

133 FERC ¶ 61,114
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

November 1, 2010

In Reply Refer To:
Texas Eastern Transmission, LP
Docket Nos. RP10-30-000, RP10-30-002

Texas Eastern Transmission, LP
P.O. Box 1642
Houston, TX 77251-1642

Attention: Greg E. McBride, Vice President, Rates and Certificates

Reference: Uncontested Settlement

Dear Mr. McBride:

1. On August 4, 2010, Texas Eastern Transmission, LP (Texas Eastern) submitted for filing a Stipulation and Agreement (Settlement) that would resolve all pending issues in Docket No. RP10-30-000, *et al.* The Settlement stipulated that the active participants in these proceedings unconditionally support or do not oppose the Settlement. As discussed below, the Commission approves the Settlement as proposed, including the contents of the *pro forma* tariff sheets attached as Exhibit 2 to the Settlement. Upon the effective date of the Settlement, the proceedings in Docket No. RP10-30-000, *et al.*, are terminated.

2. These proceedings concern Texas Eastern's October 2, 2009 filing of tariff sheets to change the gas quality and interchangeability specifications in its FERC Gas Tariff (October 2 Filing). By order dated October 30, 2009, the Commission accepted the filing and suspended the tariff sheets for five months subject to the outcome of a technical conference.¹ The technical conference was held on December 8, 2009, and the parties agreed to eight stipulated issues requiring Commission resolution. The Commission

¹ *Texas Eastern Transmission, LP*, 129 FERC ¶ 61,088 (2009).

issued an order on March 18, 2010 setting the eight stipulated issues for hearing.² Texas Eastern motioned the suspended tariff sheets into effect, effective April 1, 2010.³ On July 8, 2010, Texas Eastern and the participants submitted an update of settlement negotiations to the Chief Judge and the Presiding Judge.

3. Initial comments were filed by Caiman Energy LLC, Chesapeake Energy Corporation, CNX Gas Company LLC, Commission Trial Staff, Columbia Gas Transmission LLC, Devon Gas Services, L.P. (Devon), Independent Oil & Gas Association of West Virginia, Inc., National Fuel Gas Supply Corporation, National Grid Gas Delivery Companies, PSEG Energy Resources & Trade LLC, Statoil Natural Gas LLC, Texas Eastern, the New York State Public Service Commission, and the Pennsylvania Independent Oil & Gas Association. Texas Eastern filed reply comments. All initial and reply comments were either in support of the Settlement or not in opposition to the Settlement. On August 24, 2010, the Presiding Judge certified the Settlement to the Commission.

TERMS OF THE SETTLEMENT

4. The Settlement provides for a complete resolution of the gas quality and interchangeability issues raised during Texas Eastern's collaborative process and contained in the October 2, 2009 tariff filing. The Settlement gives the parties specifically tailored rights and protections on gas quality and interchangeability limitations. The following is a brief description of the terms of the Settlement.

5. Article I describes the tariff filing that Texas Eastern will make to implement the Settlement within twenty days following the Settlement effective date, as defined in Section 6.4. The compliance tariff filing will contain revised tariff sections substantively identical to the *pro forma* tariff sections included as Exhibit 2 to the Settlement. Texas Eastern will request that the compliance tariff records have an effective date the first day of the first month following the expiration of thirty days from the date of the tariff filing.

6. Section 1.2 describes a list, included as Exhibit 5 to the Settlement, that includes firm agreements that provide for gas to be received into the Texas Eastern system from storage with primary receipt points at the Oakford Storage Complex and/or Leidy Storage, as those terms are defined in the Settlement, and deliveries on a firm basis to points along the Texas Eastern system. The agreements listed on Exhibit 5 are not subject to scheduling pursuant to General Terms and Conditions (GT&C)

² *Texas Eastern Transmission, LP*, 130 FERC ¶ 61,190 (2010).

³ Texas Eastern's *Motion to Place Suspended Tariff Sheets into Effect*, filed March 1, 2010.

Section 5.3(M)(iii)(a)(4) or 5.3(M)(iii)(b)(4) of the Settlement's *pro forma* tariff sections. In addition, Section 1.2 states that nothing in the Settlement shall be interpreted to infringe on Texas Eastern's rights to withdraw gas from storage as such rights are defined in storage-related agreements with third parties and pursuant to Commission orders.

7. Article II sets forth Texas Eastern's obligations under the Settlement. Section 2.1 allows Texas Eastern to require that all new receipt points (defined as those receipt points for which interconnect agreements or amendments to interconnect agreements to add such points are entered into on or after the Settlement effective date) or significantly modified receipt points in the "Control Zone," as that term is defined in GT&C Section 5.3(M) of the *pro forma* tariff sections, have chromatographs. At any point without a chromatograph in the Control Zone, Texas Eastern will rely on the measurement methodology agreed to pursuant to Section 7.1(H) of the GT&C of Texas Eastern's Tariff for gas quality purposes.

