7. New England Spoils

NEW ENGLAND was the last northeastern region lacking natural gas service.¹ One industry observer noted that Boston was the most distant major market to the Northeast, 2,000 miles from the gas fields of south Texas. “Will they ever meet?” he asked. “That is the 64 thousand dollar question.”² Although the entire region accounted for no more than 50 percent of New York State’s manufactured-gas consumption, New England’s major cities represented significant and ripe natural gas markets. Besides the economic rewards, capturing New England would be a prestigious prize for whichever pipeline company could win FPC approval to serve it.

An intense regulated competition between Tennessee Gas and Texas Eastern ensued for gas sales into the region; Transcontinental, its “hands full” with New York, remained an interested observer. “It was a lot of fun from where I sat watching,” recalled a Transcontinental founder, “these two fellows fighting over this market.”³ Another gas man said at the time, “In all my forty years in the gas business, I have never seen so much chess playing.”⁴ The battle for New England was fought in both the regulatory arena and the courts. The pipeline company that acquired a certificate would profit from gas sales into the region, but demand for the fuel drove the industry’s expansion.

New England was virtually without natural gas in any quantity. Industries used coal and oil to fire their furnaces or generators. Residential customers used manufactured gas or fuel oil. Because of the high concentration of fuel oil consumption in New England, fuel oil dealers were as concerned, if not more so, than coal companies over the introduction of natural gas into New England. In fact, fuel oil and propane use in many smaller and outlying communities was not overtly threatened
by natural gas because the expense of constructing a widespread distribution system to small areas would not be profitable. Instead, natural gas companies targeted the larger metropolitan regions, and their respective distribution companies, rather than the entire New England region as a whole.

At various times, Tennessee Gas, Texas Eastern, and Transcontinental planned to expand their pipeline systems to bring natural gas into New England. All three, however, were tied into existing customers in Appalachia, Philadelphia, or the New York City area. Selling gas into New England would require major expansions by each, or all three, of the pipelines. Although Texas Eastern indicated first its interest in the New England market when it bid for the Inch Lines, it did not then have enough gas to serve even its existing Appalachian customers. Tennessee Gas was in a similar situation with one important difference. Working together against Texas Eastern, Transcontinental and Tennessee Gas agreed that Transcontinental would expand its capacity in order to supply gas for Tennessee Gas's New England expansion program. The race to enter the New England market became a competition to acquire a certificate.

Simply contracting southwestern gas supplies for New England customers was not difficult. But contracting for gas sales to New England customers was a different matter altogether. Before New England utilities could feel comfortable, politically and otherwise, receiving natural gas from Texas and Louisiana-based pipelines, those pipeline companies had to prove themselves capable of reliably supplying natural gas to New Englanders. This task required skills in public relations, industrial strategy, and political entrepreneurship, both in and out of FPC hearing rooms.

"REGGIE VS. MR. PIPELINE"

The competition between Texas Eastern and Tennessee Gas occurred in four overlapping arenas: the public media, the gas industry, the Federal Power Commission, and the lobbyist's den. The public relations competition depended upon the personalities of each company's leader as well as the company's business strategy. The business press as well as the popular press often depicted the ensuing New England competition as a man-to-man duel between Reginald Hargrove of Texas Eastern and Gardiner Symonds of Tennessee.5

Contrasts between the two men offered ample journalistic opportunity to exploit their differences. A writer for Forbes described the ensuing
battle for New England as the match of "Reggie vs. Mr. Pipeline." The fifty-three-year-old Reggie, a large, balding man who was actually referred to as "Reg" by his friends and associates, was a seasoned gas executive. Educated at Rice University in Houston, Hargrove had worked his way up the ranks to second-in-command at United Gas Corporation. Described once as "the finest witness in America," he expressed his belligerence through "tart quips" rather than the "sharp rap of a fist." Symonds, on the other hand, was a Stanford- and Harvard-educated banker from Chicago who typified the newer, openly combative style of gas-pipeline management. He was, one report suggested, "the most aggressive contestant . . . in this industry of scrappers." Still sore at Texas Eastern for having "swiped the Inches right out from [his] compressors," Symonds was eager to settle the score in New England. Contrasts between these two leaders enlivened the battle for New England gas markets, and their ongoing struggles remained a topic of broad general interest in the region and the industry.

The two men first competed against each other in the bid for the Inch Lines. Now Gardiner Symonds had a chance to expand his system into both New York and New England before Texas Eastern. During a trip to New York with one of his attorneys, H. Malcolm Lovett of the Houston law firm Baker & Botts, Symonds expressed concern over his company's ability to contract for sufficient quantities of gas to serve markets in New York. Staying in the Gramercy Park Hotel, Lovett recalled that "Symonds worried about getting [gas] to New York. . . . He was a very emotional sort of man. . . . I will never forget. I was sound asleep. There was a tremendous commotion and he bounced out of bed and landed on the floor, and said, 'Malcolm, we're going to New England,' and that's where that started."

Tennessee Gas had been expanding its deliverability capacity even before the Inch Lines had been placed in natural gas service and appeared to be in the best position to capture the New England market. Between November 1946 and October 1947, Tennessee Gas applied three times for FPC approval to increase its capacity to a total of 600 mmcf/d and sell most of the additional gas to existing customers—at a time when the Inch Lines were capable of delivering only 140 mmcf/d. The expansion called for the company to extend its natural gas service into New England by constructing a third main line traveling through Ohio, Pennsylvania, New York, and into Massachusetts, eventually increasing its total system capacity to 1.3 bcf/d.
New England Spoils

GARDINER SYMONDS WOOS NEW ENGLAND

With an expansion program in the works, Tennessee Gas’s interest in the New England market led its aggressive president, Gardiner Symonds, to embark on a campaign to encourage and prepare New Englanders for natural gas. One of his early and controversial attempts to convince the New England public to support natural gas came early in 1948 during a debate with the ever-present King Coal, Tom J. McGrath. In this debate, McGrath represented the Fuels Research Council, Incorporated, which was dominated by coal and railroad companies. The New England Council sponsored the debate in Providence, Rhode Island. The governors of the six New England states composed the official body of the council. Founded to help reinvigorate the languishing New England economy, the council embodied a certain sense of New England pride and self-sufficiency.

