

123 FERC ¶ 61,153  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

Columbia Gulf Transmission Company

Docket No. CP08-54-000

Tennessee Gas Pipeline Company

Docket No. CP08-55-000

ORDER ISSUING CERTIFICATE AND APPROVING ABANDONMENT

(Issued May 15, 2008)

1. On January 15, 2008, Columbia Gulf Transmission Company (Columbia Gulf) filed an application under section 7(b) of the Natural Gas Act (NGA) for authority to abandon: (1) by sale to Tennessee Gas Pipeline Company (Tennessee) interests in certain natural gas transmission facilities, most of which are jointly owned with Tennessee, located offshore and onshore Louisiana; and (2) its services currently provided through the facilities, certain transportation/exchange agreements with Tennessee, and Columbia Gulf's lease to Tennessee of a portion of Columbia Gulf's South Pass 77 System capacity.
2. Concurrently, on January 15, 2008, Tennessee filed an application for authority: (1) under section 7(c) of the NGA for a certificate of public convenience and necessity authorizing it to acquire those pipeline facilities or interests therein from Columbia Gulf and to operate them; and (2) under NGA section 7(b) to abandon in place certain compression facilities and to abandon certain transportation/exchange agreements with Columbia Gulf and Tennessee's lease to Columbia Gulf of a portion of Tennessee's capacity on the South Pass 77 System. Tennessee also requests a predetermination supporting rolled-in rate treatment for its facility acquisition and operating costs in its next general rate proceeding.
3. For the reasons discussed below, we will grant the requested certificate and abandonment authorizations, as discussed and conditioned in this order.

## I. Background

4. Columbia Gulf and Tennessee jointly own and operate certain offshore and onshore facilities located in the Gulf of Mexico and in the coastal areas of Louisiana. These facilities include the Blue Water System, the South Timbalier System, and the South Pass 77 System.<sup>1</sup> Columbia Gulf provides interruptible transportation service on these facilities.

### A. Blue Water System

5. In 1971, Columbia Gulf and Tennessee were authorized to construct and operate facilities referred to as the Blue Water Project.<sup>2</sup> The Blue Water Project was constructed to provide for the receipt and transportation of natural gas from fields located in the Gulf of Mexico, offshore Louisiana, to onshore markets.

6. In 1976, Columbia Gulf and Tennessee were authorized to construct and operate the Southwest Extension, which is connected to the Blue Water Project.<sup>3</sup> The Blue Water System, which includes both the Blue Water Project and the Southwest Extension, comprises Tennessee-owned facilities, Columbia Gulf-owned facilities, and facilities owned jointly by Columbia Gulf and Tennessee. Tennessee and Columbia Gulf are parties to two separate operating agreements under which they agreed to share capacity and coordinate operation of the Blue Water Project and the Southwest Extension.

7. The Blue Water System is a horseshoe-shaped (“U”) natural gas system consisting of approximately 425.87 miles of 6-inch to 36-inch diameter pipeline, and contiguous laterals, located primarily in offshore Louisiana. The Blue Water System consists of the Western Shore Line (WS Line), which terminates at Egan Louisiana, the Blue Water Offshore Header (Offshore Header), and the Eastern Shore Line (ES Line), which terminates at Cocodrie, Louisiana.

8. The WS Line, which constitutes the upper left portion of the “U”, begins onshore and extends southward to the onshore Pecan Island liquid separation, dehydration and compression facility (Pecan Island Facility) and then continues southward to the Offshore

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<sup>1</sup> Tennessee’s Exhibit F, a map of facilities, is appended as Appendix A of this order.

<sup>2</sup> *Tennessee Gas Pipeline Co. and Columbia Gulf Transmission Co., et al.*, 46 FPC 605 (1971). *See also Columbia Offshore Pipeline Co.*, 41 FPC 231 (1969), *findings and order amending order*, 41 FPC 689 (1969), *order amending order*, 42 FPC 70 (1969).

<sup>3</sup> *Columbia Gulf Transmission Co. and Tennessee Gas Pipeline Co.*, 55 FPC 3109 (1976).

Header in Block 245, Vermilion Area, offshore Louisiana. The Blue Water System then extends to the terminus of the Offshore Header in Block 198, Ship Shoal Area, offshore Louisiana. The upper right portion of the “U” is the ES Line, which extends northward from Block 198, Ship Shoal Area, offshore Louisiana, to the Cocodrie facility at Cocodrie, Louisiana. That facility provides liquid separation, dehydration, and compression for the eastern terminus of the Blue Water System.

9. Processing of gas transported on the WS Line is performed at the non-jurisdictional Blue Water Gas Plant located onshore on the WS Line. The Southeast Extension extends from Block 245, Vermilion Area, offshore Louisiana, to its terminus in the West Cameron offshore area.

