

CHAPTER 9

Gas Distribution Systems*

INTRODUCTION

In 1966 the gas distribution industry celebrates its 150th year of service; the first gas distribution system was established in Baltimore in 1816, just 2 years after the famous defense of Fort McHenry and the writing of the Star-Spangled Banner. The distribution sector of the gas industry in the United States today includes 773 municipal and 728 investor-owned systems. There are no State-owned or co-operative gas distribution systems, while the only Federal systems are limited to serving military installations. (The latter are outside the scope of this study.) Although municipal systems are more numerous than investor-owned systems, they account for only between 5 and 10 percent of the gas distribution business in terms of gas distribution plant, number of customers served, or volume of gas sold.¹

About 80 percent of the Nation's population live in areas served by gas distributors. Gas use has grown rapidly during the past 20 years as a result of service being extended to more and more communities, population growth, and increased use per customer. The demand for gas is expected to continue increasing in the years ahead. To meet the demand, substantial additional investment will be required in distribution systems as well as in natural gas transmission pipelines and gas production.

A. NATURE AND COMPOSITION OF FACILITIES

1. DESCRIPTION OF FACILITIES

The gas industry in the United States is comprised of three branches—producers, pipeline companies, and distribution companies. Ninety-eight percent of the industry's customers are supplied with natural gas² most of which is produced in the Southwest. The remaining 2 percent of the customers receive manufactured gas produced by distribution companies or some mixtures of manufactured and natural gas or LP gas. By contrast, in 1938 the industry supplied only 40 percent of its customers with natural gas.

In addition to supplying gas to pipelines and distributors, the producers of natural gas use some of their own gas and sell some directly to consumers (mostly for industrial purposes). About one-quarter of

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¹ Based upon data in *Gas Facts* (New York: American Gas Association, 1965); letter from I. S. Schwimmer, assistant director, Bureau of Statistics, American Gas Association, Mar. 29, 1966, and other AGA records.

² See: R. J. Rutherford, "Gas Industry Scores Again on All Points," *American Gas Association Monthly*, (issue of January 1966), pp. 2-5. At the end of 1965 gas utilities served 38,071,600 customers; 37,310,300 of these customers were served with natural gas.