Richard L. Bowditch, president of the council, was also president of a New England coal company. Convening the debate, he stated that despite his interest in coal, “if it can be demonstrated that bringing natural gas into New England will help our economy, I am for it.” Bowditch cautioned that New England was located “at the end of the line, fuel-wise” and that the ultimate answer to the natural gas question would have far-reaching effects on New England’s economy.

Gardiner Symonds spoke first and presented a broad discussion of the value of natural gas in both industrial heating processes requiring precise heat temperatures and in residential heating and cooking. Symonds acknowledged the opposition to Tennessee’s plan to bring natural gas into New England, but he observed that many New England gas distribution companies and industries had expressed interest in the superior fuel. Symonds concluded by arguing that natural gas in New England would displace only a very small percentage of the coal used annually in the United States.

McGrath responded by defending manufactured gas. He noted that the severest gas shortages in Appalachia and New York occurred in areas receiving only natural gas. Manufactured gas could be produced when needed, whereas a community’s access to natural gas supply depended upon long-distance pipelines and sometimes unreliable gas wells. McGrath harped again upon the thousands of coal and railroad jobs that he alleged would be lost if pipelines introduced natural gas into New England. Echoing Bowditch’s comment that New England was at the end of the fuel
line, McGrath stated that during a time of fuel shortages, New England would be the last region to receive the fuel if connected with distant gas reserves. McGrath also attacked the vulnerability of pipelines to normal breakage, and even sabotage, which might leave a community without fuel for hours or days.  

Perhaps McGrath's most scathing attack was a personal one against Symonds and all gas industry promoters: "So I say, gentlemen, a promoter (and I hate to use that term 'promoter') a promoter can come along and sell you the supposed advantages of natural gas and put it in here, and he makes a profit on all he sells you—but you better make sure that he is going to be able to sell you all you need and to sell it to you when you need it." Despite McGrath's aggressive attack on natural gas, the superior qualities of the fuel and its increasing availability indicated that it would soon reach New England markets.

E. HOLLEY POE, REGINALD HARGROVE, AND NEW ENGLAND

Texas Eastern was equally aggressive in planning for gas deliveries into New England. Shortly after the company began operations in 1947, E. Holley Poe proposed to organize a New England natural gas distribution company, the Minute Man Gas Company, to supply the New England market. Texas Eastern would become Minute Man's gas supplier and hold the major interest along with three large local distributors. These included Eastern Gas & Fuel Associates, which owned Boston Consolidated Gas Company, the largest New England gas distributor; New England Gas and Electric Association; Providence Gas Company; and several other smaller companies sharing a minority interest. For financing assistance, Poe had included First Boston Corporation.

The company's interest in New England was fortified by the interest expressed by New England companies and U.S. officials. In February 1948, Philip J. Philbin, a congressman from Massachusetts, sent a telegram to Texas Eastern indicating both an interest in the company's expansion plans and willingness to help the company achieve its expansion goals. Hargrove responded to Philbin that the company currently could not "serve more than a small segment of the area desiring service from us" even with an increase in the line's capacity. Hargrove reported that the company was preparing to file an application with the FPC to construct a third line to the Northeast and increase its capacity. He
expressed confidence that the line would be built. Hargrove told Philbin "the development of such a project is no casual matter. It requires the assembling of large supplies of gas over a long period; the raising of tremendous sums of money through the issuance and sale of securities; and finally the securing of a very substantial tonnage of steel for fabricating the necessary pipe."¹⁵ Although Hargrove did not specifically mention the need for FPC approval, the items he listed were the major points that the FPC required before granting a certificate.

Soon after responding to Philbin's inquiry, Texas Eastern made official in March 1948 its plans to serve New England. Initially, Texas Eastern planned to extend its existing system to Boston, Massachusetts, and construct lateral lines to points in Connecticut, Rhode Island, Massachusetts, and New Hampshire. This plan reflected Texas Eastern's intention to sell gas directly to the New England gas distributors with whom Holley Poe had previously negotiated. Texas Eastern then filed an application with the FPC to construct a third pipeline parallel to the Big and Little Big Inch pipelines. The third pipeline was to be 26 inches in diameter and extend from Longview, Texas, to a point near the town of Wind Ridge in southwestern Pennsylvania. It was to be a total of 1,020 miles long with 314,740 hp and a capacity of 425 mmcf/d. The estimated cost of the line was approximately $152,131,000.¹⁶ The added capacity from the proposed pipeline would increase Texas Eastern's total capacity to approximately 933 mmcf/d. The plan provided for part of the line's 425 mmcf/d to be delivered to various customers in New England. Although the company filed the application with the intent to proceed, it did not pursue the plan aggressively because arrangements which supposedly had been made between Texas Eastern and certain New England utility companies fell apart at the last minute.¹⁷

