UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Algonquin Gas Transmission, LLC Docket No. RP07-504-000

ORDER ACCEPTING AND SUSPENDING TARIFF SHEETS
AND ESTABLISHING TECHNICAL CONFERENCE

(Issued July 30, 2007)

1. On June 29, 2007, Algonquin Gas Transmission, LLC (Algonquin) filed revised tariff sheets[1] pursuant to section 4 of the Natural Gas Act (NGA) to revise its tariff with respect to gas quality and interchangeability. Algonquin proposes an effective date of August 1, 2007. As discussed below, the Commission will accept and suspend the proposed tariff sheets, to be effective January 1, 2008, or an earlier date set by subsequent Commission order, subject to conditions and the outcome of a technical conference.

Details of the Filing

2. Algonquin states that it has filed these tariff revisions to be consistent with the future operations of its integrated pipeline system, which is expected to receive substantial new regasified LNG supplies near the northeastern terminus of its system in Massachusetts. Algonquin further states that the proposed revisions were developed based on historical gas quality data, a collaborative process with stakeholders, and the interim guidelines from the White Paper on Natural Gas Interchangeability and Non-Combustion End Use (Interim Guidelines). Algonquin asserts that the changes are consistent with the Commission's *Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Company Tariffs* (Policy Statement) issued on June 15, 2006.[2]

3. Algonquin states that gas quality and interchangeability became an issue in its certificate proceeding in Docket No. CP05-383-000 involving a pipeline lateral (Lateral) Algonquin proposed to construct in Massachusetts Bay to connect the Northeast Gateway

[1] First Revised Sheet Nos. 519, 520, and 521 to Algonquin's FERC Gas Tariff, Fifth Revised Volume No. 1.

[2] 115 FERC ¶ 61,325 (2006).

Deepwater Port proposed by Northeast Gateway Energy Bridge, LLC (Northeast Gateway) to Algonquin's system. According to Algonquin, the Lateral will receive regasified LNG from Northeast Gateway, which raised concerns by parties regarding gas quality and interchangeability. In response to these concerns, Algonquin states that it began the collaborative process. In the Commission order approving the Lateral, the Commission determined that discussion should be completed to resolve gas quality and interchangability issues in a manner consistent with the Policy Statement.[3] Algonquin explains that the collaborative process was meant to resolve concerns in a way that maximizes the supply available to LNG importers while minimizing the effects on downstream customers and end-users. Algonquin states that certain members of the collaborative group commissioned the Gas Technology Institute (GTI) Report, which relied on historical data provided by Algonquin and information provided by end-users and LNG importers participating in the collaborative process. Algonquin asserts that the GTI Report concluded that, for the most part, the introduction of regasified LNG will not have substantial effects on downstream end-users.

4. Algonquin states that its system has historically been a downstream system receiving gas from other pipelines in New Jersey and transporting that gas northeast to Massachusetts, with limited LNG receipts in the Boston area. Algonquin explains that the past five years of historical data it provided in the instant filing has generally fit within a certain range of quality, but that it may change with the introduction of significantly increased volumes of regasified LNG on the northeastern end of its system. Algonquin describes the changes in its supply and market in recent years to include receipts of gas from offshore Nova Scotia via Maritimes & Northeast Pipeline, L.L.C. at the northeastern end of its system, increased LNG deliveries from Distrigas of Massachusetts Corporation (DOMAC) at the northeastern end of it system, and the proliferation of gas-fired electric generation attached to the system, all of which are not reflected in data prior to May 2002. Algonquin states that the limited quantities of regasified LNG receipts in the past is only illustrative of how it has been able to keep the effects of such regasified LNG contained to discrete portions of its system and does not show how the whole Algonquin system can operate successfully with LNG receipts.