### **B. South Timbalier System**

10. In 1977, Columbia Gulf and Tennessee were jointly authorized to construct the South Timbalier System to attach reserves in Blocks 36 and 37 in the South Timbalier Area, offshore Louisiana.<sup>4</sup> The South Timbalier System consists of approximately 37.55 miles of 12-inch, 20-inch, and 24-inch diameter pipeline, and contiguous laterals, measuring and regulating facilities and appurtenances.

### **C. South Pass 77 System**

11. In 1980, Columbia Gulf and Tennessee were jointly authorized to construct the South Pass 77 System which extends from South Pass Block 77, offshore Louisiana, to Tennessee’s onshore system in Plaquemines Parish, Louisiana.<sup>5</sup> The South Pass 77 System consists of approximately 64.03 miles of 8-inch, 12-inch, 20-inch, 26-inch, and 36-inch diameter pipeline, and contiguous laterals.

## **II. Proposals**

12. As a result of declining reserves and revenues from production in the Gulf of Mexico and increasing expenses from the transportation of offshore gas, Columbia Gulf is proposing to divest its offshore facilities and to focus on its onshore system. To implement that plan, Columbia Gulf, Tennessee, and Columbia Deep Water Services Company (Columbia Deep Water)<sup>6</sup> executed an agreement on October 30, 2007, as

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<sup>4</sup> *Tennessee Gas Pipeline Co. and Columbia Gulf Transmission Co., et al*, 58 FPC 650 (1977), *order amending certificate*, 59 FPC 1156 (1977).

<sup>5</sup> *Tennessee Gas Pipeline Co., and Columbia Gulf Transmission Co.*, 12 FERC ¶ 61,307 (1980).

<sup>6</sup> Columbia Deep Water currently operates 2.63 miles of pipeline as non-jurisdictional facilities that connect Columbia Deep Water’s production and gathering

(continued...)

amended on January 8, 2008, for Tennessee's purchase of Columbia Gulf's interests in the Blue Water System, the South Timbalier System, and the South Pass 77 System located onshore and offshore Louisiana. The facilities to be sold include approximately 530 miles of pipeline ranging in diameter from 6- to 36-inches, ownership interests in six compressor units with a total of 56,000 horsepower, a liquids separation and gas dehydration plant, 28 measuring stations, associated rights of way and appurtenances.

13. Tennessee has agreed to pay approximately \$7.3 million in cash and to assume certain of Columbia Gulf's unquantified contingent liabilities related to the operation of the facilities.<sup>7</sup> The parties also agree that approval of these applications will settle pending litigation between them before the Commission in Docket Nos. RP04-413-000, *et al.*, and two proceedings pending in a Texas state court.<sup>8</sup>

**A. Columbia Gulf's Abandonment Proposal in Docket No. CP08-54-000**

14. In Docket No. CP08-54-000, Columbia Gulf requests authorization to abandon, by sale to Tennessee, its ownership interests in the South Timbalier System and in the South Pass 77 System; most of its ownership interest in the Blue Water System;<sup>9</sup> its interests in several contiguous pipeline laterals connected to these systems and all associated rights of way and appurtenances; its interests in two compressor units, each with 20,000 horsepower, located at the Pecan Island Facility; and its ownership interests in four

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facilities to the Southwest Extension of the Blue Water System in West Cameron Block 617. Tennessee proposes to acquire and operate these 2.63 miles of pipeline as a jurisdictional supply lateral.

<sup>7</sup> The assumed contingent liabilities deal with safety, health, environmental and pipeline operating obligations as enumerated in section 2.3 of the purchase and sale agreement set forth in Exhibit U of Columbia Gulf's application.

<sup>8</sup> This resolution is stated in section 2.5 of Disclosure Schedule B of the October 30, 2007 agreement. As to Commission Docket No. RP04-413-000, Tennessee agreed to withdraw its pending request for rehearing, filed September 11, 2006, of an order affirming an initial decision in *Columbia Gulf Transmission Company v. Tennessee Gas Pipeline Company*, 116 FERC ¶ 61,139 (2006) (involving Columbia Gulf's leased capacity on Tennessee's Muskrat Line which interconnects with the South Pass 77 System).

<sup>9</sup> As reflected in Tennessee's revised Exhibit Z-1 to its application, Columbia Gulf will retain its ownership interest in 5 miles of 16-inch diameter pipeline in the Southwest Extension (GB 236) and two measuring stations, meter nos. 688 in Vermillion 26C and 689 in Garden Banks 236 (filed March 11, 2008).

compressor units, each with 4,000 horsepower, located on the Vermillion 245 platform.<sup>10</sup> Columbia Gulf does not propose any construction or facility removal in connection with the proposed abandonment.

