

123 FERC ¶ 61,150
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.

Indicated Shippers

Docket Nos. RP04-98-002
RP04-98-003

v.

Columbia Gulf Transmission Company

ORDER ACCEPTING COMPLIANCE FILING WITH MODIFICATIONS

(Issued May 15, 2008)

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1. On January 5, 2007, Columbia Gulf Transmission Company (Columbia Gulf) filed a revised gas quality¹ proposal in compliance with the Commission's order of August 1, 2006.² The Commission accepts Columbia Gulf's filing, with some modifications, as discussed below.

Background

2. In 2000 and 2001 there was an increase in the hydrocarbon dewpoint (HDP) levels of the gas Columbia Gulf was transporting. HDP levels are the temperatures and corresponding pressures at which hydrocarbons will condense out of the gas stream and become liquid. As pressure rises from zero, the temperature necessary to maintain the gaseous state rises. However, once the pressure goes above a certain level, the temperature necessary to maintain the gaseous state starts to fall. The highest temperature on this curve is known as the cricondenthem hydrocarbon dewpoint (CHDP) of the gas stream in question.³ Liquids in the gas stream can cause operational and safety problems. The Commission considers hydrocarbon dropout to be an issue of gas quality.

3. Historically, producers have processed natural gas and removed the hydrocarbons heavier than methane. They were able to sell the extracted liquid hydrocarbons for a greater profit than that received for natural gas. The HDP issue arose because the price of natural gas increased in 2000 and 2001 to the point where it was more profitable to leave the heavier hydrocarbons in the gas stream to be sold as natural gas than to process the gas, extract the heavier hydrocarbons, and sell them as liquids.

¹ This order uses the term "gas quality" to mean the impact of non-methane hydrocarbons on the safe and efficient operation of pipelines, distribution facilities, and end-user equipment. *Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Company Tariffs*, 115 FERC ¶ 61,325, at P 5 (2006) (*Policy Statement*).

² *Indicated Shippers v. Columbia Gulf Transmission Company*, 116 FERC ¶ 61,112 (2006) (August 1 Order).

³ See *ANR Pipeline Co.*, 116 FERC ¶ 61,002, at P 3-6 (2006) (*ANR I*), for a fuller explanation.

4. In the winter of 2000-2001, producers and other shippers on Columbia Gulf stopped processing their gas.⁴ The result, according to Columbia Gulf, was that “significant quantities of hydrocarbon liquids began to naturally condense from the gas stream and were transported through the pipeline where they began to foul and damage Columbia Gulf’s compressors, regulators, meters, valves and other equipment.”⁵ Columbia Gulf noted that hydrocarbon liquids in the pipeline can also create similar problems for downstream pipelines, LDCs, and end-users as well as failing to meet their gas quality requirements.⁶

5. In January, 2001, in an attempt to control liquids dropout, Columbia Gulf began to post Critical Notices on its website imposing an additional gas quality requirement on the gas it would accept into its system. The pipeline specified the maximum amount of Btu content that it would accept, 1,050 Btus, a requirement that was not expressly set forth in its tariff. Columbia Gulf also included in its notices provisions that some shippers may be required to provide evidence that gas was processed and that the pipeline would refuse to accept gas from shippers who did not comply with the requirements for Btu content and evidence of processing.

6. On December 3, 2003, a group of producers, Indicated Shippers, filed a complaint against Columbia Gulf to obtain an order requiring it to cease and desist from enforcing the maximum Btu limit the pipeline had established through its notices. Indicated Shippers alleged that Columbia Gulf’s tariff does not set a maximum limit on the heat content of gas, that the Btu limits were new gas quality standards, and that the pipeline could only make such revisions to its tariff by filing under section 4 of the NGA. Indicated Shippers also alleged that Columbia Gulf’s tariff did not give the pipeline authority to impose the Btu limits.

7. The Commission issued its order on the Indicated Shippers’ complaint on January 26, 2004.⁷ The Commission found that Columbia Gulf has authority in section 25.2(a) of its General Terms and Conditions (GT&C) to impose additional gas quality

⁴ Answer and Motion to Dismiss of Columbia Gulf Transmission Company at 4, Docket No. RP04-98-000 (December 23, 2003).

⁵ *Id.*

⁶ *Id.* at 14.

⁷ *Indicated Shippers v. Columbia Gulf Transmission Company and Indicated Shippers v. Tennessee Gas Pipeline*, 106 FERC ¶ 61,040 (2004) (Complaint Order).

specifications so that Columbia Gulf did not violate its existing tariff when it imposed the Btu limits through notices. However, the Commission found that section 25.2(a) is too broad and too vague, gives the pipeline too much discretion to change its gas quality standards, and provides shippers too little notice of the practices with regard to gas quality on Columbia Gulf. The Commission held section 25.2(a) is unjust and unreasonable and required Columbia Gulf to file a revised section. It stated, however, that until Columbia Gulf files a new section that the Commission finds is just and reasonable under section 5 of the Natural Gas Act, its current section 25.2(a) will remain in effect.⁸

8. The Commission stated that if Columbia Gulf wished to have a permanent maximum Btu limit on gas received on its system, then it must state that limit in its tariff. The Commission also stated that if Columbia Gulf desired flexibility to vary the Btu standard in particular circumstances, then it should include in its tariff a specific mechanism for doing so, similar to the mechanism in *Natural Gas Pipeline Company of America*.⁹ Last, the Commission noted that it had announced a public conference in Docket No. PL04-3-000 to gain more information about the impacts of natural gas quality and interchangeability on the nation's energy customers and the companies regulated by the Commission.

9. On March 10, 2004, Columbia Gulf filed the compliance filing that is the subject of this order (March 10 filing). However, the Commission had begun to address gas quality issues at an industry-wide level. The Commission and members of the gas industry undertook several such efforts as described below. The Commission has held the Columbia Gulf's compliance filing in abeyance until the completion of those efforts.

⁸ *Citing Order on Remand*, 101 FERC ¶ 61,127, at P 24, 34-35 (2002).

⁹ *Order After Technical Conference and Rehearing*, 102 FERC ¶ 61,234 (*Natural Gas I*), *Order on Rehearing and Compliance Filing and Establishing Hearing*, 104 FERC ¶ 61,322 (2003) (*Natural Gas II*) (together the *Natural Gas* orders). The *Natural Gas* orders accepted procedures for posting Btu and HDP limits on the pipeline's website, subject to notice and the provision of information to shippers. They also provided for an HDP safe harbor limit.

10. The Commission commenced its industry-wide consideration of gas interchangeability on January 15, 2004 in Docket No. PL04-3-000.¹⁰ On February 18, 2004, the Commission held a public conference in Docket No. PL04-3-000 which included discussion of both gas quality and interchangeability issues. Following the conference, the natural gas industry, under the auspices of the Natural Gas Council,¹¹ initiated a collaborative effort to seek consensus on industry-wide standards for gas quality and interchangeability. On February 28, 2005, the Natural Gas Council filed reports on gas quality entitled *Liquid Hydrocarbon Drop Out in Natural Gas Infrastructure* (HDP Report or *White Paper*) and *Report on Natural Gas Interchangeability and Non-Combustion End Use* (Interchangeability Report).¹²

11. The *White Paper* interim recommendation on gas quality was to adopt interim standards that translate historic experience into terms of CHDP or C6+ GPM methodologies,¹³ taking best available historical data into account. The *White Paper* also recommended that additional research be conducted to better understand gas composition, and to develop improved analytic equipment suitable for daily operational use.

¹⁰ That proceeding was initially concerned only with gas interchangeability, but was later broadened in scope to include the gas quality issue of hydrocarbon liquids dropout.

¹¹ The Natural Gas Council is an organization made up of the representatives of the trade associations of the different sectors of the natural gas industry.

¹² The Natural Gas Council Plus (NGC+) group, which wrote the reports, included many industry volunteers from the member companies of the various trade associations as well as other industry participants interested in these issues. The associations particularly involved in writing the *White Paper* were the Independent Petroleum Association of America, representing independent natural gas producers; the Natural Gas Supply Association, representing producers and marketers of natural gas; the Interstate Natural Gas Association of America, representing interstate pipelines; and the American Gas Association, representing natural gas utilities.

¹³ The phrase “C6+ GPM” stands for hexanes and hydrocarbons with more than six carbon atoms, as measured in gallons per million cubic feet of natural gas. Measuring and controlling for the amount of these heavier hydrocarbons in the natural gas stream is an alternative to the CHDP method.

12. The Commission solicited written comments on the NGC+ Reports and subsequently convened a technical conference on May 17, 2005 to allow for further public comment on and discussion of the issues raised by the Reports. In addition, the Commission solicited comments on the NGSA's May 16, 2005 petition for rulemaking.

13. On June 15, 2006, the Commission issued its *Policy Statement* on gas quality and interchangeability.¹⁴ The Commission's policy embodies five principles: (1) only natural gas quality and interchangeability specifications contained in a Commission-approved gas tariff can be enforced; (2) pipeline tariff provisions on gas quality and interchangeability need to be flexible to allow pipelines to balance safety and reliability concerns with the importance of maximizing supply, as well as recognizing the evolving nature of the science underlying gas quality and interchangeability specifications; (3) pipelines, their customers, and other interested parties¹⁵ should develop gas quality and interchangeability specifications based on technical requirements; (4) in negotiating technically based solutions, pipelines and their customers are strongly encouraged to use the NGC+ interim guidelines filed with the Commission on February 28, 2005¹⁶ as a common reference point for resolving gas quality and interchangeability issues; and, (5) to the extent the parties cannot resolve disputes over gas quality and interchangeability, those disputes can be brought before the Commission to be resolved on a case-by-case basis, on a record of fact and technical review.

14. The Commission addressed Columbia Gulf's March 2004 compliance filing with the guidance provided by the *Policy Statement* in its order issued August 1, 2006.¹⁷ It noted that the pipeline filed its proposal well before the issuance of the NGC+ *White Paper* on liquid dropout and the Commission's *Policy Statement* and that, as a result, neither Columbia Gulf's compliance filing nor the parties' comments address all the requirements and concerns of the *Policy Statement*. Consequently, the Commission required Columbia Gulf to update its compliance filing in light of the *Policy Statement*. In addition, the Commission encouraged the pipeline to discuss with interested parties technical, engineering and scientific considerations of its proposal in order to resolve as many issues as possible before Columbia Gulf makes its revised filing, in accordance

¹⁴ 115 FERC ¶ 61,325 (2006).

¹⁵ See *ANR I*, at P 110.

¹⁶ The NGC+ interim guidelines are in the HDP Report and the Interchangeability Report.

¹⁷ August 1 Order.

with the *Policy Statement's* encouragement to pipelines, customers, and other interested parties to resolve gas quality issues on their own.¹⁸ The August 1 Order provided sixty days for such discussion.