5. According to Algonquin, the next two years will change its system as large scale imports of regasified LNG will start being delivered into the far northeastern end of its system, leading to gas moving from the northeastern end of its system towards the southwest, in some cases all the way to its southwestern end in Lambertville, New Jersey. Algonquin states that it will have major gas receipts along its entire system with the ability to flow gas in multiple directions, essentially becoming an integrated header system in its market area. Algonquin states that the increase in LNG receipts and the use of the system as a header will affect the system as a whole, making system-wide gas

[3] *Algonquin Gas Transmission, LLC,* 118 FERC ¶ 61,222 (2007).

quality and interchangeability specifications appropriate, and that its tariff must be flexible enough to accommodate the various sources of supply into its system.

6. Algonquin states that its tariff does not currently contain comprehensive gas quality specifications due to its historical position as a downstream pipeline, and therefore many of the proposed specifications are new. Algonquin based each proposed delivery point specification on the Interim Guidelines suggestions and historical data, as well as information gathered during the collaborative process and discussed in the GTI Report. Algonquin explains that it is proposing language that would mandate that the gas be free of any microbiological organisms to prevent corrosion on the pipeline. In addition, Algonquin proposes to add a new provision to permit flexibility that would allow it to waive the specifications at receipt points so long as it could continue to meet its obligation to meet these specifications at downstream delivery points. Further, Algonquin states that it is not proposing any limits on various individual hydrocarbon constituents or new provisions related to the potential for liquid hydrocarbon fallout, although it notes that it will monitor the situation and propose tariff language if necessary. A summary of the proposed gas quality and interchangeability specifications is presented in the table below.

Summary of Algonquin's Current and Proposed Gas Quality and Interchangeability Limits

Specification	Algonquin's Tariff Limit	Algonquin's Proposed Tariff Limit
Heating Value	Minimum: 960 Btu/scf Maximum: none	Minimum: 967 Btu/scf Maximum:1110 Btu/scf
Wobbe Index	No limits	Minimum: 1314 Btu/scf Maximum: 1400 Btu/scf
Carbon Dioxide	No limits	Maximum: 2.0 % vol
Nitrogen	No limits	Maximum: 2.5 % vol
Carbon Dioxide + Nitrogen + Other Inerts	No limits	Maximum: 4.0 % vol
Oxygen	No limits	Maximum: 0.25 % vol
Hydrogen Sulphide	Maximum: 1grain/100 cf	Maximum: 0.50 grain/100 cf
Sulphur	Maximum: 20 grains/100 cf	Maximum: 10 grains/100 cf

7. Algonquin proposes an effective date of August 1, 2007 for the filed tariff sheets. However, Algonquin requests that if the Commission decides to suspend the tariff sheets, it does so for four months instead of five to become effective December 1, 2007. Algonquin states that the Northeast Gateway is scheduled to be placed into service in December 2007 and it is necessary for Algonquin to have revised gas quality specifications in effect when Northeast Gateway begins delivering gas to Algonquin.

Public Notice, Intervention and Comments

8. Notice of Algonquin's filing was issued on July 3, 2007. Interventions and protests were due as provided in section 154.210 of the Commission's regulations, 18 C.F.R. § 154.210 (2007). Pursuant to Rule 214, 18 C.F.R. § 385.214 (2007), all timely-filed motions to intervene and any motions to intervene out-of-time before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties.

9. Protests or comments were filed by KeySpan Delivery Companies (KeySpan),[4] Calpine Corporation (Calpine), PSEG Energy Resources & Trade LLC and Public Service Electric and Gas Company (collectively PSEG), DOMAC, BP Energy Company (BP Energy), Dominion Transmission, Inc. (Dominion), New England Local Distribution Companies (New England LDCs),[5] Statoil Natural Gas LLC (Statoil), FPL Energy, LLC (FPL Energy), Consolidated Edison Company of New York, Inc. and Orange and Rockland Utilities, Inc. (collectively ConEd), and Weaver's Cove Energy, LLC, Mill River Pipeline, LLC, and Hess LNG Trading LLC (collectively Hess LNG). These protests and comments raise a number of concerns with Algonquin's proposal. On July 24, 2007, Algonquin filed an answer to the comments and protests.