In Boston to close the deal for the venture, Poe received a telephone call at his hotel before leaving to meet with the other partners in the deal and sign the papers. A representative of the financial institution that had tentatively agreed to finance the project told him that pressure had been brought on them by outside sources and they were backing out of the deal. Whether the pressure came from a competing company or from the other utilities is uncertain. But when the local companies involved came to believe that their share of the proposed profits might be insufficient, the deal broke down. One journal vividly described the situation: "This proposal got a freeze-out which is memorable even in New England, where the fiscal climate has long been adverse to outsiders who propose
to make money New Englanders might be making themselves. 18 With the disruption in Texas Eastern's original plan to sell gas directly into the New England area, the company modified its plans to construct an additional 26-inch line and lowered its original capacity requirement. The prospects for the New England market remained bright, but the company's immediate plans to become its dominant supplier stalled. 19

After Texas Eastern's initial unsuccessful attempt to sell gas into New England, the company entered negotiations to revitalize a version of the original deal. In 1948, Reginald Hargrove developed a new strategy. He proposed to form a jointly owned pipeline to be named the Algonquin Gas Transmission Company with the same New England distributors Poe had dealt with a year earlier. In this plan, Texas Eastern would not own a controlling share in the pipeline, but it would be Algonquin's major, if not sole, natural gas supplier. To supply Algonquin, Texas Eastern proposed to extend its system directly into New England. Texas Eastern also commenced plans to construct a third trunkline to increase its overall system capacity. Dubbed the Kosciusko line after its point of origin at Kosciusko, Mississippi, the new 30-inch line would receive 134 bcf per year from United Gas Corporation. 20

Hargrove's new approach to Texas Eastern's plan to enter the New England market succeeded. On September 28, 1949, Algonquin Gas Transmission Company came into being. The participants in the deal designed Algonquin to connect Texas Eastern's lines with major New England utilities. These regional gas distributors, which in 1948 produced more than 50 percent of the manufactured gas used in Massachusetts, Rhode Island, and Connecticut, controlled the company while Texas Eastern had a minority interest. On January 24, 1950, Algonquin filed an application with the FPC to construct and operate a natural gas line connecting with Texas Eastern facilities in New Jersey and running north to the Boston area. Algonquin proposed to serve most sections of all New England states where economically feasible except Vermont and Maine. 21

COMPETITIVE STRATEGY FOR CERTIFICATION

Gardiner Symonds wasted little time in responding to Texas Eastern's challenge by mapping his own strategy to enter the region. His company's original plan to enter New England faltered in April 1948 for similar reasons. After the FPC approved Tennessee's scaled-back application in
July 1949, certifying it to sell gas to Buffalo, New York, the company revitalized its New England expansion plan by proposing to extend its main line from Buffalo to the New Hampshire–Massachusetts state border, where it would connect with a new New England pipeline system to be controlled solely by Tennessee Gas. In August 1949, a few weeks before the incorporation of competitor Algonquin, Symonds organized the Northeastern Gas Transmission Company, a wholly owned subsidiary of Tennessee Gas Transmission, to compete with Algonquin for both regulatory certification and New England markets.22

Northeastern then neutralized any plans Transcontinental may have had to build its own line into New England by agreeing to purchase gas from it. On April 28, 1950, the FPC approved Transco’s application to increase its gas sales to 505 mmcf/d. Sixty-five mmcf/d of the total would be dedicated to Northeastern; the South Jersey Gas Company would take delivery of the gas until Northeastern was ready to accept it. Transcontinental began plans to build its own New England extension to connect with Northeastern Gas at the New York–Connecticut border. In addition, Tennessee Gas proposed to sell Northeastern 120 mmcf/d through its Buffalo extension. Arranging gas supply quickly and acting fast to put Northeastern in motion gave Tennessee Gas an advantage over Texas Eastern in this phase of the competition. In a matter of weeks, two major companies put forward competing proposals to supply natural gas to Boston and the remainder of New England.23

Northeastern aggressively pushed the certification process to force the FPC to certify its New England pipeline. The company applied for a certificate on August 24, 1949, for the estimated $17 million New England expansion program. The pipeline would consist of 511 miles including laterals and have a capacity of 350 mmcf/d. Northeastern had already contracted for gas sales to distribution utilities in the six New England states. Other prospective customers were then considering contracting for gas. But some of the largest gas utilities in Massachusetts, particularly in Boston, were already committed instead to Algonquin.24

Symonds refused to accept competition from the proposed Algonquin line. Soon after organizing Northeastern, he traveled to Maine to present a speech, “Natural Gas for New England,” to the New England Council. Reminding his audience of spring 1947, when he said Tennessee Gas would work to bring natural gas to New England, he now told them that his Northeastern subsidiary would sell gas to New Englanders purchased from both Tennessee Gas and Transcontinental. Symonds also reviewed
his company's history and general expansion plans aimed at bringing natural gas to New England.

In his talk, Symonds took a not-so-discrete shot at Texas Eastern. Symonds emphasized that Northeastern would not be a promotional scheme. "There will be no promotion stock; no founders' share to divide among insiders. Tennessee has not and will not do business that way." However, Symonds had to deal with the fact that Tennessee Gas would own all of Northeastern. Symonds noted that Alexander Macomber of Boston would be chairman of Northeastern's board and that several other New Englanders would be included as well. Others associated with Tennessee Gas included Daniel H. Morrisey of Rhode Island, who had been affiliated with Stone & Webster, which had a controlling stock interest in Tennessee. For legal counsel, Northeastern hired Thomas H. ("Tommy the Cork") Corcoran for representation at the FPC. Corcoran, a former New Deal legal aide to Franklin Roosevelt, had previously associated with one of the unsuccessful bidders for the Inch Lines.

Symonds justified Tennessee's ownership of Northeastern by stating that the parent company needed full control over its subsidiary, particularly during its formative years, in order to ensure that it operated correctly. Tennessee Gas would not own Northeastern permanently, he indicated, and New England investors would have the opportunity to participate in ownership, presumably through public stock offerings.

