

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

CenterPoint Energy Gas Transmission Company

Docket No. CP06-277-000

ORDER APPROVING ABANDONMENT AND DISCLAIMING JURISDICTION

(Issued September 27, 2006)

1. On May 10, 2006, CenterPoint Energy Gas Transmission Company (CEGT) filed an abbreviated application under section 7(b) of the Natural Gas Act (NGA) and Part 157 of the Commission's regulations, seeking authority to abandon 17 miles of 16-inch and 20-inch pipeline located in Harrison County, Texas, and Caddo Parish, Louisiana, and two compressor units located at CEGT's Buckley Compressor Station in Caddo Parrish, Louisiana and the related services provided through these facilities. Approximately 13.3 miles of the 16-inch and 20-inch pipeline will be abandoned by sale to Waskom Gas Processing Company (Waskom Gas), which intends to operate the line as part of its gathering facilities, while the remainder will be abandoned in place. CEGT also seeks a determination that the pipeline sold to Waskom Gas will be a gathering line exempt from the Commission's jurisdiction under NGA section 1(b).

2. As discussed below, the requested authorizations to abandon facilities and services are granted. Also the Commission finds that upon sale to Waskom Gas, the facilities will primarily perform a gathering function exempt from the Commission's jurisdiction.

I. Background

3. CEGT, a wholly-owned, indirect subsidiary of CenterPoint Energy, Incorporated, is a corporation organized and existing under the laws of the State of Delaware. CEGT, on behalf of various shippers, provides open-access transportation services to distributors, industrial customers, and to third-party interconnects located in Arkansas, Kansas, Louisiana, Mississippi, Missouri, Oklahoma, Tennessee, and Texas.

4. Line F-1-F includes 8.6 miles of 16-inch mechanically coupled pipe constructed in 1927. In 1998, this 8.6-mile pipe segment and an additional 8.2 miles of 20-inch mechanically coupled pipe were classified as the present Line F-1-F.¹ It is a low pressure natural gas supply line operating at approximately 370 psia that receives most of its gas from the tailgate of the Waskom Plant in East Texas. Line F-1-F delivers natural gas primarily to CEGT's Line R, a delivery lateral pipeline that provides gas to end use and distribution customers in Louisiana. In addition, there are seven delivery taps located on Line F-1-F that deliver natural gas to CEGT's local distribution (LDC) affiliates.

II. Proposal

5. CEGT proposes to abandon its 16.8-mile Line F-1-F and two compressor units at its Buckley Compressor Station. Approximately 8.6 miles of 16-inch and 4.7 miles of 20-inch pipeline will be abandoned by sale to Waskom Gas. The remaining 3.5 miles of pipeline and the compressor units will be abandoned in place.

6. As a result of new pipeline safety regulations implemented by the Department of Transportation (DOT), CEGT asserts it must either replace or abandon Line F-1-F because the mechanical couplings prevent the line from being internally inspected. CEGT states that replacement of Line F-1-F would cost approximately \$10 million. CEGT further states that it has evaluated three other options. One option is to abandon the existing pipe and construct a new 10-inch diameter, high pressure line from the Waskom Plant to CEGT's Line R, parallel to CEGT's existing Line S and Line F right-of-way. CEGT avers that this replacement option would cost approximately \$8.5 million. A second option CEGT evaluated is to abandon Line F-1-F, construct a receipt point from CEGT's existing Line ST-1, a supply line that extends from Carthage, Texas to the Buckley Compressor Station, to move gas from Waskom to CEGT's proposed Line CP.² The third option is simply to abandon and retire Line F-1-F.

¹ The Line F-1-F facilities were constructed by CEGT's predecessors. *See NorAm Gas Transmission Company*, 83 FERC ¶ 61,047 (1998), and *Arkansas Louisiana Gas Company*, 3 FPC 910 (1943) ("grandfathering" and certificating facilities in Docket No. G-252 following passage of the NGA).

² On March 10, 2006, CEGT filed an application in Docket No. CP06-85-000 to construct approximately 172 miles of 42-inch diameter pipe, Line CP, and two compressor stations to transport natural gas from East Texas to CEGT's Perryville Hub. That application is pending before the Commission.

7. CEGT states that it is uneconomical to replace the line, and therefore, proposes to abandon Line F-1-F. Upon abandonment of Line F-1-F, the two 1,400 horsepower (hp) compressor units at the Buckley Station used to compress gas from Line F-1-F into the CEGT mainline will no longer be necessary. Since both compressor units have been in service since 1951 and need major overhaul work, at an estimated cost of \$1.3 million, CEGT proposes to abandon the units in place.

