

# Why N. C. still has natural gas shortage

by Bill Sutherland  
Staff Writer

"Barring extraordinary mild temperatures and the possibility of unforeseen new natural gas supplies, every North Carolinian will be impacted, directly or indirectly, by the current projected crisis situation. The truly agonizing fact of the energy situation is that the immediate and long-term solution lies beyond the direct authority of the State."

—North Carolina Inter-agency Task Force  
Report on Natural Gas

The recent snow and cold snap increased temporarily the demand for natural gas and has some folks in Ahsokie pretty worried.

"If we can't get the gas, Farmer's Chemical is out of business," Al Newsome, spokesman for the nitrogen fertilizer plant in Ahsokie, said.

Other fertilizer and textile industries worry about similar troubles. Natural gas is a raw material in the manufacture of their products; these plants cannot use an alternative fuel when gas runs low.

New Southern Dye, a textile finishing plant in Henderson, may have too small a natural gas allocation to get them through the winter and no back-up system in case they run low, a spokesman said.

Until last week, things looked much worse for North Carolina industry.

Now Al Newsome and other plant officials have had their prayers partially answered by legislation from the U.S. House of Representatives. North Carolina will now receive a greater allocation of gas through a new distribution plan for the East Coast.

In addition, interstate pipelines may buy additional gas supplies during the next 60 days from producers at unregulated prices. This will provide North Carolina with a greater amount of gas and the extra costs will be passed on to the customers.

But even with this legislation, cutbacks in natural gas supplies for the winter are expected to reach 40 per cent said Marvin Wooten, chairperson of the N.C. Utilities commission. A very cold winter could worsen the expected shortage. Also there is concern among industry and commerce officials over whether gas price increases and conservation efforts can be absorbed into a competitive priced finished product.

Al Newsome and others in North Carolina can trace their misfortune to several unfavorable circumstances.

## Why us?

In simplest terms, the problem is merely demand outrunning supply. The growth of the textile industry and the arrival of an interstate pipeline have been roughly coincidental in North Carolina since World War II, according to the task force report. Unfortunately Transcontinental Gas Pipe Line Corp. (Transco) is the only interstate pipeline serving the state.

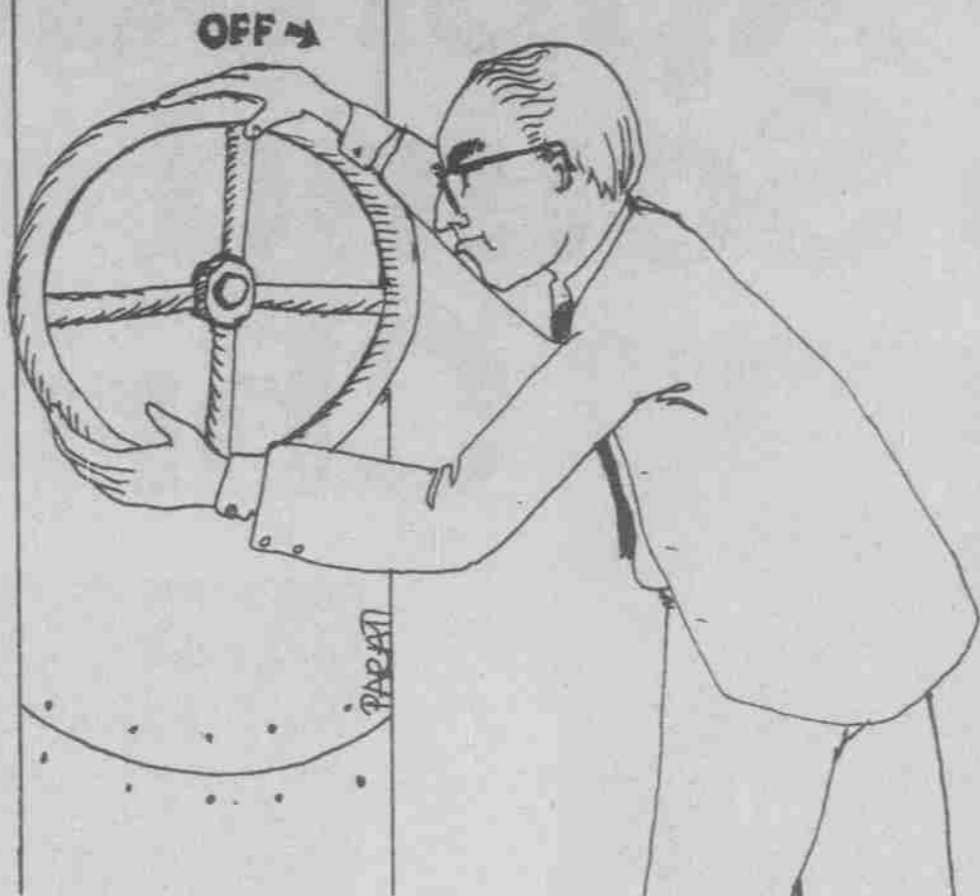
For various reasons, only a handful of pipelines are facing drastic shortages, and Transco is one of them. Their projected curtailment is estimated to be close to 40 per cent for the year, the task force report said.

