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## Chapter 1 : Natural Gas Act () | theinnatdunvilla.com

*BOOK REVIEWS Price Formation in Natural Gas Fields: A Study in Competition, Monopsony, and Regulation. By PAUL W. MACAVOY. New Haven, Conn.*

Natural Gas Act Joseph P. These statutes regulated interstate activities of the electric and natural gas industries, respectively. The acts are similarly structured and constitute the classic form of command-and-control regulation authorizing the federal government to enter into a regulatory compact with utilities. In short, the Natural Gas Act enabled federal regulators to set prices for gas sold in interstate commerce in exchange for exclusive rights to transport the gas. The impetus behind the NGA was a Federal Trade Commission Report finding that interstate pipelines exercised abusive monopoly power. Interstate pipelines then dedicated natural gas to interstate commerce and had a federally protected service territory. Natural Gas Pipeline Co. Hope Natural Gas The federal government had jurisdiction over wholesale sales by interstate pipelines as well as transportation by interstate pipelines. The states exercised regulation over retail sales and intrastate transactions. The scheme worked relatively well as the Federal Power Commission asserted jurisdiction over interstate pipelines but did not assert jurisdiction over producers. Yet this limited jurisdiction caused certain problems because interstate sales were defined to exclude the price that producers in the field charged to the pipeline the wellhead price. The wellhead prices that were charged by producers were automatically passed on to consumers. Hence, any protection afforded consumers could easily be thwarted by excessive prices at the wellhead. In the U. Supreme Court ruled that the Federal Power Commission had jurisdiction over the prices that producers charged to affiliated pipelines in Interstate Natural Gas Co. Federal jurisdiction over nonaffiliated producer prices was extended in in the case of Phillips Petroleum v. Wisconsin to regulate excessive prices being charged in interstate commerce. A direct consequence of the Phillips Petroleum case was that the Federal Power Commission was unable to conduct all the individual hearings necessary to review producer prices. Instead of individual rate hearings for pipelines or producers, the Federal Power Commission first set area rates for natural gas in the case of the In Re Permian Basin Area Rate , and then it set national rates in Shell Oil Co. The NGA worked relatively smoothly until the early s when the natural gas market collapsed. Federal ratemaking to set natural gas prices was based on average historic costs of pipelines and producers. At the same time, however, world prices were rising above average historic costs, and a dual market was created. Pipelines and producers who had dedicated gas to interstate commerce were selling gas much below the world market price, and they sought to extract themselves from the interstate market to sell their gas in intrastate markets where prices were higher and set more closely to the world level. A gas shortage was the effective end of the Natural Gas Act as it previously had been administered. The dual market was addressed in the Natural Gas Policy Act of as deregulation of the natural gas industry began and continues to this day. Rocky Mountain Mineral Law Foundation, Sixty Years of Regulation and Deregulation. New Haven , CT: Yale University Press, Natural Gas Pipeline Safety Act Passed in , the Natural Gas Pipeline Safety Act gave the federal government authority over interstate pipelines transporting hazardous liquids and natural gas. The Office of Pipeline Safety OPS was formed under the Department of Transportation DOT to set minimum safety standards for design, construction, inspection, testing, operation, and maintenance, as well as to perform inspections and enforce regulations. Today the OPS is responsible for more than 2. Hazardous liquid lines transport mainly gasoline and fuel oil, while gas pipelines transport 22 trillion cubic feet of gas. Cite this article Pick a style below, and copy the text for your bibliography.

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