8. As part of its evaluation of the replacement or abandonment of Line F-1-F, CEGT has had discussions with Waskom Gas, and Waskom Gas has expressed an interest in acquiring approximately 13.3 miles of Line F-1-F to gather natural gas production to the Waskom Plant for processing. CEGT states that Waskom Gas will connect Line F-1-F to its existing Mooringsport gathering system. The Mooringsport gathering lines consist of pipe that range in diameter from 4 to 8 inches and operate at pressures of approximately 150 psig. Waskom Gas proposes to use Line F-1-F to gather high Btu gas from Caddo Parrish, Louisiana and Harrison County, Texas for delivery to the Waskom Plant for processing.

III. Notice, Interventions, and Protests

9. Public notice of CEGT's application was published in the *Federal Register* on May 31, 2006 (71 *Fed. Reg.* 32,528) with comments, protests, and interventions due on or before June 21, 2006. No motions to intervene were filed. However, protests were filed by James A. Brasfield, *et. al.*, Kathryn A. Brasfield, Theodore F. Bryson, Marjorie Ann Bryson Shocklee, Edward C. Moore and Gary Moore. These homeowners are concerned that CEGT's proposal will result in loss of their existing gas service.

IV. Discussion

10. Since the facilities and services CEGT proposes to abandon involve the transportation of natural gas in interstate commerce, the proposal is subject to the jurisdiction of the Commission and the requirements of NGA section 7(b).

Abandonment of Jurisdictional Facilities

11. CEGT asserts that Line F-1-F and the two Buckley Compressor Station units are deteriorated, obsolete, and do not meet the requirements of new pipeline safety regulations. Further, CEGT states that replacement of the facilities would be uneconomical.

12. James A. Brasfield, *et. al.*, Kathryn A. Brasfield, Theodore F. Bryson, Marjorie Ann Bryson Shocklee, Edward C. Moore, and Gary Moore (homeowners) state that the abandonment of the CEGT line will result in a disconnection of services provided to them by CenterPoint Energy Resources Corporation, d/b/a/ CenterPoint Energy Louisiana Gas (Louisiana Gas).³ Louisiana Gas is CEGT's affiliated LDC.

13. The homeowners state that Louisiana Gas has provided each household \$2,500 to convert to an alternative fuel source. The homeowners assert that such sum is insufficient to compensate them for the necessity to replace or convert home appliances and heating systems to accept liquid propane gas. In addition, the homeowners contend that conversion will result in a devaluation of real property values. They emphasize that their acceptance and cashing of the \$2,500 checks did not imply their consent to the abandonment.

14. In view of CEGT's proposal to sell most of Line F-1-F to Waskom Gas, the homeowners question CEGT's claim that the line is being abandoned because of its condition. The homeowners state that they paid for Louisiana Gas' installation of the line providing their service. Mr. Bryson asserts that Louisiana Gas did not apply for all the required permits prior to informing customers that they will be required to convert to an alternative energy source.⁴

15. CEGT acknowledges that the intervening parties are served directly by Louisiana Gas which is served by CEGT through Line F-1-F. According to CEGT, the distribution line which Louisiana Gas utilizes to serve the homeowners was constructed in 1981 at the request of Mr. James A. Brasfield, one of the homeowners, who entered into a distribution main extension contract with Arkansas Louisiana Gas, now Louisiana Gas.

³ Louisiana Gas is subject to the jurisdiction of the Louisiana Public Service Commission.

⁴ Mr. Bryson also alleges, in a letter dated July 1, 2006, and filed July 3, 2006, lack of proper notice in local newspapers. It is unclear whether Mr. Bryson is asserting that CEGT or Louisiana Gas failed to publish such notice. However, in a data response dated June 30, 2006, CEGT states that it placed public notices of its abandonment proposal in two local newspapers: the Marshall News Messenger of Marshall, Texas and the Inquisitor Newspaper of Blanchard Louisiana. Further, while Mr. Bryson's July 1, 2006 letter was not filed by the June 21, 2006 due date for protests, the Commission has considered Mr. Bryson's comments.

The extension agreement provided that the distribution line would be owned and operated by Arkansas Louisiana Gas.