8. Sections 2.2 and 2.4 provide that Texas Eastern, as soon as reasonably practicable after the Settlement effective date, will install, to the extent not already installed, gas chromatographs in the vicinity of the Perulack, Pennsylvania compressor station and in the vicinity of the Joaquin, Texas and Angleton, Texas pipeline facilities. These gas chromatographs will collect information, which information will be posted on the LINK® System and updated hourly.

9. Section 2.3 allows Texas Eastern to require that all new or significantly modified receipt points in the "East Texas Exemption Area," as defined in GT&C Section 5.3(N) of the *pro forma* tariff sections, will have chromatographs. At any point without a chromatograph in the East Texas Exemption Area, Texas Eastern will rely on the measurement methodology agreed to pursuant to Section 7.1(H) of the GT&C of Texas Eastern's Tariff for gas quality purposes.

10. Section 2.5 states that Texas Eastern will continue to post or post as soon as reasonably practicable after the Settlement effective date hourly average chromatograph data in the chromatograph postings on its Informational Postings website from the mainline chromatographs at Angleton, Berne, Chambersburg, Eagle, Holbrook, Joaquin (north), Lambertville, New Roads, Perulack, and Uniontown.

11. Section 2.6 provides that Texas Eastern will work with interested East Texas producers and third parties to facilitate the provision of a carbon dioxide treating service on the Texas Eastern system to address carbon dioxide content in the East Texas Exemption Area.

12. Article III describes agreements involving certain third-party pipelines that connect to Texas Eastern. Section 3.1 requires Dominion Transmission, Inc. (DTI) to make a tariff filing with the Commission within twenty days of the Settlement effective date substantively identical to that contained in Exhibit 4 to the Settlement to be effective

on the first day of the month following the expiration of thirty days from the date of such filing. The other parties agree to support or not oppose the tariff filing. Upon the Settlement effective date and until the tariff filing is approved, DTI must use diligent and good faith efforts to deliver gas that does not exceed 13 percent C2+ into Texas Eastern at the Oakford Storage Complex to the extent that DTI can do so without limiting services to DTI's customers or impairing DTI's reliability, subject to Texas Eastern's rights to schedule receipts from the Oakford Storage Complex.

13. Section 3.2 provides that the amendments to agreements between Texas Eastern and DTI, in the case of the Oakford Storage Agreement, and Texas Eastern, DTI, and Transcontinental Gas Pipe Line Company, LLC (Transco), in the case of the Leidy-Tamarack Transfer and Storage Agreement, included as Exhibits 6 and 7 to the Settlement, respectively, are incorporated as part of the Settlement. Approval of the Settlement will constitute all necessary Commission approvals for Texas Eastern, DTI, and Transco to enter into, and perform under, the agreement amendments, including any approvals necessary pursuant to the orders initially approving the Oakford Storage Agreement and the Leidy Agreement and all succeeding orders.

14. Section 3.3 describes additional measures that DTI and Texas Eastern will take with respect to gas quality at the Leidy Storage facility and the Oakford Storage Complex. In the event that gas tendered by DTI for withdrawals by Texas Eastern out of the Leidy Storage facility does not conform with the gas quality specifications set forth in GT&C Section 5 of Texas Eastern's Tariff, DTI shall use good faith efforts to alter its operations, which shall include deliveries from the DTI storage facilities, commingling or other operational arrangements, to tender storage gas from the Leidy Storage facility to Texas Eastern that conforms to the gas quality specifications in GT&C Section 5 of Texas Eastern's Tariff, so long as such efforts are consistent with DTI's obligations to all three owners under the Leidy Agreement and to the extent that DTI can change DTI system operations without limiting services to DTI's customers or impairing DTI's reliability. To the extent that, despite the good faith efforts undertaken by DTI, such receipts do not conform with the gas quality specifications in GT&C Section 5 of the Texas Eastern Tariff, Texas Eastern shall use good faith efforts to accept such deliveries from DTI, provided that commingling opportunities exist sufficient for Texas Eastern to accept such supplies from DTI and still deliver gas that conforms with the gas quality specifications set forth in GT&C Section 5 at the discharge side of its Perulack compressor station.

