

130 FERC ¶ 61,101
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

February 11, 2010

In Reply Refer To:
Columbia Gulf Transmission Company
Docket No. RP10-315-000

Columbia Gulf Transmission Company
5151 San Felipe, Suite 2500
Houston, TX 77056

Attention: James R. Downs, Vice President of Regulatory Affairs

Reference: First Revised Sheet No. 237 to FERC Gas Tariff,
Second Revised Volume No. 1

Dear Mr. Downs:

1. On January 15, 2010, Columbia Gulf Transmission Company (Columbia Gulf) filed the referenced tariff sheet to revise sections 25.3 and 25.4 of its General Terms and Conditions (GT&C) to permit it to waive its gas quality specifications and to clarify that the gas quality specifications set forth in section 25.1 will not affect its ability to issue operational flow orders (OFOs) in accordance with section 17 of its GT&C. The Commission accepts Columbia Gulf's proposal and the referenced tariff sheet is accepted to be effective February 15, 2010 as proposed.

2. Specifically, Columbia Gulf proposes to revise GT&C section 25.3 to provide that Columbia Gulf can waive the gas quality specifications set forth in GT&C section 25.1,¹ in addition to its current authority to waive the Cricondentherm Hydrocarbon Dewpoint (CHDP) specifications contained in GT&C section 25.2. Columbia Gulf argues that the requested waiver authority is consistent with Commission policy recognizing that:

¹ Section 25.1 contains the specifications for dust gum, paraffin and other objectionable solids or liquids, hydrogen sulfide, total sulphur, nitrogen, carbon dioxide, oxygen, water vapor, gross heating value and temperature.

... pipeline tariff provisions on gas quality and interchangeability need to be flexible. Pipelines operate in dynamic environments that frequently require quick responses to rapidly changing situations. For example, a pipeline may be asked to transport gas that does not meet a particular gas quality or interchangeability specification in the pipeline's tariff. Nevertheless, if the pipeline has the ability to transport such out-of-spec gas without jeopardizing system operations, its tariff should be flexible enough to allow it to do so.²

3. Columbia Gulf asserts that the proposed revisions to GT&C section 25.3 will provide it with this needed flexibility, so long as the waiver would not adversely impact its operations, or adversely affect the ability of gas to be accepted for delivery at interconnects with interstate or intrastate pipelines, end-users and local distribution companies. In addition, Columbia Gulf proposes to post all waivers of its gas quality or CHDP specifications on its EBB, which it claims will ensure that the administration of this provision is open and transparent.

4. Columbia Gulf also proposes to revise GT&C section 25.4 to clarify that its ability to issue OFOs will not be limited by the gas quality specifications set forth in GTC section 25.1. Columbia Gulf states that this provision currently provides that only the CHDP specifications in GT&C section 25.2 will not limit Columbia Gulf's ability to issue an OFO. However, Columbia Gulf asserts that its ability to issue an OFO to protect the integrity of its system should similarly not be limited by the gas quality specifications set forth in GTC section 25.1.

5. Public notice of the filing was issued on January 20, 2010. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2009)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2009)), all timely filed motions to intervene and any motion to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. On January 27, 2010, Lafayette Utilities System (Lafayette) and Tennessee Valley Authority (TVA) filed protests and on February 3, 2010, Columbia Gulf filed an answer. Under Rule 213(a) (2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a) (2) (2006), answers to protests are not accepted unless otherwise ordered by

² *Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Company Tariffs*, 115 FERC ¶ 61,325, at P 30 (2006) (*Policy Statement*).

the decisional authority. The Commission will accept Columbia Gulf's answer because it will lead to a more accurate and complete record and provided information that assisted us in our decision-making process.

6. Lafayette protests Columbia Gulf's proposal to waive the gas quality specifications in its tariff and requests that the proposed new waiver authority be denied. Lafayette asserts that, although Columbia Gulf proposes to post the waivers on its EBB, such notice may be too late since the variable gas quality may have already reduced the electric generation output of Lafayette's facilities by the time the postings are made. Lafayette states that its facilities have been tuned to operate based on Columbia Gulf's historical gas quality and, more importantly, its air permits are based on that historical gas quality. Therefore, Lafayette argues that variable gas quality could reduce the electrical output of its facilities, possibly causing blackouts. By way of example, Lafayette states that recently the heat content of gas delivered to the Hargis-Hébert Generating Station dropped from a historic average of 1,025 BTU to about 1,000 BTU. As a result, units tuned to produce 50 MW using the historically delivered gas were only able to produce about 45 MW using the reduced heat rate gas. Lafayette argues that acceptance of non-conforming gas with a heat value of less than 978 Btu per cubic foot could have a significant impact on the average heat value of gas delivered to its Labbé station and could cause the Labbé station to lose 10 MW or more of electric production which it may need to meet its reliability criteria.

7. Lafayette states that its main concerns are the heating value and sulfur restrictions standards (although Lafayette asserts that waiver of the carbon dioxide standard may not be in the public interest since carbon dioxide may become a regulated emission in the future). Lafayette asserts that Columbia Gulf's tariff already permits a wide range of gas quality given that the tariff standards are not less than 978 Btu per cubic foot of heating value and not more than 20 grains of sulfur and the historical gas deliveries have had a heating content of about 1,025 Btu per cubic foot and a sulfur content of less than 0.5 grains per 100 cubic feet.

