

SCOMM

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Tennessee Gas Transmission
A Tenneco Company

Tenneco Building
P.O. Box 2511
Houston, Texas 77001
(713) 229-2131



January 18, 1977

Mr. Richard Maullin
Chairman
California Energy Resources Conservation
and Development Commission
1111 Howe Avenue
Sacramento, California 95825

Dear Mr. Chairman and Members of the Commission:

The purpose of this letter is to provide comments directed essentially toward Volume IV of your draft Biennial Report: "Alaskan Natural Gas: Criteria for Selection of a Transportation System."

Tennessee Gas Transmission and its sister company Tenneco Alaska, Inc. have not been an active participant in hearings leading to publication of your draft Biennial Report. We have, however, communicated with your staff concerning some issues discussed in the Report.

Recently Tenneco Alaska, Inc. signed an agreement with the State of Alaska to purchase a portion of the State's Prudhoe Bay royalty natural gas; a copy of that agreement is attached at Tab A. One term of that contract, which is presently being considered by the Alaska legislature, provides that we will support a transportation system for Prudhoe Bay gas involving a Trans-Alaska pipeline, a liquefaction facility in Southern Alaska, and trans-shipment to the lower 48 by LNG tanker. As provided in the agreement, we may lose the right to purchase Alaska's gas if that system is not selected.

Prior to signing that agreement, we were not committed to any of the three competing systems for transporting Alaskan natural gas to the lower 48 states. Before agreeing to support the Trans-Alaska transportation system our Company analyzed many of the same issues discussed in your draft Biennial Report for we risk the loss of our investment made in supporting the route if that route is not selected. We agreed to support that delivery system because we have concluded that it is more in the national interest of the United States than the two competing delivery systems and, for this reason, is more likely than either of them to be designated by the President pursuant to Section 7 of the Alaska Natural Gas Transportation Act of 1976.

In the following portions of this letter I will set forth, though necessarily in somewhat summary fashion, many of the considerations behind our conclusion that the Trans-Alaska delivery system has national interest advantages over the competing systems. I am hopeful these

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comments will be useful to you not only in preparing your final Biennial Report but also in preparing comments to the President pursuant to Section 6 of the Alaska Natural Gas Transportation Act of 1976.

The criteria we applied in reaching our decision were essentially the same as those outlined on pages 9-10 of Part IV of your Biennial Report. Since we do not have customers in California, we were not directly concerned with your criteria 8 and 10; however, we recognize that these issues are appropriate for consideration by the State.

In addition to the criteria listed in your report, we also considered the following specific criteria:

- Future expansibility of the delivery system to accommodate new discoveries of Alaskan natural gas;
- Consistency of the delivery system with probable future U.S. energy policy.

To a degree we agree with the statement at page 9, Part IV, of the draft report that:

Given the difficulties in siting and regulating operations of liquefied natural gas (LNG) terminal facilities, El Paso's proposal to transport North Slope gas by pipeline to Southern Alaska and then to liquefy it and transport by ship in the form of LNG would place California in a position of unnecessarily high reliance on a form of gas delivery more appropriate for import projects for which there is no overland pipeline alternative.

The degree to which we agree is that if the proposed pipeline projects crossed only U.S. territory thereby eliminating the additional levels of governmental controls and regulations and if they did not give rise to serious native claims issues, we believe the pipeline delivery system proposed by Arctic Gas would be preferable to an LNG delivery system from a "national interest"--as opposed to a California or an Alaskan point of view, even though the Arctic Gas Route presents some very difficult environmental problems and some unique Arctic construction problems. For reasons discussed below, we do not have the same view of the Alcan route.

We believe, however, that it is not possible to ignore or minimize the significance of the fact that both of the competing pipeline proposals must transit a very significant portion of Canadian territory and that this fact gives rise to many serious questions concerning financability, timely completion, operating costs, and the expansibility of these projects. In fact, under the test quoted above, we seriously doubt that, as a practical matter, there is an available "over-land pipeline" alternative to the Trans-Alaska delivery system because legitimate and foreseeable Canadian interests

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will preclude approval and completion of a trans-Canada pipeline within the time frame within which Alaska gas must reach our lower 48 states if our national interests are to be served.

Our assessment of these issues has been made from the perspective of a company that is by no means anti-Canadian. We have substantial business interests in Canada, and we intend to maintain and, to the extent possible, further those interests. Moreover, we have the highest respect for the ability of Canadian leaders to reach and implement decisions that are in the interest of the Canadian people. It is precisely for these reasons, however, that we believe the Canadian government will not reach a decision within the near future (i.e., the next two years) to grant necessary permits for, and to allow the actual construction of either the proposed Arctic Gas pipeline (with or without a Western Leg) or the proposed Alcan pipeline.

The salient points of our analysis are as follows:

a. Neither of these projects is necessary to assure that projected Canadian demand for natural gas can be met by Canadian supply within the next five to seven years.

- As recent testimony before the NEB reveals, there are substantial unconnected supplies of natural gas now available in Canada other than discoveries in the Mackenzie Delta. These supplies could be connected and delivered through existing delivery systems to markets in Canada.
- Demand in Canada has not been increasing at previously projected rates. Prices have increased more in that country than in this country, which has had a dampening affect upon demand.
- If interim supplemental supplies are necessary within approximately five to seven years, there are other alternatives available to Canadians. As an example, Tenneco LNG Inc. has contracted to land the equivalent of a billion cubic feet per day of Algerian LNG in New Brunswick of which up to 17% is available for Canadian consumption.

b. Available evidence indicates that reserves sufficient to sustain Canadian participation in a major pipeline project are likely to be proven in the Canadian Arctic Islands before they are proven in the Mackenzie Delta.

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- Current reserves discovered in the Arctic Islands total 15-16 Tcf. Threshold volumes sufficient to justify a pipeline market outlet range from 20 to 30 Tcf depending upon pipeline size and desired deliverability.
- Two new ventures have recently been consummated which will commit sufficient exploratory funds in the Arctic Islands to insure the discovery of threshold reserves. In the fall of 1976, Home Oil Company agreed to purchase \$30.5 million of Panarctic common stock with the funds to be allocated to exploration over a three-year period. The second venture involves a commitment by a consortium composed of Imperial, Gulf, Petro-Canada and Panarctic to spend \$80 million for Arctic Island exploration over the next five years. These new funds, combined with other monies destined for Arctic exploration, will support the activity level necessary to discover the reserves required to meet future Canadian demand plus the possibility of additional future exports to the U.S.

c. Approval and implementation of either the Arctic Gas or the Alcan project would have negative economic impacts in Canada which would not be off-set by economic advantages, at least in the absence of a strong Canadian demand for Mackenzie Delta gas. In any event there are insufficient proven reserves in the Mackenzie Delta to provide the daily deliverability required to justify the project.

- Canadian law and regulations require majority equity ownership of facilities located in Canada and that, to the extent possible, such facilities be built by Canadian materials and labor. Fulfillment of these requirements will preclude the implementation of any other substantial gas pipeline project in Canada for the next several years and could deny financing to other substantial public works, or energy-related projects in other parts of Canada during this same time period.
- Implementation of either of these projects will have an inflationary impact in Canada that will be nationwide.
- The primary benefits to be derived from these projects will be jobs and tax base in Western Canada, where unemployment is lower than in other parts of Canada and where per capita income is higher.
- The negative economic impacts of these projects will be felt primarily in Eastern Canada where there is higher unemployment, lower per capita income, a greater population,

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political division, and where a substantial portion of economic activity is devoted towards the manufacture of products for export, which activity is very directly and negatively impacted by inflation.

d. Legitimate native claims, socio-economic and environmental concerns expressed by many Canadian citizens will be voiced in the forthcoming Berger Commission report. The existence of this report, regardless of its conclusions, will make it difficult for the Canadian government to override these concerns and approve and allow the prompt implementation of either the Gas Arctic or Alcan projects without an extended period of debate.

--- All indications we see from Canadian news reports are to the effect that there is substantial opposition by the native peoples and by environmental and other groups in Canada to either the Arctic Gas or the Alcan projects.

--- While opposition to the Alcan project appears to be less than opposition to the Arctic Gas project, the benefits to Canada are much less from the Alcan project than from the Arctic Gas project because Alcan will supply no Canadian gas to Canadian markets.

e. The facts under paragraphs a through d provide the Canadian government an opportunity and sound reasons to delay at least two years the decision whether Mackenzie Delta gas or Canadian Arctic Island gas should be the next source of Canadian gas to bring to Canadian markets. Proposals that do not depend upon approval of the Arctic Gas or the Alcan project are on the drawing boards for both such projects--i.e., the Foothills project for Mackenzie Delta gas and the Polar Gas project for Canadian Arctic Island gas. Many complicated considerations will bear upon a Canadian decision as to which project should proceed first. It would not be in the Canadian government's interest to make a precipitous decision on that issue, which would be the case if they were to approve the Arctic Gas project or the Alcan project within the next year or two.

f. Other, more fruitful avenues of U.S.-Canadian cooperation are available than the Arctic Gas or Alcan projects.

--- Success in any jointly-approved and supported major energy project will be important to both the U.S. and the Canadian governments. For reasons discussed in this letter, both the Arctic Gas and the Alcan projects involve substantial risks of delay, financial difficulties, and of disputes over future expansibility and provincial taxes. Both the U.S. and Canadian federal governments will want to avoid disputes over these issues.

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- The most immediate prospect for successful cooperation is the Tenneco-Algerian LNG project which is the subject of filings before the NEB and FPC on December 20, 1976.
- The Polar Gas Project is also a possible avenue of successful U.S.-Canadian cooperation in the energy area. We expect that project to be the subject of a filing before the NEB in the last quarter of 1977.
- U.S.-Canadian cooperation may be required to implement a delivery system to take surplus West Coast oil to our Midwest.

A review of the submittals to the National Energy Board concerning the proposed Arctic pipelines reveals some divergence of opinion as to which route or if any proposed route is in the best interests of Canada. In the near future we will consider commissioning a study by a neutral, respected Canadian expert to assess the validity of the points made under paragraphs a through d above and to determine the probable net economic benefits to the Canadian economy and the various geographical areas of Canada of the various alternatives available to Canada. If such a study should reveal that it is not in the national interest of Canada to grant the necessary approvals and allow implementation to begin for either the Arctic Gas or the Alcan projects within the next two years, we believe that these projects should not be considered by U.S. authorities as practical alternatives to a Trans-Alaska LNG system for delivering Prudhoe Bay gas to the lower 48 consistent with United States' national interest. The supply/demand picture in the lower 48 states requires the promptest practical delivery of Prudhoe Bay gas to our markets. The critical shortage of domestic natural gas supply existing today due to the extremely cold and prolonged weather east of the Rockies has highlighted these requirements.

We believe the following considerations also support the conclusion that the Trans-Alaska delivery system is in the national interest and will be approved by the President.

i. Once construction starts, timely completion of the Trans-Alaska system is more reliable than timely completion of either of the other projects. Risks of construction delays for the Arctic Gas project are substantially greater than they are for the Trans-Alaska project, as revealed by Department of Interior reports. Both Arctic Gas and Alcan face purely internal Canadian issues, such as native claims. As your report so appropriately points out beginning at page 11 of Part IV, decision makers must consider the probable completion date, rather than the date when permits are granted, in determining what project is in the national interest.

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ii. The Trans-Alaska project will create more U.S. jobs and generate more U.S. taxes than either of the competing systems.

iii. The Trans-Alaska system can much more readily be financed for the reasons cogently set forth in the December 16, 1976, summary brief of El Paso filed in the FPC proceedings (CP76-96, et al) at pages 13 to 16. This is a matter of extremely great practical and political significance as reflected by Section 7 of the Alaska Natural Gas Transportation Act. It would be a serious mistake to believe that these financing problems will not materially delay both the Alcan and Arctic Gas pipeline routes after necessary governmental approvals for the project have been obtained.

iv. Present information indicates to us that the Canadian government may not reach a decision on this issue prior to the end of 1978, while the Alaska Natural Gas Transportation Act requires a decision from the President no later than the end of 1977. Arctic Gas Pipeline indicated in mid-December, 1976, that final government approval of the project could not be expected before April 15, 1978.

v. If the U.S. government takes action to reject as a practical matter the Trans-Alaska delivery system before the government of Canada has taken all necessary steps to assure that it will grant permits for and allow the promptest practicable completion of one of the competing pipeline alternatives, the United States will be subject to a serious bargaining disadvantage vis-a-vis the Canadian government. The Canadian government's responsibility is to its citizens, and this responsibility will require it to take advantage of its bargaining position.

vi. Because onshore and offshore Alaska will be the most prolific area of exploration for energy in the lower 48 states during the next 20 to 30 years, national policy should favor the development of delivery systems to take that energy (oil and gas) from the West Coast to other parts of the United States. (Existing delivery systems from the Gulf Coast to the West, East and Midwest reflect the fact that the Gulf Coast has been our major source of energy supply.) Natural gas will probably be found in substantial quantities in various parts of Alaska, onshore and offshore. West Coast LNG facilities will facilitate delivery of this gas to the Eastern part of our nation. They will also facilitate the importation of LNG from Indonesia and Latin America as natural gas in those areas becomes available for our markets.

