

140 FERC ¶ 61,084
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

July 31, 2012

In Reply Refer To:
Columbia Gulf Transmission Company
Docket No. RP12-843-000

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

Attention: James R. Downs
Vice President of Rates & Regulatory Affairs

Reference: Revised Tariff Provisions

Ladies and Gentlemen:

1. On June 29, 2012, Columbia Gulf Transmission Company (Columbia Gulf) filed a tariff record¹ to revise section 25 of the General Terms and Conditions (GT&C) of its FERC Gas Tariff to add a new GT&C section 25.5 to govern “processing rights.” Columbia Gulf states that this new provision is intended to clarify the circumstances under which Columbia Gulf may arrange for the processing of gas that is transported on its system. Columbia Gulf requests that the revised tariff record listed in Footnote No. 1 be accepted effective August 1, 2012. As explained below, Columbia Gulf’s tariff record is accepted effective August 1, 2012, subject to conditions.

2. Columbia Gulf states that the proposed tariff language for GT&C section 25.5 would provide that when Columbia Gulf’s shippers do not choose to process their own gas, Columbia Gulf may arrange for the processing of gas flowing on its system. The proposed provision would give Columbia Gulf the right to commingle gas transported on its system with gas from other sources, and to

¹ Columbia Gulf Transmission Company, FERC NGA Gas Tariff, Columbia Gulf Tariffs; Gen. Terms and Conditions, Gas Quality, 3.0.0.

“treat” and “handle” all such gas “as its [Columbia Gulf’s] own.” Furthermore, if the shipper or its designee does not elect, on three months’ prior notice, to exercise its rights to process gas for removal of moisture, helium, natural gasoline, butane, propane, ethane or other liquefiabiles or inerts, and has not made arrangements for such processing at an “existing point” on Columbia Gulf’s system, Columbia Gulf will have the “right” to process gas for removal of those components, which would “vest ownership” of the extracted components in Columbia Gulf.

3. Columbia Gulf further states that it is proposing the new provision to address increased production from shale plays such as Marcellus and Utica. Columbia Gulf asserts that production from shale plays tend to have a higher Btu and liquid content, have outpaced processing capability in the northeast, and that shale producers are looking to transport their production south on pipelines like Columbia Gulf to find new markets. Lastly, Columbia Gulf contends that the proposed GT&C section 25.5: (1) clarifies that shippers have the right to process their gas, and that Columbia Gulf may only process gas if the shippers have not elected to do so; (2) will permit Columbia Gulf to better manage variations in gas received into its system; and (3) strikes a reasonable balance between shippers’ processing rights and Columbia Gulf’s need to ensure safe and reliable operation of its system. Columbia Gulf states that its proposed revision is consistent with approved language in *Panhandle Eastern Pipe Line Co.*,²

4. Public notice of the filing was issued on July 2, 2012. Interventions and protests were due on or before July 11, 2012, as provided by the notice. Pursuant to Rule 214, 18 C.F.R. § 385.214 (2012), all timely 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 this proceeding or place additional burdens on existing parties. New York State Electric & Gas Corporation, BG Energy Merchants, LLC, Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc. and NiSource Distribution Companies, each filed a motion to intervene out-of-time. Walter Oil & Gas Corporation (Walter) filed a motion to intervene out-of-time with comments. On July 11, 2012, Indicated Shippers³ protested Columbia Gulf’s Filing. Columbia

² 61 FERC ¶ 61,357 (1992), *order on reh’g*, 62 FERC ¶ 61,288 (1993) (*Panhandle*).

³ The Indicated Shippers protesting are: BP Energy Company, BP America Production Company, Chevron U.S.A. Inc., ConocoPhillips Company, ExxonMobil Gas & Power Marketing Company, a division of Exxon Mobil Corporation, Hess Corporation, Noble Energy Inc., Shell Energy North America (US), L.P. and SWEPI LP. Each of the Indicated Shippers’ member companies has filed a timely motion to intervene in this proceeding.

Gulf filed an answer to the protest on July 19, 2012. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 213(a)(2)(2012), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept Columbia Gulf's answer because it addresses concerns raised by the protestors and leads to a better understanding of the issues in the proceeding.