The substantial differences between the organization of Northeastern and Algonquin influenced public opinion in New England. Despite Symonds's defense of Tennessee Gas's complete ownership of Northeastern and pledge that it would not always own it, his plan aroused considerable resentment of "outside capital." Actually, Tennessee Gas opposed local ownership of Northeastern on the grounds that the local utilities retained huge investments in manufactured-gas plants and were dominated by coal interests hostile to natural gas. Under this scenario, these firms might well attempt to stifle or choke off the development of natural gas in New England. Local media accounts decried Tennessee Gas's total ownership and management of Northeastern and cited the need for "keeping New England for New Englanders." True to character, Gardiner Symonds did little to blunt such criticism; instead, he fueled the controversy by proclaiming that "we had no intention of giving away part of (Northeastern) for the privilege of doing business in New England."

In contrast, Texas Eastern's more culturally sensitive project included a leading role for local interests; two New England utility companies,
Eastern Gas and Fuel Associates and New England Gas and Associates, owned over 70 percent of Algonquin. In all, Texas Eastern owned only 28 percent of the venture, a fact Reginald Hargrove put to good use before audiences in New England; he described Algonquin as “a joint venture—one-fourth ours, three-fourths New England’s.” Hargrove had learned from Poe’s experience with Minute Man that success in the New England market would necessitate substantial participation by New England partners. Wisely, he promoted this view, which was in sharp contrast to Tennessee Gas’s seemingly callous strategy.

Apparently, Hargrove’s plan to supply gas to a new regional distribution system appealed to at least some New England utilities. In explaining his company’s reasoning behind joining the Algonquin plan, F. D. Campbell, president of the New England Gas and Electric Association, sent Texas Eastern vice president George Naff proposed wording from NEGEA’s annual report: “Independent engineers confirmed our earlier opinion that New England gas utilities would secure better terms, greater reliability and a more adequate supply if Algonquin were to build a pipe line system to serve part or all of New England than if they were to individually contract with Northeastern Gas Transmission Company, a wholly-owned subsidiary of Tennessee Gas Transmission Company.”

Aside from the highly public debate between Tennessee Gas and Texas Eastern, other groups were organizing to oppose the efforts of both pipeline companies to expand their service into New England. In a report delivered to Texas Eastern, a research group noted that since the summer of 1949, about one year after Tennessee Gas announced the formation of Northeastern, oil marketers who served the majority of New England’s residential heating customers had begun working through various trade associations to keep natural gas out of New England. Citing how the introduction of natural gas into Chicago and Detroit “had [placed] oil marketers right over a barrel,” fuel oil dealers were facing an economic threat similar to that of the manufactured-gas industry.

The contest for New England markets continued in the regulatory arena, the FPC, and the media. During early 1950, the FPC began separate hearings for the applications of Northeastern and Algonquin to serve the New England market. At the very least, witnesses expressed a great interest in purchasing stable natural gas supplies. Even Paul Dever, governor of Massachusetts, presented a paper appropriately titled “Our Need for Natural Gas in Massachusetts and New England.” However, the hearings also became a showcase for the intense competition between the
two subsidiaries. During a recess in the hearings in April and early May, Algonquin realized that it might be able to serve at least some markets in New England faster if it proposed to share part of the market with Northeastern. In accord with this change in strategy, Algonquin filed an amendment on May 1, 1950, to its original FPC certificate application and proposed to serve only Connecticut, Rhode Island, and eastern Massachusetts, including the Boston and Worcester metropolitan regions.

Initially, the FPC indicated that a single company, or supplier, should serve the entire New England market. However, the commission soon expressed doubts about the ability of either one of the companies to fulfill the area's long-range market demands. In order to compare and monitor each plan, the FPC consolidated the applications of both Northeastern and Algonquin. The consolidated hearings began in July 1950.

During these hearings, Reginald Hargrove made several speeches to New England business groups both to garner support and to reassure them that adequate gas supplies would always be present. In one instance, Hargrove received an opportunity to speak before the New England Council in September 1950 on its twenty-fifth anniversary. He pointed out that the projected capacity of Algonquin as supplied by his company could, if need be, fulfill the New England demand during all seasons if the company did not first receive FPC permission to serve only part of New England. Hargrove, appearing flexible and even-handed, noted that although natural gas would benefit residential and commercial customers, most northeastern industries might find industrial bituminous coal and fuel oil cheaper to use in the near future. He presented his company as one that was there to serve customers, not fight off competition. He told the audience that Texas Eastern would gladly serve all of New England or part of the area. "We stand ready," said Hargrove, "to undertake to serve the entire New England market ourselves if this appears to be the most desirable manner for such service to be rendered."32

The current series of FPC hearings ended in September. The FPC then issued its Opinion no. 201 on October 4, 1950, regarding the hearings. In this opinion, the FPC overtly criticized both companies. The FPC remarked that each of them proposed to serve only certain distribution companies and not the entire New England area. Both proposals contained unnecessary duplication and overlapping facilities. If either proposal was certificated, the other would become infeasible and many parts of New England would remain without natural gas.

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The commission blasted both Algonquin and Northeastern for disregarding the needs of the New England fuel market. "It is clear," the FPC reported, "that these applicants in proposing to make natural gas available to New England—a highly industrialized area with extremely high fuel costs, and one of the few remaining areas in this country without natural gas—have placed their own selfish interests, and those with whom they are associated, above the best interests of the public." The commissioners went on to say that neither project met their requirements for serving New England. In concluding its opinion, the FPC said it was prepared to reopen the hearings if necessary.