15. The Commission stated that in updating its filing, Columbia Gulf should address the following relevant procedures and guidelines set forth in the *Policy Statement*. First, Columbia Gulf should include in its revised compliance filing all the technical, engineering and operational information upon which it relies to support each of its proposed gas quality standards.¹⁹

16. Second, the *Policy Statement* states that jurisdictional tariffs should contain provisions that govern the quality of gas received for transportation²⁰ when necessary to manage hydrocarbon liquid dropout within acceptable levels. The *Policy Statement* notes the *White Paper* identified two valid methods that might be used to control hydrocarbon liquid dropout--the CHDP method and the C6+ GPM method—and strongly encourages the use of one of these two methods.²¹ The *Policy Statement* requires a pipeline that wishes to propose a different method to explain how the proposed method differs from the CHDP method described in the *White Paper*.²² Accordingly, the August 1 Order required that Columbia Gulf clarify whether its proposed HDP limit of “not greater than 15° F at any operating pressure” is intended to be equivalent to a 15° F CHDP standard, and, if not, how it differs from the CHDP method.

17. Third, the August 1 Order stated the *Policy Statement* also requires a pipeline filing to revise its gas quality standards to include a comparison, in equivalent terms, of its proposed gas quality specifications and those of each interconnecting pipeline.²³ It noted that the purpose of this requirement is to enable the Commission to examine the appropriate circumstances in each individual case and give appropriate weight to the gas

¹⁸ *Policy Statement*, at P31; *ANR I*, at P 110.

¹⁹ *Policy Statement*, at P 31.

²⁰ *Id.* at P 34.

²¹ *Id.* For a technical description of these methods, see *White Paper*, especially sections 4 through 6.

²² *Policy Statement*, at P 34.

²³ *Id.*

quality requirements of interconnecting pipelines, as well as the requirements of markets directly served.²⁴ Accordingly, the Commission required that Columbia Gulf include the required information in its revised compliance filing.

18. Fourth, the August 1 Order stated the *Policy Statement* states that a pipeline's tariff should contain the natural gas quality specifications for gas that the pipeline will deliver to its customers.²⁵ It noted that there was no statement in Columbia Gulf's March 2004 proposal concerning existing or proposed gas quality specifications for gas that Columbia Gulf delivers to its customers. Accordingly, the August 1 Order stated Columbia Gulf must explain or propose gas quality specifications for gas to be delivered to customers.

19. Finally, the August 1 Order stated the *Policy Statement* addresses blending, pairing, and similar strategies.²⁶ The *Policy Statement* encourages the use of blending, pairing, and other strategies to combine rich gas supplies with lean gas supplies in order to accommodate more production when these actions can be undertaken on a non-discriminatory basis and in a manner that is consistent with safe and reliable operations.²⁷ The August 1 Order required Columbia Gulf's revised proposal to address this aspect of the *Policy Statement*.

20. The August 1 Order required Columbia Gulf to make a filing with actual tariff sheets within sixty days to comply with the requirements and concerns of the *Policy Statement* as discussed in the order. It provided that parties could file comments on the revised compliance filing within twenty days of the date of that filing. It also directed

²⁴ *Id.* at P 35.

²⁵ *Id.*

²⁶ *Id.* at P 39-40. These strategies consist of the mixing together of different gas streams. They may allow gas with a higher HDP (rich gas) to be received on a pipeline's system because it will be mixed with gas of a lower HDP (lean gas) and will ultimately meet a pipeline's HDP limits.

²⁷ *Id.* at P 41. The *Policy Statement* states that "safe harbor" provisions and informational posting requirements are means of minimizing the potential for undue discrimination when a pipeline permits blending. *Id.* at P 41 citing *Natural Gas I*, at P 43 and 48.

Commission staff to convene a technical conference to address the issues raised by Columbia Gulf's compliance filing and the parties' comments and to report the results of the conference to the Commission within 180 days of the issuance of the order.

The January 5, 2007 Filing

21. On January 5, 2007, Columbia Gulf filed a revised gas quality proposal in order to comply with the August 1 Order. Columbia Gulf's January 5 Filing superceded its March 10 filing in its entirety. In the January 5 Filing, Columbia Gulf filed *pro forma* tariff sheets removing existing section 25.2 of its GT&C, which included the provision the Commission's Complaint Order found to be unjust and unreasonable. Columbia Gulf proposed to replace existing section 25.2 with new sections 25.2 through 25.4. Proposed section 25.2 provides for a 15° F Cricondentherm Hydrocarbon Dewpoint (CHDP) safe harbor. That section also permits Columbia Gulf, as operationally necessary, to post a CHDP limit no lower than the CHDP safe harbor that would prevent actual or anticipated hydrocarbon liquid fallout on its system, or assure that gas would be accepted for delivery at interconnects with interstate or intrastate pipelines, end-users, and local distribution companies.

22. Columbia Gulf states that the adoption of a specific gas quality specification for deliveries is foreclosed by the flexibility inherent in the adoption of a CHDP safe harbor. It asks the Commission not to apply this aspect of the *Policy Statement* to the extent the *Policy Statement* requires a pipeline to adopt specific delivery point gas quality specifications.²⁸

23. The tariff revisions provide that Columbia Gulf will post on its website each CHDP value it calculates at the monitoring points and that it will use the Peng-Robinson equation of state and C6+ assumptions consistent with industry practice in calculating CHDP values. They also provide that on a shipper's request and expense, Columbia Gulf will perform a C9+ analysis at a shipper's receipt or delivery point, but only once every twelve months, except if a new source of supply has been added at the point.

24. The tariff revisions provide that Columbia Gulf's system will be divided into four HDP segments and that the pipeline will establish at least one monitoring point on each HDP Segment. They state that Columbia Gulf will post a list of monitoring points on its website and that the pipeline may revise or establish additional monitoring points. The

²⁸ Columbia Gulf cites *Indicated Shippers v. Tennessee Gas Pipeline Co.*, 116 FERC ¶ 61,302, at P 28 (2006) (*Tennessee I*).

tariff revisions state that Columbia Gulf will provide as much notice of any revision to a CHDP limit as reasonably possible and will attempt to provide that notice at least ten days before the effective date of a revision.

25. The revisions state that if gas does not meet the CHDP limit at a receipt point, Columbia Gulf may accept it under certain conditions. First, the pipeline will accept the gas if the shipper provides proof of processing at a plant with the HDP segment where the gas is received and the CHDP of the gas at the tailgate of the plant satisfies the CHDP limit of the segment. Second, the tariff revisions provide for pairing of gas supplies. A shipper may pair gas supplies with another shipper or with other supplies of its own to meet the applicable CHDP limit, subject to certain procedures and determinations by Columbia Gulf that the pairing is physically possible and will satisfy the applicable CHDP limit.

26. Proposed section 25.3 provides that Columbia Gulf may elect to continue to receive gas or refuse to take all or a portion of gas that does not meet the specifications in existing section 25.1 concerning gas quality specifications other than CHDP or in the newly proposed section 25.2 concerning CHDP limits. Section 25.3 also provides that Columbia Gulf may waive any quality specifications where the acceptance of non-conforming gas will not, in its judgment, adversely impact its operations. Last, section 25.3, as originally proposed, provided that Columbia Gulf “reserves the right to impose revised and or further quality specifications at any time if Transporter, in its reasonable judgment, deems it necessary to protect the safety and or integrity of its pipeline system, operations, merchantability of the gas, or deliveries to other customers.”²⁹ Columbia Gulf subsequently revised this last provision in its March 2, 2007 Filing.

27. New section 25.4 provides that the specifications and restrictions of section 25 do not reduce or limit Columbia Gulf’s authority to issue Operational Flow Orders (OFOs), consistent with section 17 of its General Terms and Conditions, to provide for the safe and reliable operation of its system.

Protests and Comments on the January 5, 2007 Filing

28. Public notice of the January 5 Filing was issued on January 16, 2007 with protests due on or before January 26, 2007.³⁰ The Public Service Company of North Carolina

²⁹ Section 25.3, Pro Forma Original Sheet No. 237.

³⁰ An initial notice issued on January 10, 2007 was rescinded by notice issued January 16, 2007.

(PSNC); Piedmont Natural Gas Company, Inc. (Piedmont); Central Hudson Gas & Electric Corporation (Central Hudson); and the Lafayette Utilities System (LUS) filed late motions to intervene. The Commission grants these motions as they will not disrupt this proceeding or place additional burdens on existing parties.³¹

29. Protests and comments on the filing were filed by PSNC; Piedmont; the Tennessee Valley Authority (TVA); the Process Gas Consumers Group (PGC); the Cities of Charlottesville and Richmond, Virginia (Cities); Indicated Shippers; the Producer Coalition; East Ohio Gas Co. dba Dominion East Ohio; and Orange and Rockland Utilities, Inc.

30. Generally, both Local Distribution Companies (LDCs) and Producers expressed a number of concerns regarding the 15° F CHDP safe harbor itself and the administration of CHDP limits on the pipeline that Columbia Gulf proposed in its January 5 Filing. In addition, TVA, an electric utility using natural gas to fire generation facilities, states it has directly experienced the deleterious effects of hydrocarbon dropout on pipelines delivering gas to its generation facilities and that it continues to experience liquid fallout issues despite having installed heaters to avoid the problem.

31. Columbia Gulf responded to the comments and protests on its January 5 Filing in an Answer filed February 12, 2007. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2007) prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept Columbia Gulf's Answer because it has provided information that has assisted us in our decision-making process.

February 15, 2007 Technical Conference

32. On February 15, 2007, staff conducted a conference on Columbia Gulf's January 5 Filing in accordance with the August 1 Order.³² Columbia Gulf provided additional materials at the conference and agreed to make a supplemental filing with some revised tariff provisions by March 2, 2007. The parties agreed to file initial and reply comments on the technical conference after Columbia Gulf made its supplemental filing.

³¹ 18 C.F.R. § 385.214(d) (2007).

³² August 1 Order at Ordering Paragraph (C).

The March 2, 2007 Supplemental Filing

33. On March 2, 2007, as agreed at the technical conference, Columbia Gulf made a supplemental filing to its January 5 Filing. The March 2 Filing contains system maps depicting receipt and delivery points and the data underlying the HDP curves and J-T lines in its January 5 Filing. The March 2 Filing also states that Columbia Gulf reviewed its interconnection agreements and that none of them contained gas quality specifications. Instead, Columbia Gulf states, they contained language that makes gas quality subject to the applicable tariff requirements of the interconnecting parties. Columbia Gulf also provides a timeline for when it will post the gas compositional data that is needed to calculate CHDP. It states that it anticipates that it will make system modifications by the end of 2007 that will enable it to collect remotely detailed gas compositional analysis from its gas chromatographs. It states that it will then provide daily gas compositional data through C6+ for each monitoring point. It states it will also calculate and post a CHDP for each monitoring point using the C6+ method and that this data will be made available for the previous gas day.

34. In its March 2 Filing, Columbia Gulf also filed *pro forma* tariff language proposing several revisions. These include attempting to provide at least 30 days' notice prior to establishing or revising the location of a Monitoring Point and providing at least 30 days of historic CHDP data for any new Monitoring Point, unless unable to do so. It proposes to continue to make historic data available at the old Monitoring Point for at least 90 days. Columbia Gulf proposes to clarify section 25.3 by stating that its ability to impose any additional gas quality limits is limited to any toxic or harmful constituent that is not specifically contained in section 25.1 and 25.2. Finally, Columbia Gulf proposes in new section 25.2(e)(ii) to clarify that an approved pairing arrangement represents an alternative means of complying with a posted CHDP limit.