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vii. There will be substantial U.S. opposition to the Arctic Gas proposal because of its impact upon the Arctic Natural Wildlife Range. This opposition can take many forms and can delay timely completion of that project, even if it is approved. The prospect of such delay will be a major factor in any decision looking toward the promptest practicable implementation of a delivery system from Prudhoe Bay gas.

viii. Close scrutiny reveals, as reflected in the Staff report of the FPC, that the Alcan project offers no substantial economic or environmental benefits to the U.S. compared to the Trans-Alaska project. In fact, it is economically inferior to the Trans-Alaskan route and involves serious environmental and conservation problems that are avoided by that route. It requires many more miles of pipeline and, therefore, many more real, non-renewable resources than either of the other projects. It also involves substantial risks that the project will not be able to be expanded to accommodate future discoveries of Alaskan gas. Moreover, as mentioned, since the project offers very few benefits to the Canadian nation and several detriments, its approval and implementation is highly improbable. Its apparent attractiveness is that it is a "compromise" between two vigorously competing projects. But the real interests involved in the selection of a delivery system for Alaska gas are so important that it is unlikely that this quality alone will justify approval of the Alcan route.

We hope these comments are useful to you. We would be happy to meet with you or your staff to discuss them in more detail.

Very truly yours,

TENNESSEE GAS TRANSMISSION COMPANY

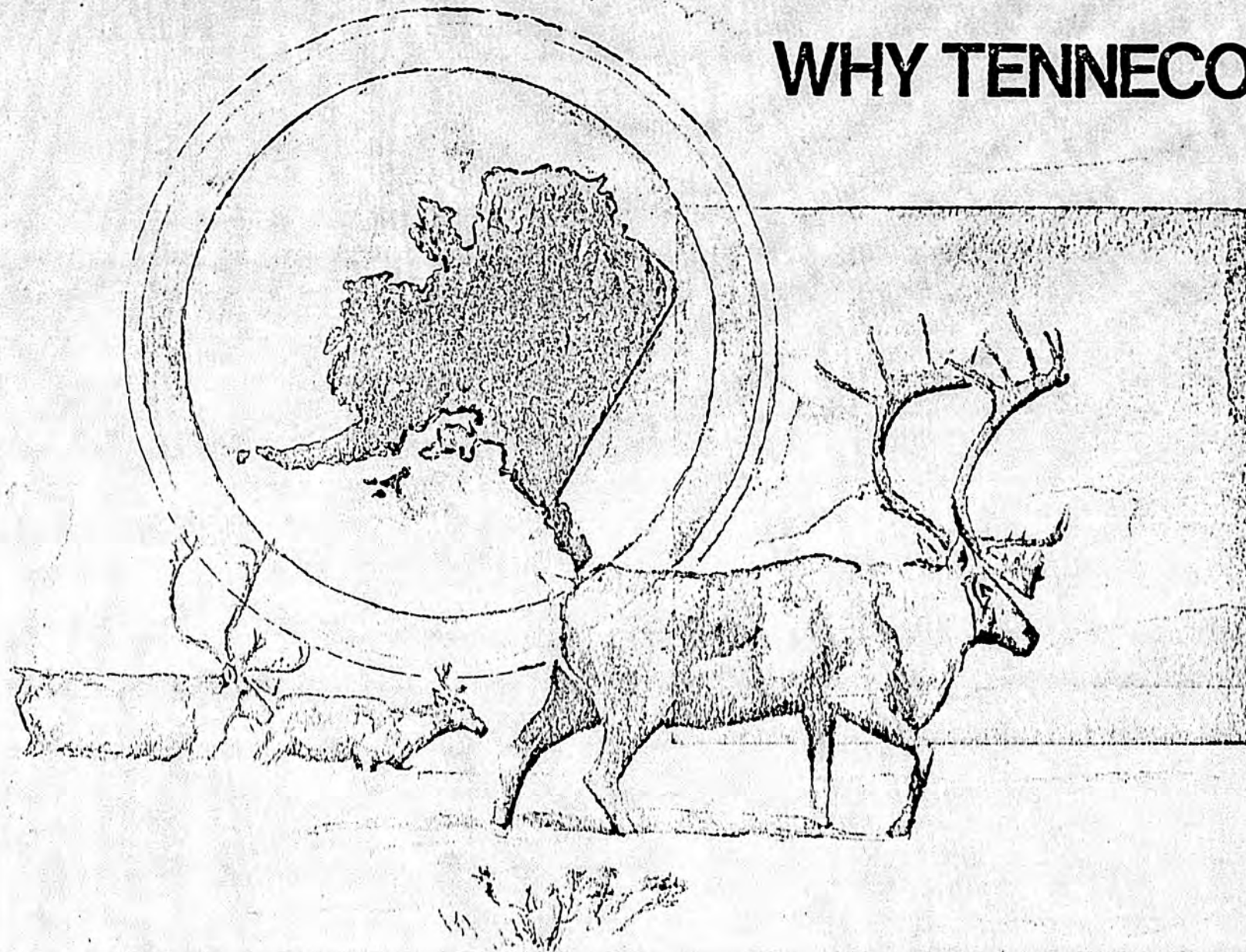
Robert C. Thomas
Senior Vice President

RCT:kl

Attachment

AGO 667899

WHY TENNECO?



BECAUSE TENNECO CAN

... give strong and effective support in the effort to gain approval of the trans-Alaska gas pipeline, considering that Tenneco ...

- ☐ is previously uncommitted to any of the three proposed pipeline routes
- ☐ is thoroughly experienced in governmental affairs concerning energy and pipelines
- ☐ is broadly diversified and financially sound
- ☐ offers a ready means to market Alaskan gas
- ☐ has widely recognized expertise in natural gas pipeline operations, in that it ...

... is one of the nation's largest gas transmission systems

... serves 25 states (22 directly and three others indirectly)

... is knowledgeable in all aspects of liquefied natural gas (LNG)

TENNECO RECOGNIZES

- ... that a decision on the Alaskan pipeline route will be made only after a thorough review of the merits of the issues.
- ... that the trans-Alaska route will enable Alaskan gas to reach the Lower 48 states faster than alternative proposals; that it is economically beneficial, particularly to Alaska; and that it is environmentally acceptable.

TENNECO OFFERS

- ... experience in handling environmentally sensitive matters; the company has a full-time, professional industrial ecology department.
- ... coordination of support activities with the State of Alaska, as well as other supporters of the trans-Alaska route.
- ... an internal and external organization for presenting its views to

- ☐ The Federal Power Commission
- ☐ The Federal Executive Branch
- ☐ The Congress
- ☐ The public in its service area

- ☐ The news media
- ☐ Environmental groups
- ☐ Other interested groups, both within and outside its service area

TENNECO IS....

- ☐ a widely and carefully diversified company which employs 78,300 people and has major operations in manufacturing, integrated oil, chemicals, packaging, land management and agriculture, in addition to natural gas pipelines.
- ☐ a company which had assets of \$6.58 billion at year-end 1975, ranking 15th largest among U.S. industrial corporations.
- ☐ a company which earned \$342.9 million in net income in 1975, ranking 18th largest among U.S. industrial corporations.
- ☐ a company which had operating revenues of \$5.63 billion in 1975, ranking 22nd largest among U.S. industrial corporations.

TENNECO'S NATURAL GAS PIPELINES....

- ☐ include three interstate systems with 15,279 miles of pipe and nearly 1.4 million compressor horsepower at year-end 1975.
- ☐ sold and transported 1.6 trillion cubic feet of gas in 1975, the energy equivalent of approximately 267 million barrels of oil.
- ☐ together with the systems of the other companies supporting the trans-Alaska route, could, with minor modifications, deliver Alaskan gas to 41 states in the "Lower 48."
- ☐ have a management team that believes strongly that contracting for Alaskan royalty gas and supporting the trans-Alaska pipeline route show our determination to satisfy the long-term needs of our customers, despite a growing shortage from our traditional sources of supply.
- ☐ were described as follows by Wilton E. Scott, chairman and president of Tenneco Inc., in a speech to security analysts on November 9, 1976:

"We believe that our interstate pipeline operations will continue to be in the forefront to supply the vital gas needs to consumers in the decade ahead."

TENNECO'S INTERSTATE NATURAL GAS PIPELINES

MARKET AREA

Market Impact

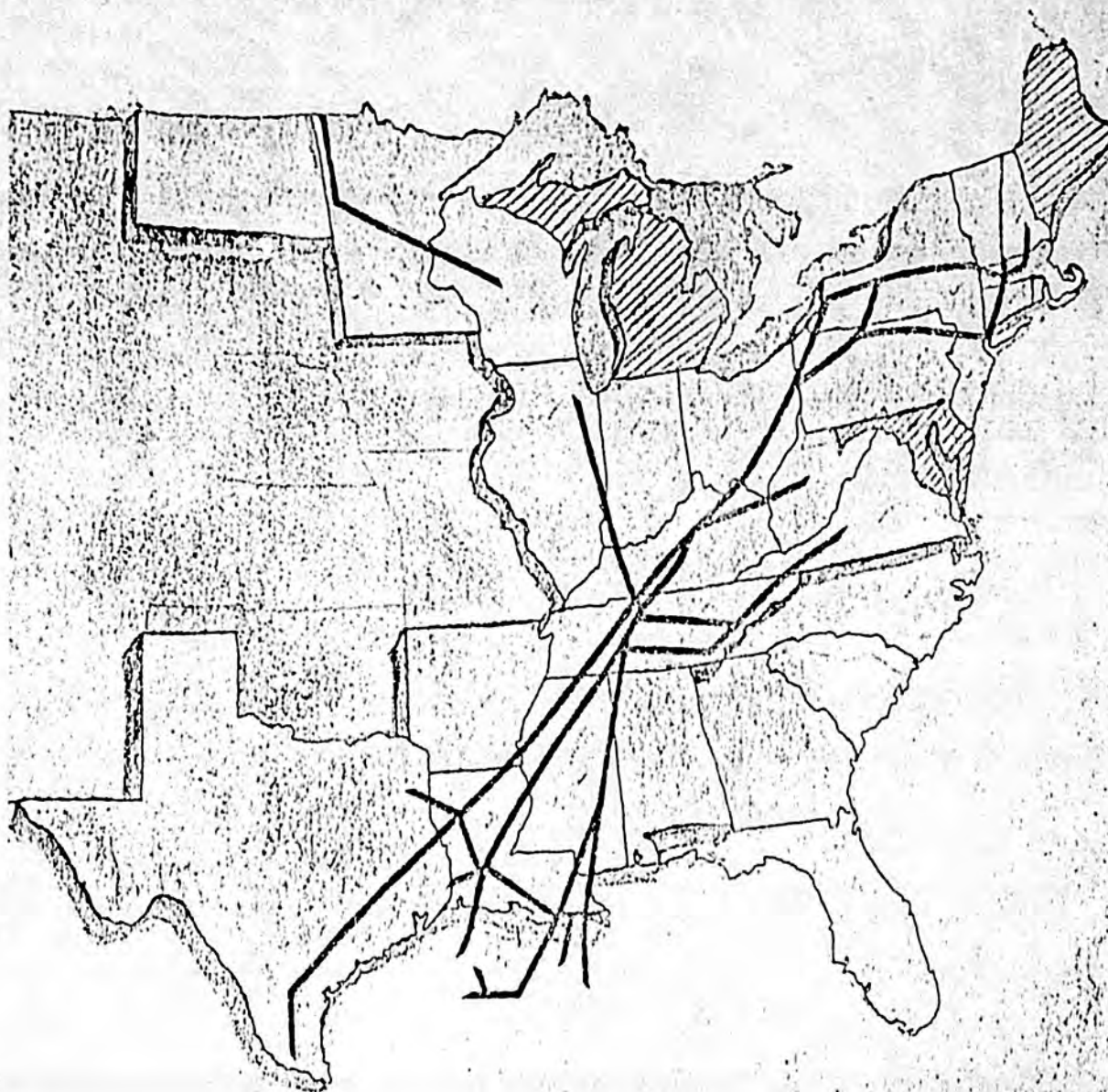
State	1975 ¹ Natural Gas Consumption (Bcf)	Tenneco's Share of Total State Gas Market	Population ²
Alabama	260	10%	3,577,000
Arkansas	270	<1	2,062,000
Connecticut	64	46	3,088,000
Illinois	1,130	16	11,131,000
Indiana	488	<1	5,330,000
Kentucky	208	13	3,357,000
Louisiana ³	1,376	<1	3,764,000
Maine ²	2	91	1,047,000
Maryland ²	147	20	4,094,000
Massachusetts	153	53	5,800,000
Michigan ²	902	6	9,098,000
Minnesota	318	2	3,917,000
Mississippi	208	4	2,324,000
New Hampshire	8	72	808,000
New Jersey	279	6	7,330,000
New York	571	27	18,111,000
North Dakota	26	21	637,000
Ohio	951	21	10,737,000
Pennsylvania	698	27	11,835,000
Rhode Island	22	23	937,000
Tennessee	225	39	4,129,000
Texas ³	3,911	<1	12,050,000
Virginia	123	20	4,908,000
West Virginia	172	19	1,791,000
Wisconsin	367	14	4,566,000
TOTAL	12,879		136,428,000