15. Upon the Commission's approval of the proposed abandonment of facilities, Columbia Gulf will also abandon its existing interruptible transportation services pursuant to Rate Schedule ITS-2 provided over the facilities and will revise its master list of interconnects to delete certain delivery points on the facilities (removing them from service). Columbia Gulf states that it has no firm or mainline tap customers on the facilities to be sold. Columbia Gulf asserts that there will be no service interruption because most of Columbia Gulf's existing interruptible customers also receive service from Tennessee over the jointly-owned facilities to be transferred, and Tennessee will continue to provide service to these customers.

16. In addition, Columbia Gulf requests authorization to abandon individually certificated transportation/exchange agreements in Rate Schedules X-8 and X-57 of Volume 2 of its FERC Gas Tariff, approved in the 1970s. Columbia Gulf and Tennessee agree that these agreements will have no utility once Columbia Gulf has sold its interests in the facilities used to effectuate the exchanges. Rate Schedule X-8 provides for Columbia Gulf to deliver daily quantities between 70,000 Mcf and 120,000 Mcf to Tennessee at the Cameron delivery point in exchange for like volumes redelivered by Tennessee to Columbia at the Garden City, Erath and other delivery points. Rate Schedule X-57 provides for Columbia Gulf to deliver to Tennessee exchange volumes up to 170,100 Mcf per day at the Cocodrie delivery point, and for Tennessee to deliver like volumes to Columbia Gulf at the Centreville, Lafourche or Leeville delivery points.

17. Columbia Gulf also proposes to abandon its lease of capacity under the reciprocal lease of capacity between Columbia Gulf and Tennessee on the South Pass 77 System.<sup>11</sup> Under the lease agreement, Columbia Gulf leases its capacity entitlement in excess of 115,000 Mcf per day to Tennessee. Columbia Gulf asserts the lease agreement will no longer be needed after it has sold its interest in the South Pass facilities to Tennessee.

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<sup>10</sup> The facilities and interests to be abandoned and acquired are described in detail in Columbia Gulf's and Tennessee's applications, including revised exhibits.

<sup>11</sup> *Tennessee Gas Pipeline Co., and Columbia Gulf Transmission Co.*, 78 FERC ¶ 61,182 (1997).

**B. Tennessee's Certificate and Abandonment Application in Docket No. CP08-55-000**

18. In Docket No. CP08-55-000, Tennessee requests certificate authorization to acquire the ownership interests that Columbia Gulf proposes to abandon, as described above, in the Blue Water System; the South Timbalier System; the South Pass 77 System; several contiguous pipeline laterals connected to these systems; two compressor units, each with 20,000 horsepower, located at the Pecan Island Facility; and four compressor units located on the Vermillion 245 platform. Tennessee also requests certificate authority to acquire and operate Columbia Deep Water's 2.63-mile long gathering line that connects Columbia Deep Water's production to the Southwest Extension of the Blue Water System in West Cameron Block 617.

19. In addition, Tennessee seeks authorization to abandon in place the two 20,000 horsepower compression units at the Pecan Island Facility and one compressor unit on the Vermillion 245 platform, the reciprocal lease to Columbia Gulf of Tennessee's capacity on the South Pass 77 System, and the two exchange agreements with Columbia Gulf. These exchange agreements, provided under Tennessee's Rate Schedule X-33 (corresponding to Columbia Gulf's Rate Schedule X-8) and Rate Schedule X-56 (corresponding to Columbia Gulf's Rate Schedule X-57), relate to the South Pass 77 System facilities in which Tennessee will acquire Gulf Columbia's ownership interest.

20. Tennessee states that its proposal will expand its infrastructure to enhance operational flexibility, attract new customers, and increase throughput on its system. Tennessee maintains that existing customers will benefit by having to make service arrangements with only one company. Tennessee states that it will offer service to Columbia Gulf's current customers on an open-access basis under its Part 284 rate schedules.

21. On December 13, 2007, Tennessee concluded an open season for possible expansion of its mainline pipeline system and/or a change in the operation of the Blue Water System, resulting in precedent agreements for 405,000 Dth/d of new firm capacity under Rate Schedule FT-A. Tennessee argues that its proposed acquisition of facilities is consistent with the Certificate Policy Statement because projected revenues from Tennessee's continuation, on a firm and/or interruptible basis, of Columbia Gulf's current interruptible services and Tennessee's anticipated mainline firm expansion volumes will exceed the projected cost of service for the facilities for each of the first three years of service and rolling of facility costs into system rates, therefore, will not result in current

customers subsidizing the acquisition.<sup>12</sup> Accordingly, Tennessee asserts that it will be appropriate to roll-in the facility acquisition and operating costs and the associated revenues in its next general rate proceeding.

