or investigation. Reasonable notice must first be given in writing by the party or his attorney proposing to take such deposition to the opposite party or his attorney of record, as either may be nearest, which notice shall state the name of the witness and the time and place of the taking of his deposition. Any person may be compelled to appear and depose, and to produce documentary

evidence, in the same manner as witnesses may be compelled to appear and testify and produce documentary evidence before the Commissioner, as hereinbefore provided. Such testimony shall be reduced to writing by the person taking deposition, or under his direction, and shall, after it has been reduced to writing, be subscribed by the deponent.

E. If a witness whose testimony may be desired to be taken by deposition be in a foreign country, the deposition may be taken before an officer or person designated by the Commissioner, or agreed upon by the parties by stipulation in writing to be filed with the Commissioner. All depositions must be promptly filed with the Commissioner.

F. Witnesses whose depositions are taken as authorized in this Part, and the person or officer taking the same, shall be entitled to the same fees as are paid for like services in the courts of the state.

G. No person shall be excused from attending and testifying or from producing books, papers, correspondence, memoranda, contracts, agreements, or other records and documents before the Commissioner, or in obedience to the subpoena of the Commissioner or any officer or employee of the State Department of Conservation designated by him, or in any cause or proceeding instituted by the Commissioner, on the ground that the testimony or evidence, documentary or otherwise required of him may tend to incriminate him or subject him to a penalty or forfeiture; but no individual shall be prosecuted or subject to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled to testify or produce evidence, documentary or otherwise, after having claimed his privilege against self-incrimination, except that such individual so testifying shall not be exempt from prosecution and punishment for perjury committed in so testifying.

#### §604. Hearings; rules of procedure

A. Hearings under this Part may be held before the Commissioner, or any officer or employee of the State Department of Conservation designated by him, and appropriate records thereof shall be kept.

B. All hearings, investigations, and proceedings under this Part shall be governed by rules of practice and procedure to be adopted by the Commissioner, and in the conduct thereof the technical rules of evidence need not be applied. No informality in any hearing, investigation, or proceeding or in the manner of taking testimony shall invalidate any order, decision, rule or regulation issued under the authority of this Part.

#### §605. Administrative powers of commissioner; rules, regulations, and orders

The Commissioner shall have power to perform any and all acts, and to prescribe, issue, make, amend and rescind such orders, rules and regulations as he may find necessary or appropriate to carry out the provisions of this Part. Among other things, such rules and regulations may define accounting, technical, and trade terms used in this Part; and may prescribe the form or forms of all statements, declarations, applications, and reports to be filed with the Commissioner, the information which they shall

contain, and the time within which they shall be filed. Unless a different date is specified therein, rules and regulations of the Commissioner shall be effective thirty days after publication in the manner which the Commissioner shall prescribe. Orders of the Commissioner shall be effective on the date and in the manner which the Commissioner shall prescribe. For the purposes of its rules and regulations, the Commissioner may classify persons and matters within his jurisdiction and prescribe different requirements for different classes of persons or matters. All rules and regulations of the Commissioner shall be filed at the office of the Commissioner and shall be kept open in convenient form for public inspection and examination during reasonable business hours.

#### §606. Rehearings; court review of orders

A. Any party to an intrastate natural gas sale contract aggrieved by an order issued by the Commissioner in a proceeding under this Part may apply for a rehearing within thirty days after the issuance of such order. The application for rehearing shall set forth specifically the ground or grounds upon which such application is based. Upon such application the Commissioner shall have power to grant or deny rehearing or to abrogate or modify his order without further hearing. Unless the Commissioner acts upon the application for rehearing within thirty days after it is filed, such application may be deemed to have been denied. No proceeding to review any order of the Commissioner shall be brought by any person unless such person shall have made application to the Commissioner for a rehearing thereon. Until the record in a proceeding shall have been filed in a court under Subsection (B) of this Section, the Commissioner may at any time, upon reasonable notice and in such manner as he shall deem proper, modify or set aside, in whole or in part, any finding or order made or issued by him under the provisions\* of this Part.

B. Any party to a proceeding under this Part aggrieved by an order issued by the Commissioner in such proceeding may obtain a review of such order in the district court having jurisdiction, by filing in such court, within sixty days after the order of the Commissioner upon the application for rehearing, or within sixty days following the period the application for rehearing may be deemed to have been denied because of the failure of the Commissioner to act, a written petition praying that the order of the Commissioner be modified or set aside in whole or in part. A copy of such petition shall forthwith be transmitted by the clerk of the court to the Commissioner and thereupon the Commissioner shall file with the court the record upon which the order complained of was entered. Upon the filing of such petition such court shall have jurisdiction to affirm, modify, or set aside such order in whole or in part. No objection to the order of the Commissioner shall be considered by the court unless such objection shall have been urged before the Commissioner in the application for rehearing unless there is reasonable ground for failure so to do. The finding of the Commissioner as to facts, if supported by substantial evidence, shall be conclusive. If any party shall apply to the court for leave to ad-

shall show to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for failure to adduce such evidence in the proceedings before the Commissioner, the court may order such additional evidence to be taken before the Commissioner and to be adduced upon the hearing in such manner and upon terms and conditions as to the court may deem proper. The Commissioner may modify his findings as to the facts by reason of the additional evidence so taken, and he shall file with the court such modified or new findings, which if supported by substantial evidence, shall be conclusive, and his recommendation, if any, for the modification or setting aside of the original order. The judgment and decree of the court, affirming, modifying, or setting aside, in whole or in part, any such order of the Commissioner, shall be final, subject to review by the appellate court under the laws relating to appeals and subject to review by the Supreme Court of Louisiana upon its writs of certiorari.

C. The filing of an application for rehearing under Subsection (A) of this Section shall not, unless specifically ordered by the Commissioner, operate as a stay of the Commissioner's order. The commencement of proceedings under Subsection (B) of this Section shall not, unless specifically ordered by the court, operate as a stay of the Commissioner's order.

#### PART VI. LOUISIANA ENERGY COMMISSION

##### §631. Creation and functions

A. The Louisiana Energy Commission is hereby created consisting of the Governor, the Lieutenant Governor, the Speaker of the House of Representatives, the Director of the Department of Commerce and Industry, the Register of State Lands, the Chairman of the State Mineral Board, the Collector of Revenue, the Chairman of the Joint Legislative Committee on Environmental Quality, the Chairman of the Senate Committee on Natural Resources, the Chairman of the House Committee on Natural Resources, and three members to be appointed by the Governor from the public at large, one from each of the Public Service Commission Districts of the state, all of whom shall be qualified voters of the state of Louisiana with special knowledge, as evidenced by college degrees or courses, or with at least five years experience in managerial positions, in the field of petroleum and natural gas production, transportation, marketing, or industrial consumption.

B. The commission may advise the Commissioner of Conservation and the Commissioner of Conservation may consult and confer with the commission with respect to his powers, duties and functions under this Chapter.

C. In addition to advisory functions to Commissioner of Conservation, the commission shall:

(1) Study existing energy policies of the state, and formulate plans and advise the commissioner with respect to short and long term energy policies of the state.

(2) Undertake studies regarding alternate fuel sources for the State of Louisiana.

(3) Contract, if the commission so desires, with private or public research organizations for the purchase, out of funds available to the commission, of services in scientific, economic and technological research, including but not limited to surveys, studies, and experiments with a view to

ward protecting, conserving and replenishing the natural resources of the state, toward preventing the waste, wasteful use and wasteful utilization of natural gas, toward preventing the use of natural gas in such a manner and in such quantities as will threaten with premature exhaustion, extinction and destruction the supply of natural gas in the state, and toward the energy policy of this state.

(4) Assist the institutions of higher learning in this state desiring to establish programs dealing with the utilization of the natural resources of this state.

(5) Hold public meetings periodically throughout the state for the purpose of receiving suggestions from the public regarding the energy policy of the state.

(6) Conduct a program to disseminate information regarding the energy crisis to the citizens of Louisiana whereby the citizens of Louisiana can be advised of methods to conserve energy.

(7) Make reports to the Legislature and to the Governor regarding the energy policy of the state, and make recommendations therein for legislation with respect thereto.

#### PART VII.

### LIQUEFIED PETROLEUM GAS

§691. Liquefied Petroleum Gas; defined

"Intrastate liquefied petroleum gas" is defined as those gases derived from petroleum or natural gas which are in a gaseous state at normal temperature and pressure and those maintained in the liquid state at normal atmospheric temperature by means of suitable pressure, exclusive of anhydrous ammonia, when such gas is produced, transported and utilized wholly within the state of Louisiana where the transportation thereof is exempt from federal regulation.

§692. Application of Chapter

Except as may otherwise specifically be provided in the Constitution of this State, the provisions of this Chapter, including the powers, duties and functions of the Commissioner and the Louisiana Energy Commission, shall apply to intrastate liquefied petroleum gas.

Section 2. The necessity for the immediate passage of this Act having been certified by the Governor to the Legislature while in session, in accordance with Section 27 of Article III of the Constitution of Louisiana, this Act shall become effective immediately upon approval by the Governor.

Section 3. If any provision or item of this Act or the application thereof is held invalid, such invalidity shall not affect other provisions, items or applications of this Act which can be given effect without the invalid provisions, items or applications, and to this end the provisions of this Act are hereby declared severable.

Section 4. All laws or parts of laws in conflict herewith are hereby repealed, and Act 750 of the 1972 Regular Session is hereby repealed in its entirety.

Approved by the Governor, December 8, 1973 at 9:55 A.M.

A true copy:

WADE O. MARTIN, JR.  
Secretary of State

Certified by the Governor as  
Emergency Legislation -- H-November 26, 1973; S-November 27, 1973.

WADE O. MARTIN, JR.  
Secretary of State

An Act to amend Chapter 7 of Title 30 of the Louisiana Revised Statutes of 1950, relative to natural resources and energy, by amending and reenacting Section 592 of said Title 30 and by adding to said chapter and title a new section to be designated as R.S. 30:575.2, to provide for the effects of amendments of contracts in connection with state regulation in matters relating to the sale of intrastate natural gas, and the determination by the commissioner of conservation of the just and reasonable minimum price of such gas, and to provide with respect to the effects of amendments of contracts in connection with the limitations and exceptions with respect to allocation, curtailment or priority of intrastate natural gas and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. Section 592 of Title 30 of the Louisiana Revised Statutes of 1950 is hereby amended and reenacted to read as follows:

§ 592. Necessity for regulation

A. It is declared that the business of selling intrastate natural gas is affected with a public interest, and that state regulation in matters relating to the sale of intrastate natural gas is necessary in the public interest to conserve the natural resources of the state and prevent the physical and economic waste, wasteful use and wasteful utilization thereof. It is further declared that the sale of intrastate natural gas at a price below the fair market value of such gas, especially as compared to the price of other fuels, is one of the primary causes of the present energy crisis in the state in that it has caused and is causing the physical and economic waste, wasteful use and wasteful utilization of intrastate natural gas.

B. The provisions of this part shall only apply to contracts for the sale of intrastate natural gas executed and completed after December 8, 1973, except that in no case shall the provisions of this part apply to the sale of intrastate natural gas at the wellhead.

C. If a contract for the sale of intrastate natural gas existing on December 8, 1973 is thereafter amended in any respect, such amendment or amendments shall not subject such contracts to the provisions of this part to any greater extent than if such contracts had not been amended subsequent to December 8, 1973, unless the effect of such amendment or amendments is to increase the volume of intrastate natural gas to be delivered to the purchaser under such contract. If any such amendment has the effect of increasing the volume of intrastate natural gas to be delivered to the purchaser under the contract, the provisions of this part shall not apply until the volume of gas contracted for as of December 8, 1973, has been delivered but the provisions of this part shall apply to the amount by which the volume of gas is increased over that volume.

Section 2. Section 575.2 of Title 30 of the Louisiana Revised Statutes of 1950 is hereby enacted to read as follows:

§ 575.2 Amendments of existing contracts; effects

If a contract for the sale of intrastate natural gas existing on December 8, 1973 is thereafter amended in any respect, such amendment or amendments shall not subject such contracts to any greater degree of curtailment than if such contracts had not been amended subsequent to December 8, 1973, unless the effect of such amendment or amendments is to increase the volume of intrastate natural gas contracted to be delivered to the purchaser under such contract. If any such amendment has the effect of increasing the volume of intrastate natural gas to be delivered to the purchaser under the contract, the provisions of R.S. 30:575.1 shall continue to apply to the volume of gas contracted for as of December 8, 1973, and shall continue to apply until the volume of gas contracted for as of December 8, 1973, has been delivered but shall not apply to the amount by which the volume of gas is increased over that volume.

Section 3. If any provision or item of this act or the application thereof is held invalid, such invalidity shall not affect other provisions, items or applications of this Act which can be given effect without the invalid provisions, items or applications, and to this end the provisions of this Act are hereby declared severable.

Section 4. All laws or parts of laws in conflict herewith are hereby repealed.

Approved July 12, 1974.



KANSAS INDEPENDENT OIL & GAS ASSOCIATION

940 FOURTH FINANCIAL CENTER • WICHITA, KANSAS 67202 • (316) 263-7297

July 1, 1975

WARREN E. TOMLINSON  
PRESIDENT

DONALD P. SCHNACKE  
EXECUTIVE VICE-PRESIDENT

VICE-PRESIDENTS  
DANE BALES  
ROBERT M. BEREN  
MACK COLT  
DALE DAVIS  
RALFE REBER  
C. W. SEBITS  
DONALD C. SLAWSON

HONORARY VICE-PRESIDENTS  
E. B. SHAWVER  
C. L. SHEEDY, JR.

SECRETARY  
F. W. MALLONEE

TREASURER  
GRANT WEBSTER

DIRECTORS  
A. L. ABERCROMBIE  
C. W. AIKENS, JR.  
THORNTON E. ANDERSON  
\*DANE BALES  
BRUCE D. BENSON  
\*ROBERT M. BEREN  
GEORGE BRUCE  
\*MACK COLT  
\*DALE DAVIS  
CLINTON ENGSTRAND  
JOE R. EVERLY  
JOHN O. FARMER, III  
FRANK D. GAINES  
FLOYD G. GRIFFITH  
JAMES E. GUINOTTE  
FRANK HAMLIN  
\*V. RICHARD HOOVER  
GEORGE B. KAISER  
\*JOHN H. KNIGHTLEY  
BILL LAHAR  
\*F. W. MALLONEE  
H. A. MAYOR, SR.  
J. E. MORRIS  
\*J. A. MULL, JR.  
W. R. MURFIN  
FRANK E. NOVY  
JERALD W. RAINS  
R. D. RANDALL  
WM. M. RAYMOND  
\*RALFE REBER  
\*DALE M. ROBINSON  
\*JAMES W. ROCKHOLD  
ROBERT L. SCHMIDLAPP  
C. W. SEBITS  
F. W. SHELTON, JR.  
JAMES J. SIMMONS  
RICHARD L. SHIELDS  
\*DONALD C. SLAWSON  
\*RICHARD D. SMITH  
JAY D. SWANSON  
\*WARREN E. TOMLINSON  
RICHARD W. VOLK  
\*GRANT WEBSTER  
TOM WESSELOWSKI  
ROBERT L. WILLIAMS, SR.

\*EXECUTIVE COMMITTEE

Honorable Harold P. Dyck  
Chairman, Interim Study Committee  
Kansas State Legislature  
State Capitol Building  
Topeka, Kansas 66612

Re: Proposal No. 43 -  
Natural Gas

Dear Chairman Dyck:

At the conclusion of your hearings June 14, 1974, you requested KIOGA submit a brief outline of recommendations to your Committee arising from our testimony. By direction of our Board of Directors, we are herein submitting those that we feel could be helpful in encouraging increased natural gas production in Kansas and modernizing the ease of distributing natural gas to the consuming public.

First, we believe SB 564 or any other similar state legislation that attempts to regulate intra-state natural gas price and contracts should be defeated because such legislation would be a deterrent to encouraging new exploration and the production of natural gas in Kansas.