% of
United States 68% 65%

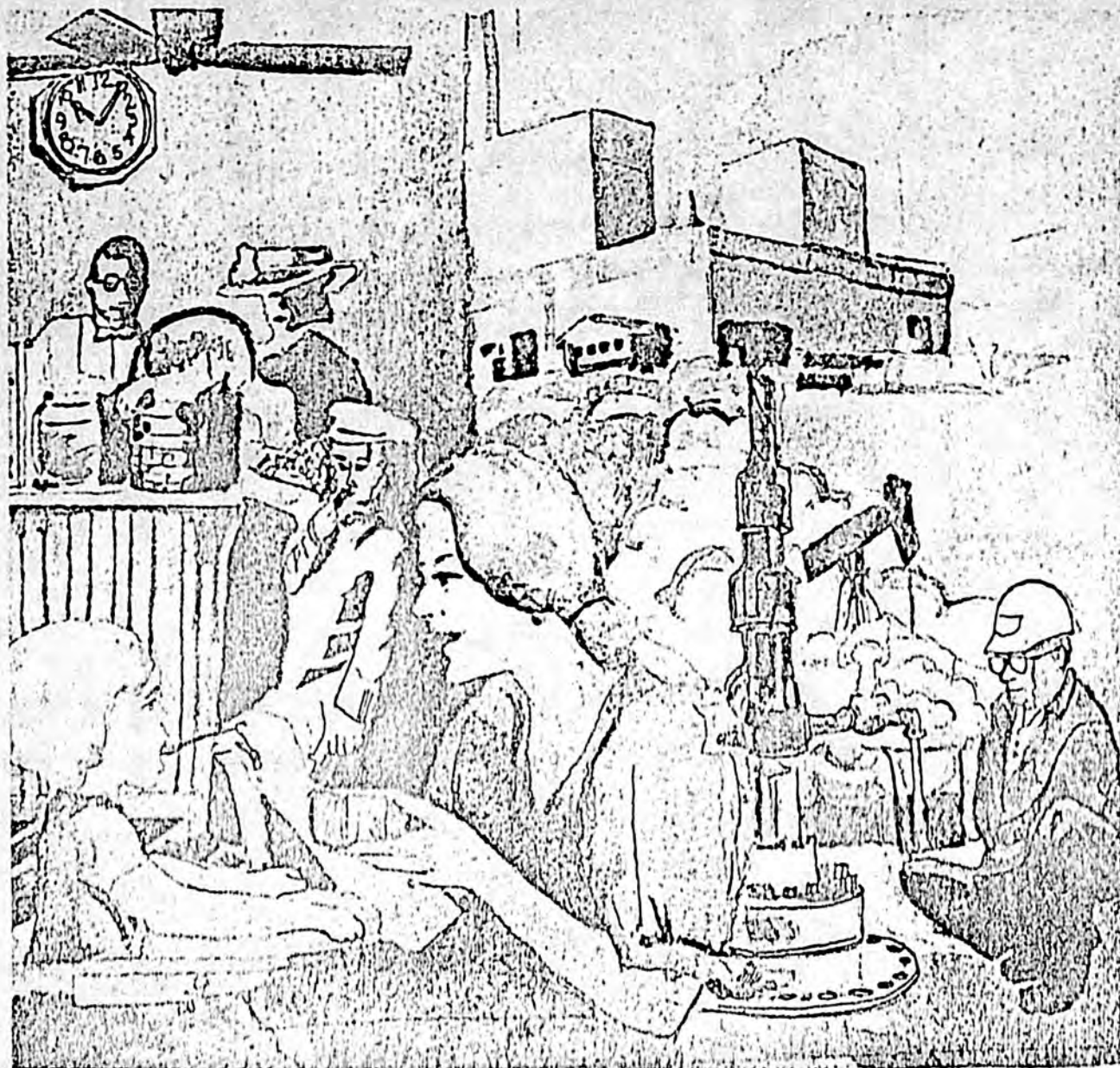
¹Gas consumption based on Gas Requirements Committee, September, 1976 Report. Population data based on 1975 Statistical Abstract of the United States.

²Served indirectly through another wholesaler.

³Louisiana provides 75% of Tenneco's gas. Texas provides 16%.



WHO ARE THE END-USERS OF TENNECO'S GAS?



FPC PRIORITY I 44%
(Residential and Small
Commercial¹)

FPC PRIORITY II 42%
(Large Commercial², Firm
Industrial for Plant Protec-
tion, Feedstock, Process
Needs, and Customer
Storage Injection)

FPC PRIORITIES III
through IX 14%

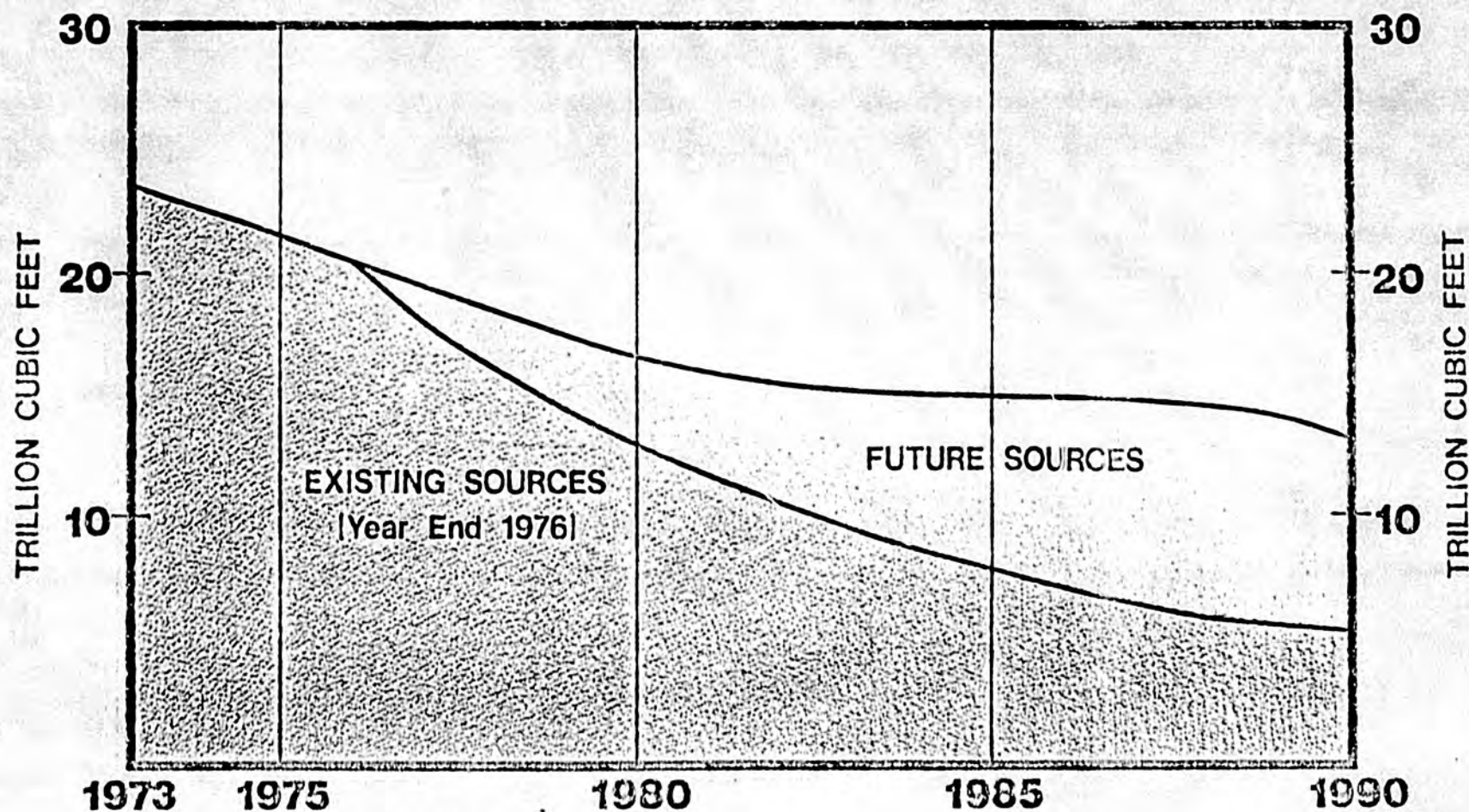
¹Less than 50 Mcf on a peak day.

²50 Mcf or more on a peak day.

PROJECTED GAS SUPPLY*

U.S. "LOWER 48" SOURCES

□ The inadequacy of existing and projected "Lower 48" gas supplies emphasizes the urgent need for delivery of Alaskan gas as early as possible. Alaska offers the greatest potential for future domestic gas reserves.



*Assumes continued regulation

STATEMENT

By

ROBERT C. THOMAS

BEFORE THE

JOINT SPECIAL ROYALTY GAS REVIEW COMMITTEE

My name is Robert C. Thomas. I am a Senior Vice President of Tennessee Gas Transmission Company with responsibility for energy supply for all of Tenneco's Interstate Transmission Companies. I am also a Vice President of Tenneco Alaska, an Alaskan Corporation, which has entered into a royalty gas agreement with the State on behalf of Tenneco.

My purposes today are to urge your early approval of the Royalty Gas Sales Agreements, to explain why we believe these agreements are in the best interests of Tenneco and the State, and to answer your questions.

The State has presented to you the terms of this agreement and the benefits accruing to the State. I would like to start with the reasons Tenneco has signed this agreement.

Each day, Tenneco's interstate system supplies an average of 3.2 billion cubic feet of natural gas to their customers. This volume is insufficient to meet demands. As their demands are growing, our reserves in our traditional supply area of the Gulf Coast are declining.

To meet this demand, Tenneco is working in many different areas to secure energy supply from non-traditional sources. These sources include liquefied natural gas from Algeria, Trinidad, Nigeria, the USSR and other countries. We are also pursuing synthetic natural gas to be manufactured from domestic coal deposits and additional natural gas from the Canadian Arctic Islands.

We are vitally interested in purchasing natural gas in Alaska, not only because of the large volume of currently proven reserves, but because we feel Alaska will be the most active area in the U. S. for the exploration for major new energy supplies for the next 20-30 years. We want to be a part of this future activity. We also believe there are substantial advantages in purchasing domestic, as opposed to foreign, gas.

These facts explain our needs. The fulfillment of needs, however, inevitably encounters obstacles. The securing of natural gas supply from Alaska was no exception.

Tenneco looked at these obstacles from the viewpoint of the largest natural gas transmission system in the United States that was uncommitted to any of the competing proposals for delivery of Prudhoe Bay gas to market. The State also made it very clear that the primary condition in any sales agreement would be support for the Trans-Alaska delivery systems.

We considered carefully three fundamental questions before determining we could undertake such a commitment:

1. Would there be sufficient reserves available, either now or in the future, to justify our efforts;
2. If we committed our resources of time, money, and people to the project, was there a substantial likelihood it would succeed;
3. Would such an effort adversely affect substantial business interests in Canada which we intend to maintain and to further.

Our analysis concluded that we could not only agree to support the Trans-Alaska route but could also agree to condition our right to purchase the royalty gas upon the eventual designation of that route by the Federal Government. These terms are in the agreements before you.

Our conclusion was based upon the belief that with a strong, responsible team supporting the Trans-Alaska project and making objective arguments in its behalf, the Federal decision makers, after extensive and careful analysis, would conclude the Trans-Alaska system would get the North Slope gas to the lower 48 States at the earliest possible date. While early delivery is the most important element of national interest, other issues such as jobs and taxes clearly favor the Trans-Alaska route.