35. Notice of the March 2 filing was issued on March 13, 2007. Protests were due as provided in section 154.210 of the Commission's regulations, 18 C.F.R. § 385.210 (2007). Post-technical conference comments and comments on the March 2, 2007 filing were filed by the TVA; the Cities of Charlottesville and Richmond, Virginia (Cities); the Producer Coalition; PSNC; LUS; Indicated Shippers; and East Ohio Gas Co., dba Dominion East Ohio (East Ohio). Reply Comments were filed by Columbia Gulf and Indicated Shippers. With respect to some issues, Columbia Gulf relied on the responses it had given in its February 12 Answer.³³

³³ Columbia Gulf Reply Comments of April 6, 2007 at 3-4. The issues for which Columbia Gulf relied on its February 12 Answer were whether the 15° F CHDP Safe Harbor is properly supported; whether Columbia Gulf must take into account operating
(continued...)

Discussion

36. For the reasons discussed below, the Commission accepts Columbia's proposed revisions to its gas quality tariff provisions, subject to a few changes. In the discussion below, the Commission addresses all of the relevant comments of the parties, whether contained in post-technical conference comments or in earlier comments and filings.

Section 25.2 - Adequacy of the 15° F CHDP Safe Harbor

37. Proposed section 25.2 of Columbia Gulf's GT&C provides that Columbia Gulf may not refuse to accept receipt of gas with a CHDP equal to or less than 15° F CHDP, provided that the gas satisfies all other provisions of Columbia Gulf's tariff. As Exhibit 1 to its filing, Columbia Gulf provided factual information in support of its 15° F safe harbor in the form of an Affidavit of Daniel Harris. Attachments accompanying the affidavit include a pressure temperature graph with CHDP curves and Joule-Thompson (J-T) lines for ten delivery points.³⁴ Columbia Gulf also provided a list showing the CHDP specifications on interconnecting pipelines as Exhibit 2.

38. In both its protest to Columbia Gulf's January 2007 filing and its post-technical conference comments, PSNC asserts Columbia Gulf's 15° F CHDP safe harbor fails to protect the pipeline's system and downstream systems from liquids fallout. Columbia Gulf's filing shows that at three delivery points the 15° F CHDP safe harbor will cause liquid dropout under certain temperatures and pressures. PSNC asserts these delivery points are to the left of the J-T line on the graph in Attachment 2. PSNC asserts that, consequently, Columbia Gulf may need to post HDP values lower than 15° F to assure the safe operation of the pipeline and the systems downstream of Columbia Gulf. PSNC asserts the tariff should state that the gas received will not cause hydrocarbon liquid dropout rather than containing a specific CHDP safe harbor and creating an absolute right to inject gas based on the safe harbor value. PSNC asks how Columbia Gulf's proposed CHDP safe harbor will protect downstream systems from liquids dropout when natural gas plants curtail the processing of their gas streams.

conditions on downstream facilities when imposing its CHDP safe harbor; whether Columbia Gulf should adopt an HDP problem-solving approach like that of ANR; whether Columbia Gulf must specify the exact Monitoring Points it will use in its tariff; and whether Columbia Gulf must also file interchangeability tariff provisions.

³⁴ "Pressure Reduction Effects, Gulf Deliveries-Heat Effect," Attachment 2, Exhibit 1, January 5 Filing (Attachment 2).

39. The Cities also assert that Columbia Gulf's proposed CHDP safe harbor is inadequate. They state that several data points are to the left of the J-T line in Columbia Gulf's Attachment 2, which suggests that the safe harbor is too high and is inadequate to prevent liquid fallout. They state the 15° F CHDP safe harbor will not provide Columbia Gulf the flexibility to take action to ensure that liquid fallout will not occur on its system or on the systems of downstream pipelines and LDCs. Accordingly, the Cities assert that section 25.2 of the General Terms and Conditions of Columbia Gulf's tariff should be modified to permit Columbia Gulf to reduce the CHDP safe harbor to prevent fallout on the systems of Columbia Gulf and its shippers. The specific revisions they propose are (additions underlined; deletions in strikeout):

Hydrocarbon Dewpoint Specification. Under normal operating conditions, Transporter may not refuse to accept receipt of gas with a Cricondenthem Hydrocarbon Dewpoint ("CHDP") equal to or less than fifteen degrees Fahrenheit (15°F) provided that gas satisfies all other applicable provisions of Transporter's FERC Gas Tariff. This standard will be referred to as Transporter's Hydrocarbon Dewpoint Safe Harbor. Transporter ~~shall~~ may, as operationally necessary, establish and post on its EBB a CHDP limit for receipts (no lower than the Hydrocarbon Dewpoint Safe Harbor) that would prevent actual or anticipated hydrocarbon liquid fallout on Transporter's system, or assure that gas would be accepted for delivery at interconnects with interstate or intrastate pipelines, end-users, and local distribution companies. Transporter may reduce the CHDP limit below 15 degrees Fahrenheit and establish a reduced Hydrocarbon Dewpoint Safe Harbor from time to time if Transporter reasonably determines such reduction is necessary to prevent actual or anticipated hydrocarbon liquid fallout on the systems of Transporter and Shippers. Any reduction to the Hydrocarbon Dewpoint Safe Harbor shall be posted on Transporter's EBB.

40. While Indicated Shippers initially protested Columbia Gulf's proposed 15° F CHDP safe harbor as too low, in their post-technical conference comments, Indicated Shippers state that they do not challenge Columbia Gulf's proposal to establish a 15° CHDP safe harbor level. Indicated Shippers state that PSNC and the Cities misunderstand the approach advocated in the *White Paper* and the Commission's *Policy Statement*. Indicated Shippers state that Columbia Gulf showed that it did follow the process for determining CHDP limits set forth in Appendix B of the *White Paper*. However, Indicated Shippers state that as additional research becomes available Columbia Gulf's safe harbor level will likely need to be re-examined.

41. PGC generally supports Columbia Gulf's CHDP safe harbor proposal. PGC states that, to date, PGC members have not experienced problems with the gas received directly from Columbia Gulf and believe that, as long as Columbia Gulf continues to monitor

receipts in order to ensure the operational integrity of its system, the proposed standards should reasonably protect end users from significant changes in gas specifications that could harm their facilities and operations. PGC asks for some additions and clarifications to the proposal.

42. In its February 12 Answer, Columbia Gulf states that it is not required to take into account operating conditions on downstream systems in imposing its CHDP safe harbor and that it is not required to reduce its posted CHDP limit below 15° F to prevent fallout on shippers' downstream facilities. It states the Commission's policy is that a pipeline need not base its gas quality specifications, including a CHDP safe harbor, on downstream operating conditions.³⁵ In addition, it states that a pipeline is not required to adopt "worst-case scenario" gas quality specifications based on downstream operating conditions.³⁶ Columbia Gulf states that a pipeline should design liquid hydrocarbon control measures that adequately protect its system and its ability to make deliveries to its customers while still maximizing the gas supply it accepts into its system and that its proposal achieves these objectives. It also states that it will be able to issue an OFO if it becomes necessary to impose a lower CHDP limit than the 15° F CHDP safe harbor.

Commission Decision

43. The Commission finds Columbia Gulf's proposed 15 degree CHDP safe harbor limit to be just and reasonable and consistent with the *Policy Statement*. As shown in Columbia Gulf's January 5, 2007 filing, Columbia Gulf followed the recommendations of Appendix B of the HDP White Paper which describes the preferred methodology for determining appropriate CHDP levels. Columbia Gulf evaluated 10 representative points on their system using the lowest temperature and highest pressure and evaluated 15° and 25° CHDP curves.³⁷ Columbia Gulf found that twice as many points fall to the left of the 25° J-T line compared to the 15° J-T line. Because Columbia Gulf used the lowest temperature and highest pressure for their evaluation, Columbia Gulf used a conservative approach to determining the proper CHDP safe harbor. As such, the Commission finds

³⁵ Columbia Gulf cites *ANR I*, at P 56-62 and *Natural Gas Pipeline Company of America*, 116 FERC ¶ 61,262, at P 111 (2006) (*Natural III*).

³⁶ *Citing ANR I*, at P 59.

³⁷ Columbia Gulf's January 5, 2007 filing, Exhibit I, which includes Attachment 2 (Exhibit I).

that the proposed CHDP limit of 15 degrees is properly supported and, consistent with the *Policy Statement*, is necessary to manage hydrocarbon liquid dropout within acceptable levels.

44. The Commission finds that PSNC's and the Cities' concerns of liquid dropout are not justified. The purpose of having a CHDP safe harbor provision is not to ensure that no liquid dropout occurs, but it is to ensure that liquid dropout is manageable. Columbia Gulf reviewed the lowest temperature and lowest pressure conditions of representative points to determine its 15° CHDP safe harbor. Had Columbia Gulf used the corresponding pressure to the lowest temperature, no points would have crossed 15° CHDP curve, making liquid dropout unlikely. Further, Mr. Harris states in his affidavit, "these two delivery points represent extreme operating conditions with a lowest flowing gas temperature at high operating pressure. For example, when the analysis uses the average winter flowing gas temperature of approximately 59°F shown on Attachment 2, the data fall to the right of the 15°F CHDP J-T line and thus does not pierce the 15°F CHDP curve."³⁸ Therefore, conservative approach used by Columbia Gulf predicts that liquid dropout on its system is unlikely.

45. Further, the Commission finds that Columbia Gulf does not have to evaluate downstream systems' operating conditions when establishing its own CHDP safe harbor, as argued by PSNC and the Cities. This is a proceeding to establish CHDP standards necessary for the safe and reliable operation of Columbia Gulf's system, not down stream systems. Evaluating down stream systems is beyond the scope of this proceeding.³⁹ The Commission also notes that neither PSNC nor the Cities are directly connected to Columbia Gulf and the quality of gas received by both parties will be governed by the pipelines that they directly interconnect with.

Sections 25.2(a) and (b) - Posted CHDP Limits

46. Proposed section 25.2 provides that Columbia Gulf may, as operationally necessary, post CHDP limits for receipts, no lower than the 15° CHDP safe harbor, in order to prevent actual or anticipated liquid drop out on its system or to assure that gas will be accepted for delivery at interconnects with interstate or intrastate pipelines, end-users, and LDCs. Proposed section 25.2(a) provides that Columbia Gulf may post such limits on its entire system, or on specified portions of its system, in a not unduly

³⁸ Exhibit I at P 16.

³⁹ See in accord *ANR I*, at P 103 (2006), *order on reh'g, ANR Pipeline Company*, 117 FERC ¶ 61,286, at P 20-27 (2006) (*ANR II*).

discriminatory manner. Proposed section 25.2(b) provides that, for purposes of posting CHDP limits, Columbia Gulf's system is divided into four HDP segments and specifies those segments.

