



Municipal Technical Advisory Service
INSTITUTE *for* PUBLIC SERVICE

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Natural Gas Supply & Interstate Pipeline

Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](https://www.mtas.tennessee.edu)). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

The University of Tennessee
Municipal Technical Advisory Service
1610 University Avenue
Knoxville, TN 37921-6741
865-974-0411 phone
865-974-0423 fax
www.mtas.tennessee.edu

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Natural Gas Supply & Interstate Pipeline

Reference Number: MTAS-794

Supply

Natural gas is trapped in the Earth under impermeable layers of rock. To harvest it, a producer drills a production well through the impermeable layer to allow the natural gas to escape into the collection system. It is then sent to a refinery for impurities to be removed prior to it being piped to customers or storage. The production well can be on dry land or on an elevated platform positioned in the ocean.

The producer may market its gas directly to the consumer or sell its gas to a marketer who then provides it to consumers. The LDC (Local Distribution Company) may purchase the natural gas from a producer or marketer. The purchase contract should specify the length of the contract, the amount of gas to be purchased, and the geographical point at which the gas is put into the interstate pipeline. In the United States, natural gas is purchased in units of either MMBtu or dekatherm. The purchased gas must be transported through a pipeline to the LDC for consumption. This is accomplished through the use of transportation contracts with the pipeline owner.

Interstate Pipeline

The LDC will have at least one transportation contract with an interstate pipeline. (There may also be a contract with an intrastate pipeline.) The interstate pipeline is regulated by the Federal Energy Regulatory Commission (FERC) (www.ferc.gov [1]). FERC Order 636 was part of the federal process to deregulate the natural gas industry in the late 1980s. This order states that an interstate or intrastate pipeline can only transport, manipulate or store natural gas. With this order a pipeline can no longer sell natural gas. The consumer is required to purchase natural gas from an entity other than the pipeline. Prior to this order, LDCs purchased transportation, pipeline services and gas supply from the pipeline.

Links:

[1] <http://www.ferc.gov>

DISCLAIMER: The letters and publications written by the MTAS consultants were written based upon the law at the time and/or a specific sets of facts. The laws referenced in the letters and publications may have changed and/or the technical advice provided may not be applicable to your city or circumstances. Always consult with your city attorney or an MTAS consultant before taking any action based on information contained in this website.

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