Second, we feel one thrust of your Committee should be to propose legislative incentives to stimulate new production of natural gas in Kansas. Recent action by the states of Oklahoma and Louisiana in the field of tax and production incentives, will encourage increased activity in those states.

Third, we recommend that the Kansas Corporation Commission be given authority to automatically pass through the increased cost of supply of natural gas in order to eliminate the need for full rate hearings arising from each purchase. Kansas electric utilities already use this procedure with the Corporation Commission.

Honorable Harold P. Dyck  
June 27, 1975  
Page 2

Fourth, we recommend you study and evaluate the advantages and disadvantages of sponsoring legislation that would declare intra-state natural gas lines in Kansas as common carriers. Such legislation should include the right of eminent domain. This will encourage exploration along such common carrier lines and will facilitate getting new gas to Kansas markets without duplication of existing pipelines.

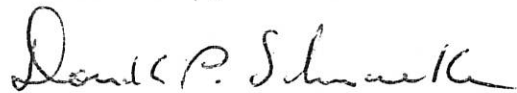
Fifth, we believe the State of Kansas should do all it can to defeat national legislation that would regulate and take control of intra-state natural gas. Your passage of SCR 23 in the 1975 Session was in this spirit. Alliances with other natural gas producing states should be established to resist any efforts to extend federal government control.

And last, we believe the Kansas Department of Economic Development should be motivated to get involved and stimulate this vital Kansas industry. This Department can assist the public, the legislature, and our industry by establishing aggressive policies and programs.

We will continue to monitor future sessions of your Special Committee. We would like to reserve the right to appear again and to submit further recommendations as you progress through your sessions. We would be pleased to elaborate on our recommendations in detail if you desire us to do so.

Thank you for asking us to participate in your deliberations and giving us this opportunity to make recommendations to your Committee.

Sincerely,



Donald P. Schnacke

DPS/cs

*Schwinn & Schwinn*  
*Attorneys at Law*

*204 South Washington Avenue, Box 549*  
*Wellington, Kansas 67152*

TOM L. SCHWINN  
W. H. SCHWINN (1888-1972)

AREA CODE 316  
326-7484

Northern Natural Gas Company, my principal client, is a natural gas company within the purview of the Natural Gas Act of 1938. In common parlance that means that it transmits flowing natural gas in interstate commerce and is subject to the jurisdiction of the Federal Power Commission. Northern is not a major factor in the Kansas gas supply picture but its many transportation and processing facilities in the state make it one of the largest taxpayers in Kansas.

Northern engages in a number of energy related activities. Among other things it distributes natural gas through its Peoples Division to 24 small Kansas communities. The great majority of its retail gas outlets are in Iowa, Minnesota, Nebraska and Colorado.

Peoples Division purchases only a nominal amount of intra-state gas in Kansas. Its principal supplier is Northern.

Even if Peoples required substantial amounts of intra-state gas, Northern could not successfully bid for any such gas because its purchases would be restrained by the ceiling price on interstate gas set by the Federal Power Commission. Nor is Northern in a position to drill for and produce its needed natural gas supplies.

Historically, since 1954 when the Supreme Court ruled that the FPC must regulate the wellhead price of natural gas, the nation's natural gas supplies have been priced so low that both coal and heating oil were priced out of their traditional markets. This created an artificially high demand for gas, leading to many wasteful and non-priority uses. Wildcatters ceased to look for gas and discoveries declined; thus reserves declined.

Philosophically, Northern is opposed to price fixing. Current intra-state purchasers from the several gas fields in Kansas are not barred from competing for these gas supplies if they are

willing to compete with other purchasers. Note also that the wellhead price for gas is only a part of the price of gas to consumers (in some cases, small). Thus if the negotiated price for gas from the fields rises significantly, it does not follow that consumer prices will rise proportionately.

The record of federal regulation of wellhead gas prices offers little to encourage state regulation of intra-state gas sales. The end result would likely be less gas available at any price for all Kansas customers.

There is legislation pending before the United States Senate to extend federal price controls on inter-state gas production to intra-state production. We hope this legislation will be modified so that producers and gas buyers can return to a free market in both inter-state and intra-state gas sales.

The Kansas legislature has passed a bill, SB13, setting up the Kansas Energy Office, with authority to deal with allocation of all fuels when there are genuine emergencies, declared by the Governor. We think that this offers a better approach to dealing with Kansas energy supply problems than does the concept of state wellhead price controls embodied in SB564.



*J. H. Schmitt*



---

 RESOURCES
 

---

### A Texas surplus depresses gas prices.

Texas oilmen are beginning to talk about a problem that many thought they would never have to cope with again—a statewide surplus of natural gas. Their astonishment is understandable. While Texas produces 37% of the nation's gas, it is also a hearty consumer of the fuel, and the state was one of the first to fall victim to the nation's now-widespread gas shortage.

As early as 1972, some intrastate gas pipelines in Texas began curtailing deliveries every bit as severely as the big interstate lines. As a result, wellhead prices in the unregulated Texas gas market zoomed from 25¢ per 1,000 cu. ft. in 1971 to \$1.90 earlier this year, or nearly four times the price that federally regulated interstate lines are allowed to pay. And for a while, both producers and users began wondering if the price spiral would ever end of its own accord.

But now the Texas market is balancing out. "In the last couple of months, there's been a considerable softness that completely slipped up on us," observes Bryan Mitchell, vice-president of Amoco Gas Co., an intrastate pipeline owned by Standard Oil Co. (In-

diana). "I didn't think supply would ever meet up with gas demand in Texas."

Nonetheless, it has, and Amoco is not the only company to witness it. Lovaca Gathering Co., which a year ago was failing to deliver almost 40% of the gas it had contracted to supply, has stunned its customers by meeting all their requirements since February.

Lone Star Gas Co. admits that for the first time it would like to dump some of its excess product on the interstate market, though only under 60-day "emergency" sales agreements that can be made at close to the intrastate price. All over Texas the story is the same: The intrastate pipelines are full. **Lower prices.** As a result, some prices are starting to slip. Small gas finds always attract fewer buyers, and now new reserves of less than 10-billion cu. ft. have dropped in price to as low as \$1.20 per 1,000 cu. ft. While large reserves still command the \$1.90 figure, interest is slipping here, too. "One gas man told me he couldn't believe that his management just turned down his proposal to bid on a 200-billion-cu.-ft. reserve that six months ago they would have fallen all over themselves to buy at \$1.90 a 1,000 cu. ft.," says F. Fox Benton, Jr., vice-president of Houston Oil & Minerals Corp.

To help spur sales, oilmen are also sacrificing some of the favorable purchasing terms they won during the shortages. Contracts used to require gas purchasers to take up to 75% of a well's production or else pay for any amount they fail to take below that level. In recent years, however, the "take-or-pay" percentages leaped to as high as 95%. Now they have dropped once again to historic levels. "As buyers of gas, we're beginning to resist producer demands on purchase terms simply because we don't need the gas as badly as we once did," says Leland W. Carter, president of Mitchell Energy Corp., which produces gas but also buys some for its small intrastate pipeline.

The turnaround by no means indicates that the gas shortage is finally over, even in the unregulated Texas market. Some oilmen argue that the surplus may last as long as two years, but most insist it will be only short-lived. The skeptics reason that the biggest factor has been a decrease in demand caused mainly by an unusually mild winter and a long, cool spring. They also argue that the recession has temporarily reduced consumption. Joe H. Foy, president of Houston Natural Gas Corp., warns: "Whoever says there's a softening in the Texas gas market is drawing a hasty conclusion."

**Cutting consumption.** Still, there are some indications that the surplus is more than a flash in the pan. For one thing, higher prices have made gas users far more frugal. Amoco's Mitchell estimates that most plants have cut consumption by about 15% simply by using better insulation, recovering waste heat, and taking other gas-saving steps.

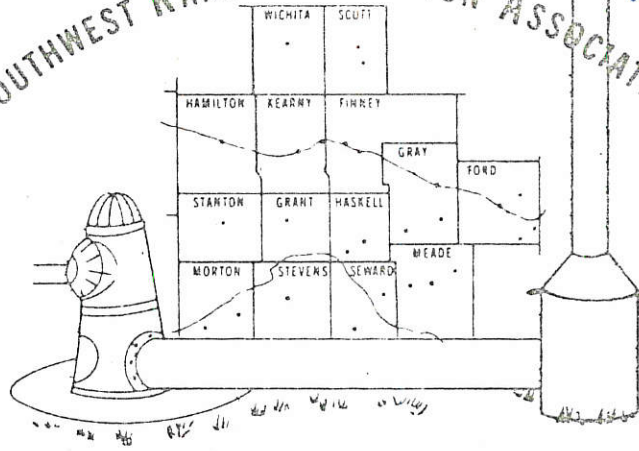
There is also evidence that high prices are stimulating more discoveries. Last year, oilmen drilled 20%

more gas wells in Texas than they did the year before. One study, done for the Texas Wildcatters Assn., shows that gas production from new discoveries amounted to almost 1-trillion cu. ft. in 1974. That was 15% above the 1973 figure and 2½ times the 1970 level. Unfortunately for the rest of the nation, most of the new gas found in Texas stays within the state so the fuel can qualify for the higher intrastate prices. Last year, interstate pipelines got only 3% of the new gas found onshore in the U.S.

Aware of this fact, some Texas oilmen fear that talk of even a temporary gas surplus in the state will bring a storm of criticism from congressmen who charge that producers are withholding gas from the interstate market to force prices up. But a lot of oilmen are quick to speak out anyway, believing that the turnaround in the Texas market proves how uncontrolled energy prices can eliminate shortages by encouraging new supplies and discouraging unnecessary demand. Observes Kenneth E. Montague, president of Houston's General Crude Oil Co.: "It's a perfect example of what happens when a market is allowed to function freely." ■

SOUTHWEST KANSAS IRRIGATION ASSOCIATION

Attachment II



REPLY TO: Eugene L. Shore  
RR 2  
Johnson, Kansas 67855

The Southwest Kansas Irrigation Association represents about 700 members in 14 southwest Kansas counties with one and one-half million acres of irrigated cropland, almost all of which is irrigated from deep wells using natural gas as a supply of fuel.

The entire economy of our area depends upon irrigated agriculture and the business it generates, and is one of the few areas of the United States which produces more feed grain than it uses. Therefore we are exporters of feed grain and contribute substantially to the United States balance of payments.

Principal crops include corn, wheat and milo, all of which are critical as to the time and amount of irrigation water applied to the growing crop. Farmers in this area must be assured of an uninterrupted supply of reasonably priced fuel before they fertilize prior to planting a crop because of the critical balance between proper fertility and adequate moisture to grow the crop. We simply cannot fertilize for top production then be short of water at a critical time in plant development.

The importance of irrigation in Southwest Kansas is questioned by no-one. Irrigation supports the economy of Southwest Kansas by providing the means for numerous businesses: Lending agencies, pipe companies, machinery dealers, fertilizer, chemical and fuel distributors, and others. The taxes obtained from the irrigator and the business he generates, support the entire state as well as the southwest area. This comes from the area known as the "Dust Bowl".

The importance of natural gas in Southwest Kansas is also questioned by no one. The Hugoton Field is famous for its huge volume of high BTU gas.

What our pressing problem is, in a period of dwindling supply of natural gas, is to let people know how important the supply of natural gas for irrigation fuel is, not only to the person involved with irrigation, but to consumers who take for granted a plentiful supply of cheap, good food. Without reasonably priced natural gas to run our engines and dry our crops there will be no irrigation in Southwest Kansas. There is no alternate fuel. Diesel is not available, and is too expensive. Electricity is not available, is produced by natural gas, and is too expensive. Gasoline is too expensive and is not available. In recent testimony before a Federal Power Commission court, G.M.C. provided an exhaustive study on cost of conversion from natural gas to alternate fuels. The low was converting boilers to coal which was 7-8¢ per mcf. The high was converting home furnaces to fuel oil which was \$1.10 per mcf. Irrigation fuel was not compared but using the same formula cost of converting to diesel or electricity is \$3.00 to \$4.00 per mcf. There just is no alternate fuel .

Irrigation gas consumes less than 2% of the natural gas produced, many times on the same farm where it is produced. Nationally, more natural gas is used to heat swimming pools than is used to irrigate crops.

Eugene L. Shore

3

The cost to convert an irrigation engine from natural gas to a diesel power unit is about \$ 10,000 in southwest Kansas. This is for a diesel engine of about 180-190 hp. This would purchase an engine, and a fuel tank which would hold about 5 days fuel supply.

The irrigation farmer has presently invested from \$4,000 to \$16,000 in his natural gas engines, depending upon whether he has a small automotive engine or a heavy duty industrial engine.

In addition to the engines irrigation farmers have invested in natural gas lines at a cost of 15-30¢ per foot, and regulation equipment which costs \$300 to \$500 per well. These costs easily average over \$1,000 per well.

With over 7,000 irrigation wells in southwest Kansas this represents a conversion cost for engines and storage tanks of \$70,000,000 disregarding the engines and fuel systems he has already purchased, and would become surplus.

Cost of operating a natural gas engine on 25¢ per mcf gas is about \$200 per month. Cost of operating a diesel engine on 32¢ per gallon diesel is about \$1,700. A 200hp electric motor costs \$106. per day, or \$3180 for 30 days.

If an average irrigation well in SW Kansas runs 3000 hrs. per year and irrigates about 135 acres of cropland, with natural gas this costs about \$7.51 for fuel per irrigated acre, with diesel this cost increases to \$56.88, and with electricity to \$106.36.

There are about 1,400,000 acres of irrigation in SW Kansas. this increase of cost for diesel of \$ 49.37 per acre is an annual added cost of production of over \$69,000,000, which can only be passed on to the consumer or the farmer must cease to irrigate.

An increase of \$49.37 per acre is a per bu. cost increase of 49¢ per bu. for corn production of 100 bu./A corn and almost \$1.00/bu. for 50 bu wheat.

## IRRIGATED CROPS PRODUCED IN WESTERN KANSAS - 1973

Figures in (Area served by SWKIA)

Irrigated wheat produced in western Kansas, 254,000 acres (200,000)  
 Average yield per seeded acre, 45 bu/a, (41.7)  
 Production of winter wheat on irrigated land, 10,585,000 bu. (8,332,000)  
 Average dryland yield 25 bu/a (25.6)

Sorghum for grain acres 317,500 (239,700)  
 Average yield 81 bu/a (81.3)  
 Total production 25,419,900 bu. (19,492,800)  
 Average dryland yield 37 bu/a (36)

No figures are available on 30,000 -40,000 acres of irrigated forage sorghums.

Corn for grain, acres harvested, 675,000, (381,000)  
 Average yield 122 bu/a (122.7)  
 Total production 82,453,800, (46,732,600 bu.)  
 Dryland production is not feasible.

Corn for silage, acres 139,000, (78,000)  
 Production in tons, 2,358,800, (1,324,200)  
 Average yield in tons per acre 17, (17)  
 Dryland production is not feasible.

Soybeans, irrigated acres harvested, 5,540, (4,540)  
 Average yield 30.1 bu/a, (30.1)  
 Total production 167,911 bu. (136,600)  
 Dryland production is not feasible.

Alfalfa hay 180,000 acres, (90,000)  
 Average yield 4 ton/a (4.21)  
 Total production 692,700 tons, (378,900)  
 Dryland production is not feasible.

Alfalfa seed 4080 acres, (2990)  
 Average yield 64.9 lbs./a, (64.9)  
 Total production 264,000 lbs. (194,000)

Sugarbeets, acres irrigated, 33,900 acres, (9600)  
 Average yield per acre 17.7 tons/a, (18.6)  
 Total production 600,000 tons, (178,000)  
 Dryland production not possible.

Popcorn produced on irrigated land, 7,260 acres, (5260)  
 Yield per acre 4207 lbs./a, (4207)  
 Total production 30,517,000 lbs. (22,539,000)  
 Dryland popcorn is not feasible.