47. The Producer Coalition and (more generally) the Indicated Shippers, in their initial comments to the January 5, 2007 Filing, assert Columbia Gulf should include an explanation of how its proposed program using the HDP segments will be administered. They cite to ANR's method which, the Producer Coalition asserts, consists of analyzing each successive upstream segment when a problem has been identified and a limit posted. It claims that once ANR reaches an upstream HDP segment that is in compliance, it does not apply the limit any farther upstream. In addition, the Producer Coalition asserts that on ANR, the CHDP limit in any upstream HDP segment can be no lower than the CHDP limit in the segment where the problem occurred. The Producer Coalition asserts Columbia Gulf should also have these provisions.

48. Columbia Gulf responds that ANR's HDP approach is not appropriate for the Columbia Gulf system. It states ANR's approach consists of first posting an HDP limit in a downstream HDP Segment and then imposing CHDP limits in subsequent upstream HDP Segments until it no longer needs to do so. Columbia Gulf states its system is different from ANR's in that Columbia Gulf has only one mainline, receives mostly rich gas from the Gulf of Mexico and Louisiana, does not have multi-directional flows in its market area that change seasonally, and does not have multiple HDP Segments in its market area. Columbia Gulf states it sees no need to adopt the same HDP Segment posting methodology as ANR given that Columbia Gulf has only one downstream HDP Segment and limited upstream HDP Segments that feed the downstream HDP Segment.

49. Columbia Gulf also states that it might be required to impose a CHDP limit in one of its upstream HDP Segments in order to meet the requirements of an interconnected interstate pipeline or other markets it serves off of that upstream Segment. Columbia Gulf asserts its approach is not unduly discriminatory and that Indicated Shippers and the Producer Coalition seek to limit the pipeline's ability to respond to future operating conditions.

50. The Producer Coalition also urges that in order to maximize supply, Columbia Gulf should add a provision at the end of section 25.2(a) limiting the pipeline's authority to post HDP limits to the extent and duration necessary to address liquids fallout issues. It proposes the following provision which the Commission accepted in *ANR Pipeline Company*⁴⁰ for section 13.3(a)(iii) of ANR's General Terms and Conditions:

⁴⁰ *Citing ANR I and ANR II.*

Transporter shall post [CHDP] limits in a given [CHDP] Segment only to the extent necessary to prevent liquid fallout from occurring in order to manage and operate Transporter's system in a safe and reliable manner. Such posted [CHDP] limits shall remain in effect no longer than necessary.⁴¹

51. Columbia Gulf opposes this proposal by the Producer Coalition. Columbia Gulf states that the suggested language moots the third circumstance in which CHDP limit may be imposed, that is, to assure that gas will be accepted for delivery into interconnects.

52. Columbia Gulf states that it delivers 72 percent of its gas into Columbia Gas Transmission Corporation (Columbia Gas) and that it is very possible that Columbia Gulf may need to impose a CHDP limit on its system to assure that it can deliver gas into Columbia. It states the language proposed by the Producer Coalition would not allow Columbia Gulf to do so. Columbia Gulf states this is contrary to the Commission's policy which is to allow a pipeline to take into account its ability to deliver gas at interconnects.⁴² Columbia Gulf states that consequently the Commission should reject the comments of the Producer Coalition and also of Indicated Shippers seeking to limit Columbia Gulf's ability to impose CHDP limits solely based on conditions on its own system.

53. Columbia Gulf also states the Producer Coalition's proposed language is redundant as section 25.2 already states that CHDP limits may be established as operationally necessary, provided those limits are no lower than the 15° F CHDP safe harbor. It states it has no intention of posting CHDP limits when it is not operationally necessary to do so.

Commission Decision

54. The Commission rejects the proposals by Indicated Shippers and Producer Coalition to modify Columbia Gulf's proposal to separate its system into four defined

⁴¹ *Citing* Docket No. RP04-435-006, Original Sheet No. 131.02 (proposed effective date March 1, 2007). ANR uses the term HDP instead of CHDP in this section, but defines HDP in its definitions as the cricondentherm hydrocarbon dewpoint, or CHDP. ANR Pipeline Company, FERC Gas Tariff, Second Revised Volume No. 1, Sixth Revised Sheet No. 86, Definition 1.24A. The Commission notes that it accepted this tariff language by unpublished delegated Letter Order dated February 16, 2007.

⁴² Columbia Gulf cites *ANR II*, at P 27.

segments for purposes of posting CHDP limits. Their reliance on ANR's tariff provisions is misplaced. The ANR system is far more complex than Columbia Gulf's system, both physically and operationally. ANR receives gas on different segments from the Gulf, the southwest, Canadian sources and large storage operations in Michigan. ANR's flow also changes direction on a seasonal basis. Columbia Gulf, by contrast, is relatively simple: transporting gas from the Gulf area to the north year-round. Three of Columbia Gulf's four HDP segments meet at Rayne, Louisiana. Thus, while Columbia Gulf's proposed tariff language does not prevent it from utilizing the ANR method, the simplicity of its system and limited number of HDP segments significantly limit the options available to Columbia Gulf. Columbia Gulf also proposes to permit pairing across HDP segments. Adoption of the ANR method may inhibit the ability for Shippers to pair gas supplies otherwise acceptable to Columbia Gulf. The Producer Coalition and the Indicated Shippers have not shown that the ANR method is appropriate for Columbia Gulf.

55. The Commission also rejects the Producer Coalition's proposal to add a sentence to section 25.2(a) requiring that Columbia Gulf only post CHDP limits "to the extent necessary to prevent liquid fallout from occurring in order to manage and operate Transporter's system in a safe and reliable manner." This proposal is unnecessary, because section 25.2 already restricts Columbia Gulf's right to post CHDP limits to situations where the limit is operationally required to prevent actual or anticipated HDP fallout, or to assure delivery at interconnects.

56. However, the Producer Coalition's proposal to add the following sentence to section 25.2(a) is reasonable: "Such posted [CHDP] limits shall remain in effect no longer than necessary." This proceeding started as the result of the Indicated Shippers filing a complaint against Columbia Gulf for posting maximum acceptable Btu limits rather than using tariff limits. Columbia Gulf argued that posting of flexible limits was acceptable as operational conditions changed over time.⁴³ The Commission, while finding pipeline tariffs must provide sufficient flexibility for pipelines to act in a timely manner, found that Columbia Gulf's tariff gave it too much discretion.⁴⁴ The Commission did not require and Columbia Gulf does not propose a maximum Btu limit as part of its tariff. Nonetheless, posted CHDPs are similar to posted maximum acceptable Btu limits.⁴⁵ The Producer Coalition's proposed tariff language will require

⁴³ Complaint Order at P 12.

⁴⁴ *Id.* at P 35.

⁴⁵ *Policy Statement* at P 6, which explains that Btu limits have been used to address HDP dropout, but that approach has proven inadequate.

Columbia Gulf to remove CHDP postings when they are no longer necessary. The Commission requires Columbia Gulf to add the Producer Coalition's second sentence to the end of that section.

Section 25.2(c) - CHDP Information Columbia Gulf Must Provide

57. Proposed section 25.2(c) states that Columbia Gulf will post a list of monitoring points on its website for the purpose of posting and monitoring compliance with any CHDP limits Columbia Gulf posts pursuant to section 25.2. That section also states that Columbia Gulf may revise or establish additional monitoring points as necessary and will post any such changes on its website. In its March 2 filing following the technical conference, Columbia Gulf proposes to add language to section 25.2(c) providing that it will provide as much notice of any change in monitoring points as reasonably possible and will attempt to provide at least 30 days' prior notice. The revision also states the Columbia Gulf will provide at least 30 days of historic CHDP data for any new Monitoring Point, unless unable to do so and will continue to make historic data available at the old Monitoring Point for at least 90 days.

58. In its protest to Columbia Gulf's January 5 filing, TVA asked Columbia Gulf to improve the gas quality informational postings on its website. TVA stated access to timely information is the key to implementing corrective measures to protect equipment should a gas quality problem occur. It stated that, for example, if it has access to the necessary gas quality information in a timely manner, it can better plan the operation of its heaters, thereby reducing their run times from continuously to the time periods when they are actually needed. TVA also requested that FERC require Columbia Gulf to post daily updates on its website for all gas quality attributes set forth in section 25.1 of the GT&C of its tariff⁴⁶ and in North American Energy Standards Board (NAESB) WGQ Standard No. 4.3.90 (as incorporated into Columbia Gulf's tariff through 18 C.F.R. § 284.12(a) (2007)), as well as for CHDP values at each monitoring point. TVA states it is asking FERC to require Columbia Gulf to fully comply with the NAESB standards as incorporated into Columbia Gulf's tariff by FERC's regulations.

59. In its answer to TVA's protest, Columbia Gulf stated it would post CHDP values as calculated at the Monitoring Points and do so within twenty-four hours after making the calculation. It stated that, currently, it calculates and posts CHDP values collected at

⁴⁶ These specifications are for dust, gum, and other solid or liquid matter; hydrogen sulphide; sulphur; nitrogen and carbon dioxide combined; carbon dioxide; oxygen; water vapor; minimum gross heating value; and minimum and maximum temperatures.

Monitoring Points at least once a month. It stated that at present it lacks the technical capability to post CHDP values on a daily basis, although it plans to upgrade its reporting system so that it would be able to post these values on a daily basis. It also stated that its current gas quality postings provide three months of data, thus allowing parties to download multiple data queries to provide for a date range. In its March 2 filing, Columbia Gulf reiterated its plan to upgrade its reporting system in order to post compositional data and CHDP values on a daily basis. Columbia Gulf also modified proposed section 25.2(c) as described above.

60. In their post-technical conference comments, TVA and LUS assert the Commission should establish a firm date for Columbia Gulf to implement the system modifications and website changes for acquiring and posting gas composition data. TVA asserts this date should be 90 days from the date of the Commission's compliance order on Columbia Gulf's January 5 Filing. LUS asserts Columbia Gulf should provide more information about its process for posting gas quality information.

61. TVA also asserts that Columbia Gulf should make gas quality data available in a single download for the most recent three-month period for each monitoring point. TVA claims this is consistent with NAESB Standard 4.3.91 which is incorporated into Columbia Gulf's tariff through 18 C.F.R. § 284.12(a) (2007).

62. LUS requests that Columbia Gulf make available data about the gas in its system that is collected at locations in addition to the monitoring points. LUS notes that Columbia Gulf does not specify how many gas chromatographs it has or where they are located, but that some gas chromatographs, such as the one at the custody transfer point between LUS and Columbia Gulf, may not be located at monitoring points.

63. LUS also asserts Columbia Gulf should provide hourly gas quality data. LUS notes the importance of timely gas quality data to the operation of its electric generators.⁴⁷ It asserts that gas quality changes frequently and that a single, daily data point is not representative of gas quality. LUS asks that Columbia Gulf provide information on the size, frequency, and testing of its gas quality samples.

64. In its reply, Columbia Gulf reiterates that it anticipates completing upgrades to its gas quality reporting system, including replacing some of its gas chromatographs and field equipment by the end of 2007. It urges the Commission not to establish a firm deadline by which it must complete these upgrades. It also urges the Commission to

⁴⁷ LUS indicates that it has C6 gas chromatographs at its plants that take gas quality samples and provide updated data at intervals of less than fifteen minutes.

reject LUS's suggestion that all gas quality data that it collects be posted. Columbia Gulf states the NAESB standards do not require pipelines to post gas quality data collected at all points of their systems, but rather at designated representative points. Columbia Gulf states that it collects gas quality data from time to time at numerous points on its system other than the proposed monitoring points, but that posting all of this data would be costly and burdensome. For the same reasons, Columbia Gulf urges the Commission to reject LUS's request that Columbia Gulf post hourly data. Columbia Gulf asserts the NAESB standards do not require posting of hourly data and that posting of hourly data would be burdensome and would require considerable changes to its reporting software.