10. Specifically, Calpine is concerned that Algonquin's proposal will have a negative impact on the stability of the quality of the fuel supply available to generators in the Northeast region as the changes go beyond the gas quality specifications recommended by the original equipment manufacturers of gas-fired generation equipment. FPL Energy is also concerned that Algonquin's proposed standards ignore technical requirements of many generators. Hess LNG is concerned that Algonquin's proposed gas quality standards are not flexible enough to accommodate historic or new regasified LNG supplies from either existing or new sources to the northeastern part of the United States. Hess LNG also states that the Commission should require Algonquin to take into account

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[4] The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery NY; KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery LI; and Boston Gas Company, Colonial Gas Company, EnergyNorth Natural Gas, Inc., and Essex Gas Company.

[5] New England LDCs include Bay State Gas Company; Northern Utilities, Inc.; Connecticut Natural Gas Company; New England Gas Company; NSTAR Gas Company; The Narragansett Electric Company d/b/a National Grid; City of Norwich, Department of Public Utilities; the Southern Connecticut Gas Company; and Yankee Gas Services Company.

data from a longer time frame. However, KeySpan supports the use of five years of historical data.

11. PSEG states that Algonquin should be required to adopt a rate of change limitation in the Wobbe Index such as 2 percent less per six minutes, and not be permitted to rely solely on a range. FPL Energy also states that Algonquin should implement a Wobbe Index range of +/-2 percent from the midpoint, as found in other Commission orders.[6] Hess LNG suggests that the maximum Wobbe Index be increased to 1405 as Algonquin has historical evidence of its system receiving gas with this Wobbe Index limit.

12. Dominion is concerned that Algonquin has failed to provide adequate support for its proposed nitrogen and oxygen limitations and has not shown them to be just and reasonable. In addition, New England LDCs and Hess LNG question whether Algonquin has provided enough technical evidence in support of its nitrogen limit proposal that deviates from the Interim Guidelines and cite a Commission order addressing appropriate nitrogen limits.[7] With regard to the proposed standard for nitrogen, ConEd requests that the maximum permissible level be reduced because Algonquin's historical nitrogen content is far lower. Statoil objects to Algonquin's proposed nitrogen specification because it is dramatically different from specifications on pipelines that interconnect with Algonquin and it is unsupported and overly restrictive. BP Energy is also concerned that the proposed standard for nitrogen is too restrictive and inconsistent with the Interim Guidelines. Dominion expresses concern that the proposed oxygen limit is far too lax to address corrosion concerns. Hess LNG believes the appropriate level for the oxygen limit should be 1.5 percent. In addition, PSEG suggests that Algonquin lower its hydrogen sulphide and sulphur limits to be more consistent with its historical experience rather than allowing adjoining pipelines to control the levels.

13. ConEd and the New England LDCs object to the lack of any proposed standards for ethane, propane, butanes, and pentanes. The New England LDCs state that the inability to impose such limits is clearly not just and reasonable and in the public interest. In addition, FPL Energy argues that Algonquin's failure to adopt appropriate individual hydrocarbon constituent limits is unjust and unreasonable. KeySpan also argues the Commission should direct Algonquin to establish non-methane hydrocarbon constituent tariff limits.

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[6] *Citing AES Ocean Express LLC v. Florida Gas Transmission Company*, 119 FERC ¶ 61,075 (2007) (Opinion No. 495).

[7] *Citing Columbia Gas Transmission Corporation*, 118 FERC ¶ 61,221 (2007) (*Columbia*).

14. ConEd argues that the relief available to shippers for non-conforming gas under GT&C Section 4.5 should be revised to require Algonquin to waive all Demand and Commodity charges in instances in which the receiving party declines to accept non-conforming gas. ConEd also requests that Algonquin include language proposed by Iroquois Gas Transmission System, L.P. in Docket No. RP07-443-000 regarding a delivery point notification process. Also, ConEd requests that Algonquin explain the need for and reasonableness of language in GT&C Section 4.7 regarding the blending of gas in relation to waivers of gas quality specifications at receipt points. The New England LDCs request the Commission not to include language stating that the issue of mitigation costs will not be addressed at a technical conference.[8] FPL Energy explains that the Commission should require Algonquin to implement an appropriate cost-sharing mechanism so that an individual captive end-user does not have to bear a disproportionate cost burden of adopting gas interchangeability standards.[9]

15. Calpine and Hess LNG argue for the Commission to suspend the proposed tariff sheets for the maximum time allowable by law to January 1, 2008. PSEG and DOMAC request the Commission require Algonquin to report on the status of its gas quality and interchangeability standards two years after operation begins. All four of these parties in addition to Dominion, Statoil, FPL Energy, ConEd, BP Energy, and New England LDCs request that the Commission establish a technical conference or hearing to address their concerns.