15. With respect to the C2+ content, Texas Eastern shall notify DTI in the event that the C2+ content of gas on Texas Eastern at its M3 Monitoring Points, as defined in GT&C Section 5.3(M) of the tariff sections contained in Exhibit 2 of the Settlement, at any time exceeds twelve percent. Upon such notice, in the event that the C2+ content of gas delivered by DTI to Texas Eastern at the Leidy Storage Point, or the Oakford Storage Complex, as such terms are defined in the Settlement, is expected to exceed twelve

percent, DTI shall then utilize diligent and good faith efforts to alter its operations to deliver gas into Texas Eastern that does not exceed twelve percent C2+ at such points, so long as such efforts are consistent with DTI's obligations as operator to all three owners under the Leidy Agreement, with respect to the Leidy Storage Point, and to the extent that DTI can change DTI's system operations without limiting services to DTI customers or impairing DTI's reliability. If the C2+ levels are expected to continue to be in excess of twelve percent C2+ at the Leidy Storage Point after twenty-four (24) hours have elapsed since Texas Eastern provided such notice to DTI, then Texas Eastern may direct DTI to deliver gas for withdrawal by Texas Eastern from its storage gas balance solely out of gas physically withdrawn from the underground dedicated storage pools at the Leidy Storage facility, in anticipation that such gas has a lower C2+ content than the C2+ content of other sources.

16. Section 3.4 describes the agreement among Texas Eastern, Gulf South Pipeline Company, LP, and Texas Gas Transmission, LLC, included as Exhibit 8 to the Settlement.

17. Article IV of the Settlement includes moratoria on changes to certain of the tariff sections included as part of the Tariff Filing, and provisions for subsequent termination or modification.

18. Under Section 4.1(a), the parties agree not to seek termination or modification of GT&C Section 5.3(M)(ii) of Texas Eastern's tariff before October 1, 2014, absent a material change in circumstances or a change in Texas Eastern's obligations downstream of Uniontown, Pennsylvania as a result of the procedures in Section 4.2. Section 4.1(b) describes the parties' agreement not to seek the termination or modification of GT&C Section 5.3(N) to be effective before April 1, 2015.

19. Section 4.2 includes an acknowledgement that the parties anticipate that the gas stream at the M3 Monitoring Points may exceed a 12 percent C2+ content but that such incidents will be intermittent and short-term. The section also contains a description of the conditions and procedures under which Texas Eastern or any other interested parties may initiate settlement discussions regarding the need for changes to GT&C Section 5.3(M)(iii) of Texas Eastern's tariff and Section 3.3 of the Settlement if certain events occur prior to April 1, 2015.

20. In Section 4.3, the parties agree to certain conditions under which Hess liquid natural gas (LNG) may cause Texas Eastern and other interested parties to resume discussions regarding whether there should be an exemption on the Philadelphia System with respect to the oxygen limitation that applies to receipts of supplies originating from the proposed LNG terminal project in Gloucester County, New Jersey.

21. Article V contains several representations, warranties and covenants of the parties regarding their ability to enter into the Settlement and the actions they will take in supporting the Settlement before the Commission.
22. Article VI describes the effect of the approval of the Settlement, including the fact that the approval terminates the proceeding. Section 6.4, in particular, establishes that the Settlement effective date is the first day of the first calendar month following the date on which a Commission order approving the Settlement as filed and without modification or condition becomes final and no longer subject to rehearing or appeal.
23. Article VII establishes that the just and reasonable standard of review will apply to any future modification of the Settlement.
24. Article VIII contains various miscellaneous provisions.
25. The Commission approves the Settlement as proposed, including the contents of the *pro forma* tariff sheets attached as Exhibit 2 to the Settlement, under Rule 602(g). The Settlement is fair and reasonable and in the public interest. The Commission's approval of the Settlement does not constitute approval of, or precedent regarding, any principle or issue in this proceeding. The Commission notes that settlement of these issues will result in a savings in time and expense for all parties involved.
26. Texas Eastern is directed to file actual tariff sheets to implement the Settlement in within twenty days following the Settlement Effective Date, pursuant to section 1.1 of the Settlement.
27. Section 3.2 of the Settlement provides amendments to agreements between Texas Eastern and DTI, in the case of the Oakford Storage Agreement, and Texas Eastern, DTI, and Transcontinental Gas Pipe Line Company, LLC, in the case of the Leidy-Tamarack Transfer and Storage Agreement, and incorporates such amendments as part of the Settlement. The Settlement states that approval of the Settlement will constitute all necessary Commission approvals for Texas Eastern, DTI, and Transco to enter into, and perform under, the agreement amendments, including any approvals necessary pursuant to the orders initially approving the Oakford Storage Agreement and the Leidy Agreement and all succeeding orders. The agreements at issue are agreements for service originally approved as special rate schedules under section 7 of the NGA and thus any amendments to those rate schedules must be approved pursuant to section 7. Because the Settlement is uncontested and in the public interest as discussed above, we grant any necessary section 7 authorizations to implement the amendments to the operating agreements in accordance with the Settlement. Further, any facilities must be constructed in accordance with all applicable regulations and authorities.

28. The Commission accepts the Settlement as fair and reasonable and in the public interest. The proceedings in Docket Nos. RP10-30-000, RP10-30-001, and RP10-30-002 are terminated.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.