### **III. Notice, Interventions, Comments and Protests**

22. Notice of Columbia Gulf's application in Docket No. CP08-54-000 was published in the *Federal Register* on February 6, 2008 (73 Fed. Reg. 6,956). Notice of Tennessee's application in Docket No. CP08-55-000 was published in the *Federal Register* on February 6, 2008 (73 Fed. Reg. 6,957). The timely, unopposed motions to intervene filed in Docket Nos. CP08-54-000 and CP08-55-000 are listed in the appendix to this order. These timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure.<sup>13</sup>

23. NiSource Distribution Companies (NiSource) filed a late motion to intervene in both dockets. The Commission finds that granting the late-filed motions to intervene at this stage of the proceedings will not cause delay or unfairly prejudice the applicant or place additional burden on existing parties. Therefore, for good cause shown, we will grant the motions to intervene out-of-time.<sup>14</sup>

24. In its motion to intervene and protest in both proceedings, Crosstex Gas Processing, LLC (Crosstex) argues that proposals could make its Blue Water Gas Plant uneconomic. Crosstex's plant is an onshore, gas processing facility located six miles south of the western end of the Blue Water System. Crosstex asks the Commission to deny the applications or institute a technical conference or full evidentiary hearing to explore alternatives to keep its Blue Water Gas Plant operating. Crosstex points out that the Blue Water System is its processing plant's only source of unprocessed gas and that if Tennessee significantly reduces the volume of gas into, or reroutes the flow of gas away from, the plant based on the results of a recent open season awarding 405,000 Dth/d of additional firm capacity on the Blue Water System, Crosstex may have to shut down its processing plant. According to Crosstex, shutting down its plant would decrease processing reliability for producers and Tennessee's shippers and would eliminate competition for the processing of gas on the Blue Water System, since the only remaining

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<sup>12</sup> *Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227 (1999), *order Clarifying Statement of Policy*, 90 FERC ¶ 61,128 (2000), *order Further Clarifying Statement of Policy*, 92 FERC ¶ 61,094 (2000) (Certificate Policy Statement).

<sup>13</sup> 18 C.F.R. § 385.214 (2007).

<sup>14</sup> *See* 18 C.F.R. § 385.214(d) (2007).

option for processing would be the Yscloskey Plant downstream of the Blue Water System's eastern terminus.

25. Columbia Gulf, Tennessee, and Dynegy Marketing and Trade (Dynegy) filed answers opposing Crosstex's protest.<sup>15</sup> Columbia Gulf asserts that the impact of the applicants' proposals on Crosstex's processing plant is irrelevant to the merits of the applications and that Crosstex's assertions are speculative. Columbia Gulf and Tennessee assert that there is no contractual obligation that requires Tennessee or any shipper to flow any gas through Crosstex's processing plant or to maintain any guaranteed flow of gas. Columbia Gulf asserts that the gas flow on the Western Shore Line of the Blue Water System and thus gas processing at Crosstex's plant has been steadily declining, from 193 MMDth in 2001 to 57 MMDth in 2007. If the Commission were to reject applications in order to protect processors' business, Columbia Gulf argues that the result would be that current shippers would have to subsidize the owners of the uneconomic non-jurisdictional processing facilities.

26. Tennessee asserts that Crosstex has not demonstrated how any harm to its processing plant business would adversely impact shippers on the Blue Water system. In any event, Tennessee argues that gas flowing on its pipeline system will conform to its gas quality and merchantability standards.

#### **IV. Discussion**

27. The facilities that Columbia Gulf seeks to abandon and that Tennessee seeks to acquire are used for the transportation of natural gas in interstate commerce. The services that Columbia Gulf and Tennessee seek to abandon are interstate transportation services. Thus, the proposed abandonments and acquisition of facilities require Commission authorization under NGA section 7(b) and 7(c), respectively.

##### **A. Columbia Gulf's Request for Abandonment Authority**

28. The applicants state that following the Commission's approval of their proposals, Columbia Gulf's current interruptible customers will continue to receive service from Tennessee under its interruptible and/or firm rate schedules. Columbia Gulf emphasizes that its sale of its interests in the jointly-owned facilities will reduce its operating and maintenance expenses and eliminates the need for it to make further expenditures for repairs to maintain its underutilized capacity in the facilities.

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<sup>15</sup> Although the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.213(a)(2) (2007) do not permit answers to protests, we may for good cause waive this provision. In this instance, we find good cause to accept these answers because they provide information that has assisted us in our decision making.

29. Except for Dynegy, Columbia Gulf has no shippers that have firm agreements or entitlements for firm use of its capacity in the subject facilities, and none of Columbia Gulf's interruptible shippers have raised concerns over its proposal to sell its interests in the facilities to Tennessee. Further, the proposals are not opposed by Dynegy to which Columbia Gulf has a long-standing obligation under a case specific Part 157 certificate to stand ready to transport up to 81,201 Mcf/d on the South Pass 77 System.<sup>16</sup> Indeed, Dynegy comments that while the Commission has previously declined to authorize new case-specific certificate authority for Dynegy to assign its entitlement to Columbia Gulf capacity to Tennessee,<sup>17</sup> Dynegy anticipates that Commission approval of Columbia Gulf's proposed sale of its interest in the South Pass 77 System facilities to Tennessee will facilitate Dynegy's disposition of its capacity on those facilities.