The huge feedlot industry in western and south-western Kansas is entirely dependent upon the production of forage and grain produced on irrigated cropland in the area.

Western Kansas is one of the few areas which produce grain in large enough quantity to supply their demand and still have a large amount to export, making it a very important factor in the United States balance of payments.

## MEMORANDUM

FROM: Legislative Research Department                                July 8, 1975  
TO: Special Committee on Natural Gas  
RE: Policy Considerations Relating to Action by State Govern-  
ment in the Field of Natural Gas

General

Given the pervasive nature of federal regulations, what areas remain subject to state legislative action on natural gas exploration, production, distribution and consumption? Should the state legislate in those areas under its supervision and control? (Believe further explanation is needed regarding the distinction between inter and intra state natural gas and the importance of interstate natural gas to the Kansas economy).

- I. The Committee may appropriately monitor the development in U.S. and Kansas in natural gas
  - A. Needed to keep Kansas Legislature and the public informed on this vital subject.
  - B. Needed to know how Kansas Legislature can act to help Kansas situation.
  
- II. The Committee may give policy considerations to a Legislative Program for Kansas
  - A. Consensus of view that most important area is:  
Determining priority of the end use of Natural Gas
    1. Extent of authority of Kansas State Government in this determination
      - a. Difference between inter and intra state gas
      - b. Difference between emergency (S.B. 13) and non-emergency situations
    2. Some specific areas of possible action
      - a. Make intrastate pipelines serve as common carriers (and subject to accompanying regulations)
      - b. Examine and possibly enlarge rule-making power of KCC (and KEO in emergencies) in determining end-use of natural gas for both intrastate gas and distribution companies of interstate gas

(1) Especially in regulating (Prohibiting)  
use of natural gas to generate electric  
power

- c. Regulation of main line sales of interstate gas
- B. Will Legislative inaction at this time hamper later efforts for a state-wide "solution" to energy conservation and use?
- C. Legislative action to make Kansas State Government energy conservation conscious -- (Also proper concern of the Energy Committee)
- D. Legislative action to make the general public more energy conservation conscious. (Also proper concern of the Energy Committee.)
- E. Policy Questions in Production and Supply
  - a. What can the state legislature do to stimulate the exploration and production of natural gas?
  - b. Could the KCC affect production and supply by increasing established allowables? [Yes, but such action would have substantial detrimental effects that need explanation. (Commissioner Saffels willing to appear)].
- F. Policy Questions in Distribution
  - a. What should be the state's role in determining the distribution of natural gas in intrastate commerce? Should there be a state plan for the distribution of natural gas? Is this best done by competing forces in the economic system? State legislation? State Administrative Rules and Regulations? Local government action?
  - b. Is the distribution of intrastate natural gas affected by the fact that there are only a limited number of intrastate pipelines?
  - c. Should the state legislature assist in the construction of new intrastate pipelines?
  - d. Should the legislature encourage municipalities to engage in pipeline construction?

G. Policy Questions in Consumption

- a. To what extent can and should consumers be classified and allowed to have varying supplies of natural gas?
- b. Should the state legislature establish the priorities for the use of natural gas?
- c. What factors should the legislature consider in determining the priorities of natural gas usage?
- d. Should the state legislature provide subsidies or other incentives for the conversion from natural gas use to other energy sources?
- e. Should the state legislature impose a tax upon all consumers of natural gas with the intent of diminishing demand?

H. Other Policy Considerations

- a. What will be the impact on the environment of state legislative action on natural gas?
- b. What will be the economic and social implications of any state legislative action on natural gas?
- c. What steps should the state legislature take in anticipation of changes in the federal regulations or deregulation of natural gas in interstate commerce?



Charles Randall

Attachment IX

STATEMENT OF THE GAS SERVICE COMPANY BEFORE THE  
NATURAL GAS STUDY COMMITTEE OF THE LEGISLATURE  
OF THE STATE OF KANSAS

July 8, 1975.

The Gas Service Company owns and operates natural gas distribution systems in 400 communities serving 783,662 customers in a four state area, including the State of Kansas, where it distributes gas in 212 communities serving 369,934 customers. (Practically all of its supplies of gas are purchased at town border stations) from interstate pipeline systems with nominal volumes purchased from intrastate pipeline systems and from local production sources. The Company is subject to the jurisdiction of state regulatory authorities in Kansas, Missouri and Oklahoma and is not subject to the jurisdiction of the Federal Power Commission.

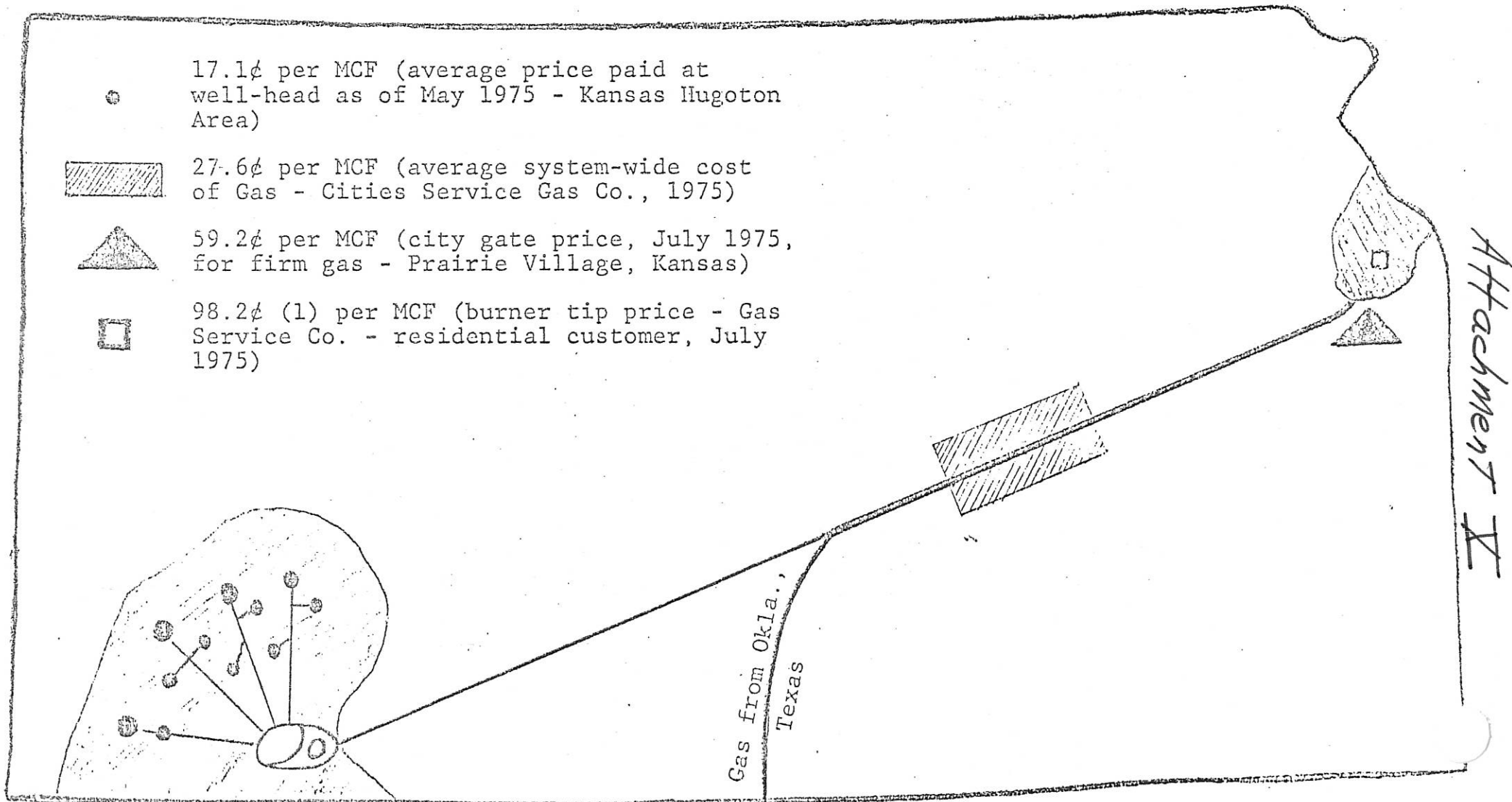
The Company's larger suppliers are Cities Service Gas Company which furnishes some 96% of its total requirements and Panhandle Eastern Pipe Line Company which furnishes some 3% of its total requirements. Both of these companies are interstate transporters of natural gas subject to the jurisdiction of the Federal Power Commission. In the State of Kansas, for the 12 months ended May 22nd, 1974, the Company purchased a total of 108.7 billion cubic feet of gas from Cities Service and a total of 1.7 billion cubic feet from Panhandle. The total volume purchased in Kansas for the year from all sources was 111.9 billion cubic feet. The above volumes purchased from these two interstate pipeline systems represent respective

reductions of 8.1 billion cubic feet, equivalent to 7.0%, and 227 million cubic feet, equivalent to 11.6%, from volumes purchased during the year 1970, and are indicative of the increasing shortage of supplies of natural gas available to serve the market demand. The impact of these supply deficiencies has been and will be increasingly felt by large volume consumers. Extension of the deficiency impact to smaller volume commercial and industrial consumers and to residential consumers in the Company's market supplied by Cities Service has been minimized to date due to the large magnitude of the large volume curtailable industrial market previously served and to the restrictions imposed in 1972 against the addition of any new or additional large volume consumers or equipment. Alternatively, the deficiency impact has been felt by all classes of consumers in the Company's market supplied by Panhandle due to that company's curtailment plan and due to the lack of a large volume curtailable market. Restriction against the connection of all classes of new consumers or equipment were imposed in 1973.

Under orders of the Federal Power Commission, both of the aforementioned interstate pipelines are presently operating under interim curtailment plans which categorize their entire market in descending order of priority. The domestic and small commercial consumers carry the highest priority and industrial customers using 10 million cubic feet per day or more and which have alternate fuel capability bear the lowest priority. Subject to tariffs filed with the Kansas State Corporation Commission, The Gas Service Company is complying with the allocation and curtailment procedures specified by its suppliers.

The Gas Service Company is engaged in efforts to supplement its gas supply from interstate pipelines by negotiating for gas produced in proximity to its distribution systems and by initiating direct activities in leasing, exploration and development for natural gas production. The Company has also entered into a joint venture arrangement with a subsidiary of its primary supplier to explore for and develop additional gas reserves in the Arkoma Basin area of Arkansas. In addition, the Company is financially supporting industry research and development of coal gasification processes.

- (1) Burner tip rate excludes city franchise tax of 5%  
Average residential customer uses 180 MCF per year  
Average yearly bill \$176.80, exclusive of tax  
Average monthly bill \$14.73



COMMENTS BY KANSAS MUNICIPAL UTILITIES, INC.  
BEFORE SPECIAL COMMITTEE ON NATURAL GAS  
JULY 7-8, 1975

ON

PROPOSAL No. 43 (*A study of the supply, use, pricing and regulation of natural gas production and distribution which includes monitoring federal legislation on natural gas wellhead price regulation*).

COMMITTEE MEMBERS:

*Rep. Dyck, Chairman*  
*Sen. Doyen, Vice-chairman*  
*Sen. Bell*  
*Sen. Burke*  
*Sen. Janssen*  
*Sen. Moore*  
*Sen. Simpson*  
*Rep. Brewster*  
*Rep. Farrar*  
*Rep. Foster*  
*Rep. Graber*  
*Rep. Rogg*  
*Rep. Southern*

## BACKGROUND FACTS

Mr. Chairman, members of the committee -- I am Louis Stroup, Jr., executive director of Kansas Municipal Utilities, Inc., a state-wide association of electric, gas and water utilities.

The scope of your summer study, Proposal No. 43, is indeed large and time does not allow us to touch on all aspects of the problem as it relates to our municipal electric systems.

First, however, I feel I should give you some brief basic facts about our municipal electric generating systems.

This, then, should allow you to recognize the scope of our energy problems and indicate to you how the lack of adequate natural gas supplies and corresponding high costs of middle distillate and residual fuel oils affects the segment of the Kansas economy that we serve.

Over the last few years, I have found that most people, including a majority of the Kansas legislature, simply know little about our systems or seem to care much about our energy problems.

Unfortunately, most people tend to think about the larger utilities such as Kansas Power & Light or Kansas Gas & Electric rather than what effect the current energy problems are having on the smaller utilities in this state.

--- In Kansas, there are 133 municipal electric systems of which 67 are generating utilities.

--- These 67 generating systems serve slightly more than 408,000 Kansans and businesses and industries within their communities.

--- Municipal electric customers are:

- a) residential
- b) commercial
- c) industrial
- d) and rural in some cases

--- The 67 systems have an annual operating revenue of approximately \$70 million and in some cases, are the largest industry within their respective cities. On a revenue basis, municipal systems are about 19% of the state's total compared to 12% for rural electric cooperatives and 69% for private power companies.

--- Plant investment and distribution facilities by our systems runs into many millions of dollars. For example, The Board of Public Utilities at McPherson within the last 2 years has spent more than \$14 million in expanding its power production facilities.

--- Generating capacity is approximately 1,251,520 kilowatts and current interconnection capacity with other utilities is about 440,000 kilowatts and growing.

--- 66 of the 67 generating systems depend solely on natural gas or middle distillate or residual fuel oils for energy production. Only the Board of Public Utilities at Kansas City has coal-fired capacity.

## CURRENT FUEL SITUATION

With these facts in mind, let's now turn to the meat of the problem -- natural gas or the lack of it.

I must use first quarter figures since the second quarter reports are not in yet. During the first 3 months of the year, our municipal systems suffered slightly more than 38,000 hours of natural gas curtailment or already more than during all of 1973.

### No. Hours of Curtailment \*\*\*

1971	12,186	hours
1972	24,935	"
1973	37,270	"
1974	52,610	"
1st Q75	38,071	"

Our systems are of course, anticipating even more curtailments in the future; but not only during normal curtailment periods, but also during the summer. If this occurs, it will be the first major "summer" curtailments our systems have ever experienced.

## IMPACT OF HIGHER GAS COSTS

At the end of the first quarter this year, the average MCF price of natural gas to our generating systems had risen to nearly 48¢. This is a marked increase over earlier figures and nearly 13¢ per MCF hike since the start of 1974.

### Average Cost of Natural Gas

1971	.2899¢	per MCF
1972	.3143	" "
1973	.3466	" "
1st Q75	.4790	" "



At the end of the second quarter, for example, the cities purchasing gas from Peoples Natural were paying an average price of about 57¢ per MCF; and most gas suppliers have or will shortly raise their prices since the 45¢ figure recorded at the end of the first quarter.

KPL's recently filed gas rate increase would place the cost of an MCF of gas to municipal power plants at 50¢ per MCF for the first 3,000 and 40.4¢ for all additional -- up 5.4¢ per MCF. This hike, unfortunately, does not reflect any increase in the cost of purchase price of gas to the company since the filing date nor any increase that might result as the settlement of the Spivey-Grabbs problem.

As I understand it, the Wichita Industrial Energy Corp. will pay a wellhead price of \$1.85 per MCF for the Spivey gas, some of which will be adjusted upwards to \$2.035 for BTU content.

If intrastate gas in Kansas jumps to \$1.85 at the wellhead, you can just guess what our purchase price might be since we now pay 50¢ for 23¢ gas.

The economic hardship this will cause our systems is reflected in the following cost-per-MBTU comparisons:

Using current gas costs (.4790¢ per MCF)	= cost per MBTU is	.50¢
Using current No. 2 cost (.2947 per gal.)	= cost per MBTU is	\$2.13
Using \$1.95 per MCF gas	= cost per MBTU is	\$2.05
Using \$2.50 per MCF gas	= cost per MBTU is	\$2.63
Using \$3.00 per MCF gas	= cost per MBTU is	\$3.16

Since there is no price control over intrastate gas nor do we know what purchase price of gas would be that costs \$1.85 at the wellhead, we have included the latter two figures to show the impact on energy production.