5. In its protest, Indicated Shippers expresses concern that Columbia Gulf may intend to use the proposed authority under GT&C section 25.5 to require shippers to “sign over processing rights as a condition of access to transportation service” or otherwise “compel processing of gas that meets the relevant quality specifications.” Further, Indicated Shippers are concerned with the potential impact of GT&C section 25.5 on the currently effective provisions of GT&C section 25. Indicated Shippers states that Columbia Gulf should explain how its proposed provision will interact with currently effective GT&C section 25.2, which permits Columbia Gulf to continue to receive gas that does not meet the effective Cricondentherm Hydrocarbon Dew Point (CHDP) limit. Further, Indicated Shippers asserts that Columbia Gulf has not justified its need for three months' prior written notice from a shipper that exercises its right to process its own gas. Indicated Shippers point out that other pipelines require less notice. For example, Indicated Shippers state that Southern Natural Gas pipeline permits monthly processing on four days notice.

6. Indicated Shippers also claims that Columbia Gulf's Filing is contrary to the requirements of the Policy Statement⁴ on gas quality and interchangeability because Columbia Gulf did not invite collaboration with its customers or provide an operational justification for its filing. Indicated Shippers argues that Columbia Gulf can already “compel shippers and/or suppliers to have a rich gas stream processed before it is delivered to Columbia Gulf.” Further, Indicated Shippers asserts that Commission policy states that Columbia Gulf must demonstrate actual operational harm before receiving authority to process gas.

7. Indicated Shippers states that Columbia Gulf is seeking to confiscate shippers' gas and deny shippers revenues from any processing. Indicated Shippers argues that Columbia Gulf is “seeking a unilateral right... to direct that gas be processed.” Additionally, Indicated Shippers expresses concern that an affiliate of Columbia Gulf's has recently announced plans to develop gathering and processing infrastructure in northeast Ohio and western Pennsylvania. Indicated

⁴ *Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Company Tariffs*, 115 FERC ¶ 61,325 (2006).

Shippers criticizes Columbia Gulf for its assertion that there may currently be insufficient processing capability in the northeast. Indicated Shippers argues that “the current divergence between gas prices and the prices for available extracted products” are the primary motivation for Columbia Gulf’s Filing.

8. Indicated Shippers also argues that Columbia Gulf’s proposed GT&C section 25.5 is contrary to Commission policy because it restricts a shipper from receiving a revenue credit for the sale of extracted products or from entering into its own agreements with third-party plant owner concerning the extraction of liquefiabiles from the gas stream.⁵

9. Lastly, Indicated Shippers requests that the Commission establish a technical conference to develop a record on the issues raised by the filing, including: (1) Columbia Gulf’s operational need for this provision; (2) how the provision would operate in combination with Columbia Gulf’s currently effective gas quality tariff provisions; (3) Columbia Gulf’s justification for the proposed right to assert ownership over a shipper’s gas stream and the products extracted from that stream through processing; and (4) the justifications for some of the specific requirements of the proposed provision.

10. In its comments, Walter states that it is concerned that the proposed tariff language could be interpreted as providing Columbia Gulf with the authority to compel a shipper or its designee to agree to have its gas processed, even if the gas in question does not require processing because it meets Columbia Gulf’s gas quality specifications, with the shipper or designee being required to incur any resulting processing costs. Further, Walter expresses concern with the first sentence of section 25.5 with respect to Columbia Gulf’s “right to commingle gas transported on its system.” Accordingly, Walter states that the Commission should clarify in any order issued in this proceeding that gas that otherwise meets Columbia Gulf’s gas quality specifications does not need to be processed regardless of where it is sourced (*i.e.* from a production source directly tied to Columbia Gulf’s system or from a production source upstream of Columbia Gulf’s system) and regardless of whether the commingled gas stream on Columbia Gulf’s system meets or does not meet its gas quality specifications.

11. In its answer, Columbia Gulf addresses the various concerns raised by the Indicated Shippers and Walter. Columbia Gulf states that it is seeking authority to process gas once it has already been accepted and is flowing on its system. Thus, according to Columbia Gulf, the proposed language in no way impacts a shipper’s

⁵ *Questar Pipeline Co.*, 76 FERC ¶ 61,001, at p. 61,006 (1996) (citing, *Williams Natural Gas Co.*, 56 FERC ¶ 61,089, at p. 61,311 (1991) (*Williams*)).