16. CEGT explains that the delivery tap at pipeline Milepost 83+06 on Line F-1-F delivers the natural gas into Louisiana Gas' distribution line that serves the residences of the protesting homeowners in this proceeding. CEGT states that Louisiana Gas has determined it would not be economical to construct new distribution facilities for the purpose of serving these homeowners' residences, and that Louisiana Gas offered \$2,500 to each homeowner in order to compensate for the cost of converting to propane.

17. CEGT states that the \$2,500 compensation amount was based on the evaluation and recommendation of the Louisiana Public Service Commission as fair compensation for the abandonment of services. The protesting homeowners contend that their acceptance and cashing of the \$2,500 checks does not signal their consent to the abandonment of Line F-1-F, as they were unaware of the necessity of CEGT to obtain abandonment authority of its transmission line prior to termination of service by Louisiana Gas.

18. While the Commission is sympathetic to the homeowners' situation, their claims relating to Louisiana Gas' provision or abandonment of local distribution service are not within this Commission's jurisdiction. This Commission's jurisdiction is limited to deciding whether the public convenience and necessity permit CEGT's proposed abandonment of Line F-1-F and associated related compression that have been used to transport gas in interstate commerce.

19. CEGT has demonstrated that the facilities are obsolete and uneconomic. The line was initially constructed in 1927 with mechanical couplings that have deteriorated over time and, additionally, make internal inspection infeasible. Such capability is mandated by the new operating and safety standards implemented by DOT. Thus, CEGT can continue service through Line F-1-F only if it replaces the pipeline facilities, as well as replacing or refurbishing the two old compressor units in order to continue compressing gas from Line F-1-F into CEGT's mainline. The cost to replace Line F-1-F is estimated to be \$10 million, and the continued operating costs of the line significantly exceed the revenue that would be generated by keeping the line in service.⁵ Therefore, it would be

⁵ In a May 26, 2006 supplement to its application, CEGT states that the annual cost to operate and maintain Line F-1-F is approximately \$10,000 and that estimated annual transportation revenue received by CEGT from Louisiana Gas, based on an annual delivery volume of 1,475 Dth, is \$375.

uneconomical for CEGT to replace Line F-1-F. Based on the facts presented, the Commission finds that CEGT's proposed abandonment of the facilities is permitted by the public convenience and necessity.

Primary Function Test

20. Under section 1(b) of the NGA, the Commission's jurisdiction does not extend to facilities used for the production or gathering of natural gas. The Commission has, over the years, developed a number of legal tests to determine which facilities are nonjurisdictional gathering facilities and which facilities are jurisdictional transmission facilities.⁶ The Commission presently relies on its modified "primary function test" which includes consideration of several physical and geographical factors, including: (1) the length and diameter of the line; (2) the extension of the facility beyond the central point-in-the-field; (3) the facility's geographic configuration; (4) the location of compressors and processing plants; (5) the location of wells along all or part of the facility; and (6) the operating pressure of the pipeline(s).⁷

21. In addition, the Commission also considers the purpose, location and operation of the facilities, the general business activities of the owner of the facility, and whether the jurisdictional determination is consistent with the NGA and the NGPA. The Commission does not consider any one factor to be determinative and recognizes that all factors do not necessarily apply to all situations.⁸ Additionally, the Commission weighs any and all other relevant facts and circumstances of a particular case, including non-physical criteria.⁹

22. Applying these criteria to the 13.3 miles of pipeline that CEGT proposes to sell to Waskom Gas, the Commission finds that the primary function of the facilities will become gathering upon integration with Waskom Gas' existing gathering system. First, there are gathering lines that are as long as the 13.3-mile line at issue and that have

⁶ *Amerada Hess Corp.*, 52 FERC ¶ 61,268 (1990) and *Farmland Industries, Inc.*, 12 FERC ¶ 61,063 (1983).

⁷ The Commission has further modified the primary function test as applied to facilities located offshore. These modifications are immaterial here, since all facilities at issue are located onshore.

⁸ *TOMCAT*, 59 FERC ¶ 61,340 at 62,239 (1992).