It has always been our firm opinion, however, that Federal acceptance of the Trans-Alaska delivery system and therefore the benefits to the parties, depends upon prompt approval of the royalty sales agreement by this Legislature.

Another major factor crucial to your deliberations is the strength that Tenneco can add to the team dedicated to the securing of a Trans-Alaska route. Let me give you a brief summary of our technical capabilities:

1. Tenneco maintains a staff of approximately 140 engineers in it's pipeline headquarters in Houston. This department not only supervised the construction of our 15,000 plus miles of interstate pipeline, but was also involved in the construction of the existing Trans-Canada pipeline of which we were a part at that time. Our operations people routinely run an interstate system transporting up to five BCF on peak days.
2. Tenneco is dedicated to the conduct of its operations within the proper environmental framework. The Corporation maintains a staff of approximately 60 environmentalists.
3. Tenneco maintains a staff of cryogenic, process, and LNG systems engineers plus the services of numerous consultants with expertise in LNG projects. We have had much experience in the planning of major LNG programs.

4. As a corporation, Tenneco has annual capital expenditures in the range of \$500 million. In the 34 years of our existence, our assets have grown from zero to approximately \$7 billion. The strength and the financial experience gained through this evolution is invaluable in the planning and execution of multi-billion dollar energy projects.

All of these areas of expertise are now being readied in preparation for our participation in the Trans-Alaska project.

There has been a great deal of reference during the negotiation of these agreements to the "political influence" to be contributed by each party. It is unfortunate that this gives some people the impression that the purchasers control votes in the Congress or in the Executive Branch to be used on behalf of the Trans-Alaska project as soon as this agreement is ratified. This, of course, is not true.

No amount of so-called political clout or pressure is going to determine the federal decision on this matter. We are convinced that the decision will be

made on the merits of the issues. Neither we nor the new Administration have incentive to proceed in any other way. This approach is also assured by the detailed and comprehensive provisions of the Alaska Natural Gas Transportation Act of 1976.

For these reasons, it is essential that all the issues involved be thoroughly discussed at both regional and national levels with all parties having input into the final decision. This will present a monumental job of planning and coordination to insure that knowledgeable staff, both technical and non-technical, be made available to discuss the issues with people needing this information.

From a regional standpoint, it is essential that the issues be reviewed and discussed as they affect different parts of the lower 48 states and Canada. The perspective and needs of these different regions vary and their views must be analyzed and effectively answered.

We feel we are best qualified to present the Trans-Alaska merits in our market area. Our market area covers 25 states in New England, New York-New Jersey, Appalachia and the Upper Midwest. These states

embrace 65% of the U. S. population and much of its industrial capacity.

We feel that Southern and El Paso will be most effective in their market areas. All three companies will be effective on the national scene.

The combined facilities of Tenneco, El Paso and Southern with minor modifications could deliver Alaskan gas to at least 42 states. It is improbable, perhaps impossible, that any other group of three or more companies presently uncommitted to any pipeline route could equal this coverage.

El Paso has made and is continuing to make a tremendous effort on behalf of the Trans-Alaska project. More help is needed and we are prepared to provide this help.

We believe it essential that the Legislature act promptly to approve these agreements. The time available to make all the necessary contacts is becoming short. The U.S.-Canadian pipeline treaty was signed last Friday. The Presiding Administrative Law Judge of the FPC will issue his decision tomorrow. We expect his decision to favor the Arctic Gas proposal. All the participants

before the FPC, of which we are one, will be permitted to file comments on this decision by March 1.

The Alaskan Transportation Act provides that the FPC must submit its recommendation to the President by May 1. Federal agencies are now preparing their comments to the FPC and Federal and State officers and agencies may submit their comments to the President by July 1. Our views must be made known to all of these people as soon as possible in order to have any effect on their comments. The President's decision is due September 1 and the Congress has 60 days in which to approve this decision.

There is much to be done and the Federal timetable leaves no time for delay.

In anticipation of your approval, Tenneco has already taken substantial steps in preparation for the support of this project.

1. We have had many meetings with representatives of the State, El Paso and Southern to insure maximum cooperation, coordination and effectiveness in this combined effort.

2. El Paso has given our engineering, environmental, LNG and financial experts a detailed review of their plans. We will work closely with them toward assuring the best possible project and to answer the questions that will be raised in Washington, California, Canada and elsewhere concerning the physical, environmental and financial integrity of this project.
3. We have designated a project manager within Tenneco with authority to call upon and coordinate activities of all our involved departments.
4. We have retained counsel in Alaska and in Washington to assist in the planning and the execution of our overall plan to insure adoption of the Trans-Alaska delivery system.
5. We have communicated to the State of California our reasons for supporting the Trans-Alaska project. I will be happy to make a copy of this letter available for your record.

These efforts are only a beginning. However, further efforts to implement a detailed plan to secure adoption of a Trans-Alaska route will not be credible if the State of Alaska does not act promptly to approve the agreement which provides the reason for our support.

In summary, Mr. Chairman, Tenneco is prepared to invest their time, money and people in a maximum effort to secure a Trans-Alaska route. We are prepared to begin as soon as our agreement with the State is approved by the Legislature.

The State has retained the ultimate assurance of our performance. If the Trans-Alaska route is not approved, the State has the right to terminate this agreement. Should that happen, we will have wasted our money, manpower and time.

The State has assembled a strong team, the contest is in progress and we are ready to participate when we receive your approval.

Tennessee Gas Transmission
A Tenneco Company



Robert C. Thomas
Senior Vice President

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Houston, Texas 77001
(713) 757-2275

February 4, 1977

Mr. Richard Maullin
Chairman
California Energy Resources Conservation
and Development Commission
1111 Howe Avenue
Sacramento, California 95825

Dear Mr. Chairman and Members of the Commission:

We have been advised that your Commission will meet on February 9, 1977, to act on resolutions affecting the Alaska natural gas transportation issue. By letter of January 18, 1977, we provided our comments directed toward Volume IV of your draft Biennial Report: "Alaskan Natural Gas: Criteria for Selection of a Transportation System."

We feel that the events of the past few days have accentuated the importance of a Trans-Alaska system for the delivering of North Slope natural gas. On February 3, the FPC, acting under new emergency natural gas law, ordered a transfer of gas from the Western to the Eastern portion of the U.S. This early assistance was possible because:

1. Gas can be allocated to different parts of the country either through displacement or direct movement.
2. The U.S. has an efficient nationwide natural gas transportation system that has the capacity to move additional volumes.
3. Since only U.S. regulatory and legislative requirements must be met, such transfer can secure rapid authorization.

AGO 667919

Tennessee Gas Transmission

Mr. Richard Maullin

2

February 4, 1977

The primary solution to the natural gas situation in the U.S. is to secure additional supply at the earliest possible date. We firmly believe the Trans-Alaska pipeline route can supply North Slope natural gas at least two years earlier than any overland route for the reasons outlined in our earlier letter. As indicated by the recent emergency allocations, the effect of LNG landed on the West Coast of the U.S. will be quickly and efficiently felt in all other regions of the country.

We appreciate the opportunity of communicating our views to you.

Sincerely,

k1

AGO 667920

1130177

EFFECT OF ALASKA'S ROYALTY GAS ON NATURAL GAS SUPPLY:

TENNECO MARKET AREA (25 states)

Prudhoe Bay natural gas production rate is assumed to be
2.0 Bcf/day

Yearly Prudhoe Bay natural gas production 730 Bcf.

Royalty Share of Prudhoe Bay production = $1/8$ of 730 Bcf = 91.25 Bcf/Year.

Tenneco Share of Royalty Gas = 50 % of 91.25 Bcf = 45.625 Bcf/year.

Tenneco Summary of Operating Data (from "Tenneco Statistics 1975")

Volume of Gas sold and transported: 1,634 Bcf
Volume of Gas purchased: 1,459 Bcf

Tenneco's share of 25-state gas market:
1,284 Bcf
9.9 %

Tenneco's share of royalty gas as a per cent of Tenneco's
share of 25-state gas market:

$$(45.625 \text{ Bcf/year} / 1,284 \text{ Bcf/year}) = 3.55 \%$$

Tenneco's share of royalty gas as a per cent of total
25-state gas consumption:

$$(45.625 \text{ Bcf/year} / 12,879 \text{ Bcf/year}) = 0.35 \%$$

Total U.S. Consumption of Natural Gas in 1975 (rounded): 19,000 Bcf

Yearly Royalty Gas Production as a percent of total U.S. Consumption:

$$(91.25 \text{ Bcf/year} / 19,000 \text{ Bcf/year}) = 0.48 \%$$

Yearly Prudhoe Bay gas production as a percent of total U.S.
Consumption:

$$(730 \text{ Bcf/year} / 19,000 \text{ Bcf/year}) = 3.84 \%$$

Note: Above calculations do not take into account shrinkage of
natural gas through transportation (e.g. 6% loss in liquefaction
and deliquification).

TABLE I

EFFECT OF ALASKA'S ROYALTY GAS ON NATURAL GAS SUPPLY:
TENNECO MARKET AREA

<u>STATE</u>	<u>1975 Consumption (Bcf)</u>	<u>Tenneco % Share of Market</u>	<u>Tenneco Share of Market (Bcf)**</u>	<u>Tenneco Royalty Gas Share of Market (%)**</u>
*Alabama	260	10	26	.36
Arkansas	270	41	42	4.03
Connecticut	64	46	29	1.63
Illinois	1130	16	181	.57
Indiana	488	41	44	4.03
Kentucky	208	13	27	.46
Louisiana	1376	41	413	4.03
Maine	2	91	2	3.23
Maryland	147	20	29	.71
Massachusetts	153	53	81	1.88
Michigan	902	6	54	.21
Minnesota	318	2	6	.07
*Mississippi	208	4	8	.14
N. Hampshire	8	72	6	2.55
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W. Virginia	172	19	33	.68
Wisconsin	<u>367</u>	<u>14</u>	<u>51</u>	<u>.50</u>
TOTAL 25 STATES	12,879	9.9	1284	.35

Notes to Table I:

- * indicates state will receive additional royalty gas supplies from Southern Natural Gas:

Alabama receives 66% of supply from Southern
Mississippi receives 13% of supply from Southern
Tennessee receives 8 % of supply from Southern
- ** Tenneco share of market expressed in Bcf was calculated by multiplying each state's 1975 consumption by Tenneco's percentage share of market (Source of these figures was Table II from "Why Tenneco", published by Tenneco). Minor inaccuracies may have occurred due to rounding.
- *** Figures for Tenneco Royalty Gas share of market assume equal distribution among states by relative share of consumption

Tenneco was chosen as an example of the impact of royalty gas commitment because original data was readily accessible. Figures for 1976 consumption among the states served by Southern Natural Gas indicate similar results. El Paso service area figures were not available.

The calculations indicate that the addition of Alaska's royalty gas to U.S. supply will increase total U.S. supply by less than 1/2 of one percent.