30. In view of the above considerations, and our finding below that Tennessee's proposed acquisition of the subject facilities is required by the public convenience and necessity, we find that the public convenience and necessity permit Columbia Gulf's abandonment of its interests in the facilities by sale to Tennessee, its services utilizing the facilities, Dynegy's entitlements to a portion of Columbia Gulf's capacity on the South Pass 77 System, its lease of a portion of its capacity on the South Pass 77 System to Tennessee, and its reciprocal services under its exchange agreements with Tennessee utilizing the South Pass 77 System facilities. Since this order approves Columbia Gulf's proposed abandonment of facilities and services, it will be necessary for Columbia Gulf to file, pursuant to section 154.602 of the regulations, a notice at least 30 days before the proposed effective date of termination or cancellation of Rate Schedule ITS-2, Rate Schedules X-8 and X-57 for the exchange arrangements, and Dynegy's contractual entitlement to capacity on the facilities being abandoned.<sup>18</sup>

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<sup>16</sup> See *Tennessee Gas Pipeline Co., et al.*, 12 FERC ¶ 61,307 (1980), 16 FERC ¶ 61,054 (1981), and 22 FERC ¶ 61,208 (1983). Dynegy holds its entitlements to Columbia Gulf capacity on the South Pass 77 System as the successor in interest to Gulf Oil Corporation.

<sup>17</sup> See *Tennessee Gas Pipeline Co.*, 114 FERC ¶ 61,050, *reh'g denied*, 115 FERC ¶ 61,283 (2006); *Columbia Gulf Transmission Co. and Tennessee Gas Pipeline Co.*, 118 FERC ¶ 61,165 (2007), *reh'g denied*, 120 FERC ¶ 61,251 (2007), *Dynegy Marketing and Trade v. FERC*, No. 07-60898 (5<sup>th</sup> Cir. Filed Nov. 14, 2007).

<sup>18</sup> 18 C.F.R. § 154.602 (2007).

**B. Tennessee's Acquisition of Facilities and Abandonment of Certain Compression**

31. Our Certificate Policy Statement governs our consideration of Tennessee's proposal to acquire Columbia Gulf's interests in the subject facilities.<sup>19</sup> In a situation where an applicant proposes to acquire facilities that have already been certificated and constructed by another pipeline, as is the case here, the Certificate Policy Statement's concerns with disruptions of the environment and the exercise of eminent domain have already been addressed in the Commission's prior approval of the facilities.

32. However, the threshold requirement under the Certificate Policy Statement, that a pipeline must be prepared to financially support the project without relying on subsidization from its existing customers, is equally applicable to a pipeline's acquisition of existing facilities. Similarly, whether the applicant has made efforts to eliminate or minimize any adverse effects the proposal might have on the acquiring pipeline's existing customers and existing pipelines in the market and their captive customers is also relevant to our evaluation.

33. Tennessee proposes to operate the capacity to be acquired from Columbia Gulf, as well as the 2.63-mile long pipeline facility to be acquired from Columbia Deep Water, as an integrated part of its existing system and provide service under its open-access Part 284 rates schedules, including, but not limited to, firm service under Rate Schedules FT-A, FT-G, and FT-GS and interruptible service under Rate Schedule IT. In addition, shippers may utilize supply aggregation pooling services under Rate Schedule SA. Thus, Tennessee proposes that its generally applicable rates under these rate schedules would serve as its initial section 7 rates for services using the capacity that it proposes to acquire.

34. Tennessee seeks a finding supporting a presumption of roll-in rate treatment for its costs of acquiring the facilities in its first NGA section 4 general rate proceeding after placing the acquired facilities into service under its tariff. To support such rate treatment, Tennessee states that although it has agreed to pay Columbia Gulf \$7.38 million for its interests in the facilities, Tennessee proposes to include in its rate base only the facilities' undepreciated net book value of approximately \$4.8 million. This proposal satisfies the Commission's long-standing general policy of requiring a pipeline to record an acquired asset for rate base purposes at no more than the net book value of the facilities.<sup>20</sup>

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<sup>19</sup> *Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227, at 61,748 (1999); *order on clarification*, 90 FERC ¶ 61,128 (2000); *order on clarification*, 92 FERC ¶ 61,094 (2000) (Certificate Policy Statement).

<sup>20</sup> *Enbridge Pipelines*, 100 FERC ¶ 61,260, at P 48 (2002).

However, Tennessee and Columbia Gulf will be required to provide additional accounting information, as discussed below.