Algonquin interpreted the FPC's opinion as an indication that it desired both companies to devise a plan to serve New England jointly without overlapping facilities yet provide service to the entire region, a position consistent with the amendment to its original certificate application. On this basis, Algonquin telegraphed Northeastern on October 5, in accord with FPC Opinion no. 201, and suggested that the two companies devise a plan to divide the New England market between them.

Northeastern's blunt and uncooperative reply came on October 9 in the form of an additional proposal filed with the FPC requesting that in a separate hearing, Northeastern should receive a certificate to serve, as quickly as possible, the entire New England market. After learning of Northeastern's proposal through a company-issued press release, an Algonquin lawyer, John Rich, telegraphed Gardiner Symonds: "Such press release and proposal seem to constitute complete rejection of our proposals to you."

Symonds was quick to reply. Later the same day he telegraphed Algonquin that the FPC had not in fact endorsed any plan to divide the New England market between the two companies. Instead, Symonds noted that his companies were willing to spend large amounts of money to bring natural gas to New England unless

the ultimate merchandising company is to be throttled by the control or stalemate of representatives of coal and other competing fuels. . . . Tennessee is convinced that Algonquin is under the domination of persons whose primary interest is the protection of the coal industry. Our experiences with you in the past year have convinced us that such domination would not only work against the interests of the New England public and the New England gas-distributing companies but also against the interests of Tennessee itself as a seller of natural gas. . . . In the interests of the people of New England . . . the one essential is single management responsibility concerned only with selling natural gas."
Symonds's charge that coal interests controlled Algonquin appeared correct but, in fact, was not. Eastern Gas and Fuel Associates and New England Gas & Electric Association (NEGEA), both of which were partners in Algonquin, did have manufactured-gas properties. But the NEGEA had been investigating the possibilities of using natural gas since the fall of 1946. Significantly, Eastern Gas and Fuel Associates, now a major stockholder in Algonquin, had only recently intervened in, and opposed, both Texas Eastern's and Transcontinental's original certificate hearings to sell natural gas in the Northeast. Eastern Gas and Fuel had once been owned by Koppers Company, which was a major coke, coal, and manufactured-gas enterprise. However, recognizing the superiority of natural gas, Eastern Gas and Fuel allied with Algonquin and encouraged its subsidiaries to purchase natural gas as well. As Texas Eastern's Reginald Hargrove pointed out, Algonquin—including one of its major stockholders, Eastern Gas and Fuel—had already invested considerable money in natural gas and "no company is going to throw $3\frac{1}{2} million away for a front."\textsuperscript{36}

Despite its earlier criticisms of both Algonquin and Northeastern, the FPC chose to force the two companies to share the New England market. Northeastern had applied for a certificate first, and the FPC granted Northeastern a certificate first, on November 8, 1950. But the FPC ruled that Gardiner Symonds's Northeastern could sell gas only in what amounted to approximately 54 percent of the New England region, with the remainder to be reserved for Algonquin. The FPC gave Symonds thirty days to accept the certificate, and on November 10, Northeastern officially accepted it.\textsuperscript{37}

Gardiner Symonds, quick to capitalize on his prized certificate, made a forceful presentation to the Boston Security Analyst Society meeting in December 1950. Symonds defended Northeastern's claim to the entire New England area by reiterating that only Northeastern had a certificate to sell natural gas into the region. He then attempted to enflame the passions of the analysts: "And what is more significant than anything else, [we have] a burning desire to get natural gas to New England and get it here quick, and again, to sell it under a tariff that will encourage its use."\textsuperscript{38}

By default, however, Texas Eastern's affiliate claimed slightly less than half the regional market, but its share included the largest city in the area, metropolitan Boston. In a separate decision a few months later, the FPC authorized Algonquin to begin constructing its pipeline.\textsuperscript{39} Texas Eastern then quickly signed a gas supply contract with Algonquin on May 16,
1951. Five days later, Algonquin signed contracts with nine New England utilities, most of which were located in eastern Massachusetts and in Rhode Island.

Symonds, however, had no intention of abiding by the FPC ruling which divided New England. The following month, Northeastern filed for a certificate to serve two additional small distribution companies and “all of the towns and communities which Algonquin Gas Transmission Co. has applied to this Commission for authority to serve.”\(^{40}\) The FPC approved Northeastern’s application except for the parts allowing it serve Algonquin’s proposed market area.

Symonds next appealed to the FPC for a rehearing, but the agency dismissed his plea. Clearly annoyed at Northeastern’s tactics, the FPC stated that “Northeastern was permitted to develop its case in full, including its opposition to Algonquin’s application, and it cannot now thwart the expeditious disposition of its competitor’s application by filing a second exclusive application.” In unusually harsh language, the FPC harangued Tennessee for manipulating and hampering the regulatory process: “If such actions were permitted, hearings might continue \textit{ad infinitum} and regulation which was designed to protect the consuming public would fail of its purpose and become a time-consuming process.”\(^{41}\) The FPC realized that it might ultimately receive blame for delaying the introduction of natural gas into New England. But FPC chairman Thomas C. Buchanan disagreed with the FPC’s majority decision to reject Northeastern’s application. He claimed that a rejection of Northeastern’s application was tantamount to giving Algonquin an unfair advantage in New England.