## CONSUMPTION OF SUPPLEMENTAL FUEL

First quarter figures show that 6,843,269 gallons of middle distillate and residual fuel oil was consumed by our systems. This compares to total previous 12-month consumption figures as:

### Total Supplemental Fuel Consumed

1971	6,934,396 gallons
1972	11,979,314 "
1973	12,462,184 "
1974	11,596,996 "
1st Q75	6,843,269 "

## PRICE IMPACT OF SUPPLEMENTAL FUELS

First quarter figures show the state-wide average for middle distillates was .2947¢ per gallon delivered or \$12.38 per barrel. Residual's average cost was .2672¢ per gallon or \$11.22 per barrel. Both fuels show an astronomical increase in pricing since 1971 as shown here:

### Average Cost of Middle Distillate

1971	\$ 4.63 per barrel
1972	4.91 "
1973	9.80 "
1974	12.27 "
1st Q75	12.38 "

### Average Cost of Residual Fuel Oil

1972	\$ 3.15 per barrel
1973	8.40 "
1974	11.09 "
1st Q75	11.22 "

You can easily see the economic hardships worked on our systems by lack of sufficient gas and forced consumption of very expensive supplement fuel at a rapidly increasing rate in the future.

The average state-wide increase in fuel costs when using current supplement fuel pricing compared to current natural gas costs is 323% higher comparing middle distillates and 262% higher using residual fuel.

REGULATION OF NATURAL GAS

My association has historically supported regulation of all natural gas and we've seen nothing to change our position in this matter. The giant increases in prices we've paid during the last few years have done nothing toward increasing our supply of petroleum products -- in fact, just the opposite is true.

I have attached a copy of our "Reaffirming" resolution passed at our 1975 annual conference and I would like to read just one paragraph from it:

Subsection 3. (KMU) Strongly believes in full regulation of

- a) interstate natural gas
- b) intrastate natural gas
- c) mainline direct sale natural gas

in the areas of rates, reasonable prices and the use of evidentiary hearings for determination of pricing and insistence that a fair rate of return and cost-of-service philosophy be maintained in this area by both the Kansas Corporation Commission and the Federal Power Commission.

Therefore, we strongly urge that this committee consider recommending that intrastate gas in Kansas come under the jurisdiction of the KCC, both for pricing and allocation.

Because of the shortness of time, I will not read some remarks made recently by Lee White asserting regulation of natural gas must be maintained, but have included them in this material. I hope you will take the time to study them later, they are extremely revealing.

Lee White, as you may remember, is a former chairman of the Federal Power Commission and now is chairman of the Energy Policy Task Force of the Consumer Federation of America.

## SUMMARY

As you can see, all but one of our systems are still completely reliant on natural gas and other petroleum products for power production.

We know we need to go to other sources for energy production -- such as coal and/or nuclear; but unfortunately, during the last three legislative sessions our attempts to obtain the legislation needed to accomplish this goal has been blocked by the private power companies -- and by the lack of legislative understanding or concern for our smaller utilities and their problems.

Since we've been unsuccessful in our attempts legislatively to solve our energy problems, we still need access to natural gas and supplemental fuels at reasonable prices for our production facilities until we can seek other alternatives. Until the latter is accomplished, our systems will still continue to use natural gas and other petroleum products that otherwise could be used for our state's agricultural endeavors.

We are seeking other resources from which to produce power, but any definite results are still a few years off. We've tried since early 1973 to work out a solution with the private power companies, but to no avail -- they simply assert we operate at their will, on their terms -- and no cooperation or good faith negotiations are forthcoming.

Thus, we know how to solve our problems, but can't get the needed authority to do so -- and until we do, we'll remain dependent on petroleum products. (See copy of KMU Resolution No. 5 attached).

Remarks by:

LEE C. WHITE

Former Chairman of the Federal  
Power Commission and now  
Chairman of the Energy Policy  
Task Force of the Consumer  
Federation of America

"...Deregulation would be a critical blow to consumers who are captive customers that have no truly viable alternative. The obligation to protect consumers, especially during periods of shortage, from exorbitant prices is a fundamental obligation of government where the product involved is both essential and monopolistic in character, as in the case of natural gas.

"As the legislative debates have dragged on and the natural gas supply situation has worsened, there appears to have developed a view that, despite the obvious drawbacks of it all, there really is no realistic choice but to deregulate the price and thereby provide the maximum incentive to produce the maximum supplies and avoid the hardships that otherwise would exist. In our view, such a capitulation would undoubtedly increase substantially the cost to the consumer -- the Library of Congress estimates over \$5 billion the first year, rising to \$17.7 billion in 5 to 7 years, and the assistant chief economist of the FPC estimates from \$9-11 billion annually -- without any corresponding assurance of a significantly increased supply.

"Putting aside the question of whether the gas producing industry is competitive -- and there is strong evidence that it is not -- the "free market" price is set by the international oil cartel and this obviously is an unsatisfactory standard. Rates fixed by the FPC include a return on investment of 15%, hardly an inconsequential return.

"One of the principal explanations for inadequate investment in exploration for gas has been the understandable expectation on the part of petroleum companies that 'deregulation is just around the corner'.

"...adequate incentive, yes; but unlimited, uncontrolled prices for an essential product in a period of sharp shortage, no."

RESOLUTION # 5

CONTINUED USE OF NATURAL GAS BY MUNICIPAL  
GENERATING SYSTEMS UNTIL ALTERNATE  
SOURCES CAN BE DEVELOPED

---

WHEREAS, *plant investment by Kansas municipal generating systems runs into many millions of dollars; and*

WHEREAS, *this investment needs to be utilized and protected for a reasonable length of time; and*

WHEREAS, *the phasing out of natural gas for use in these plants will work a harsh and unnecessary economic hardship of the systems' ratepayer if gas is curtailed in the very near future; and*

WHEREAS, *it is impossible to convert existing dual-fired combustion generation units to coal; and*

WHEREAS, *Kansas Municipal Utilities, Inc.'s attempts to obtain passage of "municipal power agency" legislation has been blocked for the last three years by lobbying efforts of the private power companies and a lack of concern by a majority of the Kansas legislature,*

THEREFORE BE IT RESOLVED, *that Kansas Municipal Utilities, Inc., exert every reasonable effort and pursue all possible avenues to assure the supply of interruptible natural gas for municipally-owned generation systems be maintained for a reasonable period of time; and*

BE IT FURTHER RESOLVED, *that Kansas Municipal Utilities, Inc., expand its services to member utilities by seeking new sources of energy ----- be it by joint action with other utilities in the field of coal, nuclear and mini-nuclear potential or in the renewable sources of energy on the horizon-- solar and wind.*

Adopted May 13, 1975

RESOLUTION # 6

REAFFIRMING

WHEREAS, *Kansas Municipal Utilities, Inc.*, has in the past adopted resolutions concerning the following subjects; and

WHEREAS, *it* desires to reaffirm its stand on said resolutions; and

WHEREAS, *said resolutions, in general, were as follows:*

1. *Strongly opposes any action, legislative or administrative, which would curb, limit or remove from local control the operations and jurisdiction of municipal utility systems from the people who own them and to whom they serve.*
2. *Strongly opposes any action, legislative or administrative, which would attack the Constitutional exemption for municipal utility property from taxation.*
3. *Strongly believe in full regulatory regulation of*
  - a) *interstate natural gas*
  - b) *intrastate natural gas*
  - c) *mainline direct sale natural gas**in the areas of rates, reasonable prices and the use of evidentiary hearings for determination of pricing and insistence that a fair rate of return and cost-of-service philosophy be maintained in this area by both the Kansas Corporation Commission and the Federal Power Commission.*
4. *Strongly opposes placement of any federal tax on the income of state, municipal or other public agency bonds and continues to deplore the U.S. Treasury rules and regulations enforcing the so-called "two-county" rule and other harmful aspects of Section 103 of the IRS Code.*

5. Continues to strongly support the joint power supply planning efforts of the Eastern Kansas Power Agency, Northwest Kansas Power Agency and the North Central Kansas Power Agency.
6. Continues to oppose any attempts of the Kansas legislature to place hidden or indirect taxes upon municipal utility systems that are discriminatory to utility ratepayers.
7. Strongly opposes any policy changes or trends of the Federal Power Commission that are not in the spirit of consumer protection and insist that full five-month suspensions be allowed in all rate filings and that no "future" costs be allowed in rate cases.
8. Continues to support reasonable environmental rules, standards and regulations to aid in the overall protection of the public's health and welfare, yet at the same time allows utilities to meet the needs of their customers.
9. Continues to give full support to the Energy Policy Task Force of the Consumers Federation of America so that the consumers' views in energy matters might be heard.
10. Continues to support Mid-West Electric Consumers Association in its fight to make MAPP a true and open power pool so that all utilities in that region will benefit.
11. Continues to strongly object to unfair profits being realized by gas and oil companies during the current energy squeeze.
12. Continues to urge Congress to pass a stringent but practical strip mine reclamation act and urges a new federal coal leasing program that will stimulate production from existing coal leases and eliminate the concentration of existing leaseholders.
13. Scores any attempt by the U.S. Treasury to restrict the use of tax-exempt financing by non-profit corporations, especially as utilization of this financing relates to municipal utilities.

THEREFORE BE IT RESOLVED, that Kansas Municipal Utilities, Inc., again reaffirms all of the above resolutions and re-adopts the same.

Adopted May 13, 1975



CONSUMPTION OF NATURAL GAS  
(in MCF)

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1st Qtr. 1975</u>
Anthony	259,970	185,340	193,373	35,456
Ashland	64,079	68,160	77,765	11,740
Attica	1,620	1,780	43	5,722
Augusta	259,900	274,641	285,670	27,645
Baldwin City	101,630	105,487	99,018	11,384
Belleville	156,618	159,085	170,018	20,498
Beloit	217,305	223,216	225,260	22,860
Burlingame	47,439	-	-	NR
Burlington	17,808	16,933	18,445	3,202
Chanute	879,046	817,694	759,024	52,158
Clay Center	-	-	517,246	NR
Coffeyville	1,610,808	1,601,166	1,637,059	-
Colby	270,729	292,448	292,448	68,372
Ellinwood	103,929	114,062	134,730	NR
Ellis	84,099	84,909	114,627	21,146
Erie	66,657	69,900	70,467	3,480
Fredonia	-	-	7,601	NR
Garden City	-	-	-	NR
Garnett	124,304	116,513	114,080	4,125
Girard	10,271	1,057	594	NR
Goodland	319,722	376,603	418,070	106,624
Greensburg	124,031	111,049	112,076	17,595
Herington	144,702	149,915	143,000	303,420
Hill City	133,772	126,207	114,976	27,429
Hillsboro	110,925	112,284	106,700	0
Hoisington	164,144	174,095	181,470	24,175
Holton	-	-	162,796	10,783
Horton	92,994	96,655	108,083	NR
Hugoton	68,728	71,159	157,300	39,409
Iola	169,614	169,350	185,718	0
Jetmore	57,263	58,171	61,821	13,809
Johnson	62,377	58,377	66,898	17,150
Kansas City	14,837,646	15,831,407	17,825,000	731,106
Kingman	180,682	211,511	231,349	30,005
LaCrosse	77,804	78,120	84,377	13,467
Larned	442,049	489,863	544,221	71,014
Lincoln Center	-	-	99,958	NR
Lindsborg	80,256	132,759	153,719	18,935
Marion	-	-	68,366	11,347
McPherson	2,067,899	2,092,242	2,811,663	355,348
Meade	95,075	110,165	119,411	27,060
Minneapolis	91,240	95,760	91,787	8,372
Mulvane	-	-	139,601	-
Neodesha	-	-	151,808	2,483
Norton	194,896	205,159	211,860	39,232
Oakley	139,239	144,882	145,800	28,809
Oberlin	-	-	128,658	26,580
Osage City	127,749	129,888	125,502	10,818
Osawatomie	191,588	163,230	135,118	22,004
Osborne	99,763	105,382	95,377	8,656
Ottawa	710,665	725,473	686,570	71,981
Pratt	613,581	548,081	654,511	11,425
Protection	37,558	41,276	40,840	696
Russell	456,654	465,937	499,701	92,568
Sabetha	215,944	206,485	221,110	14,288
St. Francis	92,659	93,927	92,258	23,019
St. John	66,937	73,584	73,343	0
Sharon Springs	53,821	53,133	59,612	16,508
Stafford	51,601	41,845	59,795	10,132
Sterling	97,257	100,170	112,977	28,027
Stockton	106,075	110,407	121,900	NR
Wamego	149,173	152,504	168,795	33,219
Washington	70,098	71,582	74,543	7,722
Wellington	854,732	794,113	687,320	53,745
Wilson	29,766	40,729	55,068	10,694
Winfield	862,000	925,700	1,054,000	198,588
Total	28,818,891	29,871,570	34,362,294	2,826,030

NATURAL GAS CURTAILMENTS TO KANSAS MUNICIPAL SYSTEMS  
 BY SUPPLIER - Number of hours by year

	Hours 1971	Hours 1972	Hours 1973	Hours-1st Qtr.-1975
<u>KANSAS POWER &amp; LIGHT</u>				
Russell	142	213	74	653
Larned	141	121	214	1,047
Kingman	12	129	317	352
Hoisington	150	80	326	880
McPherson	355	639	268	1,187
Wamego	220	585	61	455
Washington	323	594	305	1,049
Lindsborg	-	354	325	1,026
Protection	110	76	352	697
Ashland	41	204	351	616
St. John	177	46	356	797
Stafford	-	-	583	721
Pratt	124	90	383	813
Ellinwood	159	77	331	
LaCrosse	176	111	300	746
Greensburg	-	28	104	--
Belleville	-	526	403	1,042
Clay Center	-	-	323	
	<hr/>	<hr/>	<hr/>	<hr/>
Total	2,130	3,873	5,376	12,081
<u>GAS SERVICE</u>				
Baldwin City	840	840	769	1,132
Augusta	258	620	1,039	1,304
Wellington	50	587	449	1,249
Sabetha	206	1,041	1,077	1,663
Osborne	116	415	1,560	1,344
Osawatomie	173	1,543	2,661	794
Lincoln	-	-	1,276	
Horton	270	1,149	1,144	
Beloit	104	638	1,118	1,521
Girard	140	308	720	
Ottawa	236	359	1,083	1,137
Erie	288	768	1,085	1,207
Holton	-	-	1,199	1,719
Kansas City	1,038	1,528	2,838	940
Mulvane	-	-	278	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	3,719	9,796	18,296	14,010
<u>CITIES SERVICE</u>				
Chanute	461	1,127	1,719	1,415
Iola	0	0	0	0
Garnett	771	1,251	1,551	984
Neodesha	-	-	1,693	1,870
Osage City	337	1,120	1,193	1,506
Minneapolis	80	546	903	1,441
Burlingame	345	708	-	
	<hr/>	<hr/>	<hr/>	<hr/>
Total	1,994	4,752	7,059	7,216
<u>UNION GAS</u>				
Coffeyville	412	1,094	1,336	
Burlington	-	674	480	0
Fredonia	-	-	-	
	<hr/>	<hr/>	<hr/>	<hr/>
Total	412	1,768	1,816	0