35. As noted above, Tennessee concluded an open season for the capacity to be acquired. The open season resulted in precedent agreements for 405,000 Dth/d of new firm transportation service under Rate Schedule FT-A on the Blue Water System. Tennessee reports in Exhibit N that the projected cost of service and revenue analysis indicates that for the each of the first three years of service, revenues for transportation service on the acquired facilities will exceed the cost of service by a minimum of \$10.2 million, which is at least 100 percent greater than the cost of service for each year. Rolling in the acquisition and operating costs, thus, should result in a reduction in current rates. Therefore, we conclude that the proposed acquisition of facilities, operating costs, and capacity can proceed without subsidies from Tennessee's existing shippers, and that Tennessee has met the threshold test of the Certificate Policy Statement of no subsidization by existing customers. Accordingly, we will grant a presumption of rolled-in rate treatment in Tennessee's next section 4 rate proceeding for its costs of acquiring and operating the subject facilities, absent a material change in the relevant facts and circumstances.

36. Shippers will benefit from the acquisition because they can contract for continued service through a single pipeline. Tennessee will be able to meet unserved demands for firm service shown by the results of a recent open season. The acquisition will provide Tennessee's shippers with access to new markets and supplies and will avoid the possibility of overbuilding and disruptions to the environment. There is no evidence that Tennessee's proposed acquisition of capacity will adversely impact any other pipeline or its customers. As noted above, since the subject facilities are already constructed, there are no concerns regarding the environment. For the same reason, as well as the fact that the facilities are offshore, there are no concerns regarding impacts on landowners or eminent domain. Further, the parties state that our approval of the proposals will settle litigation pending between them regarding Columbia Gulf's liabilities related to operation of the facilities.<sup>21</sup>

37. Crosstex asks us to require that Tennessee affirm that after its acquisition of the subject facilities sufficient volumes will continue to flow to Crosstex's plant to maintain its processing business. Processing of natural gas is a non-jurisdictional activity that the Commission has no authority to regulate. Crosstex fails to point us to any contractual, regulatory or legal authority that would require us to direct Tennessee to guarantee a continued or unaltered gas flow into Crosstex's processing plant. Although Crosstex is concerned that gas supplies may be diverted to another plant for processing, it does not allege that any type of undue preference would be involved. Nor does Crosstex argue

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<sup>21</sup> See *supra* P 13.

that Tennessee's acquisition of Columbia Gulf's interests in the facilities will somehow make it infeasible for shippers to request that their gas be processed at Crosstex's plant. In view of these considerations, we find no basis for imposing a condition that would require Tennessee to ensure gas flows to Crosstex's processing plant are not affected. Since there are no material issues of fact that need to be resolved to reach our decision, we will deny Crosstex's request for an informal technical conference or a full evidentiary hearing to consider alternatives to keep its processing plant operating.

38. In view of the above considerations, we find that the public convenience and necessity require approval of Tennessee's proposal to acquire by purchase Columbia Gulf's and Columbia Deep Water's facilities and to operate those facilities as an integrated part of its existing system. Since we are approving Tennessee's acquisition of the Columbia Gulf's interests in the subject facilities, we also will grant authority for Tennessee to abandon its lease of capacity to Columbia Gulf on the South Pass 77 System and its reciprocal services under its two exchange agreements with Columbia Gulf using the South Pass 77 System. It will be necessary for Tennessee to file, pursuant to section 154.602 of the regulations, a notice at least 30 days before the proposed effective date of cancellation of the Rate Schedule X-33 (corresponding to Columbia Gulf's Rate Schedule X-8) and Rate Schedule X-56 (corresponding to Columbia Gulf's Rate Schedule X-57) for exchange arrangements.<sup>22</sup>

39. As described above, the interests that Tennessee seeks to acquire include Columbia Gulf's interests in six compressor units with a total of 56,000 horsepower. Two of the compressor units, each with 20,000 horsepower, are located at the Pecan Island Facility. The four other compressor units, each with 4,000 horsepower, are located on the Vermillion 245 platform. Once it has acquired Columbia Gulf's interest in the six compressor units, Tennessee proposes to abandon in place the two compressor units at the onshore Pecan Island compressor facility and one of the units on the Vermillion 245 platform. Tennessee asserts that after acquisition of Columbia Gulf's facilities it will not need to operate those compressor units to provide transportation service. Accordingly, we grant Tennessee the permission to abandon in place these compressor units.

### C. Accounting

40. In Exhibit Y to its application, Columbia Gulf proposes to record a \$147,586 loss on the abandonment by sale of its facilities to Tennessee in Account 421.2, *Loss on Disposition of Property*. Additionally, Columbia Gulf proposes to record current income taxes on the tax loss in Account 409.2, *Income Taxes, Other Income and Deductions*. In addition, Columbia Gulf proposes to treat these facilities as an operating unit or system and clear the sale through Account 102, *Gas Plant Purchased or Sold*.

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<sup>22</sup> 18 C.F.R. § 154.602 (2007).

41. In Exhibit S to its application, Tennessee proposes to treat these facilities as an operating unit or system and clear the purchase through Account 102, *Gas Plant Purchased or Sold*. Tennessee proposes to record an acquisition adjustment of \$2,548,611 on the purchase of the facilities from Columbia Gulf in Account 114, *Gas Plant Acquisition Adjustment*.