Soon thereafter, Northeastern applied for a certificate to increase the size of pipe in its Northeastern system from 20 to 24 inches. Northeastern’s primary reason for wanting to increase the size of its pipe was that there was not enough 20-inch pipe available while 24 inch was available. The FPC discovered, to its dismay and further annoyance at Gardiner Symonds, that the only reason 20-inch pipe was not available to Tennessee was that Symonds himself, now chairman of Northeastern, had personally ordered its pipe supplier to roll 24-inch pipe instead of 20 inch. Until that date, 20-inch pipe was available. Although disturbed at Symonds’s actions, the FPC decided that Northeastern’s need for larger diameter pipe was justified by market demand.\(^{42}\) With a certificate and operational pipeline into some parts of the region, Northeastern began selling gas into portions of New England on September 28, 1951.\(^{43}\)
Northeastern received permission to use the larger diameter pipe, but it remained unable to garner a larger share of the New England market. Symonds continued to plot Algonquin's downfall. Still smarting over the FPC's refusal to allow Northeastern to serve Algonquin's market area, Symonds took his case to the U.S. Third Circuit Court of Appeals, claiming that Northeastern had been denied due process by the FPC. The court agreed and set aside previous commission actions and remanded the entire case to the FPC. This negated previous FPC decisions establishing market shares and also nullified the permit for the construction of Algonquin's pipeline. Subsequent appeals by Algonquin and Texas Eastern to the U.S. Supreme Court via writ of certiorari were denied. The FPC then set new hearings to begin November 1952.44

As the regulatory agency and the courts put forward their opposing views of the proper procedures for defining competition through regulation, months and then years were sliding past, with little natural gas reaching New England. This delay was not only frustrating executives at Texas Eastern, Algonquin, Tennessee Gas, and Northeastern, it was causing their gas suppliers to question their wisdom in dedicating gas to ventures hopelessly tied up at the FPC. Transcontinental, which had agreed to sell 64 mmcf/d to Tennessee Gas and build a New England extension for that purpose, was now publicly questioning whether it would ever deliver gas to Tennessee. Transcontinental's 1951 annual report stated that owing to "unavoidable delays" for Northeastern and Transco, Transco had made no deliveries of gas to Northeastern by the contract date, and no arrangements had been made to extend the contract. On October 29, 1951, Transcontinental notified Northeastern that it had canceled the gas supply agreement "because neither Transcontinental nor Northeastern had built the necessary facilities by September 1, 1951."45 Clearly, Transco's self-interest was in signing good contracts with the many customers along its pipeline route who would immediately take and pay for the gas.

PUBLIC EXPOSURE

The hiatus between hearings was filled with media reports in magazines such as Life, Fortune, Time, and Forbes outlining the competition between Algonquin and Texas Eastern versus Northeastern and Tennessee Gas. Gardiner Symonds's aggressive tactics attracted particular media attention. Press reports generally speculated that Symonds's in-
tense interest in New England and his antagonism toward Algonquin were sparked by his loss of the Inch Lines to Texas Eastern. "That’s a bunch of bunk," Symonds responded. He was not averse, though, to injecting personal feelings into business. Referring to Algonquin’s attempt to serve New England at Northeastern's expense, Symonds said, "They delayed us for two years. They harassed us and kept us over the griddle and made all the trouble they could for us. I’m just vindictive enough to want to do the same thing to them."46

When the Federal Power Commission finally reopened hearings on the New England matter on October 31, 1952, public opinion within the region seemed to favor the original FPC proposal that the two companies, Algonquin and Northeastern, share the market. Some public officials, including Massachusetts governor Paul Dever, also favored the dual-supply approach. After Northeastern rejected the dual-supply proposal, though, Dever sought to mediate a compromise settlement but Gardiner Symonds turned a deaf ear. Dever responded by reaffirming his support for the dual-supply plan along with the backing of Massachusetts Congressman Henry Cabot Lodge and Senator Leverett Saltonstall. A month later, the state's governor-elect, Christian Herter, added his endorsement for the dual-supply approach.47 This support no doubt sprang from the local concern that New England’s natural gas consumption, shaped as it was by the harsh conditions of nasty winters, could well demand the capacities of more than one supplier. As this debate went back and forth, the FPC’s new hearings on Algonquin’s certificate application continued relentlessly, lasting from November 1952 through the following June.

By the late winter of 1951–52, Northeastern had completed its entire New England line after battling not only the FPC but landowners as well. During the subsequent construction phases of the pipelines, both companies encountered localized and regional opposition throughout New England. Often, landowners resisted the pipeline company's attempts to purchase easements on which to lay their pipeline. In some circumstances, the company would invoke the power of eminent domain. In both Massachusetts and Connecticut, legislatures had adopted processes through which a pipeline company could proceed with the eminent domain process. Farmers and other landowners, however, resented "these Texas boys in their cowboy boots and their big hats . . . chopping down hedges and clearing the right-of-ways" and went directly to their respective legislatures to oppose the pipeline plans.48 Northeastern was able to overcome local opposition and soon completed construction of its line.

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Algonquin's line suffered more from regulatory delay than farmers' opposition. It stood some 100 miles short of completion, stalled by the courts pending the FPC's decision. The delay cost a reported $32,000 daily in idle men and materials, and the project threatened to overrun its estimated $50 million cost by a considerable margin. Algonquin appealed to the FPC for an emergency certificate to get construction under way again, but the commission refused pending the rehearing process. Press reports speculated that if the FPC ultimately refused to approve Algonquin, the company "faced the gloomy prospect of trying to sell its premature pipeline for what it could get to the only possible bidder: its No. 1 enemy, Gardiner Symonds and Northeastern."49 With this unlikely but frightening prospect in mind, Texas Eastern's 1952 annual report expressed concern to stockholders about the future of Algonquin, indicating that competing interests had convinced the FPC to conduct further hearings on the Algonquin matter. Although Texas Eastern had already invested $4 million in the Algonquin project, it reported that it did not "consider the extent of such exposure after tax credits to be particularly significant in relation to the size of the company's other assets and investments."50