	Hours <u>1971</u>	Hours <u>1972</u>	Hours <u>1973</u>	Hours-1st <u>Qtr.-1975</u>
<u>GREELEY GAS</u>				
Herington	340	476	404	59
Marion	240	-	421	-
Hillsboro	900	300	518	-
Anthony	240	939	1,266	1,962
	<hr/>	<hr/>	<hr/>	<hr/>
Total	1,720	1,715	2,609	2,021
 <u>PEOPLES</u>				
Meade	-	-	0	0
Goodland	128	201	27	68
Jetmore	0	364	304	187
Attica	240	600	40	0
Hugoton	-	-	0	0
Johnson	89	210	227	177
Garden City	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	457	1,375	598	432
 <u>ARKLA</u>				
Sterling	240	480	144	178
Winfield	815	811	583	360
	<hr/>	<hr/>	<hr/>	<hr/>
Total	1,055	1,291	727	538
 <u>WILSON GAS CO.</u>				
Wilson	200	360	287	3
	<hr/>	<hr/>	<hr/>	<hr/>
Total	200	360	287	3
 <u>KANSAS-NEBRASKA</u>				
Oakley	39	0	32	200
Sharon Springs	52	256	13	0
St. Francis	144	0	35	231
Norton	38	33	117	378
Colby	100	22	28	260
Stockton	50	28	84	-
Oberlin	-	-	80	275
Hill City	38	-	65	354
	<hr/>	<hr/>	<hr/>	<hr/>
Total	461	339	454	1,698
 <u>CENTRAL KANSAS</u>				
Ellis	38	212	46	72
	<hr/>	<hr/>	<hr/>	<hr/>
Total	38	212	46	72

TOTAL NATURAL GAS CURTAILMENTS TO KANSAS MUNICIPAL SYSTEMS

<u>Supplier</u>	<u>Hours 1971</u>	<u>Hours 1972</u>	<u>Hours 1973</u>	<u>Hours-1st Qtr.-1975</u>
Kansas Power & Light	2,130	3,873	5,376	12,081
Gas Service	3,719	9,796	18,296	14,010
Cities Service	1,994	4,206	7,059	7,216
Union Gas	412	1,768	1,816	0
Greeley Gas	1,720	1,715	2,609	2,021
Peoples	457	1,375	598	432
Arkla	1,055	1,291	727	538
Wilson Gas	200	360	287	3
Kansas-Nebraska	461	339	454	1,698
Central Kansas	38	212	46	72
	<hr/>	<hr/>	<hr/>	<hr/>
Total	12,186	24,935	37,268	38,071

AVERAGE COST OF GAS  
CENTS PER MCF

	<u>1971</u>	<u>1972</u>	As of December 31, <u>1973</u>	As of March 31, <u>1975</u>
Anthony	.3400	.3900	.4200	.6000
Ashland	.3000	.2900	.2900	.3900
Attica	.2400	.2600	.3200	.5500
Augusta	.2765	.2950	.3556	.5130
Baldwin City	.3010	.3202	.3634	.5855
Belleville	.2710	.2830	.2750	.3857
Beloit	.3100	.3210	.3501	.5549
Burlingame	-	-	-	-
Burlington	.4392	.4426	-	.6459
Chanute	.2680	.3113	.3800	.5325
Clay Center	-	-	.2729	-
Coffeyville	.2618	.2884	.3229	-
Colby	.2574	.2800	.3322	.4460
Ellinwood	.2834	.2835	-	-
Ellis	.3371	.4282	.4800	.4620
Erie	.3190	.3110	.3800	.6000
Fredonia	-	-	-	-
Garden City	-	-	-	-
Garnett	.3060	.3540	.3600	.6107
Girard	.3836	.4055	-	-
Goodland	.2965	.3556	.3905	.4832
Greensburg	.2650	.2860	.2884	.3870
Herington	.3120	.3213	.3400	.4350
Hill City	.2700	.2900	.3500	.4600
Hillsboro	.3100	.3300	.3700	-
Hoisington	.2754	.2764	-	.3868
Holton	-	-	-	.5600
Horton	.3032	.3227	.3756	-
Hugoton	.2870	.3250	.1850	.1850
Iola	.2800	.3200	-	-
Jetmore	.2750	.2750	.4200	.6400
Johnson	.2165	.2606	.2611	-
Kansas City	.2890	.3050	.3310	.5060
Kingman	.2739	.2740	.2766	.3700
LaCrosse	.2280	.2900	-	.3932
Larned	.2663	.2688	.2713	.3700
Lincoln Center	-	-	-	-
Lindsborg	.2791	.2806	.2810	.3815
Marion	-	-	.3488	.4212
McPherson	.2600	.2700	-	.3590
Meade	.2695	.3325	-	.5503
Minneapolis	.3043	.3231	.4014	.5350
Mulvane	-	-	.3649	-
Neodesha	-	-	.3850	.4900
Norton	.2640	.2860	.3399	.4400
Oakley	.2500	.2900	.2926	.4640
Oberlin	-	-	.3232	.4700
Osage City	.3100	.3500	.5300	.6000
Osawatomie	.2942	.3198	.3678	.5600
Osborne	.2990	.3312	.3683	.5660
Ottawa	.2786	.2874	.3566	.5500
Pratt	.2650	.2662	.2689	.3500
Protection	.2941	.2986	.3234	.3600
Russell	.2660	.2675	.2700	.3638
Sabetha	.2930	.3318	.3720	.5640
St. Francis	.2600	.3077	.3190	.4700
St. John	.2885	.2903	-	.3976
Sharon Springs	.3000	.3010	.3590	.4710
Stafford	.3150	.3150	-	.3862
Sterling	.1864	.2964	.3200	.3900
Stockton	.2803	.3664	.3575	-
Wamego	.2765	.2783	.2790	.3634
Washington	.2875	.2911	-	.3900
Wellington	.2764	.3063	-	.5116
Wilson	.5000	.5500	.6500	.8000
Winfield	.3000	.3000	.3442	.6500
Total	.2899	.3143	.3466	.4790

FUEL OIL COSTS TO KANSAS MUNICIPAL UTILITIES  
No. 2 Diesel Fuel Unless Otherwise Denoted

	CURRENT PRICE March 1975 (Cents per gal.)	AVERAGE PRICE 1971 (Cents per gal.)	AVERAGE PRICE 1972 (Cents per gal.)	PRICE-Dec.31 1973 (Cents per gal.)
Anthony	.2990 #5-.2590	.1100	.1330	.3050 #5 -.2300
Ashland	.3200	.1163	.1208	.1940
Attica	.3210	.1200	.1490	.2390
Augusta	.2941	.1088	.1050	.1990
Baldwin City	.2617	.1055	.1070	.1777
Belleville	.2744	.1075	.1185	.1764
Beloit	.2834	.1217	.1130	.1634
Burlingame	-	-	-	-
Burlington	.2865	.1285	.1285	.1885
Chanute	.3025 #5-.2700	#5-.0930	#5-.0975	.3075 #5 -.2250
Clay Center	-	-	-	.2450 #5 -.1270
Coffeyville	-	.0987	.0995	.1386
Colby	.3250	.1048	.1080	.1349
Ellinwood	-	.1134	.1134	#1-.2475 #5 -.3361
Ellis	.2911	.1100	.1100	.1986
Erie	.3050	.1075	.1185	.2150
Fredonia	-	-	-	-
Garden City	-	-	-	-
Garnett	.2865	.1084	.1161	.1831
Girard	-	.1025	.1025	.2500
Goodland	.3125	.1090	.1140	.1960
Greensburg	.3200	.1065	.1195	.2762
Herington	.2760	.1010	.1155	.3050
Hill City	.2530	.1150	.1250	.1871
Hillsboro	.2701	.1011	.1037	.2940
Hoisington	.2791	.1099	.1099	.1870
Holton	.3050	.1150	.1192	.2400
Horton	-	.1224	.1228	.3000
Hugoton	.3100	.1038	.1151	.1960
Iola	.3250	#5-.1240	#5-.1240	.3075 #5 -.2275
Jetmore	.2800	.1160	.1350	.2570
Johnson	.3290	.1073	.1250	.2530
Kansas City	.1418	-	-	.2050
Kingman	.2800	.1171	.1169	.1850
LaCrosse	.2820	.1047	.1072	.2090
Larned	- #5-.2930	.0874	.1025	.1230
Lincoln Center	-	.1138	.1138	.1811
Lindsborg	.3154	.1101	.1165	.2029
Marion	.2950	.1021	.1041	.2220
McPherson	.1852 #5-.2620	#5-.0871	#5-.0750	.2231 #5-.1270
Meade	.3000	.1144	.1206	.1758
Minneapolis	.2750	.1143	.1154	.1343
Mulvane	-	-	.1115	.1811
Neodesha	.3200	-	-	.2900
Norton	.3050	.1132	.1219	.2440
Oakley	.3051	.1184	.1450	.2277
Oberlin	.2920	.1048	.1058	.2900
Osage City	.2689	.1107	.1178	.2600
Osawatomie	.2790	.1050	.1050	.2715
Osborne	.2663	.1075	.1200	.2790
Ottawa	.2940 #6-.2666	.1107	.1122	.2390 #6-.2666
Pratt	.3189	.1200	.1370	.3650
Protection	.2850	.1150	.1160	.2190
Russell	.2834	.1125	.1150	.2415
Sabetha	.2725	.1179	.1179	.1665
St. Francis	.3240	.1335	.1365	.2290
St. John	.3000	.1051	.1130	.2050
Sharon Springs	.3160	.1106	.1204	.2400
Stafford	.2910	.1005	.1035	.3650
Sterling	.2800	.1039	.1049	.3500
Stockton	-	.1100	.1100	.2815
Wamego	.2694	.1123	.1500	.2590
Washington	.2864	.1120	.1160	.1884
Wellington	.2756	.1191	.1115	.2330
Wilson	-	.1109	.1109	.1800
Winfield	.2799	.1100	.1250	.2660

FUEL OIL CONSUMPTION BY KANSAS MUNICIPAL SYSTEMS (in Gallons)

	<u>1971</u>	<u>1972</u>	<u>1973</u>	Ist. Qtr. <u>1975</u>
Anthony	59,215	133,784	227,102	31,483
Ashland	67,984	71,157	76,645	38,009
Attica	100,000	130,000	16,020	12,220
Augusta	204,430	288,110	474,740	353,240
Baldwin City	182,435	179,152	230,454	142,060
Belleville	171,582	200,638	170,562	152,357
Beloit	181,183	278,009	394,224	313,625
Burlingame	50,520	77,000	N/R	NR
Burlington	9,366	18,060	18,335	1,933
Chanute	264,442	750,710	1,059,262	629,031
Clay Center	--	--	87,301	NR
Coffeyville	365,871	1,214,665	1,131,006	
Colby	203,620	190,109	196,000	110,939
Ellinwood	76,200	84,720	103,016	NR
Ellis	93,065	110,975	82,110	27,286
Erie	47,196	74,885	99,601	12,755
Fredonia	--	--	--	--
Garden City	--	--	--	--
Garnett	91,704	157,370	184,523	75,558
Girard	75,471	63,550	0	--
Goodland	253,881	268,782	195,995	74,323
Greensburg	67,865	59,228	30,206	62,069
Herington	124,588	157,992	161,208	63,477
Hill City	89,730	132,050	85,430	50,750
Hillsboro	179,593	124,663	113,195	--
Hoisington	87,914	78,020	105,825	115,550
Holton	403,951	696,622	309,732	277,942
Horton	139,587	182,735	194,656	NR
Hugoton	--	118,650	124,634	32,320
Iola	33,233	56,601	46,067	--
Jetmore	36,375	58,777	67,050	21,620
Johnson	44,440	48,055	51,873	23,060
Kansas City	--	--	200,000	174,667
Kingman	91,136	117,526	138,491	78,660
LaCrosse	108,502	94,579	131,567	83,180
Larned	19,278	22,238	50,819	--
Lincoln Center	--	--	76,152	NR
Lindsborg	40,670	105,811	100,044	43,794
Marion	76,190	117,490	72,040	250
McPherson	355,497	678,413	806,056	360,441
Meade	76,399	79,400	75,898	16,590
Minneapolis	95,373	140,762	166,716	131,938
Mulvane	125,034	165,018	242,844	--
Neodesha	--	--	269,765	79,750
Norton	108,699	106,974	124,755	78,950
Oakley	78,225	85,993	112,795	50,049
Oberlin	80,640	81,830	85,220	58,090
Osage City	114,708	192,452	225,002	184,648
Osawatomie	182,582	365,446	474,983	227,081
Osborne	133,725	--	228,469	135,912
Ottawa	185,638	547,901	655,793	540,746
Pratt	54,780	45,670	169,194	279,710
Protection	70,039	64,680	96,570	21,240
Russell	259,220	286,971	297,495	221,748
Sabetha	196,723	349,156	352,913	348,819
St. Francis	71,660	85,050	76,777	33,591
St. John	62,734	78,020	80,904	--
Sharon Springs	54,010	61,926	57,500	9,510
Stafford	42,833	35,586	56,701	6,500
Sterling	79,452	128,169	119,433	
Stockton	78,009	89,705	92,713	30,581
Wamego	134,238	167,033	137,341	--
Washington	100,408	114,291	85,254	127,693
Wellington	21,253	301,345	312,845	40,467
Wilson	109,410	107,030	52,110	501,528
Winfield	21,890	1,157,780	200,253	10,860
				188,467
Total	6,934,396	11,979,314	12,462,184	6,843,269

INCREASES IN COST OF POWER PRODUCTION -- Percentage of increases comparing each city's current natural gas costs vs. current secondary fuel costs.

---

	<u>No. 1 &amp; 2</u>	<u>No. 5 &amp; 6</u>
Anthony	244%	167%
Ashland	465	
Attica	302	
Augusta	294	
Baldwin City	206	
Belleville	385	
Beloit	253	
Burlingame	-	
Burlington	205	
Chanute	291	212
Clay Center	NR	NR
Coffeyville		
Colby	400	
Ellinwood	NR	NR
Ellis	331	
Erie	250	
Fredonia	NR	
Garden City	NR	
Garnett	225	
Girard	NR	
Goodland	345	
Greensburg	466	
Herington	335	
Hill City	281	
Hillsboro	-	
Hoisington	392	
Holton	274	
Horton	NR	
Hugoton	108	
Iola	-	
Jetmore	203	
Johnson	428	
Kansas City	106	
Kingman	420	
LaCrosse	398	
Larned		387
Lincoln Center	NR	
Lindsborg	470	
Marion	386	
McPherson	252	347
Meade	276	
Minneapolis	255	
Mulvane	-	
Neodesha	346	
Norton	380	
Oakley	351	
Oberlin	332	
Osage City	210	
Osawatomie	242	
Osborne	222	
Ottawa	268	198
Pratt	524	
Protection	445	
Russell	440	
Sabetha	236	
St. Francis	380	
St. John	419	
Sharon Springs	358	
Stafford	415	
Sterling	395	
Stockton	NR	
Warrego	413	
Washington	407	
Wellington	270	
Wilson	-	
Winfield	199	
Average Increase	323%	262%



FUEL OIL STORAGE BY KANSAS MUNICIPAL SYSTEMS (in gallons)

CURRENT CAPACITY  
AS OF MARCH 31, 1975

Anthony	90,000
Ashland	45,000
Attica	10,000
Augusta	75,000
Baldwin City	85,000
Belleville	120,000
Beloit	80,000
Burlingame	--
Burlington	30,000
Chanute	168,000
Clay Center	250,000
Coffeyville	880,000
Colby	60,000
Ellinwood	30,000
Ellis	80,000
Erie	28,000
Fredonia	--
Garden City	1,500,000
Garnett	70,000
Girard	20,000
Goodland	146,514
Greensburg	100,060
Herington	60,000
Hill City	52,000
Hillsboro	20,000
Hoisington	80,000
Holton	60,000
Horton	90,000
Hugoton	79,900
Iola	58,000
Jetmore	46,000
Johnson	44,000
Kansas City	66,024
Kingman	80,000
LaCrosse	42,000
Larned	215,000
Lincoln Center	70,000
Lindsborg	50,000
Marion	36,000
McPherson	3,000,000
Meade	45,276
Minneapolis	30,000
Mulvane	50,000
Neodesha	297,613
Norton	48,500
Oakley	70,000
Oberlin	27,000
Osage City	110,000
Osawatomie	57,168
Osborne	82,000
Ottawa	443,837
Pratt	144,000
Protection	48,000
Russell	288,960
Sabetha	180,000
St. Francis	50,000
St. John	42,000
Sharon Springs	28,000
Stafford	20,000
Sterling	85,000
Stockton	52,000
Wamego	60,000
Washington	60,000
Wellington	300,000
Wilson	27,000
Winfield	725,000

Total

11,387,852

# Energy policy task force

1012 14th STREET, N.W. • SUITE 901 • WASHINGTON, D.C. 20005 • (202) 737-3732

LEE C. WHITE, CHAIRMAN

ELLEN BERMAN, DIRECTOR

June 9, 1975

The Energy Policy Task Force of the Consumer Federation of America has followed with keen interest development of H. R. 7014, which is now before the full House Committee on Interstate and Foreign Commerce for markup.