⁹ *Amerada Hess Corp.*, 52 FERC ¶ 61,268 (1990).

diameters as large as these facilities' 16-inch and 20-inch segments.¹⁰ Therefore, the size of the facilities is not necessarily inconsistent with a gathering function. Second, the Commission has generally found facilities located upstream of processing plants to be non-jurisdictional gathering.¹¹ Upon the abandonment and transfer to Waskom Gas, the pipeline facilities will no longer move gas from the tailgate of the plant downstream, but will be tied in upstream in order to bring field gas to the Waskom Plant for processing. The primary function test's "central point in the field" factor has little significance where, as here, processing plants exist, and the subject facilities are located upstream of the processing plant in a single production area. Third, while there are no wells directly connected to the line at issue, it will be integrated into Waskom Gas' existing Mooringsport gathering system and will function to collect raw, unprocessed, high Btu gas from numerous field lines for processing at the Waskom Plant. This configuration is also typical of a gathering function.¹² Fourth, there will be no compression located on the pipeline facilities after abandonment and transfer, which is a further indication of gathering. Finally, Waskom Gas states that it intends to operate the line at a pressure less than 100 psig, which is considerably lower than its current operating the pressure, and consistent with a gathering function.

23. Accordingly, for the foregoing reasons, we find that gathering will be the primary function of the portion of Line F-1-F transferred to Waskom Gas, and such facilities therefore will be exempt from Commission jurisdiction under NGA section 1(b).

V. Environment

24. An environmental assessment (EA) was prepared for CEGT's proposal. The EA addresses geology, soils, water resources, fisheries, wetlands, vegetation, wildlife, land

¹⁰ *Colorado Interstate Gas Co.*, 101 FERC ¶ 61,377 at P. 18 (2002).

¹¹ *See, e.g., GPM v. El Paso* at p. 61,888; *El Paso Natural Gas Co.*, 81 FERC ¶61,209 at pp. 61,892-93 (1997), reh'g denied, 82 FERC ¶ 61,337 (1998), aff'd, *Williams Field Services Group, Inc. v. FERC*, 194 F.3d 110 (D.C. Cir. 1999); *Trunkline Gas Co.*, 81 FERC ¶ 61,228 at p. 61,957 (1997); *ANR Pipeline Co.*, 77 FERC ¶ 61,230 at p. 61,936 (1996).

¹² *Arkla Gathering Services Co.*, 67 FERC ¶ 61,257 (1994), *order on reh'g*, 69 FERC ¶ 61,280 (1994).

use, visual resources, cultural resources, air quality, noise, reliability and safety, and alternatives.

25. Based on the discussion in the EA, the Commission concludes that if abandoned in accordance with CETG's application and supplement filed May 10, 2006, approval of this proposal would not constitute a major federal action significantly affecting the quality of the human environment.

26. The Commission, on its own motion, received and made a part of the record all evidence, including the application, supplements, and exhibits thereto, submitted in support of the authorization sought in this proceeding were made part of the record and upon consideration of the record,

The Commission orders:

(A) Permission for and approval of the abandonment by CEGT of the subject facilities and services as described above and in the application is granted.

(B) CEGT shall notify the Commission within ten (10) days of the date of abandonment of the facilities.

(C) CEGT's abandonment authority is conditioned upon CEGT's compliance with the environmental conditions set forth in Appendix A to this order.

(C) Upon acquisition by Waskom Gas, the F-1-F line facilities will be gathering facilities exempt from the Commission's jurisdiction pursuant to NGA section 1(b).

(D) This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order pursuant to 18 CFR § 385.713.

(E) CEGT shall notify the Commission's environmental staff by telephone and/or facsimile of any environmental noncompliance identified by other federal, state, or local agencies on the same day that such agency notifies CEGT. CEGT shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

Appendix A

CenterPoint Energy Gas Transmission Company Environmental Conditions

As recommended in the EA, this authorization includes the following conditions:

1. CEGT shall follow the construction procedures and mitigation measures described in its application and as identified in the environmental assessment (EA), unless modified by this Order. CEGT must:
 - a. request any modification to these procedures, measures, or conditions in a filing with the Secretary of the Commission (Secretary);
 - b. justify each modification relative to site-specific conditions;
 - c. explain how that modification provides an equal or greater level of environmental protection than the original measure; and
 - d. receive approval in writing from the Director of the Office of Energy Projects (OEP) before using that modification.

2. The Director of OEP has delegated authority to take whatever steps are necessary to ensure the protection of all environmental resources during construction activities associated with abandonment of the project. This authority shall allow:
 - a. the modification of conditions of this Order; and
 - b. the design and implementation of any additional measures deemed necessary (including stop work authority) to assure continued compliance with the intent of the environmental conditions as well as the avoidance or mitigation of adverse environmental impact resulting from project construction.