Prepared for House Special Committee on the Sale of Royalty Gas

TENNECO'S INTERSTATE NATURAL GAS PIPELINES

MARKET AREA

Market Impact

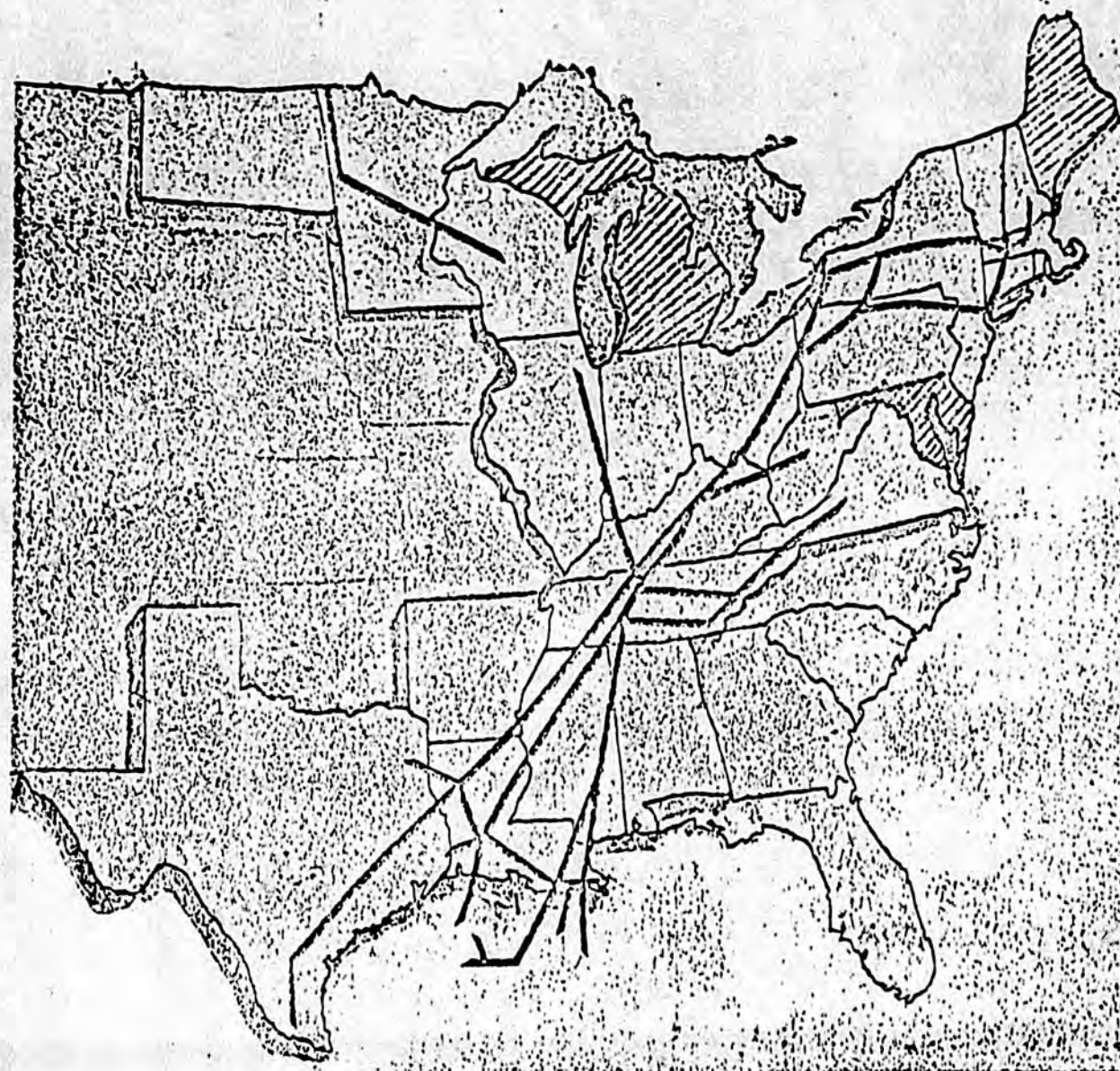
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TOTAL	12,879		136,428,000

% of
United States 68% 65%

¹ Gas consumption based on Gas Requirements Committee, September, 1976 Report. Population data based on 1975 Statistical Abstract of the United States.

² Served indirectly through another wholesaler.

³ Louisiana provides 75% of Tenneco's gas. Texas provides 16%.



Source: "Why Tenneco" published by Tenneco
1976

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 8

AMENDMENT TO APPLICATION OR REPORT

Filed pursuant to Section 12, 13 or 15(d)

of

THE SECURITIES EXCHANGE ACT OF 1934

TENNECO INC.

(Exact name of registrant as specified in charter)

AMENDMENT NO. 1

The undersigned registrant hereby amends its Current Report on Form 8-K for the month of January 1976 by providing information for the following item as set forth in the pages attached hereto:

ITEM 13

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

TENNECO INC.

By EDWARD J. HARRISON
Edward J. Harrison
Senior Vice President and
General Counsel

Date: February 13, 1976

Item 13. Other Materially Important Events

In March 1975 the management and the Audit Committee (composed of four outside directors) of Tenneco Inc. reviewed certain payments to foreign business consultants during 1974 in connection with the acquisition or proposed acquisition of properties or materials from foreign governments or agencies thereof. It was concluded at such time that the payments were for valid business purposes and that there was no indication the payments were illegal or improper. Accordingly, no action was taken. Later in 1975, however, the matter was reconsidered by management because of the publicity concerning the new and emerging concept of "sensitive payments" and the concern expressed by various Securities and Exchange Commission (the "Commission") representatives with respect thereto. At a meeting in October 1975 the Audit Committee, with the concurrence of the full Board of Directors, determined that in light of the information presented at the meeting concerning such 1974 payments and the recent publicity concerning foreign and domestic bribes and political activities of an illegal or questionable nature by other corporations, management should undertake at once a full and complete review of the Company's foreign and domestic operations. Tenneco Inc. and its subsidiaries are hereinafter referred to as the "Company" unless otherwise indicated. The Audit Committee authorized Arthur Andersen & Co., the Company's independent public accountants, and Baker & Botts, the Company's outside legal counsel, to assist in such review. The Commission was promptly advised that, in compliance with the Commission's publicly enunciated and recommended voluntary disclosure program, the review was being made for the period beginning January 1, 1970 and that a report to the Audit Committee and to the Commission would be made as promptly as practicable.

The review has been conducted by representatives of Arthur Andersen & Co. and Baker & Botts, with the active assistance and cooperation of the Company's management. Interim reports by such representatives to the staff of the Commission were made on October 30, and December 18, 1975 and January 20, 1976. Reports to the Audit Committee, and to the full Board of Directors, were made on December 10, 1975 and January 7, 1976.

Information was obtained through written inquiries and personal interviews of executive personnel and other employees of the Company and of certain foreign consultants. Approximately seventy-five such persons have been contracted in one manner or the other, or both. Although no pattern of improper or questionable conduct was revealed either in foreign or domestic operations reviewed at the direction of the Audit Committee, there have been reports of apparently improper or questionable practices in certain instances.

The Company uses numerous local attorneys, advisers, consultants and agents in connection with certain of its foreign operations in approximately 24 countries. These individuals are independent businessmen, many of whom have written contracts with the Company relating to specific countries or areas or to specific projects. During the period January 1, 1970 through September 30, 1975, the Company made or accrued payments aggregating approximately \$12 million to such persons (or entities designated by them). Although it is not feasible to state with substantial certainty that none of the payments during such period, other than those described in the following paragraph, were indirectly for the

use or benefit of employees of foreign governments or agencies thereof, the investigation did not reveal the existence of any other payments to foreign government employees or military personnel or that any such payments were being "kicked back" to the Company or its employees or used to create a "slush fund" of any kind. However, in some cases the payments are made to the consultant or his nominee outside the country of his residence and verification of the end use of the payments is not feasible. The question of whether local laws of the countries involved are being violated by making such payments to the consultant or his nominee outside the country of his residence is being reviewed and will be reported to the Audit Committee.

Of the payments reviewed for such period, (i) \$10,000 is known to have been paid to a foreign government employee, (ii) \$25,000 is known to have been invested in a U.S. concern in which one or more foreign government employees probably have a beneficial interest, (iii) approximately \$500,000 was paid to the military and to certain military personnel in a foreign country for protection of a subsidiary's employees working in remote, dangerous locations and for rental of military aircraft and related equipment and (iv) a local sales manager of a subsidiary purchased in 1975 out of the subsidiary's petty cash fund merchandise valued at approximately \$480 and gave same to three employees or officials of a foreign government purchasing office or agency to which the subsidiary was selling equipment. The two payments totaling \$10,000 were improperly described on the books of the Company and may have been improperly deducted for U.S. income tax purposes. The \$25,000 investment is properly described on the books of the Company. The payments totaling \$500,000 for military protection and equipment were properly described on the Company's books and are considered properly deductible for U.S. income tax purposes because of the absolute necessity of military protection in that particular country. The \$480 payment was not correctly described on the Company's books.

In connection with negotiations involving proposed long-term, multi-billion dollar purchases of raw materials from certain countries, consultants have contractual commitments to receive from the Company additional sums aggregating up to approximately \$12.0 million (subject to adjustments, not presently subject to determination, under certain circumstances because of fluctuating currency exchange rates) plus out-of-pocket expenses upon successful conclusion of all phases of such arrangements.

Under contractual arrangements in four countries, the Company has made scholarship payments from time to time aggregating \$330,000 for the five years and nine months ended September 30, 1975.

In connection with certain sales of products through independent dealers in foreign countries, the Company follows the practice, where requested by such dealers, of withholding all or a portion of the dealer's commission as an account payable to the dealer or of paying all or a portion of the dealer's commission to a bank account outside the country in which the dealer resides. Such deposits are made by check directly to the dealer's designated bank account. Commissions not paid by check are either disbursed in cash or by credit

against amounts due the Company. The payments are properly described on the Company's books and the Company's tax returns. The question of whether local laws of the countries involved are being violated is being reviewed and will be reported to the Audit Committee.

The Audit Committee of the Board of Directors has directed management of the Company to formulate procedures and policies to eliminate possible irregularities in connection with foreign operations and to present such procedures and policies to the Audit Committee and the Board of Directors for review, comment and approval. Thereafter, management will be charged with the responsibility, through internal audit procedures and such other techniques as may be deemed reasonably necessary (including disciplinary action, and, where appropriate, dismissal for violations), of insuring compliance with such procedures and policies on a company-wide basis. In this connection, and in addition to broader policy statements to be enunciated with respect to U.S. and foreign business operations in general, management intends to recommend the affirmation of substantially the following policy regarding payments which may be made in any country in connection with the purchases of products or raw materials or the sale of products or services:

"The Board of Directors and management of Tenneco Inc., having due regard for and recognition of the responsibilities arising from and attendant to international operations, hereby affirm the corporate policy of Tenneco Inc., its subsidiaries and divisions to the effect that all employees and agents are to comply with the ethical standards and legal requirements of each foreign country in which business is conducted."

Commencing in 1966 or 1967 many high-level executives of the Company made annual cash contributions of \$2,000 each to a fund to be used for political contributions. It is reported that approximately twenty executives made contributions each year and that the fund did not exceed \$40,000 in any one year. It is reported that this fund was discontinued after 1973. Under applicable Federal law, the legality of the fund turns primarily on "voluntariness". If there was direct or indirect coercion or inducement, whether in terms of advancement or company cars or other job perquisites, the fund would probably be deemed illegal. "Voluntariness" is a subjective determination by each individual participant, and most participants would probably state that their contributions were made voluntarily. For this reason, it is believed that the establishment of the fund did not violate Federal law.

Another employee fund was established at the Newport News Shipbuilding subsidiary before it was acquired by the Company in 1968. Cash contributions were made to the fund by high-level executives of the subsidiary. It is believed that contributions were made only once in the aggregate amount of approximately \$10,000. The fund presently has a balance of \$2,370 and is in the custody of the subsidiary's general counsel. Disbursements from the fund were made at the direction of the President of the subsidiary. The establishment of the fund is considered to comply with applicable Federal law on the basis that contributions were made voluntarily.

Recipients of campaign contributions from the Company's executive fund are believed to have been generally

determined by the chief executive officer of the Company. During the fund's existence from 1966 or 1967 until 1973, campaign contributions were made in Federal elections and in state and local elections. It is believed that contributions in state and local elections were made primarily in Texas and Louisiana. Contributions from a voluntary employee fund are specifically permitted by Federal election law and the Supreme Court has held that such voluntary employee funds were permissible prior to enactment of such election law. It is believed that such contributions are also permissible under Texas and Louisiana law, although no specific statutory authority exists, because of analogous Federal judicial precedent exempting voluntary employee funds and the intent of the law to prohibit only contributions of corporate money.

Contributions were made from the Newport News Shipbuilding employee fund in one Federal election and various state and local elections in Virginia. The contribution to the Federal election is believed to comply with Federal election law on the basis that the contribution was made from a voluntary employee fund. The state and local contributions are likewise believed to be permissible. In any event, state and local corporate contributions are permitted by Virginia law.

During the period from January 1, 1970 through December 1, 1975, three subsidiaries, Tenneco West, Inc., Heggblade-Marguleas-Tenneco Inc. and Stockdale Development Corporation, made campaign contributions in California elections aggregating approximately \$180,000. State and local corporate campaign contributions are permissible under California law.

It has been reported that since 1970 two corporate campaign contributions of \$100 each were made by local sales managers of a subsidiary, J. I. Case, in connection with state or local elections in Rhode Island and Florida, in both of which states corporate campaign contributions in state and local elections are believed to be permissible. In one or, perhaps, both of such cases, the contribution was not correctly described on the subsidiary's books and/or was improperly deducted for tax purposes.