Symonds pressed the attack. He and his supporters argued that the increased costs of Algonquin's construction eventually would be passed on to the consumer with higher rates. The prospects of higher gas rates, according to Symonds, were still another reason supporting a single New England supplier, his own completed Northeastern pipeline. Symonds also went to Washington for help in his cause. Early in the struggle he had employed the services of Washington attorney and lobbyist Thomas Corcoran. Corcoran did what he could to gain congressional support for Symonds. In the summer of 1950, a Life magazine article reported that Massachusetts congressman John McCormack, Democratic majority leader and a long-time friend of Corcoran, had "convened a meeting which has never been matched in FPC annuals. Four of the five commissioners and several of the staff attended. New England representatives and senators rawhided the commissioners for upward of two hours, telling them in effect to quit stalling and get gas into New England—or else. Corcoran, apparently overcome by good taste, did not attend." Later, McCormack tried to clarify his own intentions about the meeting and his overall efforts in the matter: "I was for natural gas—period," he said. "I was for the consumer. If the position I took worked to the benefit of one company or the other, that was not my responsibility."51
New England Spoils

Such a meeting no doubt strengthened the case for Northeastern, which at that point was substantially ahead of Algonquin in having a completed pipeline delivering gas. The same source commented on Texas Eastern’s lack of allies in Washington: “Meanwhile, if the Brown-Hargrove group and their New England partners had any friends in court, they kept well out of public view. Secretary of Labor Maurice Tobin, of the Boston Tobins, is the only Washington figure of any note who took a manifest hand in their behalf, and he says his efforts were confined to four or five introductions at the commission and elsewhere.”

Tennessee’s influence also seemed to have penetrated the FPC itself. Fortune published an article stating that FPC chairman Thomas Buchanan favored Tennessee Gas throughout the New England episode; indeed, he cast the only dissenting vote when the FPC refused to allow Northeastern to serve Algonquin’s service area. The article tried to show how Tennessee Gas attorney Corcoran, a personal friend of Buchanan, had close ties with Senator Francis Myers of Philadelphia, a long-time opponent of the natural gas Inch Lines who had sponsored Buchanan’s appointment to the FPC.

On Algonquin’s side, President John F. Rich, a Boston attorney and investor in charge of Algonquin’s strategy, noted Tennessee’s highly public political allies and their maneuvering. “After all,” he said, “Corcoran has had a liberal education in that kind of thing. I think we were less experienced and didn’t do so much.” The press reported, however, that Governors Dever, Saltonstall, and Lodge urged the FPC to certify Algonquin. The public nature of this highly charged political competition may have in fact forced the FPC to treat both companies fairly in order to deflect further criticism of itself.

The ultimate solution to the competition could come only when the FPC completed its hearings and made a decision. The basic problem continuing to face the FPC was its attempt either to choose one or the other pipeline to serve all of New England or to somehow divide the market between the two in a mutually acceptable manner. At the same time, potential natural gas consumers in Massachusetts were publicly asking the FPC to allow gas to flow first and “iron out [the] difficulties” later. Supporting this view was Massachusetts governor-elect Herter. He told the FPC: “I have felt very strongly that the interest of the State of Massachusetts will be best served by having two separate companies serving the state, rather than having one single company operating as a single unit within the state as a whole.” During the next month, Governor Lodge of Connecticut
invited representatives of both Algonquin and Northeastern to meet with him to discuss ways of getting gas to his state that winter.\textsuperscript{56}

By early 1953, however, the competition actually increased. Still on the offensive, Northeastern sought to attract public support to its position through publication of a series of full-page advertisements in the *Boston Herald*. One ad, titled "Who Built the Natural Gas Roadblock? Why was it Built? Will it be Removed?" attacked Eastern Gas and Fuel Associates along with Algonquin.\textsuperscript{57} Within a few days, a *Boston Herald* editorial defended Algonquin’s position.\textsuperscript{58}

Another problem was the sheer magnitude of the task: marshaling information; filing legal briefs; presenting witnesses from both companies and their affiliates, retail distributors, and representatives of state and local governments; and listening to engineering specialists. The hearings involved eighty-three daily sessions and the appearances of 125 witnesses. The second round of FPC hearings took roughly the same amount of time as had been required to construct the Little Big Inch Pipeline. The war had prompted action; the creation of a new postwar regulatory regime in the natural gas industry at times seemed to paralyze all participants.

**CORPORATE AND REGULATORY AGREEMENT**

As the hearings plodded on, the FPC continued to seek a compromise similar to its initial ruling to divide the New England market between Northeastern and Algonquin. As months passed, Symonds and Hargrove, tiring of the costly delays, also seemed to moderate their initial positions. Appearing before the commission in March 1953, Symonds testified that even if Northeastern received the entire New England market, it would buy gas from both his company, Tennessee Gas, and its rival, Hargrove’s Texas Eastern. Shortly after, in a shift from his earlier stance, Hargrove stated that recent surveys indicated substantial market growth in New England which would “rapidly outdistance the ability of . . . one [company] service to be adequate for New England.”\textsuperscript{59} Both parties subsequently agreed to conclude the hearings on June 3, 1953, present final closing arguments within fifteen days of that date, and request a final decision from the FPC by July 1, 1953. On July 1, Tennessee, Northeastern, Texas Eastern, Algonquin, and two distribution companies filed with the FPC a proposed settlement letter providing a dual natural gas supply for New England which the FPC accepted.\textsuperscript{60} This conclusion to the long and drawn-out legal battle brought a degree of compromise and

