AMENDED IN SENATE APRIL 25, 2001

AMENDED IN ASSEMBLY APRIL 16, 2001

AMENDED IN ASSEMBLY MARCH 27, 2001

CALIFORNIA LEGISLATURE—2001–02 FIRST EXTRAORDINARY SESSION

# Assembly Joint Resolution No. 1

**Introduced by Assembly Members Cardoza and Keeley**
**(Coauthor: Assembly Member Negrete McLeod)**

March 22, 2001

Assembly Joint Resolution No. 1—Relative to natural gas.

LEGISLATIVE COUNSEL'S DIGEST

AJR 1, as amended, Cardoza. Natural gas.

This measure would urge the President, the Congress of the United States, and the Federal Energy Regulatory Commission to take certain actions to address the substantial increase in the cost of natural gas resulting from federal deregulation of natural gas.

*The measure would also urge the Chairman of the Federal Energy Regulatory Commission to immediately place the issue of cost-based caps of natural gas on the commission agenda and allow it to be voted on and would urge the President of the United States to meet with a bipartisan coalition of California legislators to discuss the energy crisis facing the western states that threatens the national economy.*

Fiscal committee: no.

WHEREAS, Expenditures for natural gas in California will have increased from $8 billion in 1999 to $13 billion in 2000, and to an estimated $32 billion in 2001; and

WHEREAS, These increases have had and will have devastating impacts on residential, agricultural, and business natural gas users and on the cost of generating electricity, and will have a devastating impact on the California economy; and

WHEREAS, In 1938, Congress enacted the National Gas Act to regulate the sale of natural gas because it ‘‘considered that the natural gas industry was heavily concentrated and that monopolistic forces were distorting the market price for natural gas’’; and

WHEREAS, Congress’ ‘‘primary aim ... was to protect consumers against exploitation at the hands of natural gas companies’’ and to ensure consumers ‘‘access to an adequate supply of gas at a reasonable price’’; and

WHEREAS, By 1989, Congress had fully deregulated the sale of natural gas at the wellhead; and

WHEREAS, Interstate natural gas pipelines are still regulated under the federal Natural Gas Act, with maximum pipeline transportation rates being established by the Federal Energy Regulatory Commission (FERC); and

WHEREAS, By 1992, FERC (not Congress) deregulated natural gas sales by wholesalers who use interstate natural gas pipelines, but FERC said that it would entertain complaints about market misuse; and

WHEREAS, In 2000, FERC removed price controls on the sale of natural gas pipeline capacity by marketers, retained price controls on the sale of natural gas pipeline capacity by owners of pipelines, and said that FERC would entertain complaints about market misuse; and

WHEREAS, Wholesalers of natural gas must pay the pipeline transportation price that is less than or equal to the maximum pipeline transportation rate established by FERC, but may charge more than the FERC-established maximum pipeline transportation rate; and

WHEREAS, California entities have filed complaints with FERC about market misuse; and

WHEREAS, Natural gas deregulation has worked in every state except California, where spot natural gas costs at the California border have skyrocketed, reaching $62 per MMBtu for natural gas in December 2000, while the wellhead price plus the maximum pipeline transportation rates ~~was~~ *were* about $5.50; now, therefore, be it

*Resolved, by the Assembly and Senate of the State of California, jointly,* That the President of the United States, the Congress of the United States, and the Federal Energy Regulatory Commission are urged to do all of the following:

(a) Reestablish cost-based regulation of natural gas sales at the California border by marketers or owners of pipelines.

(b) Prohibit withholding of natural gas capacity on pipelines entering California~~.~~

~~(c) Require owners of each pipeline entering California to post on the Internet on a daily basis the firm capacity available and the name, address, and capacity used by each firm user of the pipeline.~~

~~(d) Require marketers to post on the Internet the price and quantity of each sale of natural gas at the California border.~~ *; and be it further*

RESOLVED, *That the Legislature urges the Chairman of the Federal Energy Regulatory Commission to immediately place the issue of cost-based caps of natural gas on the commission agenda and allow it to be voted on; and be it further*

RESOLVED, *That the Legislature urges the President of the United States to meet with a bipartisan coalition of California legislators to discuss the energy crisis facing the western states that threatens the national economy.*

O