History of Natural Gas Regulation

1938: Congress passes the Natural Gas Act, establishing Federal authority over interstate pipelines, after the Supreme Court ruled that the Constitution gives authority to the Federal Power Commission to regulate interstate transportation and wholesale sales of gas.

1954: U.S. Supreme Court rules that the Federal Power Commission has to regulate the price of natural gas at the wellhead, if the gas is sold in interstate commerce.

1978: Natural Gas Policy Act phases in decontrol of most natural gas prices at the wellhead, overturning the 1954 Supreme Court ruling.

1985: The Federal Energy Regulatory Commission, formerly the Federal Power Commission, issues regulations to establish a voluntary program for pipelines to become "open access," to anyone who wanted to buy gas, to encourage "competition."

1989: Congress passes the Natural Gas Wellhead Decontrol Act, which phases in the removal of price controls of all natural gas at the wellhead.

1992: FERC makes the "open access" rule mandatory, so all producers can compete directly for buyers. Interstate pipelines are required to "unbundle" services, to "open the market" to unregulated companies.

2000: Initiatives are under way in 20 states and the District of Columbia to allow residential customers to "choose" their natural gas supplier, rather than depend upon their local utility.

billion pipeline company, to a $50 billion diversified international conglomerate.

El Paso, like other international energy conglomerates headquartered in Houston, such as Enron Corp., is branching out into the "opportunities" in the Ibero-American markets, where electricity is being privatized. Recent forays have been into Brazil and Argentina.

The company is moving into new trading activities, which will undoubtedly soon overshadow its business in the physical delivery of oil and gas. The "most advanced risk management technology in the energy industry" has been brought in to the company's Merchant Energy Group, which will trade in weather derivatives, and other "commodities."

It Will Only Get Worse

No one should have any illusions that the price of natural gas will drop down to where it was a year ago, after the Winter is past. Most analysts know that a price increase, at least double last year's level, has now become institutionalized in the industry. At a conference sponsored by Cambridge Energy Research Associates (CERA) on Feb. 14 in Houston, El Paso president William Wise, said, "If we have a very hot Summer, I think you're going to see prices spiking in the Summer, just like we did back in November and December." He should know.

But Tom Robinson, CERA gas expert, described the way natural gas pricing actually functions, stating that gas prices could come down, if crude oil prices fell. (Out the door with the hoax of supply and demand.) The multiple increase in natural gas prices has been felt across the country, the result of speculation, manipulating the market, and collusion.

But, another crisis looms. Even were producers to crank out more natural gas over the next one or two years, as more wells are planned to come on line, (that is, if the oil price doesn't drop, causing a drop in gas prices, leading to a halt in new drilling activity), there will be bottlenecks in the physical distribution of the gas in parts of the nation.

On Feb. 5, the Independent System Operator of New England, which operates the bulk power transmission grid system for the region, announced the completion of a study to address concerns about the growing use of natural gas. The concern was caused by the expectation that within the next five years, gas-fired power plants could account for more than 40% of the region's electric generation. The study revealed that as early as the Winter of 2003, constraints in natural gas delivery could affect 1,700 MW of generating capacity in the region. These constraints could intensify, the study found, by the Winter of 2005, such that shortfalls in gas delivery could affect 3,200 MW of capacity. The study recommends that New England expand its pipeline infrastructure. If that is not started soon, it will not improve the Winter 2003 situation.

The first step in the deregulation of natural gas was taken in 1978, after a natural gas shortage during the Winter of 1976-77 closed schools in the Midwest one month early, and shut down whole industries. The excuse for the shortage was that the government-controlled price of gas was so low, that there was no "incentive" for the gas companies to explore and develop new resources.

Natural gas, in the form of electricity, and as heat for homes, hospitals, and schools, is not a "commodity," that people have a choice whether or not to purchase. The purpose and the outcome of natural gas deregulation was to hand mainly oil companies this multibillion-dollar per year energy business.

The fight for re-regulation of the electric utility industry must go hand-in-hand with the fight to re-regulate natural gas, before heating one's home and having electricity become possible for only the few who can afford it.