Commission Decision

65. The Commission accepts Columbia Gulf's proposed reporting provision with the modifications noted below. The Commission notes that proposed section 25.2(f) provides that the pipeline will provide as much notice of any revision to a CHDP limit as reasonably possible and will attempt to provide that notice at least ten days before the effective date of the revision. The Commission also notes that Columbia Gulf has agreed to post the CHDP values it calculates at its Monitoring Points within twenty-four hours after making each calculation and to post CHDP values on a daily basis once it has upgraded its reporting system. The Commission will require Columbia Gulf to revise its tariff to include the agreed upon terms.

66. The Commission will not set a deadline for the upgrades to Columbia Gulf's reporting system. The Commission believes that Columbia Gulf has undertaken to make these improvements in good faith. Nor will the Commission impose gas quality reporting requirements on Columbia Gulf, such as hourly reporting or reporting of multiple locations, that are beyond those of the NAESB Standards (described below). Initially, the Commission adopted gas quality reporting standards on a case by case basis, as it did in the *Natural Gas* orders. However, as this area has developed, the Commission has come to believe that reporting requirements should be uniform for the industry. The Commission has noted that the issue of timely reporting of gas quality data has appeared in a number of proceedings.⁴⁸ Thus, while the Commission can impose more demanding reporting requirements on a pipeline than the NAESB Standards, the Commission has

⁴⁸ *Algonquin Gas Transmission L.L.C.*, 121 FERC ¶ 61,152, at P 10 (2007).

recently asked NAESB to endeavor to develop a uniform set of standards regarding the posting of rapidly changing gas quality information applicable to those pipelines which are required under their tariffs to report gas quality information.⁴⁹

67. Currently, the Commission requires open access pipelines to incorporate in their tariff the gas quality reporting standards contained in NAESB's Recommendation R03035A (October 20, 2004).⁵⁰ These standards provide as follows. NAESB Wholesale Gas Quadrant (WGQ) Standard 4.3.90 provides that the Transportation Service Provider [TSP] should post on its website "daily average gas quality information for prior gas day(s), to the extent available, for location(s) that are representative of mainline gas flow."⁵¹ It also states that the information should be provided "in a downloadable format." The standard provides examples of gas quality attributes that could be posted including "Hydrocarbon components, "% of C1 – Cnn, as used in determining Heating Value"⁵² and "other pertinent gas quality information that is specified in the TSP's tariff or the general terms and conditions."⁵³ Standard 4.3.91 provides that data provided pursuant to Standard 4.3.90 "should be made available on the Transportation Service Provider's Web Site for the most recent three-month period."⁵⁴ Beyond the initial three-month period, historical data "should be made available offline in accordance with regulatory requirements."⁵⁵ Finally, Standard 4.3.92 provides that data provided pursuant

⁴⁹ *Id.*

⁵⁰ 18 C.F.R. § 284.12(a) (5) (2007). The original numbering of the gas quality standards in R03035A was Standards 4.3.s1, 4.3.s2, 4.3.s3, and 4.3.s4. NAESB filed a report in March, 2005 stating it had assigned the following permanent numbers to these Standards: Standards 4.3.89, 4.3.90, 4.3.91, and 4.3.92, respectively. *Standards for Business Practices of Interstate Natural Gas Pipelines*, Order No. 587-S, FERC Stats. & Regs. ¶ 31,179, at P 6 n.7 (2005).

⁵¹ NAESB Recommendation R03035A, Standard 4.3.90.

⁵² *Id.*

⁵³ *Id.*

⁵⁴ *Id.*, Standard 4.3.91.

⁵⁵ *Id.*

to Standard 4.3.90 “should be provided in a tabular downloadable file to be described by the Transportation Service Provider. The first row of the file should contain the column headers.”⁵⁶

68. The Commission notes that, in addition to these gas quality reporting Standards, NAESB has also adopted Standard 4.3.93 in Version 1.8 of its WGQ Standards. The Commission has not yet incorporated Version 1.8 or Standard 4.3.93 in its regulations. Standard 4.3.93 provides that, for locations posted pursuant to Standard 4.3.90, the pipeline should provide a list on its website that identifies the industry standard or other methodology that it used for (1) procedures for obtaining natural gas samples; (2) analytical test methods; and (3) calculation methods, in conjunction with any physical constraints and underlying assumptions. Columbia Gulf is not required, at present, to comply with this Standard, but may comply with it if it wishes.

69. Columbia Gulf must comply with the NAESB Standards that the Commission has incorporated by reference in its regulations.⁵⁷ The Commission finds that Columbia Gulf’s proposal to post on its EBB each CHDP value that it calculates at the Monitoring Points complies with the requirement of Standard 4.3.90 to post on the pipeline’s website daily average gas quality information for prior gas days, to the extent available, for locations that are representative of mainline gas flow. There is no NAESB requirement to post data for all locations at which CHDP measurements are taken as LUS seeks. Nor is there any NAESB Standard requirement to post daily updates of gas quality information as TVA and PGC urge. However, as noted above, Columbia Gulf has agreed to post CHDP values on a daily basis once it has upgraded its reporting system.

70. TVA, in its initial comments on the January 5 Compliance Filing, states that, to the extent that a shipper experiences problems associated with hydrocarbon dropout that result from insufficient or improper testing or measuring by Columbia Gulf and/or untimely informational postings on the Columbia Gulf website, Columbia Gulf should be required to provide the C9+ analysis for a requesting shipper at Columbia Gulf’s expense. The Commission rejects TVA’s proposal for a tariff remedy to a specific and speculative failure to perform. Columbia Gulf’s tariff already contains dispute resolution at section 29 to its General Terms and Conditions. What constitutes insufficient and improper testing or measuring, and untimely postings, and the appropriate financial remedy, are contract dispute issues best resolved in a court of appropriate jurisdiction.

⁵⁶ *Id.*, Standard 4.3.92.

⁵⁷ 18 C.F.R. § 284.12 (a) (2007).

Section 25.2(e) and (g) - Pairing of Gas Supplies

71. In proposed section 25.2(g), Columbia Gulf proposes to permit pairing of gas supplies. A shipper may pair gas supplies with another shipper or with other supplies of its own to meet the applicable CHDP limit, subject to certain procedures and determinations by Columbia Gulf that the pairing is physically possible and will satisfy the applicable CHDP limit. In addition, in its March 2 filing, Columbia Gulf proposed to revise section 25.2(e) to expressly provide that if gas does not meet a posted receipt point CHDP limit, it will nevertheless accept the gas if it has approved a pairing arrangement.

72. In both its protest to Columbia Gulf's January 5 proposal and its post-technical conference comments, PSNC objects to Columbia Gulf's pairing proposal. First, it indicates that pairing should be limited to production in the same HDP segment. Second, it states that the basis for determining whether the combined supply meets the posted CHDP limit should be clarified to state whether the composition will be arithmetically averaged or volume weighted based upon daily nominated quantities. PSNC also asserts that paired gas should meet the safe harbor level, if one is adopted, rather than any higher limit because this is the level that would prevent liquid dropout under the foreseeable combinations of pressure and temperature. PSNC also questions whether Columbia Gulf can lower the CHDP limit quickly enough to avoid liquid dropout when pairing of gas leads to the receipt of supplies with a higher combined CHDP than Columbia Gulf expected when it set the CHDP limit. PSNC also questions whether lowering the limit quickly is consistent with the ten days' notice required in section 25.2(f).⁵⁸

73. In addition, PSNC questions how Columbia Gulf will curtail the pairing, pro rata or last in first off, if the gas stream with the higher CHDP of two paired gas streams causes operational problems in combination with other pairings in the vicinity. It also asks how quickly Columbia Gulf can set a lower CHDP limit if the gas in a pairing does not have as low a CHDP as was expected and whether lowering the CHDP limit is inconsistent with the 10-day notice period in proposed section 25.2(f). Columbia Gulf replies that PSNC's questions do not require any changes to its proposed pairing language and that its proposed tariff language is nearly identical to that accepted by the Commission for ANR.⁵⁹

⁵⁸ PSNC also questions whether the proposed pairing provisions protect downstream systems. Downstream systems are addressed in the discussion of the adequacy of the CHDP Safe Harbor.

⁵⁹ Columbia Gulf Reply Comments of April 6, 2007, at 9 n.7.

74. In its protest to Columbia Gulf's January 5 filing, the Producer Coalition asserts that Columbia Gulf should clarify the interplay between the mandatory processing requirement in section 25.2(e)⁶⁰ and the pairing provisions of section 25.2(g)⁶¹ to make clear that the pipeline will accept non-conforming gas without processing if such gas is subject to an approved pairing arrangement under section 25.2(g). As described above, Columbia Gulf revised section 25.2(e) as requested by Producer Coalition.

Commission Decision

75. The Commission accepts Columbia Gulf's pairing proposal and the modification to section 25.2(e) proposed by the Producer Coalition which clarifies that Columbia Gulf will accept gas that does not meet a posted CHDP limit if the pipeline has approved a pairing arrangement for the gas.⁶²

76. The Commission rejects PSNC's objections to Columbia Gulf's pairing proposal. The Commission finds it is not necessary that the paired gas supplies be in the same HDP segment. Under proposed sections 25.2(g) (ii) and (iii), Columbia Gulf will only permit pairing when a pairing proposal is physically possible and when the commingled stream

⁶⁰ Proposed section 25.2(e) provides: "If gas does not meet a posted CHDP limit at the receipt point, Transporter will accept receipt of that gas if Shipper provides to Transporter proof of processing at a plant within the HDP Segment where the gas is received and the CHDP of the gas at the tailgate of the plant satisfies the CHDP limit for the applicable HDP." Pro Forma First Revised Sheet No. 236.

⁶¹ Proposed section 25.2(g) provides: "Pairing. To the extent operationally feasible, and subject to the conditions below, Transporter may allow a Shipper whose gas does not meet a posted CHDP limit to contractually pair its gas with another shipper whose gas satisfies the posted CHDP limit, or to self-pair its own gas supplies, so that the combined supply meets the posted CHDP limit." Pro Forma First Revised Sheet No. 236.

