

134 FERC ¶ 61, 220  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

March 18, 2011

In Reply Refer To:  
Dominion Transmission, Inc.  
Docket No. RP11-1786-000

Dominion Transmission, Inc.  
701 East Carey Street, 5<sup>th</sup> Floor  
Richmond, Virginia 23219

Attention: Daniel L. Verdun  
Manager, Regulation

Reference: Non-Conforming Agreements with Statoil

Ladies and Gentlemen:

1. On February 18, 2011, Dominion Transmission, Inc., (DTI) filed revised tariff records<sup>1</sup> to report two restructured agreements with Statoil Natural Gas LLC (Statoil). One is for service under Rate Schedule FT, and the other for service under Rate Schedule GSS-E.<sup>2</sup> DTI states the agreements may materially deviate from their respective *pro forma* service agreement. DTI requests waiver of the Commission's 30-day notice period and asks that the Commission accept its revised tariff records effective March 1, 2011. We grant waiver of the notice period and conditionally accept DTI's revised tariff records effective March 1, 2011, subject to DTI filing revised tariff records, within 30 days of the date this order issues, setting forth the changes discussed below.

2. DTI's restructured agreements would replace existing non-conforming agreements between DTI and Statoil, which were previously entered into as part of the Cove Point

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<sup>1</sup> See Appendix.

<sup>2</sup> Rate Schedule GSS-E service is an expansion storage service.

Expansion Project certificated by the Commission.<sup>3</sup> The rates under both agreements are the maximum tariff rates. The primary expiration date of the existing Rate Schedule FT agreement (Contract No. 200541) is March 25, 2029, and the contractual maximum daily transportation quantity (MDTQ) is 700,000 Dt per day. DTI's restructured Rate Schedule FT agreement with Statoil includes a different term and MDTQ from its existing agreement. DTI proposes the primary term of the restructured agreement to run from March 1, 2011, through December 31, 2020, and proposes specific MDTQs that ramp down over the course of the agreement.<sup>4</sup>

3. For the agreement under Rate Schedule GSS-E (Contract No. 300185), the primary effective date of the existing agreement is December 4, 2008, and the primary term of the agreement is 20 years. Storage capacity under the existing agreement is 6,000,000 Dt and storage demand is 100,000 Dt per day. Under its restructured Rate Schedule GSS-E agreement with Statoil, DTI proposes the primary term to run from March 1, 2011, through December 31, 2020. DTI proposes no changes to the storage quantities set forth in the agreement.

4. DTI states its restructured agreements contain certain non-conforming provisions that mirror the provisions accepted by the Commission in its existing agreements, with only minor changes. First, DTI proposes to adjust the negotiated limit of the Statoil parental guaranty in its restructured agreements as set forth under the Creditworthiness provisions of the agreements. Under exhibit B, section I, of its existing Rate Schedule FT agreement, the limit "shall be equal to \$122 million. The Limit shall decrease annually, beginning upon the first anniversary of the In-Service Date, by \$6.1 million each year." DTI's existing Rate Schedule GSS-E agreement includes a similar provision. Under both of its restructured agreements, DTI proposes to revise this limit to be equal to the net present value of all reservation rate payment obligations calculated at a discount rate of 4.3944 percent per year.

5. Second, the existing agreements include a provision that limits each party's aggregate liability to the other for any damages under the service agreement. DTI states that parties have agreed to modify this provision under both its Rate Schedule FT and

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<sup>3</sup> See *Dominion Cove Point LNG, LP*, 115 FERC ¶ 61,337 (2006) (Certificate Order), *reh'g*, 118 FERC ¶ 61,007 (2007). The agreements were accepted by a delegated letter order issued on October 13, 2009 in Docket No. RP09-1070-000.

<sup>4</sup> Under the restructured Rate Schedule FT agreement, the contractual MDTQ is 700,000 Dt per day through December 31, 2015; 280,000 Dt per day through December 31, 2016, and 105,000 Dt per day for the remainder of the agreement. Both the existing and the proposed restructured FT agreements include Maximum Annual Transportation Quantity (MATQ) limitations as well.

GSS-E agreements so that it now limits only DTI's liability to Statoil, and not Statoil's liability to DTI. DTI asserts these provisions address the unique characteristics of the Cove Point Expansion, do not affect service to Statoil or any other of DTI's shippers, and do not present a risk of undue discrimination.

6. Public notice of the filing was issued on February 23, 2011. Interventions and protests were due as provided in section 154.210 of the Commission's regulations.<sup>5</sup> Pursuant to Rule 214,<sup>6</sup> all timely filed motions to intervene and any unopposed motions 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. No party filed a protest or adverse comments.