H. R. 7014 is a highly important piece of legislation. It is intended to reshape basic United States energy policy in a variety of ways -- all of which would have significant impact on consumers. Because of this fact, we would like to offer the following comments on the bill:

1. Any legislation approved by the Committee should reaffirm the ceiling price of "old" oil at \$5.25 a barrel and provide for a rollback of "new" oil to a level justified by actual cost of production plus a fair return. If additional financial incentive is required to insure continued production at "old" oil wells through secondary and tertiary treatment, the need should be proved through a certification process.

Friday's press notes FEA Administrator Frank Zarb's surprise at OPEC discussion of possible increases in the price of oil of as much as \$4 a barrel. "They're a lot higher than anything that can be justified by economics," he reportedly told the Washington Post. Exactly the same reasoning applies to domestic prices. There is no justification for allowing runaway pricing of domestic oil. Consumers are already paying punitive penalty prices for "old" oil (which has been the beneficiary of gratuitous largesse by the Cost of Living Council and FEA) and receive no protection on "new" oil costs from FEA -- which passively accepts the price leadership of OPEC nations despite statutory requirements to the contrary.

Double-teamed by OPEC and FEA, the consumer has no real champion outside of Congress.

Of the major oil pricing proposals we currently understand will receive active consideration by your Committee, we believe the Eckhardt amendment best guards consumer interests. While we support a stronger stand against price gouging, Mr. Eckhardt's proposition at least seeks to limit the heavy inflationary impact of oil price rises, avoids the complexities and loopholes

consumer federation of america



of a "windfall" profits tax, and reduces the incentive for oil companies to promote higher OPEC prices.

2. The Emergency Petroleum Allocation Act should be extended for a significant period. Short term extensions promote uncertainty for consumers and firms alike, and encourage the oil industry to agitate further for killing the program.

3. There should be established in the General Accounting Office a new Office of Petroleum Auditing and Accounting with subpoena power and responsibility (a) to audit the books of domestic petroleum and refining companies and to report annually in order to facilitate Congress' review of crude oil prices and (b) to develop comparable accounting practices to facilitate compiling a data base consisting of cost, reserve and productive capacity, and price and supply information, and to collect the data.

The "energy crisis" has engendered a massive disbelief in the facts and figures used by oil companies to support their price and profit contentions. Furthermore, Congress needs the benefit of objective presentation and analysis of the numbers upon which it must make policy decisions. Creation of this GAO function would aid in achieving both objectives.

4. Consideration should be given to creation of a Federal fuels corporation to develop some of the fuels located on Federal lands.

Over half of our nation's remaining oil and gas resources, about 40% of our coal and uranium, 80% of our oil shale, and some 60% of our geothermal energy sources are located on Federal lands. These are resources actually owned by the citizens of the United States. Under the present system, these resources are sold to non-Federal parties which develop and resell them for private profit. The public interest in an adequate supply of fuel at reasonable prices would be served by the establishment of a Federal fuels corporation to aid in carrying out the task of exploration, production and marketing. This approach would supplement existing private development, stimulate competition, encourage price reductions, and provide a yardstick by which we could judge the performance of private parties. Representative McFall (H. R. 3111) and others in the House of Representatives have introduced legislation which would achieve this purpose.

5. There is a need to strengthen competition in the energy industry. Because of their vertical integration through multiple stages of the oil and gas business (production, refining, transportation, and marketing), the major firms in the field are able to exercise great economic and political leverage, buttressed by continuing efforts on the part of some to further integrate horizontally, which diminishes competition in the marketplace. In addition, oil companies are doing exactly what they advertise: they are becoming "energy companies" through acquisition of positions in potentially competing fuels, such as coal and uranium. As the oil companies extend their control over alternative fuels, the argument is increasingly heard that all fuels should be priced at their BTU equivalency -- regardless of cost. Action is needed now to block the adverse effects of vertical and horizontal integration in the oil and gas industry and to prevent concentrated ownership of different fuels. Beneficiaries of this step would be all Americans -- consuming companies and consumers.

We urge that you consider all five of the above points in your consideration of H. R. 7014.

We are aware of the difficulties involved in getting a majority of the Committee behind an energy bill and we realize that some of the items discussed above might add to that difficulty. Nevertheless, we believe they are constructive and should be adopted. Of all of our proposed amendments, the one that clearly is the most essential in terms of timing and critical impact on consumers is the Eckhardt pricing amendment.

There appear to be some who believe that the easy way to solve our energy problems is to make everything cost more. That is not an easy solution if you are a consumer. Economic equity dictates a more sophisticated innovative, and responsible approach.

Sincerely,

A handwritten signature in cursive script that reads "Lee C. White". The signature is written in dark ink and is positioned above the printed name and title.

Lee C. White  
Chairman

Attachment I

BOARD OF PUBLIC UTILITIES

City of McPherson, Kansas - 67460

Box 650 Phone 316-241-0661

DALE E. RENBERGER, CHAIRMAN  
CARLOS V. CRABB, VICE CHAIRMAN  
HOWARD P. ANDREWS, MEMBER  
CY N. ROTH, UTILITIES COMM., EX-OFFICIO

DON E. GERARD, P.E., GEN. MGR.  
HENRY F. CROSBY, SECRETARY

June  
8  
1975

Statement by Board of Public Utilities  
City of McPherson, Kansas

Kansas Legislative Study Committee

Mr. Chairman and members of the Committee, my name is Don Gerard, and I am the General Manager of the Board of Public Utilities of the City of McPherson.

I am speaking in behalf of Mr. Fred Diehl, the Mayor of the City of McPherson, and the Board of Public Utilities, which is a municipal water and electric utility.

We recognize that natural gas reserves of the State of Kansas are being rapidly depleted and this fuel could become in scarce supply. Natural gas has been the major source of fossil fuel for our community for many years. We are concerned that a firm supply of natural gas be available to our community for its continued growth and economic development.

We realize that electric power generation must be diverted from natural gas fuels, but many megawatts of generating capacity which belong to municipal utilities will simply be out of service when natural gas is no longer available. These plants can be assigned to a short term duty cycle of providing peaking power only and still fulfill a major function of generating power for the electric industry. This capacity is valuable inasmuch as replacement in new plant capacity will require time and large amounts of capital expenditures.

We urge the orderly development of our natural gas reserves. We ask that you consider some regulation of end use applications. We urge the regulation of pricing to offer proper incentive to exploration, but we do not endorse open bidding for the remaining reserves of our State.

Respectfully submitted,



Don Gerard, General Manager

FARMLAND INDUSTRIES' PRESENTATION TO THE ~~INTERIM~~ COMMITTEE  
ON NATURAL GAS FOR THE STATE OF KANSAS ON JULY 8, 1975

Farmland Industries is a regional cooperative owned by a half million farmers and ranchers through over 2100 local cooperatives. Farmland serves the petroleum, feed, fertilizer, and farm supply needs of its members in fifteen Midwestern states from Illinois to Colorado and from North Dakota to Texas. Farmland and its subsidiaries operate three oil refineries, seven fertilizer manufacturing plants, and numerous other manufacturing and warehousing facilities to supply farm inputs and to process farm outputs. In addition, through various subsidiaries, Farmland is engaged in petroleum exploration and production to supply its refineries and in natural gas processing to supply LPG to its members. In fiscal year 1974/75, Farmland's consolidated sales were over \$1.2 billion and savings were over \$100 million.

The major Farmland use of natural gas is as a raw material to produce ammonia. Another major use is to supply process heating and compression requirements in fertilizer manufacturing and oil refining facilities where the equipment is designed for only gaseous fuel. When these gas requirements are curtailed, the plant operations must be curtailed and the products are not produced. A small percentage of these requirements has been purchased on low-cost "interruptible" contracts. This gas has been subject to increasingly severe curtailment, both winter and summer, and has resulted in lost production. However, the major portion of these requirements has been purchased on higher-priced firm or preferred contracts and to date these requirements have been delivered on all but the coldest days of the winter.

A small percentage of Farmland's gas supply is used to fire boilers to

produce the steam required in its manufacturing processes. This gas supply has normally been purchased on the low-priced "interruptible" contracts which have been subject to increasingly severe curtailment. Generally, these requirements can be and are supplied by an alternate fuel so that production continues but at a higher cost and lower efficiency.

In the State of Kansas, Farmland's major gas users are its CFCA nitrogen fertilizer manufacturing subsidiary at Lawrence, its nitrogen fertilizer plant at Dodge City, and its CRA refineries at Coffeyville and Phillipsburg. The total demand of these plants is about 110 MMCFD of which approximately 20 MMCFD can be replaced by alternate fuels without substantial loss of production.

Other major Farmland gas users in the Midwest are nitrogen fertilizer plants at Enid, Oklahoma, Hastings, Nebraska, and Fort Dodge, Iowa with a total demand of about 92 MMCFD. In addition, Farmland has about 25 other manufacturing or processing plants that depend on natural gas in smaller quantities.

From the above data, it should be apparent that Farmland has a great interest in the natural gas supply situation. We recognize that the gas supply situation is critical and is expected to get worse before it is resolved. We do not pretend to be experts in this field but we would like to make some observations.

First, we believe that this country must conserve energy in all forms. For many years, we have been wasteful of energy; in industry, in transportation and in home heating and air conditioning. It is unfortunate

exploration must be increased and oil imports must be continued until the use of coal and other forms of energy can be developed.

Thus far, we have been discussing goals. We also need to discuss how these goals are to be accomplished.

It is generally accepted that gas and oil price controls have caused wasteful use of these resources. It is believed by many that de-regulation would let our free economy reduce gas and oil use through higher prices. We cautiously favor de-regulation.

The other alternative appears to be a totally regulated energy supply. We do not like this option. It would likely require a large bureaucracy producing waste and inequities rather than efficiency and fairness. Instead, we propose trying price de-regulation to see if it can work without undue economic penalties to either producer or consumer.

We also propose that the federal government provide assistance in developing new and more efficient energy sources. This cannot be done by private industry alone because risks are too great and rewards too small to attract sufficient private capital to accomplish the task in a reasonable length of time.

We do not recommend any state legislation unless it is aimed at energy conservation. Energy supply is a national problem unlikely to be resolved by state regulation.



NATURAL GAS SUPPLY: PROBLEMS AND RECOMMENDATIONS

Donna L. Paske, Energy Information and Conservation Manager,

The Boeing Company, Wichita, Kansas

Natural gas has supplied as much as 45% of the energy for industry in the past, but now it is in increasingly short supply. According to information supplied to the Federal Power Commission by major interstate pipeline companies, curtailments for the period April 1975 - March 1976 will be 45% higher than for the preceding twelve months. There will be a supply deficiency of 2.9 trillion cubic feet for this period, exceeding the previous twelve month period by nine billion cubic feet.

When an industry is adversely affected by curtailments, a large sector of the state can be affected. For example, the Boeing Company in Wichita, Kansas, is one of the largest employers in the state and exerts significant economic impact extending well beyond the Wichita area. In 1974, 2800 of a total of 9400 employees commuted to work from 96 communities. These people earned over \$38 million dollars out of a total payroll of \$126 million. Also in 1974, total purchases from 774 Kansas suppliers by the Boeing Company, totalled over \$36 million. In 1970, when company business was at a low ebb, only \$3.6 million or 1/10 of the 1974 amount was paid to Kansas firms.

The Boeing Company, like many other Kansas industries uses natural gas, purchased on an interruptible contract from Cities Service Gas Company, as its primary fuel. Total annual requirements are over 1 billion cubic feet. Of this amount 40% is used for space heating of 5.6 million square feet; 60% is used for process heat, including furnaces, tanks, and paint and finish hangars.

Significant gas curtailments were first experienced by the Boeing Company in 1972 when curtailments reached 20% of requirements. Summer curtailments first occurred in 1973 on six weekends; in 1974 summer curtailments were experienced for five weeks. Curtailments have risen steadily and will equal 45% of the annual

demand for 1975. By 1980 or 1981, the curtailment of natural gas will be total; there will be no gas at all available to the Company, according to Cities Service forecasts.

Efforts by city of Wichita officials have resulted in the formation of the Wichita Industrial Energy Corporation. The Corporation will sell gas to Wichita industry, alleviating, for a number of years, the fuel supply problems that are currently experienced.

If this additional gas supply were not available, it would be necessary to continue to rely increasingly upon a system of alternate fuels.

#6 residual fuel oil has been used to meet about 65% of total requirements for the Boeing Company during past periods of natural gas curtailment. This fuel is not as clean or as easy to burn as natural gas. Soot must be blown every day or two; burners must be switched and valves must be adjusted when converting to #6 oil. This fuel must be heated to 200° before handling and must be held in heated storage. Boeing presently has an eight day storage capacity.

Propane could be used to meet the remaining heating requirements. On-site storage is sufficient for 6 - 8 days. Like natural gas, propane has been in short supply. Since 1973, coal rather than propane has been used to supply 14% of the total requirements. The use of coal requires large storage areas, handling and moving equipment, and, should our use of it increase, pollution control equipment.

#2 heating oil has been utilized as a substitute for propane in 2% of the heated area. Storage must be provided and burner and valve adjustments are necessary when converting from natural gas.

The use of alternate fuels requires additional manpower, expensive storage, and environmental safeguards. On a national basis, as industries are forced

to convert from gas to other fuels, the demand for already scarce domestic low sulfur oil will increase. Shortages of domestic oil will increase, resulting either in increased dependence upon foreign oil, or plant shut-downs. In the Wichita area, from 1969 - 1973, the consumption of natural gas increased only 5% while the use of alternate fuels increased 383%. The use of alternate fuels doubles every 21 months in the Wichita area. Nationally, in 1973, natural gas supplied industry with 45% of its energy needs, a huge demand to be met by other fuels. In addition to threats of supply deficiencies, the consumption of petroleum products is limited, by the Federal Mandatory Petroleum Allocation Regulations, to amounts used in the base period, 1972 or 1973 depending upon the fuel. Industry could face shortages caused by legal constraints as well as by supply deficiencies.

Coal is our most abundant energy resource but conversion to coal is not, at present, the solution to shortages either. Coal production at the present time is not able to meet a marked increase in demand. Supplies are committed and it is difficult to purchase. Expanded production, transportation capability, and pollution control must all be developed before industry can rely significantly upon coal to fill its energy needs.

In addition to all these problems, alternate fuels are very expensive compared to natural gas. Because of increased reliance upon expensive alternate fuels, the annual fuel bill for the Boeing Company was 20% higher in 1973 than in 1972, 77% higher in 1974 than 1973 and will be another 77% higher in 1975 than in 1974. These increases have occurred even though fuel consumption has been reduced approximately 15% since 1973, as a result of energy conservation efforts. The current price for natural gas is \$.67 per thousand cubic feet. Coal, #6 residual fuel oil and #2 heating oil all cost approximately three times as much as gas on a BTU equivalent basis, while propane costs about five times as much as gas.

What can be done to solve the horrendous problems engendered by shortages of domestic supplies of fuel? It is imperative that national policies be developed regarding several aspects of the energy problem. The best use for each fuel

must be determined. The energy cost of obtaining energy must be considered; it seems inadvisable to use more energy to extract a fuel than that fuel will provide. Research projects must be coordinated with short, middle and long term goals in mind. Alternate technologies to replace diminishing fossil fuels must be perfected.