⁶² The revision to section 25.2(e) suggested by Producer Coalition and accepted here is as follows (additions in underline):

If gas does not meet a posted CHDP limit at the receipt point, Transporter will accept receipt of that gas (i) if Shipper provides to Transporter proof of processing at a plant within the HDP Segment where the gas is received and the CHDP of the gas at the tailgate of the plant satisfies the CHDP limit for the applicable HDP, or (ii) if Transporter has approved a pairing arrangement for the gas under subsection (g) below.

that would result from the proposal satisfies the posted CHDP limit. Columbia Gulf's examination of the pairing proposal will take into account whether the gas supplies that are paired can meet the CHDP limit even though they may be in different segments of the pipeline. PSNC is also concerned that the pipeline specify the type of analysis it will use to analyze the composition of paired gas supplies — arithmetical average or volume weighted based upon daily nominated quantities. The Commission finds that arithmetical averaging of the CHDP values of different gas supplies would be insufficient to determine the CHDP of the commingled gas stream. The relative volumes of the different gas supplies must be considered when determining the CHDP of the commingled supplies. The Commission believes Columbia Gulf is already aware of the necessity of considering the relative volumes of the gas supplies to be paired in determining the CHDP of the commingled gas stream. The Commission also believes that permitting pairing across HDP segments offers Shippers additional flexibility in accessing and tendering additional supplies to the Columbia Gulf system.

77. The Commission finds further that PSNC's concern over how quickly Columbia Gulf can act if pairing of gas supplies leads to a higher than expected CHDP is misplaced. First, if the paired gas fails to meet the CHDP limit, Columbia Gulf has the authority under proposed sections 25.2(a) and 25.3 to refuse to receive the gas. In addition, under proposed section 25.2, Columbia Gulf may revise an existing CHDP limit and post a new CHDP limit if it becomes operationally necessary to do so. Proposed section 25.2(f) provides that Columbia Gulf will attempt to give ten days' of such a change, but does not mandate this period. Finally, the Commission rejects PSNC's assertion that paired gas supplies should meet the CHDP safe harbor level. It is only necessary that paired gas supplies meet the posted CHDP limit, as is required of other gas supplies.

Delivery Point Specifications

78. In its January 5 filing, Columbia Gulf did not propose any delivery point gas quality standard. Columbia Gulf stated that the adoption of a specific gas quality specification for deliveries was foreclosed by the flexibility inherent in the adoption of a CHDP safe harbor. It asked the Commission not to apply this aspect of the *Policy Statement* to the extent the *Policy Statement* requires a pipeline to adopt specific delivery point gas quality specifications.⁶³

79. In their post-technical conference comments, PSNC and Cities state that Columbia Gulf's tariff should include gas quality specifications for Columbia Gulf's delivery

⁶³ Columbia Gulf cites *Tennessee I*, at P 28.

points. They note the *Policy Statement* provides that the tariff “should state the natural gas quality specifications for gas that the pipeline will deliver to its customers.”⁶⁴ Cities state that the Commission directed Columbia Gulf in its August 1 Order either to explain why it had no delivery point specifications or to propose gas quality specifications for gas to be delivered to customers.⁶⁵ Cities assert Columbia Gulf has not provided an adequate response to the Commission’s directive.

80. Cities assert that Columbia Gulf’s ability to receive gas with varying quality characteristics should be matched with a commitment that the gas actually delivered to customers meets minimum standards and can be safely delivered to downstream entities. They state that the Commission recently struck down Columbia Gas’s proposal to dilute the pipeline’s commitment to provide merchantable gas and to narrow its delivery point standards.⁶⁶

81. PSNC asserts that a shipper needs a legally binding requirement that the gas delivered to its system will meet certain quality specifications. PSNC states that there must be a legally binding obligation on Columbia Gulf to deliver gas that meets certain quality specifications set forth in its tariff and that, otherwise, neither the Columbia Gulf nor the Columbia Gas systems can function. PSNC says delivery point specifications are even more necessary because Columbia Gulf’s OFO authority in section 25.4 is limited to alleviating unsafe conditions on the pipeline’s system and cannot be used to address unsafe conditions on downstream systems. East Ohio made similar arguments in its protest of Columbia Gulf’s January 5 filing.

82. Columbia Gulf maintains it explained in its January 5 Filing why adoption of a CHDP safe harbor precludes adoption of a specific gas quality specification for delivered gas. Columbia Gulf states that, in any event, it will take into account its ability to deliver gas to its customers when imposing CHDP limits. It states that its proposed tariff language expressly provides that CHDP limits may be imposed “to assure that gas would be accepted for delivery into interconnects, including with interstate or intrastate pipelines, end users, and local distribution companies.”⁶⁷ Columbia Gulf insists this

⁶⁴ *Citing Policy Statement*, at P 38.

⁶⁵ August 1 Order, at P 31.

⁶⁶ Cities cite *Norstar Operating, LLC v. Columbia Gas Transmission Corp.*, 118 FERC ¶ 61,221, at P 133-135 (2007) (*Norstar*).

⁶⁷ *Citing Proposed section 25.2, Pro Forma Second Revised Original Sheet No. 235, January 5 Filing.*

language provides adequate protection for Cities and PSNC. It states this is the exact same language approved by the Commission for both the ANR and the Natural Gas CHDP safe harbor provisions and that neither ANR nor Natural Gas proposed specific gas quality deliverability standards as part of their CHDP safe harbor provisions, notwithstanding the subsequent issuance of the *Policy Statement*. Columbia Gulf asserts Cities' reliance on *Norstar*⁶⁸ is misplaced because that case addressed a stand-alone deliverability provision and not a CHDP safe harbor.

83. Indicated Shippers assert the Commission should reject Cities' and PSNC's arguments for delivery point CHDP specifications because Columbia Gulf does not deliver gas directly to these LDCs and the gas they receive consists of commingled gas from Columbia Gulf and other suppliers received on Columbia Gas's system.

Commission Decision

84. East Ohio, Cities, and PSNC assert the *Policy Statement* requires that Columbia Gulf have delivery point specifications for CHDP, that the pipeline has not explained adequately why it did not propose delivery point specifications, and that, consequently, the pipeline must adopt them. The Commission disagrees. The Commission finds Columbia Gulf has adequately explained why it did not propose delivery point specifications. The Commission agrees with Columbia Gulf that the flexibility inherent in the adoption of a CHDP safe harbor forecloses adoption of a specific gas quality specification for deliveries. That is, the CHDP of the gas may vary and it is not possible for Columbia Gulf to provide a specific CHDP level as a delivery point specification. Columbia Gulf could adopt a general standard such as that used by Tennessee Gas Pipeline Company (Tennessee).⁶⁹ Tennessee's CHDP delivery point specification states in essence that natural gas delivered by the pipeline at prevailing pipeline temperatures and pressures shall be commercially free from hydrocarbon liquids at the point of delivery.

85. However, as the Commission noted previously, the *Policy Statement* is a statement of policy, not a binding rule.⁷⁰ When the Commission applies a policy in an individual case, it must support the application, based on substantial evidence in the record of that

⁶⁸ *Norstar*, at P 133-135.

⁶⁹ *Indicated Shippers v. Tennessee Gas Pipeline Company*, 121 FERC ¶ 61,151, at P 35, 115 (2007) (*Tennessee II*); see also *Tennessee I*, at P 16.

⁷⁰ *Tennessee I*, at P 28.

proceeding.⁷¹ The Commission agrees with Columbia Gulf that downstream entities are protected by Columbia Gulf's authority in section 25.2 to impose CHDP limits to assure that gas would be accepted for delivery into interconnects, including with interstate or intrastate pipelines, end users, and local distribution companies. Thus, the Commission finds that the evidence of record in this case does not support applying the policy of having a CHDP delivery point specification to Columbia Gulf.

86. The *Norstar* case on which Cities rely is inapposite. In that case, the pipeline sought to change all of its existing delivery point specifications. The Commission held that Columbia Gas had not supported this proposal with substantial evidence and that, therefore, its existing delivery point specifications must remain in place. In contrast, this case deals only with CHDP, Columbia Gulf has no existing or proposed delivery point specification for CHDP, and Columbia Gulf is not proposing a delivery point specification for CHDP, and the Commission has found above that the evidence does not support adding a delivery point specification for CHDP to Columbia Gulf's tariff.

Section 25.3 - Waiver of Tariff Specifications

87. Proposed section 25.3 provides that Columbia Gulf may elect to continue to receive gas or refuse to take all or a portion of gas that does not meet the specifications in existing section 25.1 concerning gas quality specifications other than CHDP or in the newly proposed section 25.2 concerning CHDP limits. Section 25.3 also provides that Columbia Gulf may waive any quality specifications where the acceptance of non-conforming gas will not, in its judgment, adversely impact its operations.

88. The Cities assert that the provisions in proposed section 25.3 which permit Columbia Gulf to continue to receive gas that does not meet the specifications for gas in sections 25.1 and 25.2 give Columbia Gulf too much discretion. They state these provisions permit Columbia Gulf to waive its requirements and receive out-of-specification gas that could cause harm to downstream systems. They assert Columbia Gulf should revise section 25.3 to provide that the pipeline will accept out-of-specification gas only after giving due consideration to the impact that taking such gas could have on the systems and operations of the pipeline and its downstream customers. The Cities suggest the following modifications to section 25.3:

Nothing in this section 25 will prevent Transporter from waiving any quality specifications ~~where the or accepting acceptance of~~ non-conforming gas provided that Transporter determines ~~will not, in Transporter's its~~

⁷¹ *ANR II*, at P 28 (2006).

reasonable judgment, that such waiver or acceptance of non-conforming gas will not adversely impact the Transporter's operations of Transporter or any affected Shipper.

89. Columbia Gulf urges the Commission to reject Cities' proposed tariff changes to section 25.3 that would require the pipeline to ensure that the waiver of acceptance of non-conforming gas will not adversely impact the operations of any affected shippers. Columbia Gulf states it will usually have no way of knowing whether a waiver will adversely impact downstream shipper operations and cannot be expected to operate its system based on decisions made by third parties over whom it has no control.

90. Columbia Gulf requests a limited waiver if the Commission agrees with Indicated Shippers that the inclusion of section 25.1, which contains specifications other than CHDP, in new proposed sections 25.3 and 25.4 is beyond the scope of this proceeding. It submits that it is just and reasonable to have its operational flow order and waiver provisions apply to all of its gas quality specifications, not just CHDP specifications. It states the alternative would be for the pipeline to make a subsequent ministerial filing slightly revising these sections which it believes is inefficient and unproductive.

91. Cities continue to object to the discretion that Columbia Gulf has under the first sentence of section 25.3 to receive gas that fails to meet tariff specifications, but on grounds in addition to possible harm to downstream systems. They state this discretion should be circumscribed by an obligation to receive out-of-specification gas only after due consideration is given to the impact that taking such gas could have on the operations of Columbia Gulf and its ability to safely deliver gas to downstream customers. Cities suggest two alternative revisions to section 25.3 to address their concerns.⁷² Cities assert

⁷² Cities suggest their concerns can be met by revising the second sentence of section 25.3 in one of two ways. (Post Technical Conference Comments of the Cities of Charlottesville and Richmond, Virginia at 7-8 and n.10.) The first suggested revision is

Nothing in this section 25 will prevent Transporter from waiving any quality specifications ~~where the or accepting acceptance~~ of non-conforming gas provided that Transporter determines will not, in Transporter's its reasonable judgment, that such waiver or acceptance of non-conforming gas will not adversely impact the Transporter's operations of Transporter or any affected Shipper.

The second suggested revision is the same as the above except that the last portion reads:

(continued...)

that without one if its requested changes, Columbia Gulf would be free to receive out-of-specification gas that could result in an inability to deliver gas at downstream interconnects or cause harm to downstream systems.