"Transco's gas orders for South Carolina will be significantly curtailed. However, they are also served by Southern Natural Gas which predicts almost no shortages, so South Carolina will be in pretty good shape this winter," Eugene Curtis of the state energy division said.

Why Transco cannot come up with the goods is still a debatable question, although the federal government is investigating.

One apparent reason is an interstate pipeline's inability to buy competitively from producers, since the pipelines are limited by a federally regulated purchase ceiling of 52 cents per 1,000

natural gas



Who is responsible for the 40 per cent cutback in natural gas to North Carolina this winter? A lot of North Carolinians, and the federal government, would like to know.

cubic feet of gas. Producers are much more willing to sell at three times that price to intrastate pipelines.

The current legislation makes it possible for Transco to buy the more expensive gas for the next 60 days. Another bill still being considered by the U.S. House of Representatives would extend that emergency buying period to 180 days.

But the question still unanswered is, "Why is Transco one of just a few pipelines with a large shortage?"

Some point to poor management within Transco. "Frankly, I am not in a position to make such a judgment," Helms wrote, "but I do know that within the last year or so, Transco has gotten a new president who has substantially shaken up the top management of the company."

Another reason North Carolina cannot get as much gas as other states can is that over half of North Carolina's natural gas is used industrially and the remainder residentially.

According to a priority system set up by the Federal Power Commission (FPC) and the individual states, residential and small commercial users are served first, because they answer essential human needs. Last in line are the large industries with the capability to use alternative fuels.

"The gas passes right through North Carolina and goes on up to Brooklyn, where 90 per cent of the gas is used in homes and stores," Curtis said.

Curtis added that New York's industry is served by other interstate pipelines which are not experiencing any cutbacks. North Carolina took this matter to federal court, but little came of

it, he said.

## Repercussions

Before 1971, industry was flocking to North Carolina to take advantage of cheap labor and energy. At that time, an abundance of gas existed, according to Ann Hughes, a state energy division member.

"With this oversupply of gas, interstate pipelines like Transco started selling some of the surplus at prices under the FPC ceiling," she said.

"These customers were given the status of 'interruptible,' meaning that if there was ever not enough gas to go around, they would be the first to be cut off. Understandably then, all of these customers have alternative fuel capabilities."

Many North Carolina industries are "interruptible" customers, which is one

## Frustration

"It is the old story of the haves and the have-nots," Paul Hitchcock, director of the energy division, said. "North Carolina and some other states also needing natural gas are the minority in the U.S. Congress. That's why needed legislation is so hard to come by."

Some legislation being considered includes deregulation of the gas at the wellhead and the interconnection of interstate pipelines, which would increase the availability and the price of natural gas.

State officials can do more to alleviate the gas shortage than wring their hands, but only on the state level. Ed Hipp, attorney for the N.C. Utilities Commission, indicated that the commission can set retail prices and also has had, in effect, an order restricting customers 15 per cent in their overall use of gas on a state-wide basis.

The commission also has refused any new hook-ups for the past year as well as

restricting some special uses of the fuel, Hitchcock said.

Otherwise, though, the commission has no control over the amount of gas North Carolina can receive from Transco. The FPC decides with the recommendations of the various pipelines and their customers, on what natural gas curtailment plan to follow. As one energy division member said, "All we can do is tell them how we feel."

The state is especially vulnerable, in Hitchcock's estimation, because it is not a gas-producer. A state like Texas can meet its needs by merely limiting their exports, he said.

However, even with all the uncertainty, most gas distributors know roughly how much gas they will have and have made tentative plans accordingly. Fortunately, by the nature of pipeline delivery, volumes can be changed on a daily basis. Thus, a business could be turned off one day and on the next as needed, Hughes said.

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