7. We conditionally accept DTI's revised tariff records setting forth its restructured agreements with Statoil. DTI filed the restructured agreements pursuant to section 21(5) its General Terms and Conditions (GT&C) which allows DTI and a shipper to mutually agree to terminate an agreement. With regard to the non conforming provisions set forth in the agreement, the majority of these provisions were previously accepted by the October 13, 2009 delegated letter order. In the subject filing, as explained above, DTI proposes revisions to its Creditworthiness provisions and Limited Liability provisions set forth in the agreements. The Commission finds that these particular non-conforming provisions set forth in the restructured agreements address unique circumstances concerning the foundation shippers for an expansion and therefore do not present a risk of undue discrimination and do not affect the quality of service received to Statoil or DCP's shippers. Accordingly, we accept the revised versions of these non-conforming provisions.

8. The acceptance of DTI's revised tariff records, however, is subject to one condition. DTI's Rate Schedule FT agreement with Statoil, as restructured, includes a ramp-down provision for MDTQ. Under the restructured agreement, the contractual MDTQ is 700,000 Dt per day through December 31, 2015; 280,000 Dt per day through December 31, 2016, and 105,000 Dt per day for the remainder of the agreement. The restructured agreement includes ramped-down MATQ limitations as well.

9. The Commission addressed ramp-down provisions in service agreements in *Tuscarora*.<sup>7</sup> Specifically, in that proceeding, the Commission found a non-conforming provision in an agreement between Tuscarora and Barrick Goldstrikes Mine, Inc.,

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<sup>5</sup> 18 C.F.R. § 154.210 (2010).

<sup>6</sup> 18 C.F.R. § 385.214 (2010).

<sup>7</sup> *Tuscarora Gas Transmission Co.*, 131 FERC ¶ 61,091 (2010) (*Tuscarora*).

allowing the shipper to step down its contractual quantities after the first ten years of the agreement, to be an impermissible deviation from Tuscarora's *pro forma* service agreement. The Commission determined that providing a shipper with the option to negotiate, at the agreement's outset, a reduction in quantity at a specific time in the contract is a valuable right to that shipper that must be made generally available to all shippers. The Commission directed Tuscarora to offer the right to all shippers by either: (1) filing revised tariff records providing for this valuable right to all shippers through a tariff provision in its GT&C; or (2) amending its *pro forma* service agreement to include blank lines to fill in specific time periods and the option of decreasing contract quantity for those periods.

10. Consistent with Commission findings in *Tuscarora*, the Commission finds in the instant Rate Schedule FT agreement that Statoil's ability to decrease its MDTQ at two specific times over the course of the agreement represents a valuable right that DTI does not offer to all shippers, and is thus an impermissible material deviation. Accordingly, we direct DTI to file revised tariff records, within 30 days of the date this order issues, either: (1) removing the MDTQ ramp-down from the agreement; (2) providing the ramp-down right to all shippers on a not unduly discriminatory basis through a generally applicable tariff provision in its GT&C; or (3) amending its *pro forma* service agreement to include blank lines to fill in specific time periods and the option of decreasing contract quantity for those periods.

By direction of the Commission.

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

**Appendix**

Dominion Transmission, Inc.  
DTI Tariffs  
FERC NGA Gas Tariff  
Tariff Records to Become Effective March 1, 2011

- Tariff Record 40.45, GT&C Section 38 - Nonconforming Service Agreements, 4.0.0
- Tariff Record 10.24, Nonconforming Service Agreements - GT&C 38.24, 1.0.0
- Tariff Record 10.24.1, Nonconforming Service Agreements - GT&C 38.24 - Contract,  
0.0.0
- Tariff Record 10.24.2, Nonconforming Service Agreements - GT&C 38.24 - Exhibit A,  
0.0.0
- Tariff Record 10.24.3, Nonconforming Service Agreements - GT&C 38.24 - Exhibit B,  
0.0.0
- Tariff Record 10.25, Nonconforming Service Agreements - GT&C 38.25, 1.0.0
- Tariff Record 10.25.1, Nonconforming Service Agreements - GT&C 38.25 - Contract,  
0.0.0
- Tariff Record 10.25.2, Nonconforming Service Agreements - GT&C 38.25 - Exhibit A,  
0.0.0
- Tariff Record 10.25.3, Nonconforming Service Agreements - GT&C 38.25 - Exhibit B,  
0.0.0