In regard to natural gas, action is needed to increase development and production of natural gas reserves and to ensure the fairest and most efficient distribution of gas. According to a study by MacAvoy and Pindyck, shortages of natural gas have been caused by low wellhead ceiling prices and will grow, if prices remain low. However, results of the study show that shortages can be ameliorated and, after 4 - 5 years, eliminated through phased deregulation of wellhead prices. They predict that if current pricing policies continue, the shortage of seven trillion cubic feet in 1973 will increase to 14 trillion cubic feet by the end of the seventies.<sup>(1)</sup> Deregulating the wellhead price of gas would encourage exploration and production, increasing the supply of natural gas.

Not only must the supply be increased but the supply must be used more efficiently. A quick, safe and relatively cheap way to use natural gas, or any fuel, more efficiently would be to require conservation. Higher fuel prices will encourage conservation, but encouragement is not enough; conservation must be made mandatory for all users.

In addition, rate structures must not encourage the use of natural gas. Present rate schedules should be reversed, or at least, be made uniform for all users.

Reversal of rate structures, more efficient use through conservation, and free market pricing will slow the demand rate and increase supply. These measures will buy time that can be used to develop alternate technologies and a comprehensive national energy policy which will insure a better way of life rather than a disintegration of civilization as we know it.

(1) P. W. MacAvoy and R. S. Pindyck, "Alternative Regulatory Policies for Dealing with the Natural Gas Shortage", 1973, pg. 71. Available from National Technical Information Service, #PB 228007.

Attachment - I

STATEMENT BY  
JACK LACY  
BEFORE THE  
INTERIM STUDY COMMITTEE ON NATURAL GAS

July 8, 1975

Mr. Chairman and Members of the Committee.

I am Jack Lacy, Director of the Junction City-Geary County Economic Development Commission, and President of the Junction City Chamber of Commerce. I also serve as a member of the Big Lakes Area Regional Planning Commission.

Last March 26, I headed a delegation of Geary County citizens to appear before the Senate Ways and Means Committee urging favorable passage of Senate Bill 564, a bill that was introduced as result of the announcement that the City of Wichita planned to purchase the Spivey-Grabs gas field for industrial use.

Senate Bill 564 dealt with three elements of natural gas supply which are of vital concern to citizens of Kansas. First is orderly regulation to prevent abandonment of intrastate gas markets, the establishment of end-use priorities, and price setting in certain cases where a Kansas public utility and a gas producer cannot agree on terms for renewal of existing contracts.

My appearance before the Interim Study Committee on Natural Gas today is prompted by a news story which appeared in the Wichita Eagle, July 3, 1975, which puts the Wichita Industrial Energy Corporation, now generally known as WIEC into a business consortium with Anadarko Production Co., of Houston, the Skelly refinery at El Dorado and the Mobil refinery at Augusta.

In case you missed the article, it was written by Ted Blankenship, energy editor of the Wichita Eagle and the first two paragraphs read as follows:

"Anadarko Production Co., Houston, agreed Wednesday to transport natural gas from the Spivey-Grabs-Basil field to Wichita for Wichita Industrial Energy Corp. (WIEC), the city's gas utility.

"The agreement to use the pipeline's facilities connecting the field with refineries at Augusta and El Dorado caps several years of effort to assure industrial users of an adequate gas supply here. It also relieves the city of the need to build a \$3-million pipeline of its own."

Those of us watching this deal from the sidelines were of the opinion that when the Kansas Legislature gave the City of Wichita authorization to establish a natural gas utility, it was done in all sincerity as a means of assisting those industries located within the City of Wichita.

But today we see the possibility that if Wichita industries do not require all of the gas produced by the Spivey-Grabs field it can, in turn, be piped directly to refineries in El Dorado and Augusta.

If the City of Wichita is to operate a natural gas facility of this magnitude, will they be required to subject themselves to regulation the same as any other utility engaged in the transmission of natural gas? We think this is a question to be answered by your committee.

A further reading of the Wichita Eagle article asserts that, "A check of Kansas Corporation Commission (KCC) records reveals KPL has consistently bought only a fraction of the gas available in the Spivey-Grabs field."

The article further continues, "Take the most recent compilation of allowables for the field, for example. During April KPL bought only 1,016,45 Mcf of natural gas from the 11,820,517 a day available. More than 10 million Mcf of allowable went unused."

We would like to know if that is a true statement and urge this committee to determine its accuracy.

For the past twenty years gas from the Spivey field has been dedicated to KPL customers. Now the City of Wichita is acquiring this gas for use by aircraft and other industries in Wichita, as well as refineries in El Dorado and Augusta.

We have no disagreement with Wichita's desire to obtain additional gas, but we believe they should look for new gas supplies, not attempt to take away those which are already dedicated to other uses. Furthermore, the industries Wichita is seeking to serve are capable of using other fuels, and need not be dependent upon gas.

Every industry we have located in Junction City is rationed on gas and must have standby fuel. I refer to Whitaker Cable Corporation, U. S. Railway Manufacturing and North Central Foundry, the latter having just completed an all-electric foundry.

Having served the State of Kansas as Director of the Kansas Economic Development Commission for eight and one-half years, I am very conscious of industry's need for natural gas. But I say to you, we cannot move all gas into industrial channels and let the homes of the factory workers grow cold.

I feel the use of natural gas at the proper level for small industry, small towns and residences of Kansas is imperative to our very way of life.

Someone has to speak on behalf of the residential customer. They cannot be left out in the cold simply because they cannot come here and plead their case. We cannot stand by and watch Wichita, or Kansas City, or wherever, move in and start gobbling up natural gas for some giant industrial firm with utter abandonment of the smaller community and the householders therein.

We have said before, and we say to you again, some day, someone must face up to the issue and say what is the best end-use of natural gas in Kansas. We assume this is the challenge facing this interim study committee.

It is the opinion of the Board of Directors of the Junction City Chamber of Commerce that the Kansas Corporation Commission should be empowered to specify how gas produced in Kansas is to be used...if the FPC establishes such priority for our gas outside of Kansas, why, then, cannot the KCC exercise similar authority within the State of Kansas?

As we view the matter, it is no longer simply a matter of KPL getting gas from the Spivey Field, or the City of Wichita buying gas from this... or any other field. This is simply a symptom of a forthcoming epidemic that can only be stopped by giving some regulatory agency quick and effective power to establish priorities over future use of Kansas gas.

It is the opinion of those whom I represent that end-use must become an absolute way of life for the gas industry in Kansas---for both producers and distributors. It is imperative that the need for end-use control and/or priority of service be established at the earliest possible date.

If the Kansas Corporation Commission, or any other now existing regulatory body, does not have this authority, then the legislature must establish such authority at the earliest possible date and see to it that the full program is effective. This is the only way that we know to halt future gas grabs for low priority purposes.

Thank you.



# Wichita Spared Gas Pipeline Expense

By TED BLANKENSHIP  
Energy Editor

Anadarko Production Co., Houston, agreed Wednesday to transport natural gas from the Spivey-Grabs-Basil field to Wichita for Wichita Industrial Energy Corp. (WIEC), the city's gas utility.

The agreement to use the pipeline's facilities connecting the field with refineries at Augusta and El Dorado caps several years of effort to assure industrial users of an adequate gas supply here. It also relieves the city of the need to build a \$3-million pipeline of its own.

Anadarko, city representatives and its consulting engineer and representatives of Skelly Oil Co. worked out the details in an all-day meeting at Wichita. And, though there were some 25 points of negotiation, two were particularly difficult to

resolve, said B. H. Waychoff Jr., project manager for the consultant firm, Williams Brothers Engineering Co., Tulsa.

One was the amount of money to be paid for transporting the gas. The other problem was one that had all parties to the negotiations stumped: How to resolve incompatibility of the gas that WIEC would put into the line. WIEC's contract with producers calls for purchase of gas by BTU, or heating content. The gas WIEC will buy measures 1,100 BTU per 1,000 cubic feet. The Anadarko system averages 1,020 BTU.

This meant that the city would lose 55 BTU per Mcf (1,000 cubic feet) by intermingling its gas with other gas in the line. At 18½ cents per 100, that's about 10 cents. Add that to the agreed 10 cents per Mcf

transportation costs, and the city would be paying 20 cents to transport the gas.

Skelly buys its gas by volume, and various schemes for resolving these two methods were considered and discarded before Skelly came up with a solution that probably saved the negotiations. Skelly agreed to renegotiate its contracts and buy its gas by BTU, thus eliminating the incompatibility.

Waychoff said the agreement must be approved by the city commission, but arrangements have already been made to begin work on a gathering system and compressor.

Only six months remain in which to complete these projects.

Wichita and its advisers have been under great strain as negotiations on the gas system ate up the time remaining



before contracts between Kansas Power & Light Co. and producers in the Spivey-Grabs-Basil field expire Dec. 26, 1975.

"KP&L owns the high-pressure gathering system and the compressors in the gasoline plant," explained Waychoff.

"The 60 or 70 owners who make up the Gasoline Producers Association own the low-pressure gathering system. They gather the low-pressure gas and process it

in their own gasoline plant, but it has to go through KP&L's compressors."

So, no matter what kind of gas is purchased, it must pass through the hands of KP&L, and as Waychoff pointed out, "cooperation with KP&L has been absolutely zero."

Thus, WIEC must build both a high-pressure gathering system and compressor system and both must be ready to turn on Dec. 27. Why the rush? Because the contracts for gas were negotiated on a take-or-pay basis.

WIEC and its consultants arranged for a supply of about 10 million cubic feet of gas per day. It is paid for whether or not it is used. WIEC has five years to get it back, but a delay could pile gas up to the point where that would be difficult.

Isn't such a contract restrictive? No, says Waychoff:

"When we started negotiating with the producers we knew we had to come up with a price large enough to keep us out of a long, drawn out negotiating period. Time was important.

"The trend today is away from producers' signing a life-of-lease contract. They usually are willing to agree to a one-year, a two-year or occasionally a three-year contract.

"Now neither WIEC nor the city are interested in being in the utility business. Neither wanted to have to go out every year or so and negotiate a new contract. To get a life-of-lease contract would take some incentive, and we all knew it.

"As you know, the price of natural gas (Please Turn to Page 5A, Col. 1)

## ★ From Page 1

varies. In some areas it sells for 75 cents an Mcf and in others it's \$3. In most areas it is about \$1.80. We know that it is only a matter of time until gas in Kansas will sell for as much as it does intrastate (unregulated) in Texas or Louisiana.

"We went to the customers and asked them what they were used to paying for fuel during periods of curtailment. What did they pay for oil or coal or propane when they couldn't get gas? They said they paid about \$2.25 per million BTU at the burner tip."

Waychoff explained that for \$2.25, the customer gets a fuel such as No. 6 fuel oil, but he also gets problems. He must contend with transportation, storage, air pollution, and handling. So, he and WIEC concluded, customers could afford at least \$2.25 for natural gas, a clean fuel that doesn't have to be stored or handled, and which comes by pipeline.

"From that, we backed into what the

transportation and handling charges would be. We were talking about a non-profit operation. We finally came up with a range of \$1.78 to \$1.90 per Mcf."

The price eventually was set at \$1.85 plus a small premium for BTU content above 1,000 BTU per cubic foot. Since most of the gas contracted for averages 1,100, the price works out to about \$2 an Mcf. A clause in the contract provides that the premium will not be paid on gas exceeding 1,100 BTU, so the maximum rate is \$2.035.

Wichita Eagle  
July 3, 1975

Page 1 of 2

# Wichita Spared Pipeline Cost

Compared with some other states, \$2 an Mcf is not expensive. Compared with what KP&L has been paying — about 23 cents an Mcf under contracts entered into in the mid-1950s — it is a tremendous jump. That such a jump would arouse suspicions is understandable.

Who benefits? Who set the price? Did the producers urge the city into the gas business to put pressure on KP&L and drive the price upward?

To answer these questions it is necessary to look at KP&L's buying practices and the evolution of contracts between the city and producers:

A check of Kansas Corporation Commission (KCC) records reveals KP&L has consistently bought only a fraction of the gas available in the Spivey-Grabs field.

Take the most recent compilation of allowables for the field, for example. During April KP&L bought only 1,016,458 Mcf of natural gas from the 11,820,517 a day available. More than 10 million Mcf of allowable went unused.

Negotiations between the city's representatives and Anadarko Production Co. have passed through many stages. At one point the possibility of Anadarko's selling the city gas was explored. Anadarko decided it could not sell the city gas, and would talk about hauling it on the company's pipeline only if the city could manage a contract with producers.

This was done, but not easily. The producers were reluctant, Waychoff said, to make a deal with the city even though the price was better than KP&L had offered.

"I was shocked that producers didn't fall all over themselves to sign contracts," Waychoff said. "It has been a real struggle."

The utility had hinted it would pay as much as \$1.50 an Mcf, but only if it had assurances from the KCC that a rate increase would be approved.

The KCC does not set gas prices, but it does regulate consumer rates.

Most of the producers in the part of Spivey-Grabs from which WIEC will draw its gas — south-central Kingman County — are Wichitans.

"The only way we could convince them that they should sign with us was to emphasize that the gas would go to their own community," Waychoff said. "At least one producer decided to take a chance on a rate increase and stay with KP&L despite the better price with the city."

The committee which decided on the rate to be offered the producers was made up of five persons — Waychoff; city rep-

resentatives and local consultants in the oil and gas business who were "on respected terms with the producers."

Only one member was a producer with Spivey-Grabs connections, Waychoff said.

"He had one well in Spivey-Grabs but it is at the other end of the field and it's an oil well."

The decisions made by the committee and the city were not easily reached. There was no precedent. E.A. Mosher, executive director of the League of Kansas Municipalities, said he knows of no other city seriously exploring the establishment of a city gas utility in the same manner as Wichita, where there is a private gas distribution system.

"We didn't want the city to get into establishment of a utility," Waychoff said. "But Boeing tried to solve its own problems and so did Coleman. Private industry tried and determined that there was no way it could get the job done."

Williams Brothers was hired a little over a year ago.

"We had no idea what it would take to buy the gas in Spivey-Grabs," Waychoff said. "We chose that field because it is 20 years old and it's predictable. The oil and gas business is speculative, and for the city to get into such a business, we wanted to be sure of some things."

A study of the field convinced consultants that these characteristics are fairly predictable: The field can last from eight to 17 years; the wells now involved will last about eight years and start trailing off for another four or five years.

Spivey-Grabs is not a permanent answer to the city's industrial fuel problems. It is designed as a stop-gap measure to give the community time to plan.

However, the city's deal with the field's producers has already stimulated drilling activity, and studies indicate that discovery of other oil and gas deposits along the pipeline are probable.

Enough gas could be developed in Spivey-Grabs and between there and Wichita to take care of "someone's needs" for another 20 years.

Meanwhile, tentative agreements have been made with Gas Service Co. to handle the city's gas in its lines. Some pipe will have to be laid to customers not now served by Gas Service Co.

The utility is not designed to be a base-load service, Waychoff said, but rather a supplement to Gas Service and Cities Service Gas Co., which sells gas to Gas Service Co.

Will the city utility divert natural gas that would have gone to residential customers in northeast Kansas as KP&L has claimed?

Waychoff doesn't think so. He explains the utility will take but 10 million cubic feet of gas per day from a field that produces 60 million cubic feet a day. Because of the price being paid for the 10 million, exploration will be stimulated and new gas reserves produced for which KP&L can compete along with others.

Wichita Eagle  
July 3, 1975

Page 2 of 2



United States  
of America

# Congressional Record

PROCEEDINGS AND DEBATES OF THE 94<sup>th</sup> CONGRESS, FIRST SESSION

Attachment VII

Vol. 121

WASHINGTON, FRIDAY, JUNE 20, 1975

No. 98

## Senate

### HOUSE ACTION ON ENERGY

Mr. DOLE. Mr. President, the House has finally completed its action on the Energy Conservation and Conversion Act of 1975 and the overwhelming Democrat majority is hailing it as a great leap forward and a basic foundation for a national energy policy. Others have called it meaningless, nonpolicy, and a marshmallow.