right to deliver gas into Columbia Gulf's system. Further, Columbia Gulf contends that GT&C section 25.5 will not affect any of the CHDP limits set forth in GT&C section 25.2, will not act as an additional barrier to entry to Columbia Gulf's system, and will not compel shippers to process gas. Columbia Gulf states that the proposed revisions were intended to give Columbia Gulf the right to process gas on its system where shippers have not elected to do so themselves, to encourage a more diverse supply to Columbia Gulf's system. To alleviate any possible concerns regarding its interaction with GT&C section 25.2, Columbia Gulf proposes to move the proposed provision in GT&C section 25 to GT&C section 22 (Possession of Gas).⁶

12. In response to assertions that it violated the Gas Quality Policy Statement by not collaborating with shippers, Columbia Gulf states that it is not revising its gas quality or interchangeability specifications so the Policy Statement does not apply. Additionally, Columbia Gulf states that despite being expressly invited to do so, not a single representative from Indicated Shippers contacted Columbia Gulf to discuss the proposed filing. Moreover, Columbia Gulf states that on June 20, 2012, Columbia Gulf posted a draft of its proposed GT&C section 25.5 on its EBB and circulated a copy via e-mail to Columbia Gulf's shippers and their counsel.⁷ Columbia Gulf states that if it had been aware that any shipper had major concerns with this proposal, it would have postponed its filing to address those concerns. Columbia Gulf states that the purpose of its filing is to allow and encourage production from developing shale plays to flow on its system, not to deter new load by imposing new processing requirements on shippers.

13. Further, Columbia Gulf contends that pursuant to its proposal, shippers on Columbia Gulf's system will continue to have multiple opportunities to process their gas and it is only when shippers elect not to do so that Columbia Gulf may exercise any right to process the gas on its system. Columbia Gulf asserts that Indicated Shippers' argument ignores the multiple opportunities shippers will have to process their gas. Columbia Gulf states that it currently does not have shale production directly attached to its system; the majority of shale plays are located in or near other pipeline systems and Columbia Gulf only receives those flows indirectly.

⁶ The proposed modifications to GT&C Section 22 are submitted as Attachment A in Columbia Gulf's answer.

⁷ The EBB Posting and E-mail notification were submitted as Attachment B in Columbia Gulf's answer.

14. Columbia Gulf states that the Indicated Shippers argument that Columbia Gulf should be required to credit revenues resulting from the processing of gas should be rejected on two grounds. First, Columbia Gulf states that because the shale gas that was the impetus for this filing needs to be sourced through Columbia Gulf's interconnection with Columbia Gas Transmission, LLC at Leach, KY, where there are hundreds of shippers flowing gas each day, it is impractical to attempt to track molecules flowing through that interconnection and allocate revenues to particular shippers. Second, Columbia Gulf claims that Indicated Shippers have failed to show the likelihood of harm, much less the actual harm required by Commission policy before revenue crediting provisions become mandatory.⁸

15. Additionally, Columbia Gulf states that it is willing to make certain of the revisions requested by Indicated Shippers and Walter to clarify its proposal. First, Columbia Gulf proposes to revise the proposed processing provision to emphasize that shippers have the first right to process gas, and that operation of the processing provision will in no way impact a shipper's ability to deliver gas that meets the gas quality specifications set forth in GT&C section 25. Columbia Gulf has also agreed to make the revision requested by Indicated Shippers regarding Columbia Gulf's ability to commingle gas transported on its system. Columbia Gulf further states that it will include the language requested by Walter stating that Columbia Gulf would bear the risks and costs of any processing activities. With regard to Indicated Shippers' concern about whether Columbia Gulf intends to keep shippers whole for the reduction in quantity that results from processing, Columbia Gulf notes that it has existing tariff language to address that issue, as each and every rate schedule, as well as GT&C section 22, requires Columbia Gulf to deliver "thermally equivalent" quantities to shippers, less retainage, as well as the tariff authority to make operational purchases under GT&C section 39 if necessary.

16. Lastly, Columbia Gulf asserts that Indicated Shippers have not pointed to any valid factual issues that warrant holding a technical conference in this proceeding. Columbia Gulf states that it is not proposing any changes to its existing gas quality and interchangeability provisions nor is it proposing to require processing of gas that meets those requirements and thus, there is no impact on shippers' current ability to deliver gas into Columbia Gulf's system. Moreover, Columbia Gulf asserts it is not proposing to prevent any shipper from exercising their right to process their own gas and retain the revenues there from. Finally, Columbia Gulf argues that its proposal is consistent with the language granting

⁸ Columbia Gulf answer at 10 and n.4 (citing *Panhandle*, 61 FERC ¶ 61,357).

processing rights to many pipelines and because it has no current arrangements in place to process gas on its system, it would be a misuse of resources to hold a technical conference on Indicated Shippers' purely hypothetical concerns.