Beginning prior to 1970 and continuing until August 1972, it is reported that cash amounts ranging from \$200 to \$2,000 were given on several occasions by the President of a subsidiary, Midwestern Gas Transmission Company, to state public utility commission chairmen in Indiana, Illinois, Kentucky and Wisconsin. The subsidiary officer states that the money was understood to be given in turn by the recipients to various charitable projects of their choice. In 1972 the same subsidiary officer gave \$2,000 in cash to the chairman of the Pennsylvania Public Utility Commission. The officer states that the Pennsylvania chairman requested the money for use as a contribution to a chairtable dinner in Washington, D.C., honoring a U.S. Senator from Pennsylvania. The money was given to the Pennsylvania chairman several months after the dinner, and the Pennsylvania chairman states that the money was applied as a reimbursement of his contribution to the dinner. Two other employees of the Company state that they believe or had heard that the money was given to the Pennsylvania chairman to obtain his influence with the head of the General Services Administration, which was participating as an

intervenor in a Federal Power Commission regulatory proceeding, Rate Proceeding 71-6, to which a Company division, Tennessee Gas Pipeline, was a party. The subsidiary officer who delivered the payment and the Pennsylvania chairman deny that this payment had any connection with such proceeding. The money was given to the Pennsylvania chairman several months after the regulatory proceeding had been ultimately resolved in a manner favorable to the division. The Company's executive fund may have been the source of these payments, although this has not been clearly determined since there are no records of disbursements from the fund and the recollections of the subsidiary President and the administrator of the fund differ.

Beginning on October 27, 1970, and continuing until September 1975, a subsidiary, Tenneco Oil Company, made payments of \$2,000 per month to the sheriff of a Louisiana parish who is also an attorney. There are conflicting statements regarding the reason or reasons for the payments. The payments were approved by senior management of the subsidiary, but there is no evidence that the Board of Directors or high-level management of Tenneco Inc. were aware of the arrangement. The sheriff is presently under investigation by officials of the U.S. Department of Justice, and the Company does not believe that it would be appropriate to comment further about the matter pending resolution of such Federal investigation.

In June 1970, a \$2,000 cash campaign contribution was made to a State District Judge in Louisiana for use in his race for a Louisiana appellate court seat. Approximately eighteen months prior to the contribution, the Judge had granted an injunction against violence on the picket line in connection with a union strike at the plant of a Company subsidiary, Tenneco Oil Company. Approximately two months after the contribution was made, the union filed a motion to dissolve the injunction, which was denied by the Judge in late 1970. The \$2,000 was given to the Judge by a local employee of the subsidiary. The payment was approved by senior management of the subsidiary, but there is no evidence that the Board of Directors or high-level management of Tenneco Inc. were aware of this payment. The money probably came from either the personal funds of an officer of the subsidiary or the Company's executive fund, and not from corporate funds. It is believed that the campaign contribution did not violate the Louisiana prohibition against corporate contributions which was then in effect because the money probably did not come from corporate funds.

In 1972 contributions of \$1,000 each were made by a subsidiary, Tenneco Oil Company, to two Louisiana District Judges and a Louisiana District Attorney who were running for re-election, all in the same parish. The contributions were made in cash by an employee from the subsidiary's working fund account. The payments were incorrectly described on the subsidiary's books and improperly deducted for tax purposes. The contributions were approved by senior management of the subsidiary, but there is no evidence that the Board of Directors or high-level management of Tenneco Inc. were aware of the payments. The contributions violated the then existing Louisiana prohibition against corporate campaign contributions.

Tenneco proposes to turn over to the Internal Revenue Service the relevant information relating to the foregoing matters and to amend tax returns and make additional payments where appropriate. It is not considered at this time that material income tax deficiencies will result.

At its meeting in October 1975 the Audit Committee of the Board of Directors approved and adopted the following policy statements:

1. The use of assets of the Company or any subsidiary for any unlawful or improper purpose is strictly prohibited;
2. No undisclosed or unrecorded fund or asset of the Company or any subsidiary shall be established for any purpose;
3. No false or artificial entries shall be made in the books and records of the Company or its subsidiaries for any reason, and no employee shall engage in any arrangement that results in such prohibited act;
4. No payment on behalf of the Company or any of its subsidiaries shall be approved or made with the intention or understanding that any part of such payment is to be used for any purpose other than that described by the documents supporting the payment;
5. Any employee having information or knowledge of any unrecorded fund or asset or any prohibited act shall promptly report such matter to the chief executive officer or general counsel of Tenneco Inc.;
6. All executive officers of the Company shall be responsible for the enforcement of and compliance with this policy including necessary distribution to ensure employee knowledge and compliance;
7. Appropriate officers and employees will periodically be required to certify compliance with this policy; and
8. This policy is applicable to Tenneco Inc. and all its domestic and foreign subsidiaries.

The Audit Committee has also directed management to implement procedures for insuring compliance with such policies and to report to the Audit Committee and to the Board of Directors with respect thereto. Following such report and review thereof by the Board of Directors of the Company, a definitive statement of such policies and procedures will be distributed on a company-wide basis.

The matters described herein have been voluntarily disclosed by the Company, and the Company has advised the staff of the Commission that its documents, books and records relating to the investigation ordered by the Audit Committee will be made available at the Company's offices for examination by the staff of the Commission upon request.

In keeping with the practice of other companies reporting matters of the type described herein, the Company

is reporting same on a Current Report on Form 8-K under the caption "Other Materially Important Events". The Company does not deem such matters material and the disclosure thereof shall not be deemed an admission of materiality.

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TENNECO MARKET AREA (25 states)

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2.0 Bcf/day

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Prepared for House Special Committee on the Sale of Royalty Gas

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Market Impact

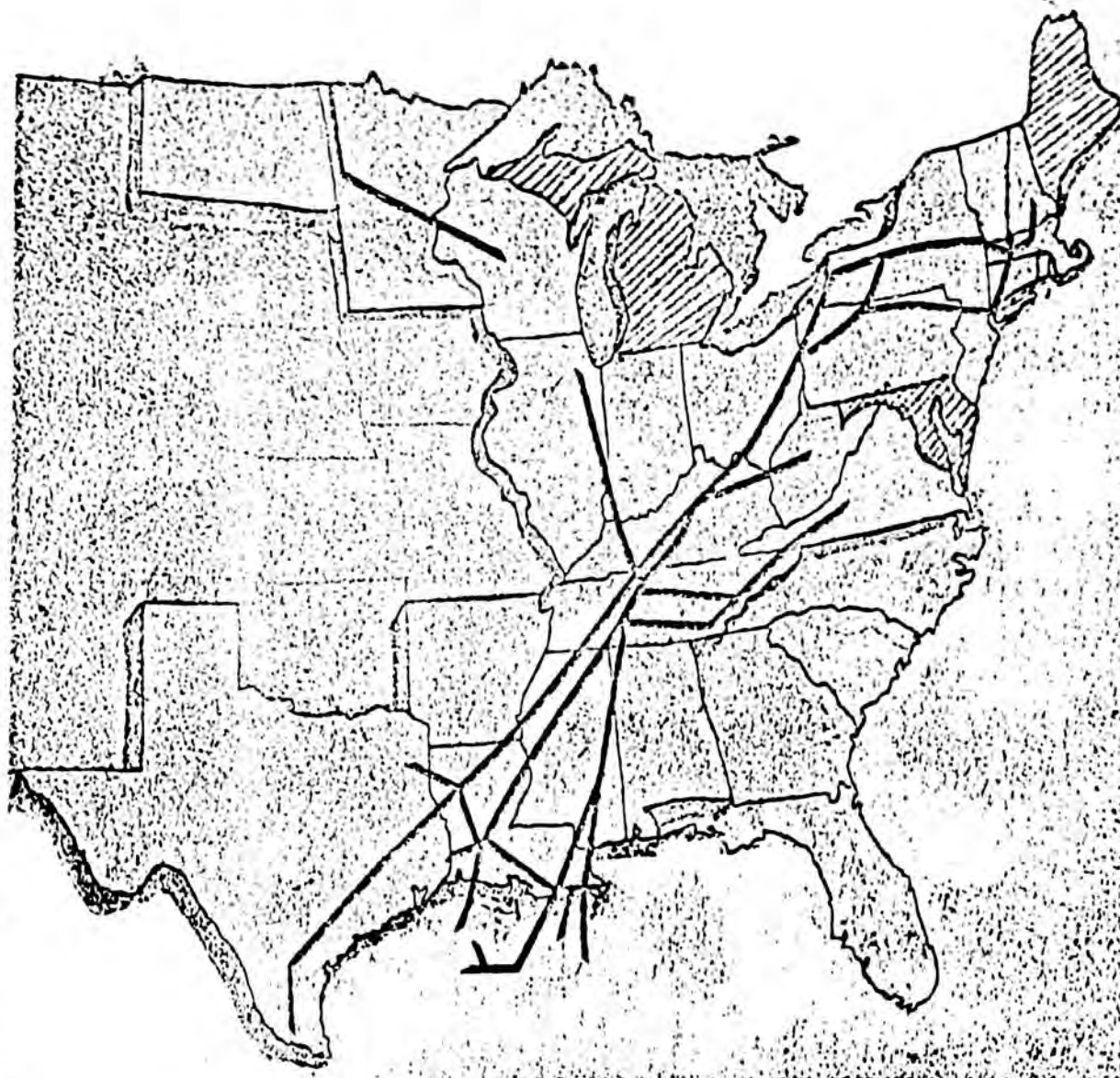
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AGO 667936

Source: "Why Tenneco" published by Tenneco
1976

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Form 8

AMENDMENT TO APPLICATION OR REPORT

Filed pursuant to Section 12, 13 or 15(d) of the
Securities Exchange Act of 1934

For the Month of January 1976

Tenneco Inc.
P. O. Box 2511
Houston, Texas 77001

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 8

AMENDMENT TO APPLICATION OR REPORT

Filed pursuant to Section 12, 13 or 15(d)

of

THE SECURITIES EXCHANGE ACT OF 1934

TENNECO INC.

(Exact name of registrant as specified in charter)

AMENDMENT NO. 1

The undersigned registrant hereby amends its Current Report on Form 8-K for the month of January 1976 by providing information for the following item as set forth in the pages attached hereto:

ITEM 13

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

TENNECO INC.

BY EDWARD J. HARRISON
Edward J. Harrison
Senior Vice President and
General Counsel

Date: February 13, 1976

Item 13. Other Materially Important Events

In March 1975 the management and the Audit Committee (composed of four outside directors) of Tenneco Inc. reviewed certain payments to foreign business consultants during 1974 in connection with the acquisition or proposed acquisition of properties or materials from foreign governments or agencies thereof. It was concluded at such time that the payments were for valid business purposes and that there was no indication the payments were illegal or improper. Accordingly, no action was taken. Later in 1975, however, the matter was reconsidered by management because of the publicity concerning the new and emerging concept of "sensitive payments" and the concern expressed by various Securities and Exchange Commission (the "Commission") representatives with respect thereto. At a meeting in October 1975 the Audit Committee, with the concurrence of the full Board of Directors, determined that in light of the information presented at the meeting concerning such 1974 payments and the recent publicity concerning foreign and domestic bribes and political activities of an illegal or questionable nature by other corporations, management should undertake at once a full and complete review of the Company's foreign and domestic operations. Tenneco Inc. and its subsidiaries are hereinafter referred to as the "Company" unless otherwise indicated. The Audit Committee authorized Arthur Andersen & Co., the Company's independent public accountants, and Baker & Botts, the Company's outside legal counsel, to assist in such review. The Commission was promptly advised that, in compliance with the Commission's publicly enunciated and recommended voluntary disclosure program, the review was being made for the period beginning January 1, 1970 and that a report to the Audit Committee and to the Commission would be made as promptly as practicable.

The review has been conducted by representatives of Arthur Andersen & Co. and Baker & Botts, with the active assistance and cooperation of the Company's management. Interim reports by such representatives to the staff of the Commission were made on October 30, and December 18, 1975 and January 20, 1976. Reports to the Audit Committee, and to the full Board of Directors, were made on December 10, 1975 and January 7, 1976.

Information was obtained through written inquiries and personal interviews of executive personnel and other employees of the Company and of certain foreign consultants. Approximately seventy-five such persons have been contracted in one manner or the other, or both. Although no pattern of improper or questionable conduct was revealed either in foreign or domestic operations reviewed at the direction of the Audit Committee, there have been reports of apparently improper or questionable practices in certain instances.

The Company uses numerous local attorneys, advisers, consultants and agents in connection with certain of its foreign operations in approximately 24 countries. These individuals are independent businessmen, many of whom have written contracts with the Company relating to specific countries or areas or to specific projects. During the period January 1, 1970 through September 30, 1975, the Company made or accrued payments aggregating approximately \$12 million to such persons (or entities designated by them). Although it is not feasible to state with substantial certainty that none of the payments during such period, other than those described in the following paragraph, were indirectly for the

use or benefit of employees of foreign governments or agencies thereof, the investigation did not reveal the existence of any other payments to foreign government employees or military personnel or that any such payments were being "kicked back" to the Company or its employees or used to create a "slush fund" of any kind. However, in some cases the payments are made to the consultant or his nominee outside the country of his residence and verification of the end use of the payments is not feasible. The question of whether local laws of the countries involved are being violated by making such payments to the consultant or his nominee outside the country of his residence is being reviewed and will be reported to the Audit Committee.