42. We cannot determine from the information provided whether Columbia Gulf's and Tennessee's proposed journal entries recording the purchase and the sale comply in all respects with the Commission's Uniform System of Accounts. For instance, Tennessee has not adequately explained whether the acquisition adjustment recorded in Account 114 represents only the difference between the purchase price of the facilities and their depreciated book value. As stated in Columbia Gulf's application,<sup>23</sup> the consideration for the purchase incorporates not only the purchase price of the transferred assets but also Tennessee's assumption of certain liabilities<sup>24</sup> and the settlement of litigation between the applicants. For the same reason, we cannot conclude whether Columbia Gulf appropriately accounted for the amount of the consideration received for the facilities sold.

43. Accordingly, we will require the applicants to submit their proposed accounting for all aspects of the purchase and the sale transaction when they file their proposed journal entries to clear the amounts recorded in Account 102 within six months of the date the purchase and the sale are consummated.<sup>25</sup> The filings should provide a complete explanation of the basis for the proposed accounting, with reference to applicable Commission accounting regulations and/or relevant accounting standards of the Financial Accounting Standard Board, and be of such detail as to show the complete transaction and all accounts affected, including related income tax accounts.

44. At a hearing, held on May 15, 2008, the Commission on its own motion, received and made a part of the record in this proceeding all evidence, including the application, and exhibits thereto, and upon consideration of the record,

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<sup>23</sup> Columbia Gulf's application in Docket No. CP08-54-000 at 4.

<sup>24</sup> The assumed liabilities are not quantified and deal with safety, health, environmental and pipeline operating obligations as enumerated in section 2.3 of the purchase and sale agreement in Exhibit U of Columbia Gulf's application.

<sup>25</sup> See 18 CFR Part 201, Account 102(b) which reads: "within six months from the date of acquisition or sale of property recorded herein, the utility shall file with the Commission the proposed journal entries to clear from this account the amounts recorded herein."

The Commission orders:

(A) Columbia Gulf's request for permission and approval to abandon the facilities, interests, leases, and transportation/exchange agreements described in detail in its application is granted.

(B) Columbia Gulf shall notify the Commission within ten (10) days of the date of the abandonment of the facilities. At least 30 days before the proposed cancellation or termination of exchange Rate Schedules X-8 and X-57, Rate Schedule ITS-2, and Dynegey's capacity entitlements, Columbia Gulf must file a notice pursuant to 18 C.F.R. § 154.602.

(C) Tennessee is granted certificate authority to acquire by purchase the facilities for which Columbia Gulf is granted abandonment authority pursuant to Ordering Paragraph (A) above. At least 30 days before the proposed cancellation of Rate Schedule X-33 and Rate Schedule X-56, Tennessee must file a notice pursuant to 18 C. F. R. § 154.602.

(D) Tennessee is granted certificate authority to acquire and operate Columbia Deep Water's approximately 2.63-mile long pipeline facility, as described herein and in Tennessee's application.

(E) Tennessee's request for permission and approval to abandon in place certain compression facilities as discussed in detail in this order and its application is granted. Tennessee shall notify the Commission within ten (10) days of the date of the abandonment of the facilities.

(F) The certificate authorization in Ordering Paragraph (C) above is conditioned upon Tennessee's compliance with all applicable Commission regulations under the NGA, particularly paragraphs (a), (d), (e), and (f) of section 157.20 of such regulations.

(G) Tennessee's acquisition of interests in facilities authorized in Ordering Paragraphs (C) and (D) above shall be completed and the capacity in such facilities shall be made available for service within 12 months from the date of this order in accordance with section 157.20(b) of the Commission's regulations.

(H) Tennessee's proposals to provide services using the capacity in the facilities to be acquired under its existing Rate Schedule FT-A, FT-G, FT-GS, and IT and to charge rates for such services in accordance with those rate schedules as its initial section 7 transportation rates are approved.

(I) Tennessee's request for a predetermination supporting a presumption of rolled-in rate treatment for the costs of acquiring and operating the facilities in its next general NGA section 4 rate proceeding is granted, absent a material change in circumstances.

(J) Applicants must submit their proposed final accounting to clear Account 102 with the Commission within six months of the date the purchase and the sale are consummated. The filings must provide a complete narrative explanation of the proposed accounting in such detail as to show the complete transaction and all accounts affected, including related income tax accounts.

(K) Before the effective date of its acquisition of interests in facilities as authorized herein, Tennessee must execute final firm service agreements for capacity equivalent to the 405,000 Dth/d as reflected in the precedent agreements supporting its proposal.

(L) Crosstex's requested certificate condition and requests for an informal technical conference or full evidentiary hearing are denied as discussed in the body of this order.