Commission Decision

92. With one modification, the Commission accepts the waiver provisions in the first two sentences of section 25.3 for gas that does not meet the CHDP specifications in section 25.2. The *Policy Statement* encouraged flexible tariff provisions in order to maximize supply, as long as pipeline safety and reliability are not jeopardized⁷³ and the waiver provisions for CHDP specifications in section 25.3 are in keeping with this principle of the *Policy Statement*.

93. Cities asserts the CHDP waiver provisions must also take into account the impact out-of-specification gas could have on downstream systems and on Columbia Gulf's ability to safely deliver gas to downstream customers. The Commission rejects Cities' request to modify the waiver provision to consider the impact of out-of-specification gas on downstream systems. As we have found previously, the pipeline is responsible only for the operational integrity of its own system, not for the operational integrity of downstream systems.⁷⁴

94. However, the Commission agrees with Cities that Columbia Gulf should revise section 25.3 to include consideration of the impact of out-of-specification gas on the pipeline's ability to deliver gas to customers at interconnects. In *ANR Pipeline Company*, we stated that an important consideration when an upstream pipeline establishes gas quality standards such as a CHDP safe harbor provision is the ability of downstream entities to accept the gas the upstream pipeline will be delivering to them.⁷⁵ This consideration is equally important if the pipeline decides to waive its CHDP provisions

. . . such waiver or acceptance of non-conforming gas will not adversely impact the ~~Transporter's~~ operations of Transporter or adversely affect the ability of gas to be accepted for delivery at downstream interconnects.

⁷³ *Policy Statement*, at P 30.

⁷⁴ *Tennessee II*, at P 108; *ANR I*, at P 64.

⁷⁵ *ANR I*, at P 56, and *ANR II*, at P 20; *see also Tennessee II*, at P 112 (ability to deliver to interconnects with downstream pipeline not shown to be affected by CHDP limits on downstream pipeline).

and accept gas that does not meet its CHDP specifications. Moreover, under section 25.2 of its proposed provisions, Columbia Gulf may impose CHDP limits both to prevent actual or anticipated hydrocarbon liquid fallout on its system and to assure that gas will be accepted for delivery at interconnects with interstate or intrastate pipelines, end-users, and local distribution companies. If Columbia Gulf is going to waive a CHDP limit, it should take the same factors into consideration as those it considers when imposing a CHDP limit—hydrocarbon fallout on its own system and its ability to deliver gas to downstream interconnects. Columbia Gulf must revise section 25.3 to provide that waiver or acceptance of non-conforming gas will not adversely impact the operations of Transporter or adversely affect the ability of gas to be accepted for delivery at downstream interconnects.

95. In other contexts, Indicated Shippers have raised the issue of whether Columbia Gulf's proposed provisions can apply to standards other than CHDP. That concern is relevant with respect to the waiver provisions as well. The Commission rejects the application of the waiver provisions to gas that does not meet the specifications of section 25.1. Section 25.1 contains existing tariff provisions for characteristics other than CHDP. But this compliance filing proceeding addresses only CHDP specifications on Columbia Gulf. Thus, provisions regarding other specifications are inappropriate here.⁷⁶ Columbia Gulf must make a section 4 filing under the NGA if it wishes to have waiver provisions in its tariff for the specifications in section 25.1. With respect to its proposed section 25.3 in this proceeding, Columbia Gulf must make a compliance filing within 30 days of the date of this order revising the first two sentences of section 25.3 to eliminate section 25.1 and to confine the waiver provisions to the specifications in section 25.2.

Section 25.3 - Right to Impose Additional Gas Quality Specifications

96. The last sentence of section 25.3, as originally proposed, provided that Columbia Gulf "reserves the right to impose revised and or further quality specifications at any time if Transporter, in its reasonable judgment, deems it necessary to protect the safety and or integrity of its pipeline system, operations, merchantability of the gas, or deliveries to

⁷⁶ 18 C.F.R. § 154.203(b) (2007).

other customers.”⁷⁷ Columbia Gulf subsequently revised this provision in its March 2, 2007 Filing so that it only authorizes Columbia Gulf to impose limits “on any toxic or other harmful constituents not specifically contained in sections 25.1 and 25.2.”⁷⁸

97. In their protests of Columbia Gulf’s January 5 filing, the Producer Coalition and Indicated Shippers both asserted that the Commission should require Columbia Gulf to remove the last sentence of proposed section 25.3. In their post technical conference comments, they continue to assert Columbia Gulf should strike the last sentence of proposed section 25.3, even though in its March 2 Filing Columbia Gulf narrowed the specifications it could impose to “any toxic or other harmful constituents not specifically contained in sections 25.1 and 25.2.” They assert that the last sentence of section 25.3, as revised, continues to provide Columbia Gulf the same sort of unbounded discretion that the Commission found to be unjust and unreasonable in its January 24, 2004 Order⁷⁹ and that the Commission proscribed in the governing principle of the *Policy Statement* which mandates that pipelines institute gas quality standards through tariff filings under section

⁷⁷ Section 25.3, Pro Forma Original Sheet No. 237.

⁷⁸ The new provisions at proposed section 25.3, Pro Forma Original Sheet No. 237 (marked), provide in full:

If the gas received by Transporter from any source ever fails to meet the specifications in sections 25.1 and 25.2, then Transporter may elect to either continue to receive gas or refuse to take all or a portion of that gas until the gas is brought into conformity with these specifications. Nothing in this section 25 will prevent Transporter from waiving any quality specifications where the acceptance of non-conforming gas will not, in Transporter’s reasonable judgment, adversely impact Transporter’s operations. Transporter reserves the right to impose revised and or further quality specifications at any time if Transporter, in its reasonable judgment, deems it necessary to protect the safety and or integrity of its pipeline system, operations, merchantability of the gas, or deliveries to other customers.

⁷⁹ *Citing* Complaint Order, at P 36, 37, 40.

4 of the NGA.⁸⁰ They assert Columbia Gulf should impose new quality specifications by amending its tariff.⁸¹ They assert emergencies can be addressed through an OFO.

98. Indicated Shippers also object to the imposition of quality specifications to protect the “merchantability of the gas” or “deliveries to other customers.” They state these objectives suggest that Columbia Gulf’s quality requirements could be determined by operations or conditions downstream of Columbia Gulf’s system. Indicated Shippers further assert that Columbia Gulf’s tariff should define all of its gas quality requirements, including CHDP, in objective, quantifiable terms and that reserving a right to adopt additional non-tariff standards defeats the purpose of establishing objective standards that could be applied in a non-discriminatory manner. Last, Indicated Shippers assert that “toxic and other harmful constituents” are beyond the scope of this proceeding which is limited to CHDP and the proposed provision should be rejected on that basis.⁸²

99. Columbia Gulf responds that it has substantially narrowed its ability to impose further restrictions on gas quality so that it may do so only with respect to unknown toxic or harmful constituents that are not already contained in its tariff. Columbia Gulf believes this is a reasonable reservation of authority. It asserts the provision is considerably narrower than the language the Commission found objectionable in the Complaint Order in this proceeding⁸³ and in *Norstar*.⁸⁴

Commission Decision

100. The Commission rejects the last sentence of section 25.3, as revised. That provision, as revised, states:

Transporter reserves the right to impose further limits on any toxic or other harmful constituents not specifically contained in sections 25.1 and 25.2 if

⁸⁰ *Citing Policy Statement*, at P 29.

⁸¹ *Citing Norstar*, at P 160.

⁸² *Citing* 18 C.F.R. § 154.203(b) (2007).

⁸³ Complaint Order.

⁸⁴ *Norstar* at P 159.

Transporter, in its reasonable judgment, deems it necessary to protect the safety and/or integrity of its pipeline system, operations, merchantability of the gas, or deliveries to other customers.

First, the reservation of rights with respect to specifications in section 25.1 is outside the scope of this proceeding. Second, the reservation of rights with respect to CHDP specifications in section 25.2 gives Columbia Gulf too much discretion to adopt additional CHDP specifications and permits the pipeline to adopt such specifications without making a filing under section 4 of the Natural Gas Act. The proposed provision thus violates section 4 of the Natural Gas Act and is inconsistent with the Commission's *Policy Statement*. Section 4 requires that changes in the pipeline's tariff must be made by means of a tariff filing. The *Policy Statement* states that it is the Commission's policy that only natural gas quality specifications in a Commission-approved gas tariff can be enforced.⁸⁵ Consequently, the Commission finds that the third sentence as revised of proposed section 25.3 is unjust and unreasonable and Columbia Gulf may not include it in its tariff. Columbia Gulf must also remove the unrevised version of this provision from its proposed tariff.

Section 25.4 - OFOs

101. New section 25.4 provides that the specifications and restrictions of section 25 do not reduce or limit Columbia Gulf's authority to issue Operational Flow Orders (OFOs), consistent with section 17 of its General Terms and Conditions, to provide for the safe and reliable operation of its system.⁸⁶

102. In both its protest to Columbia Gulf's January 5 filing and its post-technical conference comments, PSNC asks whether Columbia Gulf retains the right to issue an OFO to require processing below the 15° F CHDP safe harbor, if a processing plant's processing currently meets the safe harbor, but the processing plant could avoid a liquid drop out problem with deeper processing of its gas stream.

⁸⁵ *Policy Statement*, at P 29.

⁸⁶ Section 25.4 provides:

Operational Flow Orders. None of the specifications and restrictions set forth in this section 25 shall be deemed to negate, reduce or limit Transporter's authority to issue Operational Flow Orders consistent with section 17 of the General Terms and Conditions of this Tariff to provide for the safe and reliable operation of its system.

103. Cities ask the Commission to clarify that Columbia Gulf retains the ability under existing section 17 and proposed section 25.4 of the General Terms and Conditions of its tariff to use OFOs to protect its system from liquid fallout problems. They also ask the Commission to clarify that under these sections Columbia Gulf can take steps to protect its ability to deliver merchantable gas at downstream interconnections and to ensure that gas will be accepted by downstream interconnected entities. The Cities believe these clarifications are needed since Columbia Gulf has proposed to revise section 25.3 by reducing its authority so that it can no longer impose revised specifications to protect the merchantability of gas or deliveries to customers.

104. Indicated Shippers ask that section 25.4 be clarified so that its authorization of OFOs applies only to the CHDP limits in section 25.2, and not the other quality specifications set forth in section 25.1, which are not the subject of this proceeding. Indicated Shippers state that OFOs are intended to be temporary and limited but that OFO authority is adequate to address actual or potential liquids drop out. They also state Columbia Gulf cannot declare a CHDP OFO to address conditions on a downstream system.⁸⁷

Commission Decision

105. The Commission will accept Columbia Gulf's proposed section 25.4 with one modification. The Commission agrees with Indicated Shippers that section 25.4 should apply only to CHDP limits since that is the subject of this proceeding. Columbia Gulf must revise section 25.4 to apply only to section 25.2 and not to section 25 or to section 25.1.