8. Lafayette asserts that Columbia Gulf's acceptance of non-conforming gas could place it in violation of its air pollution permits, possibly requiring major modifications to those permits. This could result in temporary shut downs of its units until a new permit issues and potentially result in a permanent shut down since there is no guarantee that a new permit would issue. Furthermore, Lafayette states that if the heating value fluctuates because of the waivers, it might have to switch from monthly monitoring of heating value and annual monitoring of sulfur content to daily or hourly monitoring at each facility.

9. Lafayette argues that Columbia Gulf has not provided a factual basis for the requested waiver authority, asserting that Columbia Gulf has not indicated whether it has received, or customers have sought to deliver, gas with a heating value lower than the tariff standard of 978 Btu per cubic foot or having a higher sulfur content than the tariff

standard of 20 grains per cubic foot. Lafayette further argues that Columbia Gulf has not described any gas availability or pressure related problems that have resulted from the rejection of non-conforming gas. Lafayette asserts that Columbia Gulf has made no showing that there must be more flexibility than its tariff already permits and that Columbia Gulf should be required to make some minimum factual showing that the requested authority is actually needed.

10. Lafayette also argues that the Commission should require rules as to when gas quality standards will be waived. Section 25.3 states that Columbia Gulf would not be prohibited from waiving the standards where the “acceptance of non-conforming gas will not, in [Columbia Gulf’s] reasonable judgment, adversely affect the ability of gas to be accepted for delivery at interconnects with interstate or intrastate pipelines, end users, and local distribution companies.”³ Lafayette asserts that Columbia Gulf should be required to specify what would constitute such adverse effects. Lafayette states that it would be acceptable if deliveries of non-conforming gas were diluted or mixed with other gas so as not to alter the characteristics of gas delivered to sensitive customers such as Lafayette. Lafayette further states that it would also accept a policy that prohibited waivers when acceptance of the non-conforming gas could create variable gas quality that threatens electric reliability or Lafayette’s environmental permits.

11. TVA opposes Columbia Gulf having the ability to waive gas quality carte blanche. TVA states that, without any restrictions, such as in an instance when force majeure is declared on the mainline portion of the Columbia Gulf system, TVA questions the point of having gas quality integrated into the tariff at all. Furthermore, TVA would like more information about how far gas quality can deviate from the tariff without affecting an end-user, and how Columbia Gulf would ensure that such impact would not occur. TVA believes that Columbia Gulf should clarify this proposal and establish parameters.

12. In its answer, Columbia Gulf states that the Commission has approved authority to waive gas quality specifications for other pipelines and reiterates its argument that its proposal is consistent with the Policy Statement.⁴ Columbia Gulf further argues that the Commission has already held, in connection with the establishment of CHDP limits on its system, that the waiver language in GT&C section 25.3 is just and reasonable.⁵ Columbia Gulf states that it is not proposing any changes to this waiver authority; it is

³ Lafayette protest at 10.

⁴ See Columbia Gulf Answer at p. 3 and n.6, and cases cited therein.

⁵ *Indicated Shippers v. Columbia Gulf Transmission Company*, 123 FERC ¶ 61,150, at P 92 (2008).

only proposing to extend this authority to its other gas quality specifications. Columbia Gulf asserts that neither Lafayette nor TVA have provided any justification for why Columbia Gulf's right to waive its other gas quality specifications should be more limited than its right to waive CHDP specifications. Columbia Gulf argues that the Commission should reject Lafayette's speculative claims of potential harm since GT&C section 25.3 already prohibits Columbia Gulf from granting waivers that would affect the ability of gas to be accepted for delivery at interconnects with end users or local distribution companies.

13. We find Columbia Gulf's proposed tariff revisions are just and reasonable. As noted, the *Policy Statement* states that "...if the pipeline has the ability to transport such out-of-spec gas without jeopardizing system operations, its tariff should be flexible enough to allow it to do so"⁶ and we have found that it is appropriate to allow pipelines to exercise their discretion to waive strict gas quality limits when operating conditions allow, and to enforce such limits when operating conditions require stricter measures, as long as it is done in a not unduly discriminatory manner.⁷ Allowing such flexibility is consistent with the Commission's policy of minimizing any unnecessary restrictions on the supplies available to the national gas market.

14. Moreover, contrary to TVA's assertions, Columbia Gulf's ability to waive its gas quality specifications under the proposed provisions is not unfettered. The waiver is specifically conditioned on the acceptance of any non-conforming gas not adversely affecting Columbia Gulf's system or its deliveries to other pipelines and end-users. Columbia Gulf's customers are also protected because proposed section 25.3 will require Columbia Gulf to post any waivers on its EBB. Accordingly, we find that consistent with Commission policy, Columbia Gulf's proposed waiver provision provides it the flexibility to transport out of specification gas when it is consistent with safe and reliable operations.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

⁶ 115 FERC ¶ 61,325, at P 30 (2006).

⁷ *Policy Statement* at P 41.