17. The Commission has reviewed Columbia Gulf's Filing, Indicated Shippers' protest, Walter's comments, and Columbia Gulf's answer, and we accept the tariff record listed in Footnote No. 1, effective August 1, 2012, subject to the conditions discussed below. As Columbia Gulf points out in its answer, its filing seeks authority only for Columbia Gulf to process gas that is already flowing on its system and only when the shipper itself chooses not to do so. Columbia Gulf is not proposing to modify the existing gas quality or interchangeability standards set forth in its tariff. According to Columbia Gulf, shippers on its system will continue to have multiple opportunities to process their gas.

18. As noted, Indicated Shippers' claim that pursuant to the Gas Quality Policy Statement Columbia Gulf must collaborate with its shippers and demonstrate actual operational harm to justify its proposal. As Columbia Gulf makes clear, however, Columbia Gulf is not proposing in this filing new gas quality or interchangeability standards, nor is it requesting modifications to those existing provisions. Accordingly, the Gas Quality Policy Statement is inapplicable. Nevertheless, Columbia Gulf states that it brought its proposal to shippers' attention prior to filing by posting it on its Internet website and circulating it to its shippers and their counsel. These actions appear reasonable as a means to offer shippers the opportunity to discuss and bring to the pipeline's attention any issue they may have had with the proposal. Further, the Commission has approved similar provisions on multiple pipelines without requiring a showing of operational harm, so long as the pipeline did not restrict the ability of a shipper to process its own gas.⁹

19. We also reject Indicated Shippers' claim that Columbia Gulf must credit revenues from any processing to its shippers. As Columbia Gulf points out in its answer, the Commission has previously held that a pipeline need not include revenue crediting provisions in its tariff absent a claim of specific harm or a showing that the proposal improperly impedes shippers' processing rights.¹⁰ Indicated Shippers make no claim of specific harm, and Columbia Gulf's proposal

⁹*Northern Natural Gas Co.*, 59 FERC ¶ 61,143, at p. 61,529 (1992); *Williams*, 56 FERC ¶ 61,089; *KN Energy, Inc.*, 63 FERC ¶ 61,163, *order on reh'g*, 64 FERC ¶ 61,154 (1993); *Panhandle*, 61 FERC ¶ 61,357, *order on reh'g*, 62 FERC ¶ 61,288; *Trunkline Gas Co.*, 65 FERC ¶ 61,355, at p. 61,899 (1993).

¹⁰ *Panhandle*, 61 FERC ¶ 61,357 at p. 62,432.

does not limit any shipper's processing right. Accordingly, we find that Columbia Gulf is not required to include generic tariff revenue crediting language here.

20. We also determine that Indicated Shippers' concern about whether Columbia Gulf intends to keep shippers whole for the reduction in quantity that results from processing does not have merit. As Columbia Gulf states this concern is already addressed by existing tariff language requiring Columbia Gulf to deliver "thermally equivalent" quantities to shippers, less retainage, and Columbia Gulf's existing tariff authority to make operational purchases under GT&C section 39.

21. We do find that Columbia Gulf has not adequately supported its purported need for three months prior written notice for a shipper that exercises its right to process its own gas. Thus, Columbia Gulf's proposal is conditioned on Columbia Gulf supporting its need for three months prior written notice from a shipper or its designee that elects to process its own gas, or removing that requirement from its tariff language.

22. Based on these findings, we find that a technical conference is not warranted in this proceeding. As noted, Columbia Gulf offered in its answer to revise certain of its originally proposed provisions to alleviate Indicated Shippers' and Walter's concerns.¹¹ We direct Columbia Gulf to make those modifications as a condition of our acceptance of its proposal.

23. For the reasons discussed above, we accept Columbia Gulf's tariff record listed in Footnote No. 1, effective August 1, 2012, subject to the conditions of this order. Columbia Gulf is directed to file the *pro forma* tariff record submitted as Attachment A in its answer and provide justification for its requirement for three months prior written notice for a shipper that elects to process its own gas within twenty (20) days of issuance of this order as discussed above.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

¹¹ Columbia Gulf filed a *pro forma* tariff record in Appendix A of its answer reflecting the proposed edits Columbia Gulf agrees to make to address issues raised by Indicated Shippers and Walters.