106. The Commission grants PSNC's request for clarification that Columbia Gulf retains the ability under existing section 17 and proposed section 25.4, as modified, to use OFOs to protect its system from liquid fallout problems. However, the Commission denies PSNC's request to clarify that under these sections Columbia Gulf can take steps to protect its ability to ensure that gas will be accepted by downstream interconnected entities or to deliver merchantable gas at downstream interconnections. In *ANR I*, the Commission refused to require the pipeline to have a tariff provision that would allow it to issue an OFO reducing the CHDP limit below ANR's CHDP Safe Harbor to avoid an event that threatened the operational integrity of end-users, local distribution companies, or others. The Commission stated the pipeline "is responsible for the operational

⁸⁷ They cite *ANR I*, at P 1 n.1: [T]he pipeline may post lower CHDP limits below the Safe Harbor level through the issuance of an Operational Flow Order (OFO) to avoid an event that threatens the operational integrity of the pipeline."

integrity of its own system but not for the operational integrity of downstream systems. That is the responsibility of the downstream systems.”⁸⁸ Columbia Gulf’s authority under its current tariff section 17, only permits the pipeline to issue OFOs with respect to conditions on its own system.⁸⁹

107. In *Tennessee II* the Commission noted that application of HDP-related OFOs is different from the setting of a CHDP Safe Harbor. The Commission stated that the CHDP Safe Harbor applies to ordinary pipeline operations while OFOs are not issued as part of ordinary pipeline operations, but only in emergency situations.⁹⁰ The Commission stated further that HDP-related OFOs “address operating conditions on the pipeline that threaten the integrity of the pipeline. They are not intended to address operating conditions on other entities.”⁹¹ Thus when Columbia Gulf issues an HDP-related OFO, the purpose of that OFO is to protect the operational integrity of Columbia Gulf; it is not to permit Columbia Gulf to ensure that gas will be accepted by downstream interconnected entities or to deliver merchantable gas at downstream interconnections.

Interchangeability

108. In both its protest to Columbia Gulf’s January 5 filing and its post-technical conference comments, East Ohio asserts that the implementation of the proposed 15° F

⁸⁸ *ANR I*, at P 64.

⁸⁹ Section 17.1(a) of Columbia Gulf’s tariff, Third Revised Sheet No. 209, provides:

Transporter, in its reasonable discretion, shall have the right to issue Operational Flow Orders (OFO) . . . upon determination by Transporter that action is required in order to alleviate conditions which threaten the integrity of Transporter’s system, to maintain pipeline operations at the pressures required to provide reliable firm transportation services, to have adequate supplies in the system to deliver on demand (including injection of gas into the mainline and providing line pack), to maintain firm service to all Shippers and for all firm services, and to maintain the system in balance for the foregoing purposes. . . .

⁹⁰ *Tennessee II*, at P 101, citing *Indicated Shippers v. ANR Pipeline Company*, 105 FERC ¶ 61,394, at P 18 (2003).

⁹¹ *Tennessee II*, at P 102.

CHDP safe harbor without the concurrent implementation of interchangeability specifications renders the CHDP safe harbor incomplete and, therefore, unjust and unreasonable. East Ohio states that interchangeability quantifies the substitutability of gases in end use applications and is a delivery point specification. East Ohio asserts that both hydrocarbon dropout and interchangeability should be addressed in the pipeline's tariff and that the White Papers and the *Policy Statement* support the inclusion of both. East Ohio states further that Columbia Gulf has failed to comply with the August 1 Order, the *Policy Statement*, and the White Papers by failing to address interchangeability in its January 5 Compliance Filing.

109. East Ohio asserts an interchangeability standard consistent with the Interim Guidelines would put a collar around gas quality variability and address its concerns that gas quality may vary widely.⁹² East Ohio states that it would be better for Columbia Gulf to operate under its current tariff provisions than to adopt a CHDP standard without adopting an interchangeability standard.

110. Columbia Gulf disagrees with East Ohio that the August 1 Order required the pipeline to adopt interchangeability tariff provisions.⁹³ Columbia Gulf also states that neither the *Policy Statement* nor the two White Papers state that a pipeline must concurrently adopt both hydrocarbon liquid dropout and interchangeability tariff standards. It states these are distinct concepts.⁹⁴ Columbia Gulf states that including an interchangeability standard in this proceeding would expand its scope and would lead to further delays in this more than three-year old proceeding. It states that this is not the proper proceeding in which to consider interchangeability provisions.

Commission Decision

111. The Commission will not require Columbia Gulf to adopt interchangeability standards. The Commission agrees with the pipeline that the Commission's August 1 Order did not require the pipeline to address or adopt interchangeability standards in this

⁹² East Ohio states that the Interim Guidelines in the Interchangeability White Paper are the historic, average Wobbe Number plus or minus 4 percent, capped at 1,400, and a maximum heating value limit of 1,110 Btu/scf (plus other limits).

⁹³ Columbia Gulf quotes the August 1 Order at P 33.

⁹⁴ *Citing Natural III*, at P 30-31.

proceeding. The August 1 Order addressed only gas quality,⁹⁵ not interchangeability. The Commission does not agree with East Ohio that the *Policy Statement* requires that a pipeline must address interchangeability if requested to do so by its customers. The Commission did not require pipelines to adopt interchangeability provisions in their tariffs. For example, the Commission encouraged pipelines to use the interim guidelines proposed by the NGC+ Interchangeability Task Group if they “wish to add provisions to their tariffs, or modify existing provisions, to characterize interchangeability specifications. . . .”⁹⁶ The Commission stated that it “encourages pipelines and their customers to resolve . . . interchangeability issues on their own . . . ,”⁹⁷ but the Commission did not require a pipeline to discuss interchangeability standards with its customers. Consequently, the Commission denies East Ohio’s request to find that Columbia Gulf’s gas quality proposal is unjust and unreasonable because it does not include a commitment by Columbia Gulf to address interchangeability standards.

Right to Refuse Gas and Reservation Charge Credits

112. Orange and Rockland request clarification of the sentence in section 25.2 that would permit Columbia Gulf to establish a CHDP limit for receipts (no lower than the CHDP safe harbor) that would “assure that gas would be accepted for delivery at interconnects with interstate or intrastate pipelines, end-users, and local distribution companies.”

113. Orange and Rockland ask the Commission to clarify that downstream entities have the right to refuse to accept gas tendered by Columbia Gulf due to actual or anticipated hydrocarbon liquid fallout on the downstream entities’ systems, provided they have undertaken reasonable protective measures. They assert such a right is consistent with the responsibility of the downstream systems for their operational integrity⁹⁸ and is implicit in section 25.2. They also ask that, in the event Columbia Gulf denies that

⁹⁵ August 1 Order at 28-33. The August 1 Order defines gas quality at P 1 n.5: “This order uses the term ‘gas quality’ to mean the impact of non-methane hydrocarbons on the safe and efficient operation of pipelines, distribution facilities, and end-user equipment, the meaning adopted in the *Policy Statement* at P 5.”

⁹⁶ *Policy Statement*, at P 37.

⁹⁷ *Id.* at P 31.

⁹⁸ Orange and Rockland cite *ANR I*, at P 64.

downstream entities have the right to decline to accept gas for operational integrity reasons, the Commission require Columbia Gulf to identify the circumstances in which a downstream entity may refuse to accept deliveries of gas.

114. Orange and Rockland further ask the Commission to clarify that when they decline to accept gas under these circumstances, they will receive reservation charge credits. They assert that receipt of such credits would ensure that customers are not charged for service of a quality that would jeopardize operational integrity.

115. Columbia Gulf answers that Orange and Rockland's request that a downstream entity receive reservation charge credits if it declines to accept gas is not relevant to this proceeding.⁹⁹ In addition, Columbia Gulf states that Orange and Rockland does not receive gas deliveries from Columbia Gulf directly and thus cannot decline to accept gas from Columbia Gulf.

Commission Decision

116. The Commission finds that Orange and Rockland's requests for clarification with respect to refusing to accept gas because of hydrocarbon liquids fallout and any associated reservation charge credits are outside the scope of this proceeding.¹⁰⁰ This proceeding is concerned solely with establishing gas quality standards for Columbia Gulf's system. The resolution of the issues Orange and Rockland raise would depend on facts and arguments that are not part of the record in this proceeding.

Allocation Methodology to Enforce a CHDP

117. At the technical conference, the Indicated Shippers state, they proposed an allocation method that would require all sources of gas that are causing actual or potential hydrocarbon liquid fallout to take remedial actions to address the problem. The Indicated Shippers state that their proposal was based on the model used by Southern Natural Gas Company (Southern). The Indicated Shippers does not demand that Columbia Gulf adopt this precise methodology, but they suggest that Columbia Gulf's tariff address how it would enforce CHDP limits on points within the affected area. In the alternative, the

⁹⁹ February 12 Response at 6 n.13.

¹⁰⁰ In addition, Columbia Gulf states that Orange and Rockland do not receive gas deliveries from Columbia Gulf directly and thus cannot decline to accept gas from Columbia Gulf. Thus, Orange and Rockland's requests in this proceeding appear to be of a hypothetical nature.

Indicated Shippers request that the Commission require Columbia Gulf to file a report after a year's experience with data, an analysis of its experience and an analysis addressing the feasibility of implementing allocation methodologies.

118. Columbia Gulf opposes the Indicated Shippers' suggestions. Columbia Gulf contends that the Southern allocation methodology is unnecessary and has not been shown to be superior to its proposed CHDP safe harbor. Columbia Gulf notes that the Southern allocation methodology is complex and difficult to apply. Further, Columbia Gulf questions its utility in today's market where receipts of unprocessed gas are few. Columbia Gulf also objects to filing a report. It notes that the Commission did not require ANR or Natural to file a report, and that it is speculation that Columbia Gulf will even need to impose CHDP limits in today's market.

Commission Decision

119. The Commission will not require Columbia Gulf to adopt an allocation methodology to enforce imposed CHDP limits, nor will the Commission require a report. Columbia Gulf does not request any other tool to enforce its CHDP limits than that the Commission approved for ANR and Natural: cutting of receipts with a CHDP in excess of posted limits. The Indicated Shippers have not shown a need for different system to enforce posted CHDP limits, or why its proposed allocation method is superior to the cut method for the Columbia Gulf system. The Southern method advocated by the Indicated Shippers is itself a product of a long set of proceedings that, in part, involved allegations of discriminatory cuts by Southern of receipts from certain producers.¹⁰¹ There have been no comparable allegations against Columbia Gulf. The Commission also denies the Indicated Shippers' request for a report. Without a clear focus, the effort would be a questionable use of Columbia Gulf's and Commission time. The Indicated Shippers are free to collect data of cuts made of their members' deliveries to Columbia Gulf and file a report if they choose.

The Commission orders:

(A) Columbia Gulf's filing of January 5, 2007, as modified in this order is accepted.

¹⁰¹ See *Toca Producers v. Southern Natural Gas Company*, 104 FERC ¶ 61,300 (2003) and *Southern Natural Gas Company*, 105 FERC ¶ 61,254 (2003) for a description of the allegations of discriminatory treatment.

(B) Columbia Gulf is directed to file actual tariff sheets consistent with the directives set forth in this order within thirty days of the date this order is issued. Columbia Gulf should file two sets of marked tariff text: one compared to Columbia Gulf's currently effective tariff, and one compared to the January 5, 2007, *pro forma* tariff text.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.