STATE LEGISLATION

MCA MANUFACTURING CHEMISTS ASSOCIATION
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GOVERNORS ADOPT NATIONAL GAS POLICIES

As natural gas supplies dwindle and as winter draws nearer, government officials in the States and in the Federal Government are pressing for new policies to deal with these shortages.

Until five years ago no one conceived of the long-range shortages now forecast. Thus, regulatory policies established in 1938 and expanded by a 1954 Supreme Court ruling continue to reign over vastly different circumstances than existed when the regulatory structures were created.

Following a recent meeting with President Ford, FEA Administrator Zarb and 16 Governors, 13 Governors approved five policy decisions:

1. An omnibus national policy covering natural gas and other fuels must be adopted. The policy should be based on close cooperation between the White House and the Governors.

2. The Governors must be given a major role in the creation of national policy.

3. Legislation should be passed which would allow interstate pipelines to purchase intrastate gas for 180 days without forcing the sellers to stay in the interstate market after the 180 days has lapsed.

4. Newly discovered gas covered by contract should go unregulated for five years.

5. Conservation of energy should become paramount and conversion from natural gas to other fuel sources should be undertaken.

ENVIRONMENTAL-IMPACT STATEMENT AND ANTICIPATED CALIFORNIA OIL-LEASE SALE

Last month the Interior Department released an environmental-impact statement which will be the basis for the Department's decision on whether to proceed with the sale of oil and gas leases off the California coast. The sale is planned for late October.

The public has 30 days to comment on the environmental-impact statement. After that period, acting Interior Secretary Kent Frizzell may decide whether or not to go ahead with the sale.

Meanwhile, California officials continue to threaten to sue the Interior Department to delay the sale. They believe Interior is moving too rapidly, and is failing to properly evaluate environmental and economic effects of the lease sale of 1.6 million acres off the California coast. Should the sale ensue, it will be the first off the California coast since the 1969 oil spill in the Santa Barbara Channel when leasing was halted.

California wants the sale postponed until Congress enacts legislation to provide compensation to States suffering from adverse effects of offshore drilling. However, the Interior Department believes that the sooner offshore deposits are available, the better. Interior officials consider this part of the continental shelf (off Southern California) the most lucrative in potential for large amounts of oil and gas. The Department forecasts that in five years leases off the California coast could provide a million barrels of oil a day--11 percent of today's total domestic production. They predict a yield of two billion cubic feet of natural gas a day--3 percent of current domestic production.

If the leases are sold, the Federal Treasury could be enhanced by $2.8 billion.

NEW YORK CITY FINANCIAL CRISIS

It is probably a matter of time (about three months after the recent State infusion of funds is exhausted) before the Federal Reserve steps in to financially shore up New York City. The Fed is the only federal agency in a position to provide last-minute assistance. It appears that federal backing of some nature is essential to get the big MAC (Municipal Acceptance Corp.) bond offering moving. The Fed can, on its own, authorize its district banks to buy city securities.

Congress and the Administration are reluctant to set a precedent for direct assistance. At some point, however, a plan must be devised for alleviating and preventing such financial ruptures, whether it be an insurance program, or some other measure generated to guarantee a city's financial responsibility in carrying out its obligations as a political entity.

In many ways it is unfortunate New York City is the first to face this extreme crisis. There is so much national animus toward this irresponsibly progressive city--its arrogance undaunted by its current plight--that Washington fails to look seriously for underlying parallels which exist in other cities and could soon assume similar disasterous proportions.

MICHIGAN ADOPTS "SINGLE BUSINESS TAX"

On August 27 Governor William Milliken signed legislation to levy a single business tax on every individual, corporation, partnership, financial institution, estate and trust with business proceedings in Michigan. Along with the Uniform Division of Income for Tax Purposes Act, the Governor signed eight measures related to the single tax act. These statutes eliminate the income tax on corporations and financial institutions, and the intangibles tax on corporations and other businesses; exempt inventories from the property tax, and materials and supplies of public utilities from the property tax; provide a credit against the single business tax liability for property taxes paid on preserved open-space land and structures used in farming; repeal of the franchise tax, the tax on capital reserves of savings and loan associations, and the privilege tax on domestic insurers.

The "single business tax" becomes effective January 1, 1976.

NEW YORK WARNS ON TOXIC CHEMICALS

New York State Environmental Conservation Commissioner Ogden R. Reid and State Health Commissioner Dr. Robert P. Whelan recently warned consumers against eating striped bass caught in the Hudson River and salmon taken from Lake Ontario. Perilously high amounts of PCB (polychlorobiphenyl) have been found in the fish. Monsanto Chemical Company is the sole domestic manufacturer of this chemical which has been used since 1930 in the manufacture of plastics, paints, electric transformers, printing ink, caulking compounds and hydraulic fluids.

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Seems MCA could have given Monsanto a somewhat better writeup.

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Mr. Reid believes General Electric's two plants 60 miles north of Albany which have dumped PCBs into the Hudson have contributed to the problem. He says other companies are also involved.

PCBs have been banned in Canada and in Britain.

STATES WITH POTENTIAL FOR VIOLATION OF SPECIFIED NATIONAL AMBIENT AIR QUALITY STANDARDS

The Environmental Protection Agency has identified air quality maintenance areas with potential for violation of specified national ambient air quality standards. The States involved are Arizona, Arkansas, California, Delaware, the District of Columbia, Florida, Kansas, Kentucky, Maryland, Missouri, Nevada, New Jersey, New York, Ohio, Pennsylvania, Tennessee, Virginia and West Virginia.

CALIFORNIA PUC ADOPTS LIFELINE CONCEPT

The California Public Utilities Commission in mid-September announced a major revision of the State's utility rate structure which will encompass the lifeline concept in determining utility rates. The Commission will freeze rates for residential users who use less than a basic amount of gas and electricity. The rates will remain frozen until they are appreciably below the system's average rates.

In announcing the decision, Commissioner Leonard Ross stated that "Today energy is sold at volume discounts--the more you buy, the less you pay. This may be a fine system for selling doughnuts, but it doesn't make sense for the scarcest commodity we have." Ross further stated, "This is the end of the discount rate system."

The decision included a $213.4 million annual rate increase for Pacific Gas & Electric Co. The utility will get 12 percent, or $150.2 million, more a year in electric rates and 11 percent, or $63.2 million, more in gas rates.

From here on, rate increases will be spread over amounts of gas and electric use that exceed established minimums. Rates for minimum amounts will be frozen until the average rate for all customers is 25 percent more than that paid for the basic amounts. When that level is reached rates for the basic amounts may be raised; however, the 25 percent differential must always exist.

A bill passed by the State legislature in early September and expected to be signed by Governor Jerry Brown lays the groundwork for the changes in the rate structure system. The legislation

allows that "light and heat are basic human rights and must be made available to designate lifeline quantities of gas and electricity." It bans rate increases on those amounts until average rates increase by 25 percent.

California may be the first State to formally initiate the lifeline concept. Undoubtedly consumer interest will encourage other States to look closely at the California PUC rate structure ruling.

STATE BULLETIN QUESTIONNAIRE

Thanks very much for the return of the questionnaire regarding continued publication of the State Legislative Bulletin. We are in the midst of reviewing the returns, and we hope to have a decision within a month or so on the future status of the State Bulletin.

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