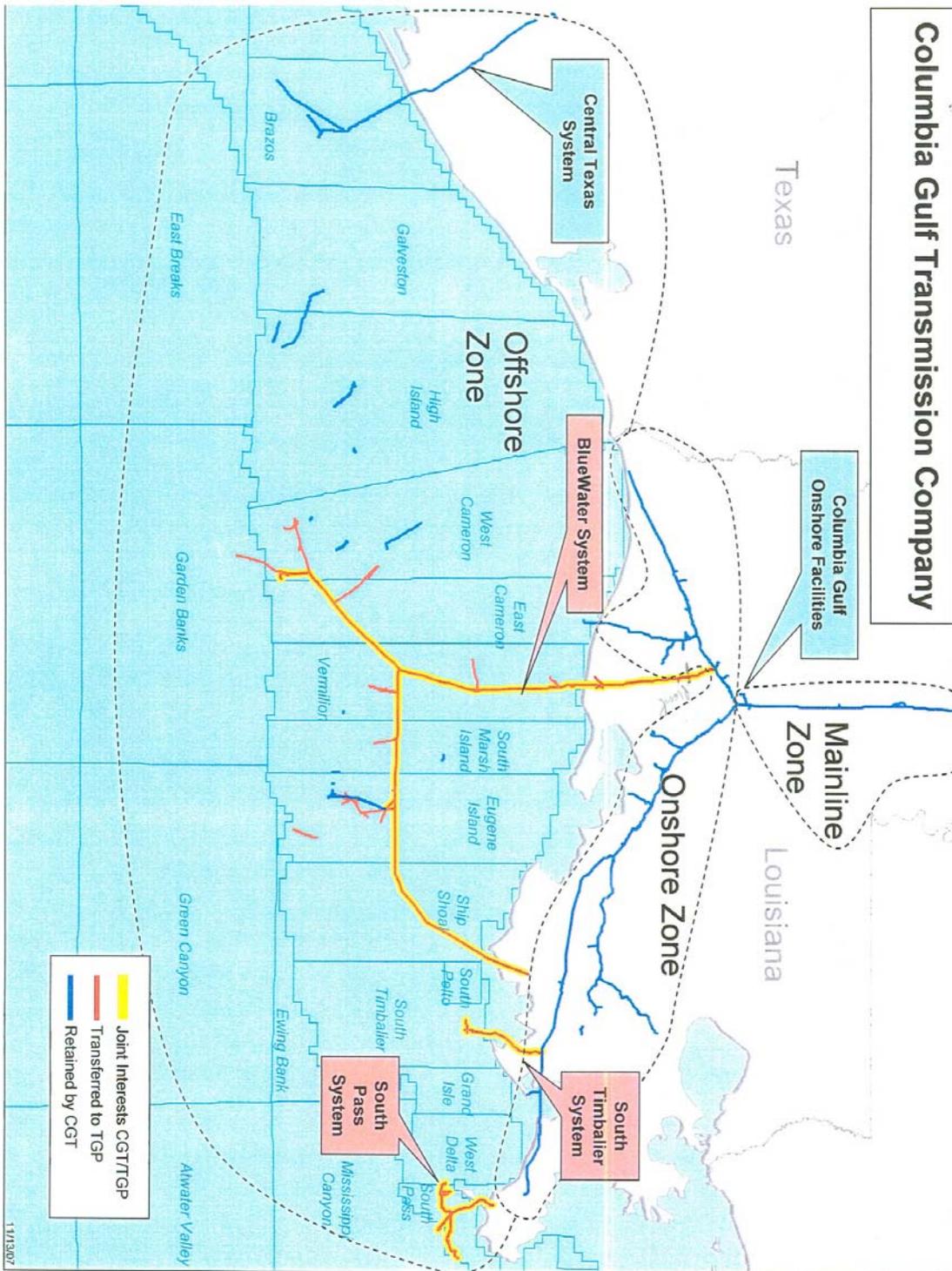
(M) NiSource's motions to intervene out of time in Columbia Gulf's and Tennessee's dockets are granted.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.

Appendix A



**Appendix B**

**Interventions**

**Docket No. CP08-54-000**

Atmos Energy Corporation  
Crosstex Gas Processing, LLC  
Dynegy Marketing and Trade  
New Jersey Natural Gas Company  
NiSource Distribution Companies\*  
Orange and Rockland Utilities, Inc.  
Targa Midstream Services Limited Partnership

**Docket No. CP08-55-000**

Atmos Energy Corporation  
Consolidated Edison Company of New York, Inc.  
and Orange and Rockland Utilities, Inc.  
Crosstex Gas Processing, LLC  
Dynegy Marketing and Trade  
National Fuel Gas Distribution Corporation  
New Jersey Natural Gas Company  
NiSource Distribution Companies\*  
Piedmont Natural Gas Company, Inc.  
PSEG Energy Resources & Trade, LLC  
Targa Midstream Services Limited Partnership

\* Intervention out-of-time.