Of the payments reviewed for such period, (i) \$10,000 is known to have been paid to a foreign government employee, (ii) \$25,000 is known to have been invested in a U.S. concern in which one or more foreign government employees probably have a beneficial interest, (iii) approximately \$500,000 was paid to the military and to certain military personnel in a foreign country for protection of a subsidiary's employees working in remote, dangerous locations and for rental of military aircraft and related equipment and (iv) a local sales manager of a subsidiary purchased in 1975 out of the subsidiary's petty cash fund merchandise valued at approximately \$480 and gave same to three employees or officials of a foreign government purchasing office or agency to which the subsidiary was selling equipment. The two payments totaling \$10,000 were improperly described on the books of the Company and may have been improperly deducted for U.S. income tax purposes. The \$25,000 investment is properly described on the books of the Company. The payments totaling \$500,000 for military protection and equipment were properly described on the Company's books and are considered properly deductible for U.S. income tax purposes because of the absolute necessity of military protection in that particular country. The \$480 payment was not correctly described on the Company's books.

In connection with negotiations involving proposed long-term, multi-billion dollar purchases of raw materials from certain countries, consultants have contractual commitments to receive from the Company additional sums aggregating up to approximately \$12.0 million (subject to adjustments, not presently subject to determination, under certain circumstances because of fluctuating currency exchange rates) plus out-of-pocket expenses upon successful conclusion of all phases of such arrangements.

Under contractual arrangements in four countries, the Company has made scholarship payments from time to time aggregating \$330,000 for the five years and nine months ended September 30, 1975.

In connection with certain sales of products through independent dealers in foreign countries, the Company follows the practice, where requested by such dealers, of withholding all or a portion of the dealer's commission as an account payable to the dealer or of paying all or a portion of the dealer's commission to a bank account outside the country in which the dealer resides. Such deposits are made by check directly to the dealer's designated bank account. Commissions not paid by check are either disbursed in cash or by credit

against amounts due the Company. The payments are properly described on the Company's books and the Company's tax returns. The question of whether local laws of the countries involved are being violated is being reviewed and will be reported to the Audit Committee.

The Audit Committee of the Board of Directors has directed management of the Company to formulate procedures and policies to eliminate possible irregularities in connection with foreign operations and to present such procedures and policies to the Audit Committee and the Board of Directors for review, comment and approval. Thereafter, management will be charged with the responsibility, through internal audit procedures and such other techniques as may be deemed reasonably necessary (including disciplinary action, and, where appropriate, dismissal for violations), of insuring compliance with such procedures and policies on a company-wide basis. In this connection, and in addition to broader policy statements to be enunciated with respect to U.S. and foreign business operations in general, management intends to recommend the affirmation of substantially the following policy regarding payments which may be made in any country in connection with the purchases of products or raw materials or the sale of products or services:

"The Board of Directors and management of Tenneco Inc., having due regard for and recognition of the responsibilities arising from and attendant to international operations, hereby affirm the corporate policy of Tenneco Inc., its subsidiaries and divisions to the effect that all employees and agents are to comply with the ethical standards and legal requirements of each foreign country in which business is conducted."

Commencing in 1966 or 1967 many high-level executives of the Company made annual cash contributions of \$2,000 each to a fund to be used for political contributions. It is reported that approximately twenty executives made contributions each year and that the fund did not exceed \$40,000 in any one year. It is reported that this fund was discontinued after 1973. Under applicable Federal law, the legality of the fund turns primarily on "voluntariness". If there was direct or indirect coercion or inducement, whether in terms of advancement or company cars or other job perquisites, the fund would probably be deemed illegal. "Voluntariness" is a subjective determination by each individual participant, and most participants would probably state that their contributions were made voluntarily. For this reason, it is believed that the establishment of the fund did not violate Federal law.

Another employee fund was established at the Newport News Shipbuilding subsidiary before it was acquired by the Company in 1968. Cash contributions were made to the fund by high-level executives of the subsidiary. It is believed that contributions were made only once in the aggregate amount of approximately \$10,000. The fund presently has a balance of \$2,370 and is in the custody of the subsidiary's general counsel. Disbursements from the fund were made at the direction of the President of the subsidiary. The establishment of the fund is considered to comply with applicable Federal law on the basis that contributions were made voluntarily.

Recipients of campaign contributions from the Company's executive fund are believed to have been generally

determined by the chief executive officer of the Company. During the fund's existence from 1966 or 1967 until 1973, campaign contributions were made in Federal elections and in state and local elections. It is believed that contributions in state and local elections were made primarily in Texas and Louisiana. Contributions from a voluntary employee fund are specifically permitted by Federal election law and the Supreme Court has held that such voluntary employee funds were permissible prior to enactment of such election law. It is believed that such contributions are also permissible under Texas and Louisiana law, although no specific statutory authority exists, because of analogous Federal judicial precedent exempting voluntary employee funds and the intent of the law to prohibit only contributions of corporate money.

Contributions were made from the Newport News Shipbuilding employee fund in one Federal election and various state and local elections in Virginia. The contribution to the Federal election is believed to comply with Federal election law on the basis that the contribution was made from a voluntary employee fund. The state and local contributions are likewise believed to be permissible. In any event, state and local corporate contributions are permitted by Virginia law.

During the period from January 1, 1970 through December 1, 1975, three subsidiaries, Tenneco West, Inc., Heggblade-Marguleas-Tenneco Inc. and Stockdale Development Corporation, made campaign contributions in California elections aggregating approximately \$180,000. State and local corporate campaign contributions are permissible under California law.

It has been reported that since 1970 two corporate campaign contributions of \$100 each were made by local sales managers of a subsidiary, J. I. Case, in connection with state or local elections in Rhode Island and Florida, in both of which states corporate campaign contributions in state and local elections are believed to be permissible. In one or, perhaps, both of such cases, the contribution was not correctly described on the subsidiary's books and/or was improperly deducted for tax purposes.

Beginning prior to 1970 and continuing until August 1972, it is reported that cash amounts ranging from \$200 to \$2,000 were given on several occasions by the President of a subsidiary, Midwestern Gas Transmission Company, to state public utility commission chairmen in Indiana, Illinois, Kentucky and Wisconsin. The subsidiary officer states that the money was understood to be given in turn by the recipients to various charitable projects of their choice. In 1972 the same subsidiary officer gave \$2,000 in cash to the chairman of the Pennsylvania Public Utility Commission. The officer states that the Pennsylvania chairman requested the money for use as a contribution to a chairtable dinner in Washington, D.C., honoring a U.S. Senator from Pennsylvania. The money was given to the Pennsylvania chairman several months after the dinner, and the Pennsylvania chairman states that the money was applied as a reimbursement of his contribution to the dinner. Two other employees of the Company state that they believe or had heard that the money was given to the Pennsylvania chairman to obtain his influence with the head of the General Services Administration, which was participating as an

intervenor in a Federal Power Commission regulatory proceeding, Rate Proceeding 71-6, to which a Company division, Tennessee Gas Pipeline, was a party. The subsidiary officer who delivered the payment and the Pennsylvania chairman deny that this payment had any connection with such proceeding. The money was given to the Pennsylvania chairman several months after the regulatory proceeding had been ultimately resolved in a manner favorable to the division. The Company's executive fund may have been the source of these payments, although this has not been clearly determined since there are no records of disbursements from the fund and the recollections of the subsidiary President and the administrator of the fund differ.

Beginning on October 27, 1970, and continuing until September 1975, a subsidiary, Tenneco Oil Company, made payments of \$2,000 per month to the sheriff of a Louisiana parish who is also an attorney. There are conflicting statements regarding the reason or reasons for the payments. The payments were approved by senior management of the subsidiary, but there is no evidence that the Board of Directors or high-level management of Tenneco Inc. were aware of the arrangement. The sheriff is presently under investigation by officials of the U.S. Department of Justice, and the Company does not believe that it would be appropriate to comment further about the matter pending resolution of such Federal investigation.

In June 1970, a \$2,000 cash campaign contribution was made to a State District Judge in Louisiana for use in his race for a Louisiana appellate court seat. Approximately eighteen months prior to the contribution, the Judge had granted an injunction against violence on the picket line in connection with a union strike at the plant of a Company subsidiary, Tenneco Oil Company. Approximately two months after the contribution was made, the union filed a motion to dissolve the injunction, which was denied by the Judge in late 1970. The \$2,000 was given to the Judge by a local employee of the subsidiary. The payment was approved by senior management of the subsidiary, but there is no evidence that the Board of Directors or high-level management of Tenneco Inc. were aware of this payment. The money probably came from either the personal funds of an officer of the subsidiary or the Company's executive fund, and not from corporate funds. It is believed that the campaign contribution did not violate the Louisiana prohibition against corporate contributions which was then in effect because the money probably did not come from corporate funds.

In 1972 contributions of \$1,000 each were made by a subsidiary, Tenneco Oil Company, to two Louisiana District Judges and a Louisiana District Attorney who were running for re-election, all in the same parish. The contributions were made in cash by an employee from the subsidiary's working fund account. The payments were incorrectly described on the subsidiary's books and improperly deducted for tax purposes. The contributions were approved by senior management of the subsidiary, but there is no evidence that the Board of Directors or high-level management of Tenneco Inc. were aware of the payments. The contributions violated the then existing Louisiana prohibition against corporate campaign contributions.

Tenneco proposes to turn over to the Internal Revenue Service the relevant information relating to the foregoing matters and to amend tax returns and make additional payments where appropriate. It is not considered at this time that material income tax deficiencies will result.

At its meeting in October 1975 the Audit Committee of the Board of Directors approved and adopted the following policy statements:

1. The use of assets of the Company or any subsidiary for any unlawful or improper purpose is strictly prohibited;
2. No undisclosed or unrecorded fund or asset of the Company or any subsidiary shall be established for any purpose;
3. No false or artificial entries shall be made in the books and records of the Company or its subsidiaries for any reason, and no employee shall engage in any arrangement that results in such prohibited act;
4. No payment on behalf of the Company or any of its subsidiaries shall be approved or made with the intention or understanding that any part of such payment is to be used for any purpose other than that described by the documents supporting the payment;
5. Any employee having information or knowledge of any unrecorded fund or asset or any prohibited act shall promptly report such matter to the chief executive officer or general counsel of Tenneco Inc.;
6. All executive officers of the Company shall be responsible for the enforcement of and compliance with this policy including necessary distribution to ensure employee knowledge and compliance;
7. Appropriate officers and employees will periodically be required to certify compliance with this policy; and
8. This policy is applicable to Tenneco Inc. and all its domestic and foreign subsidiaries.

The Audit Committee has also directed management to implement procedures for insuring compliance with such policies and to report to the Audit Committee and to the Board of Directors with respect thereto. Following such report and review thereof by the Board of Directors of the Company, a definitive statement of such policies and procedures will be distributed on a company-wide basis.

The matters described herein have been voluntarily disclosed by the Company, and the Company has advised the staff of the Commission that its documents, books and records relating to the investigation ordered by the Audit Committee will be made available at the Company's offices for examination by the staff of the Commission upon request.

In keeping with the practice of other companies reporting matters of the type described herein, the Company

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Form 8

AMENDMENT TO APPLICATION OR REPORT

Filed pursuant to Section 12, 13 or 15(d) of the
Securities Exchange Act of 1934

For the Month of January 1976

Tenneco Inc.
P. O. Box 2511
Houston, Texas 77001

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 8

AMENDMENT TO APPLICATION OR REPORT
Filed pursuant to Section 12, 13 or 15(d)
of
THE SECURITIES EXCHANGE ACT OF 1934

TENNECO INC.
(Exact name of registrant as specified in charter)

AMENDMENT NO. 2

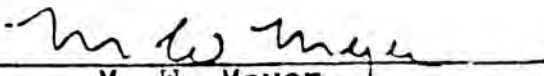
The undersigned registrant hereby amends its Current Report on Form 8-K for the month of January 1976 by providing information for the following item as set forth in the pages attached hereto:

ITEM 13

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

TENNECO INC.

By


M. W. Meyer
Assistant Secretary

Date: February 23, 1976

Item 13. Other Materially Important Events.