Discussion

16. The Commission has reviewed Algonquin's tariff filing, as well as the comments and protests, and finds that Algonquin's proposed gas quality and interchangeability standards raise a number of technical, engineering, and operational issues that are best addressed at a technical conference. At the technical conference, the Staff and parties will have an opportunity to further discuss Algonquin's justification and support for its proposed gas quality and interchangeability specifications.

17. Algonquin should be prepared to address all concerns raised by the parties in their comments and to provide additional technical, engineering, and operational support for its proposed gas quality and interchangeability specifications, as appropriate. Consistent with the Commission's Policy Statement, Algonquin should be prepared to explain how

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[8] *See Iroquois Gas Transmission System, L.P.*, 119 FERC ¶ 61,325 (2007) referring to the issue of recovery of mitigation costs.

[9] *Citing Columbia Gas Transmission Corp.*, 13 FERC ¶ 61,102, at 61,217-21 (1980), *aff'd on reh'g*, 14 FERC ¶ 61,073 (1981), *aff'd sub nom. Corning Glass Works, et al. v. FERC*, 675 F.2d 392 (D.C. Cir. 1982).

its proposal differs from the Interim Guidelines.[10] In addition, any party proposing alternatives to Algonquin's proposal should also be prepared to support its position with adequate technical, engineering, and operational information. Further, based upon its analysis of the information provided in this proceeding, the Commission Staff may issue data requests prior to the technical conference, and/or a notice of the technical conference containing questions that need to be addressed by Algonquin or other parties at the conference. Finally, the Commission Staff is directed to convene a technical conference to address the issues raised by Algonquin's filing and to report the results of the conference to the Commission within 120 days of the date this order issues.

18. The New England LDCs and FPL Energy make reference to recovery of possible mitigation costs incurred on their facilities. Consistent with the Commission's recent decision in *AES Ocean Express v. Florida Gas Transmission Co.*, Opinion No. 495,[11] the Commission will not provide for the recovery of any mitigation costs incurred by non-jurisdictional downstream gas users in this proceeding. Therefore, the issue of mitigation costs recovery will not be addressed at the technical conference.

Suspension

19. Based on a review of the filing, the Commission finds that the proposed tariff sheets have not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission will accept the tariff sheets for filing, and suspend their effectiveness for a maximum period to be effective January 1, 2008, or an earlier date set by subsequent Commission order, subject to the conditions in this order.

20. The Commission's policy regarding tariff filing suspensions is that such filings generally should be suspended for the maximum period permitted by statute where preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or that it may be inconsistent with other statutory standards. *See*, *Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension). It is recognized, however, that shorter suspensions may be warranted in circumstances where suspension for the maximum period may lead to harsh and inequitable results. *See*, *Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (minimum suspension). The Commission finds that such circumstances do not exist here. Therefore, the Commission will exercise its discretion and suspend the proposed tariff sheets for the maximum period and permit them to become effective January 1, 2008, subject to the outcome of the technical conference established herein and further orders of the Commission.

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[10] Policy Statement at P 34 and 37.

[11] 119 FERC ¶ 61,075 at P 261 (2007).

<u>The Commission orders:</u>

(A) The tariff sheets listed in footnote No. 1 are accepted and suspended, to be effective January 1, 2008, or an earlier date set by subsequent Commission order, subject to the outcome of the technical conference established in this proceeding and further orders of the Commission.

(B) The Commission Staff is directed to convene a technical conference to address the issues raised by Algonquin's filing and to report the results of the conference to the Commission within 120 days of the date this order issues.

By the Commission.

Kimberly D. Bose,
Secretary.