moderation, or at least a form of battle fatigue, which encouraged all participants to leave the hearing room and return to the business of selling gas. The settlement largely reaffirmed the commission’s original decision. The two suppliers, Northeastern and Algonquin, shared the New England market with the latter retaining the Boston area (see map). In compensation for its exclusion from the Boston area, Tennessee Gas obtained the right to serve two local distribution companies previously
served by Texas Eastern in Louisville, Kentucky, and Pittsburgh, Pennsylvania, as well as several small towns in Tennessee. Just as the end seemed in sight, Gardiner Symonds introduced a new demand that threatened to stall the completion of a settlement. Previously, his company had filed an application with the FPC to supply gas to Niagara Gas Transmission Limited for Canadian markets. He subsequently announced that his acceptance of the New England settlement was conditional upon the commission's certification of an export license to fulfill the Canadian contract. At that point, several Canadian gas distribution companies scheduled to receive gas under the proposed Tennessee-Niagara contract intervened. They feared that if Symonds did not get what he wanted in New England, he would pull out of the Canadian supply deal, leaving Canadians without gas. As one intervenor put it, "Tennessee is hereby repeating its pattern of past conduct. It desires everything or nothing." Symonds subsequently appeared ready to justify this charge. When the FPC delayed approval of Tennessee's export license and set further hearings on the matter, Symonds was reported to be in "no mood to carry out the original agreement [the Algonquin-Northeastern settlement] until his Canadian market is guaranteed."

Within a few weeks the FPC granted Tennessee's export permit and Symonds accepted the New England settlement. This strategy was a choice example of the intricacies of competition in a regulated environment. Symonds correctly judged the desire of the FPC to wrap up the New England controversy and avoid becoming embroiled in what promised to be a politically charged dispute over Canadian gas supplies. By bringing the two issues together, he maximized his overall gains while forestalling another lengthy regulatory battle on the Canadian issue.

In early July, the companies officially submitted their settlement to the FPC. The following month, on August 6, the FPC granted certificates to both Algonquin and Northeastern that reflected the FPC's earlier decision to essentially divide the market between the two. Concurrently, the FPC authorized Algonquin to finish construction of its pipeline. The FPC had suspended work on the pipeline as it neared completion, but Algonquin needed only one month to finish the system. Algonquin began delivering gas to its New England customers on September 2, 1953. The introduction of natural gas into New England by both Algonquin and Northeastern meant the end of the manufactured-gas industry's monopoly in northeastern gas sales (see table 7.1).

Ironically, the intensity and the length of the battle for the New England market were not reflected in high profits once the ventures were under
(millions of therms)

<table>
<thead>
<tr>
<th>Year</th>
<th>Natural Gas</th>
<th>Manufactured Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945</td>
<td>0</td>
<td>321</td>
</tr>
<tr>
<td>1947</td>
<td>0</td>
<td>364</td>
</tr>
<tr>
<td>1949</td>
<td>0</td>
<td>375</td>
</tr>
<tr>
<td>1951</td>
<td>15</td>
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</tr>
<tr>
<td>1957</td>
<td>625</td>
<td>16</td>
</tr>
<tr>
<td>1959</td>
<td>894</td>
<td>16</td>
</tr>
</tbody>
</table>

Notes: New England includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.
A therm is equivalent to 100,000 Btu.

way. Perhaps profits had never been the primary prize at stake in the race to New England, which, after all, was not a market to rival the larger, more urbanized regions around New York City and Philadelphia. Much individual and corporate pride was on the line in this dramatic episode, which marked the first major confrontation of two aggressive competitors, each of which viewed itself as the leader in cross-country gas transmission.

Now that the FPC had dictated the pipeline companies’ respective market areas, the high level of industrial and political competition was over. Northeastern and Algonquin had become parts of a regional natural gas supply and distribution network with only one purpose: to supply natural gas to the consumer. Tennessee Gas, which had pretended to include New England’s interests in its Northeastern system, soon dissolved Northeastern Gas as a separate entity and took over its operation. The reason for this action was that Northeastern was not financially healthy; by merging with Tennessee Gas, Northeastern could delay the imposition of higher gas sales rates and improve its competitive position. To improve the overall operating characteristics of their respective systems, both Tennessee and Algonquin agreed in early 1954 to interconnect their lines at Southington, Connecticut. The systems were interconnected and could supply each other’s customers with gas, and the FPC, recognizing the oligopolistic nature of the pipeline industry, felt
more comfortable with two separate firms serving the region rather than a single regulated monopoly.

The New England episode represented an important case study of regulated competition. Both Tennessee Gas and Texas Eastern, unrestrained by the FPC, would certainly have constructed their facilities to supply gas to New England sooner. However, in view of the history of unregulated competition between highly capital-intensive operations based upon distant natural gas reserves, unregulated expansion in the 1940s and 1950s might well have resulted in gas supply problems and inadequate pipeline systems connected only to the largest regional gas distributors. The FPC acted to ensure a stable gas supply for the maximum number of possible customers by certifying projects capable of operating effectively and efficiently. By dividing the New England market into two areas and certifying two competing companies to serve them, the FPC effectively regulated the expansion of the natural gas industry into New England by ensuring a secure supply from stable suppliers.

The New England episode was the last in a series of highly politicized gas pipeline expansions into the postwar Northeast. Perhaps more so than in either the Philadelphia or New York City cases, the competition for New England characterized most clearly the FPC's regulatory practice. The interstate gas pipeline industry would be an interconnected system of nonduplicative, capital-intensive pipeline companies. Although single customers initially had access to gas directly from only one supplier, the various regional pipeline systems were interconnected, allowing gas to flow, for either normal business or emergency reasons, from producer to consumer.