February 13, 1976 Tenneco Inc. filed Amendment No. 1 to its Form 8-K Current Report for the month of January 1976, containing in part the following statements:

"Beginning prior to 1970 and continuing until August 1972, it is reported that cash amounts ranging from \$200 to \$2,000 were given on several occasions by the President of a subsidiary, Midwestern Gas Transmission Company, to state public utility commission chairmen in Indiana, Illinois, Kentucky and Wisconsin. The subsidiary officer states that the money was understood to be given in turn by the recipients to various charitable projects of their choice."

By affidavit dated February 23, 1976 George Perrine made the following statements:

"I was President of Midwestern Gas Transmission Company from 1961 until August 1972. I am presently a consultant to Tenneco Inc. Although I gave the information quoted above in substantially the language therein to Tenneco Inc. representatives, upon further reflection I am unable to recall any names, dates or amounts or whether any sums were actually delivered to public utility commission chairmen, members or employees in any of the states of Indiana, Illinois, Kentucky or Wisconsin or elsewhere. Because of such inability to recall specific information, I have concluded that my original statement was in error."

Item 14. Financial Statements and Exhibits.

(b) Exhibits

1. Affidavit of George Perrine dated February 23, 1976.

THE STATE OF TEXAS §

COUNTY OF HARRIS §

AFFIDAVIT OF GEORGE PERRINE

BEFORE ME, this day personally appeared George Perrine, who, after being duly sworn, deposed and said:

I.

My name is George Perrine. I have personal knowledge of every statement made in this Affidavit and am fully competent to testify about the matters stated herein.

II.

I understand that Tenneco Inc. has filed Amendment No. 1 on Form 8 amending its Current Report on Form 8-K for the month of January 1976, and that the following appears as part of said Amendment:

"Beginning prior to 1970 and continuing until August 1972, it is reported that cash amounts ranging from \$200 to \$2,000 were given on several occasions by the President of a subsidiary, Midwestern Gas Transmission Company, to state public utility commission chairmen in Indiana, Illinois, Kentucky and Wisconsin. The subsidiary officer states that the money was understood to be given in turn by the recipients to various charitable projects of their choice."

III.

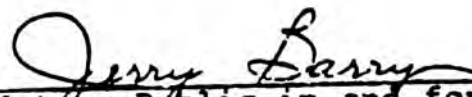
I was President of Midwestern Gas Transmission Company from 1961 until August 1972. I am presently a consultant to Tenneco Inc. Although I gave the information quoted above in substantially the language therein to Tenneco Inc. representatives, upon further reflection I am unable to recall any names, dates or amounts or whether any sums were actually delivered to public utility commission chairmen, members or employees in any of the states of Indiana, Illinois, Kentucky or Wisconsin or elsewhere. Because of such inability to recall specific information, I have concluded that my original statement was in error.

Further, the affiant sayeth not and I have read
the foregoing Affidavit and it is true and correct.



George Perrine

SUBSCRIBED AND SWORN TO before me by George Perrine
on this 23rd day of February, 1976.



Notary Public in and for
Harris County, Texas

JERRY BARRY

My Comm. Expires: February 28, 1977

77

EFFECT OF ALASKA'S ROYALTY GAS ON NATURAL GAS SUPPLY:

TENNECO MARKET AREA (25 states)

Prudhoe Bay natural gas production rate is assumed to be
2.0 Bcf/day

Yearly Prudhoe Bay natural gas production 730 Bcf.

Royalty Share of Prudhoe Bay production = $1/8$ of 730 Bcf = 91.25 Bcf/Year.

Tenneco Share of Royalty Gas = 50 % of 91.25 Bcf = 45.625 Bcf/year.

Tenneco Summary of Operating Data (from "Tenneco Statistics 1975")

Volume of Gas sold and transported: 1,634 Bcf
Volume of Gas purchased: 1,459 Bcf

Tenneco's share of 25-state gas market:
1,284 Bcf
9.9 %

Tenneco's share of royalty gas as a per cent of Tenneco's
share of 25-state gas market:

$$(45.625 \text{ Bcf/year} / 1,284 \text{ Bcf/year}) = 3.55 \%$$

Tenneco's share of royalty gas as a per cent of total
25-state gas consumption:

$$(45.625 \text{ Bcf/year} / 12,879 \text{ Bcf/year}) = 0.35 \%$$

Total U.S. Consumption of Natural Gas in 1975 (rounded): 19,000 Bcf

Yearly Royalty Gas Production as a percent of total U.S. Consumption:

$$(91.25 \text{ Bcf/year} / 19,000 \text{ Bcf/year}) = 0.48 \%$$

Yearly Prudhoe Bay gas production as a percent of total U.S.
Consumption:

$$(730 \text{ Bcf/year} / 19,000 \text{ Bcf/year}) = 3.84 \%$$

Note: Above calculations do not take into account shrinkage of
natural gas through transportation (e.g. 6% loss in liquefaction
and deliquification).

TABLE I

EFFECT OF ALASKA'S ROYALTY GAS ON NATURAL GAS SUPPLY:
TENNECO MARKET AREA

<u>STATE</u>	<u>1975 Consumption (Bcf)</u>	<u>Tenneco % Share of Market</u>	<u>Tenneco Share of Market (Bcf)**</u>	<u>Tenneco Royalty Gas Share of Market (%)**</u>
*Alabama	260	10	26	.36
Arkansas	270	41	42	4.03
Connecticut	64	46	29	1.63
Illinois	1130	16	181	.57
Indiana	488	41	44	4.03
Kentucky	208	13	27	.46
Louisiana	1376	41	413	4.03
Maine	2	91	2	3.23
Maryland	147	20	29	.71
Massachusetts	153	53	81	1.88
Michigan	902	6	54	.21
Minnesota	318	2	6	.07
*Mississippi	208	4	8	.14
N. Hampshire	8	72	6	2.55
New Jersey	279	6	17	.21
New York	571	27	154	.96
No. Dakota	26	21	5	.75
Ohio	951	21	200	.75
Pennsylvania	698	27	188	.96
Rhode Island	22	23	5	.82
*Tennessee	255	39	99	1.39
*Texas	3911	41	439	4.03
Virginia	123	20	25	.71
W. Virginia	172	19	33	.68
Wisconsin	<u>367</u>	<u>14</u>	<u>51</u>	<u>.50</u>
TOTAL 25 STATES	12,879	9.9	1284	.75

Notes to Table I:

- * indicates state will receive additional royalty gas supplies from Southern Natural Gas:

Alabama receives 66% of supply from Southern
Mississippi receives 13% of supply from Southern
Tennessee receives 8 % of supply from Southern
- ** Tenneco share of market expressed in Bcf as calculated by multiplying each state's 1975 consumption by Tenneco's percentage share of market (Source of these figures was Table II from "Why Tenneco", published by Tenneco). Minor inaccuracies may have occurred due to rounding.
- *** Figures for Tenneco Royalty Gas share of market assume equal distribution among states by relative share of consumption

Tenneco was chosen as an example of the impact of royalty gas commitment because original data was readily accessible. Figures for 1976 consumption among the states served by Southern Natural Gas indicate similar results. El Paso service area figures were not available.

The calculations indicate that the addition of Alaska's royalty gas to U.S. supply will increase total U.S. supply by less than 1/2 of one percent.

Prepared for House Special Committee on the Sale of Royalty Gas

TENNECO'S INTERSTATE NATURAL GAS PIPELINES

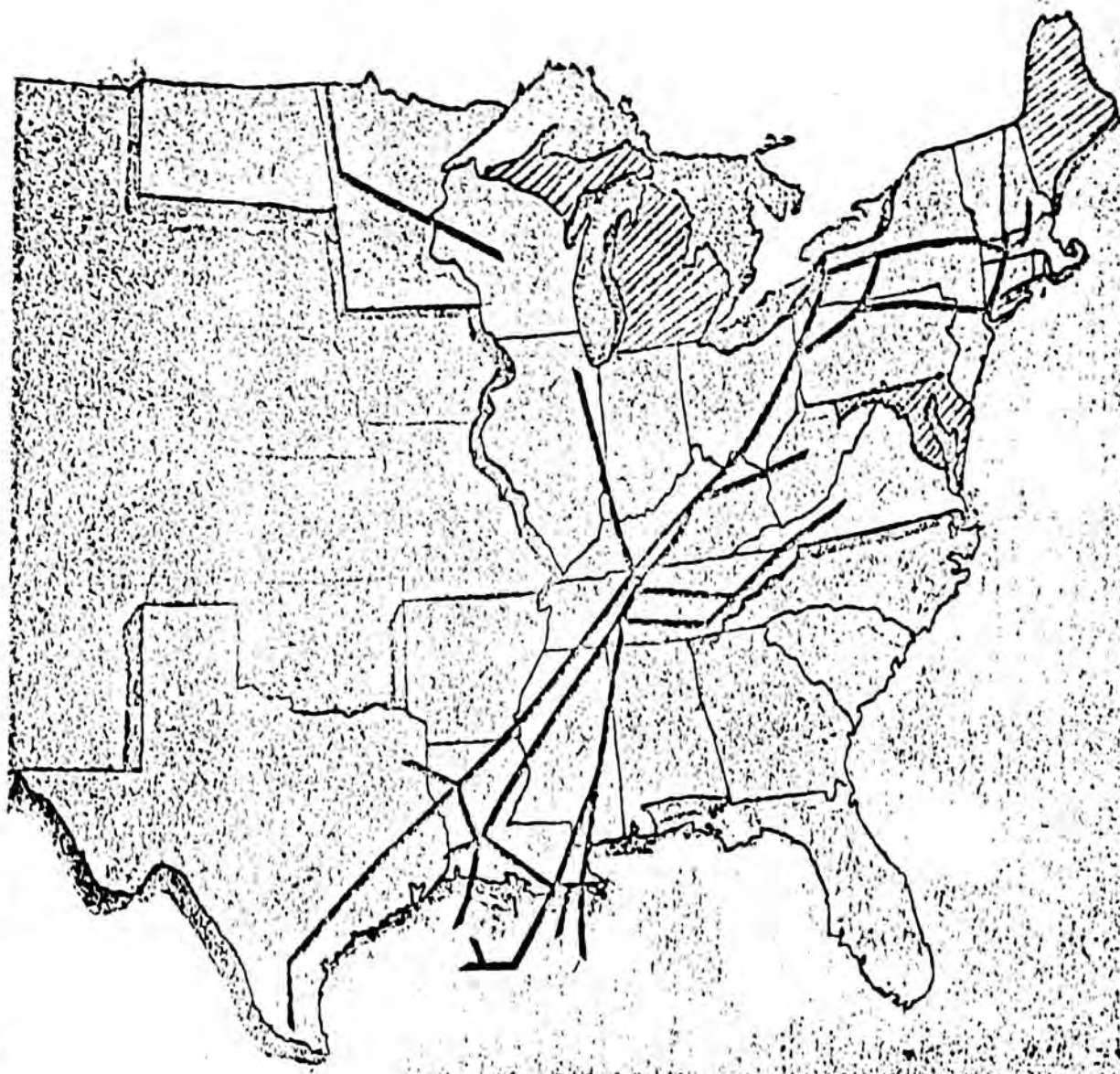
MARKET AREA

Market Impact

State	1975 ¹ Natural Gas Consumption (Bcf)	Tenneco's Share of Total State Gas Market	Population ²
Alabama	260	10%	3,577,000
Arkansas	270	<1	2,062,000
Connecticut	64	46	3,088,000
Illinois	1,130	16	11,131,000
Indiana	488	<1	5,330,000
Kentucky	208	13	3,357,000
Louisiana ³	1,376	<1	3,764,000
Maine ²	2	91	1,047,000
Maryland ²	147	20	4,092,000
Massachusetts	153	53	5,800,000
Michigan ²	902	6	9,098,000
Minnesota	318	2	3,917,000
Mississippi	208	4	2,324,000
New Hampshire	8	72	808,000
New Jersey	279	6	7,330,000
New York	571	27	18,111,000
North Dakota	26	21	637,000
Ohio	951	21	10,737,000
Pennsylvania	698	27	11,835,000
Rhode Island	22	23	537,000
Tennessee	225	39	4,129,000
Texas ²	3,911	<1	12,050,000
Virginia	123	20	4,908,000
West Virginia	172	19	1,791,000
Wisconsin	367	14	4,566,000
TOTAL	12,879		136,428,000

% of
United States 68% 65%

¹ Gas consumption based on Gas Requirements Committee, September, 1976 Report. Population data based on 1975 Statistical Abstract of the United States.
² Served indirectly through another wholesaler.
³ Louisiana provides 75% of Tenneco's gas. Texas provides 16%.



Source: "Why Tenneco" published by Tenneco
1976