No matter what any of us call this highly-touted and long-awaited legislation, it is a mere shadow of what could have been. The public must certainly be disappointed at this toothless measure.

The Senate, Mr. President, must now take a very responsible attitude to weld more meaningful action onto this weak structure. The bill does absolutely nothing to encourage domestic production and little to hold down present consumption levels. The so-called heart of the bill is to impose import quotas which are roughly equal to the amount we are now importing. Even if this should be effective in the future, all it accomplishes is a decrease in supplies without taking into account the special needs of many Americans. Chaos at the pump and cold homes is no long-term answer.

If this is not enough of an insult to the people and a disregard for our way of life, the House Commerce Committee has agreed to legislation that will decrease the price of new oil and raise the price of old oil to a regulated price at about \$8.50 per barrel. Taken together with the

action that the House has passed, this would cause our domestic production to decline even further than it has and lower supplies to a mere trickle of what we now have.

I agree that this is conservation, albeit in a shotgun fashion, but it does not seem to me to be the most realistic way to approach the problem. We need to increase our domestic supplies and reliability of our own production. We need to release the naval petroleum reserves for production. We need to encourage research for new energy and increase production of old.

Just what does this new legislation actually boil down to? Meaningless quotas is the keystone of the measure. A virtually nonfunded energy trust fund to further research. Penalties on automobile companies which fail to meet established mileage standards that they probably would have met anyway due to the pressures of the marketplace. Tax credits for conversion to other energy sources. And taxes on business use of oil that exempts utilities, transportation, and a host of other users.

Our task, Mr. President, is as great as ever. By default, the President is going ahead with his program and it is now up to the Senate to attempt to find solutions and compromises that the public will accept and that will show the world that we are indeed concerned about dwindling supplies. American ingenuity has long been respected. We must show, if only to ourselves, that we are able to solve our own problems. It is time to get on with it as swiftly as possible.

NATURAL GAS CURTAILMENTS: MANAGING THE GAS SHORTAGE

ISSUE BRIEF NUMBER IB75048

AUTHOR:

Jimison, John W.

Environmental Policy Division

THE LIBRARY OF CONGRESS  
CONGRESSICNAL RESEARCH SERVICE  
MAJOR ISSUES SYSTEM

DATE ORIGINATED 06/03/75  
DATE UPDATED 06/12/75

FOR ADDITIONAL INFORMATION CALL 426-5700

## ISSUE DEFINITION

Sharply rising demand for natural gas, coupled with declining production has led to a severe natural gas shortage, which cannot be ended for several years, and may well prove permanent. This shortage has called into sharp focus the policies of the Federal Government, and, in particular, the Federal Power Commission, for allocating the supplies of natural gas that are available.

The FPC has authority over interstate sales of natural gas and has implemented a curtailment policy that assigns available natural gas of a given pipeline to those who have the most important end-uses for it. The issues are: Do the FPC's end-use priorities recognize the most essential uses of natural gas? Should the differing levels of the shortage for similar customers of different pipelines be equalized by allocation of gas among the pipelines? Should the disparity of end-users served between the intrastate and interstate markets be equalized by the application of a uniform national allocation plan? Can the FPC's end-use curtailment plan equitably accommodate a permanent shortage?

## BACKGROUND AND POLICY ANALYSIS

Since 1970, interstate natural gas pipeline companies (which purchase natural gas from the oil companies that produce it, and transport it to local distribution companies for resale to consumers) have been unable to meet contractual commitments to deliver 4.5 trillion cubic feet of natural gas. Curtailments of natural gas service were worse this winter than in previous winters -- .64 trillion cubic feet curtailed during the first three months of 1975 alone--and are expected to increase rapidly for at least the next three years. The FPC projects a 45% increase in curtailments for 1975-76 over 1974-75.

Whatever the action taken by Congress on the question of removing Federal Power Commission (FPC) regulation over the prices paid by interstate pipelines to producers (see Issue Brief IB74036)--attacked by the industry and others as the root cause of the gas shortage--nothing will prevent worse shortages for the near term, because of the lead time required for new gas production. Recent estimates of the total resource base of natural gas from the U.S. Geological Survey and other expert groups have cast great doubt upon the possibility of ever achieving greater levels of gas production than we have already experienced. The gas shortage may well be permanent. Gas supplies may decline inexorably from now to the point of exhaustion. The policy implemented for managing the gas shortage may thus be required to accommodate an indefinite shortage.

The Federal Power Commission, entrusted with regulation of interstate pipelines by the Natural Gas Act of 1938, and of producers by the 1954 Phillips decision of the Supreme Court, has the authority to govern curtailments of natural gas in interstate commerce. When the imminence of natural gas shortages became apparent in 1971, the FPC ordered interstate pipelines to prepare and file individual curtailment plans, which, after approval, were to govern shortages that might occur on individual systems. A great variety of plans was submitted, responsive to the interests of the different pipelines and their peculiar sales and customer patterns. Various

proceedings began under these plans, and some threshold issues of FPC authority were resolved.

In the Louisiana Power and Light Company case, for example, the FPC asserted authority to require curtailment of so-called "direct-sale" industrial customers of pipelines even though rate-setting power was omitted (probably inadvertently) in the Natural Gas Act's grant of authority over "sales of natural gas for resale in interstate commerce." [Emphasis added.] The Supreme Court affirmed the FPC's authority in this area in June 1972.

In January 1973, the FPC issued a statement of policy in which it stated that curtailments of natural gas by pipelines should proceed in accordance with nine priority categories based upon the end-uses to which the gas was put. The priority categories ranged from the largest industrial and utility uses for boiler fuel purchased under interruptible contracts as the lowest priority, through smaller-scale industrial interruptible and larger-scale firm sales, to feedstock and process uses in industry, and finally, as the highest priority, to residential and small commercial uses. Although it has made numerous exceptions to these priorities, in general, the FPC has persisted in managing curtailments in accordance with the end-use categories established.

The nine end-use curtailment priorities did not fit well with many of the plans submitted by pipelines. A number of pipelines had preferred a so-called "pro rata" curtailment plan, which would curtail the gas deliveries of each customer of the pipeline a percentage equal to the percent of the shortage on the pipeline system as a whole, rather than in accordance with the end-uses to which the customer put the gas. "Pro rata" plans have some advantages over "end-use" plans: they are easier to administer, requiring none of the detailed and subjective information about end-uses needed in an "end-use" plan to determine allocations among customers; they do not lead to all the industry in one town being curtailed because it is low priority, while all the industry in another town is still served; and they encourage conservation, because any gas saved by a customer can be put to his own lower priority uses, rather than being allocated to higher priority uses of another customer who did not conserve so fastidiously.

"End-use" plans, on the other hand, do not permit the continuation of wasteful uses in one area while essential uses are discontinued in another. In general, "end-use" plans require larger users to convert first to alternate fuels, saving the most gas per dollar spent on conversion. Even pipelines with "pro-rata" plans have had to make exceptions for essential end-uses, such as home heating.

A major problem of "end-use" curtailment plans is that the accuracy of the end-use information reported to the pipelines and the FPC cannot be assured, because the FPC's direct authority ceases at the point of the sale of gas from the pipeline to the distributor. The State regulatory commissions determine the actual local distribution. In essence, the FPC has set priorities for pipelines based upon the usage of customers over whom it has no jurisdiction. Another problem is the reliance of the FPC's plan on distinctions between interruptible and firm contracts, terms that were used in different manners by different pipelines. In some cases, schools and hospitals have interruptible contracts. In other cases, power plants are firm customers. A final problem is that an end-use plan tends to freeze the gas market in current usage patterns, denying gas service to new high-priority customers to continue it to low-priority existing customers.

The natural gas shortage is not equally severe throughout the nation, but varies greatly from State to State and from town to town within States as a function of whether Federal regulation applies to the natural gas market, and, if so, which regulated pipeline serves a particular area.

The absence of Federal regulation has led to the development of enormous industrial markets in the producing States of Texas, Louisiana, and Oklahoma, which are not governed by FPC curtailment regulations. Although boiler fuel usage of natural gas for electric generation has been considered the lowest of all priority uses by the FPC, and has been largely discontinued in interstate commerce as a result, most of the electricity generated in these three states is by gas-fired boilers. If the FPC's curtailment priorities were applied nationally, however, the anomalous situation would result that the worst shortages existed in the States in which natural gas was produced. Legislation (S. 353) was introduced by Senator Roth (Delaware) that would have the effect of equalizing regional gas supply disparities.

Different pipelines have shortages of different degrees of severity. Some are more than 40% below the amounts they committed by contract to their customers; others are still serving all their customers' needs. Some are curtailing high-priority, high-employment industries; others are still serving electric utility boilers. It has been suggested that the pipelines be required to share their gas supplies through their existing network of interconnections in order to equalize the shortage and assure that equal priorities are served everywhere. But the industry and the FPC have rejected the idea, claiming that well managed pipelines would be penalized by losing natural gas to pipelines that were not so well managed. Others counter this argument by indicating that the pipelines' customers are the ones who suffer from the shortage, and that they had no choice whether they would obtain natural gas from a well or poorly managed pipeline company. S. 692, reported on May 6, 1975, by the Senate Commerce Committee, provides, among other things, for allocations of natural gas among pipelines during supply emergencies. High-priority users along one pipeline could receive gas from another, as long as a similar emergency were not created along the donor's pipeline system.

Natural gas is an essential ingredient for nitrogen fertilizers and other farm chemicals. On certain pipeline systems, existing fertilizer and farm chemical plants have been threatened with shutting down for lack of natural gas. Despite expanding needs for such products and the food they yield, natural gas is generally not available for new plants, prompting fears of shortages of fertilizer and higher food prices as a result. The Senate passed a resolution (S.Res. 289, 93d Congress, 1st session) calling upon the FPC to provide a high priority to fertilizer production; but the FPC has dealt with applications on a case-by-case basis, which the industry criticized as inadequate. S. 692 provides that gas be allocated for both existing and new uses to fertilizer and farm chemical plants as the highest priority, except existing residential use.

Another issue is the degree to which deference in natural gas allocation decisions should be paid to local and State authorities. The State regulatory commissions have complained that the FPC national curtailment plan takes decisions out of their hands and is insensitive to local exigencies. The FPC has maintained, on the other hand, that its policies recognize the highest and best gas uses and should be uniformly applied in interstate commerce. Nonetheless, the FPC opposes equalization of the shortage between the interstate and intrastate markets or between pipelines.

Although the FPC's end-use priorities for natural gas supply effectively determine priorities for commodities made with natural gas as well, the FPC does not attempt to assess the societal value of the myriad products made from and with natural gas. For example, is fertilizer more valuable than plastic packaging? Should a small plant making handguns continue obtaining natural gas, while a large plant making food products must use an alternate fuel or close down? The FPC would probably not be able to make such decisions--they are made by the market mechanism in our economy. Yet, to allow the market to allocate scarce supplies of natural gas, one of our most important domestic fuels, might lead overnight to extraordinarily high gas prices for all users. Certainly as long as the price of natural gas is controlled, the resulting shortage must be allocated through a curtailment plan of one sort or another. The worse the natural gas shortage becomes, the more difficult will be the problem of doing this equitably and in accordance with the true societal priorities for this essential fuel.

### LEGISLATION

S. 187, S. 319/H.R. 1494, H.R. 2122, H.R. 2718 (Dole, Talmadge/ Talcott Andrews of N.D., Robinson)

To provide a priority system for certain agricultural uses of natural gas.  
S. 320 (Talmadge)

To provide natural gas for essential agricultural purposes.

S. 353/H.R. 1115 (Roth/Thompson)

To authorize the Federal Power Commission to allocate scarce supplies of natural gas.

S. 504 (Helms)

To protect consumers, preserve jobs, and provide emergency relief for natural gas shortages, and for other purposes.

S. 692 (Hollings)

To regulate commerce to assure increased supplies of natural gas at reasonable prices for the consumer, and for other purposes.

H.R. 809 (Perkins)

To authorize the Federal Energy Administration to allocate scarce supplies of natural gas under priorities that assure adequate allocations for fertilizer production, and industries that use natural gas as an essential element in their production processes.

### HEARINGS

U.S. Congress. Senate. Committee on Commerce. Federal Power Commission Oversight--natural gas curtailment priorities. Hearings, 93d Congress, 2d session. June 20, Aug. 20, 22, 1975. Parts 1 and 2. Washington, U.S. Govt. Print. Off. 1975. 703 p.

----- Natural Gas Production and Conservation Act of 1975. Hearings,



94th Congress, 1st session. Mar. 17, 18, 1975. Washington,  
U.S. Govt. Print. Off. 1975. 458 p.

### CHRONOLOGY OF EVENTS

- 06/06/75 -- FPC announced 1975-76 natural gas curtailments to exceed 1974-75 levels by 45%.
- 11/00/74 -- FPC report indicated that interstate pipelines would curtail firm customers 2.3 trillion cubic feet during 12 months ending August 1975.
- 01/08/73 -- FPC published Order 467, including Statement of Policy and end-use system of curtailment priorities.
- 06/07/72 -- FPC's authority to regulate curtailments of pipelines to direct-sale customers affirmed by Supreme Court in Louisiana Power and Light decision.
- 04/15/71 -- FPC ordered pipelines to conserve natural gas and to submit individual plans to govern curtailments during shortages.
- 00/00/70 -- United Gas Pipe Line Company announced its inability to serve all customer demand for natural gas during 1970-71 heating season.
- 00/00/68 -- Impending natural gas shortage signalled by sudden fall in reserves committed to interstate pipeline systems.
- 00/00/38 -- Natural Gas Act of 1938 gave Federal Power Commission authority over sales of natural gas in interstate commerce.

### ADDITIONAL REFERENCE SOURCES

- Chambers, Earl C. Natural gas shortage creates curtailment problems. Public utilities fortnightly, v. 94, no. 2, July 18, 1974: 28-34.
- Herman, Stephen A. An introduction to natural gas curtailments. Kirkland, Ellis & Rowe, Washington, D.C. July 1974. (Mimeo copy available from K.E. & Rowe, 25 p.) (Also available in Senate Committee on Commerce. Hearings, 93d Congress, 2d session. Part 2. 1975. p. 680. See Hearings section.)
- Muys, Jerome C. Federal Power Commission allocation of natural gas supply shortages: Prorating, priorities, and perplexity. In Proceedings of the 20th Annual Rocky Mountain Mineral Law Institute. 1975. Matthew Bender & Co., Inc. New York, N.Y. 10017. 301-358.
- National Association of Regulatory Utility Commissioners. Survey of action by State regulatory agencies and intrastate natural gas distributors to meet natural gas shortages. NARUC, P.O. Box 684, Washington, D.C. Nov. 15, 1974.

STATE OF KANSAS

Attachment II



TOPEKA

HOUSE OF  
REPRESENTATIVES

July 9, 1975

Mailed to 99 U.S.  
Senators 7-10-75  
GRM

Dear Senator :

Upon request of the membership of the Special Committee on Natural Gas, composed of members of the Senate and House of Representatives of the Kansas Legislature, I am writing to you concerning legislation presently before you regarding natural gas and the regulation of its prices.

The majority opinion of the membership of the committee favors free market pricing of new natural gas and the phasing out of constraints on the price of flowing natural gas. This, the committee believes, will provide an adequate incentive to producers of natural gas to either further develop existing reserves of natural gas or to encourage the discovery and development of new additions to existing reserves of natural gas. The majority opinion of the committee also favors the continuance of the present legislative policy excluding from the jurisdiction and control of the federal power commission the regulation of the price of natural gas in intrastate commerce.

The membership of the committee respectfully urges you to consider favorably the enactment of legislation conforming to the majority opinion as expressed in this letter.

Respectfully,

REP. HAROLD P. DYCK, CHAIRMAN  
Special Committee on Natural Gas  
Kansas Legislature

HPD:jc