

129 FERC ¶ 61,088
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Texas Eastern Transmission, LP

Docket No. RP10-30-000

ORDER ACCEPTING AND SUSPENDING TARIFF SHEETS
AND ESTABLISHING TECHNICAL CONFERENCE

(Issued October 30, 2009)

1. On October 2, 2009 Texas Eastern Transmission, LP (Texas Eastern) filed tariff sheets¹ pursuant to section 4 of the Natural Gas Act (NGA) to revise its tariff with respect to gas quality and interchangeability issues. Texas Eastern proposes an effective date of November 2, 2009.² As discussed below, the Commission will accept and suspend the proposed tariff sheets, to be effective April 1, 2010, or an earlier date set by subsequent Commission order, subject to conditions and the outcome of a technical conference.

Details of the Filing

2. Texas Eastern states that its tariff does not currently contain comprehensive gas quality specifications that can accommodate the new gas supplies projected to enter its system, and that it is proposing new gas quality specifications to accommodate future market conditions. Texas Eastern states that it expects to receive in the near future substantial new supplies from liquefied natural gas (LNG), the Rocky Mountains, coal bed methane, and the Marcellus Shale.

3. According to Texas Eastern the proposed tariff revisions were developed consistent with the five general principles the Commission expects pipelines to follow in

¹ See Appendix for the proposed tariff sheets.

² Texas Eastern, on October 7, 2009, filed a letter that noted an inadvertent error in its proposed effective date, and clarified the proposed effective date is November 2, 2009.

establishing gas quality and interchangeability standards:³ First, the filing proposes to set forth Texas Eastern's gas quality and interchangeability requirements in its tariff. Second, Texas Eastern asserts that the proposed requirements are flexible and maximize potential supply while minimizing the economic effects to downstream end-users. Third, according to Texas Eastern the proposed requirements represent input from a collaborative process. Fourth, Texas Eastern contends that the proposed requirements are consistent with the Interim Guidelines and HDP Report⁴ adopted by the Commission's Policy Statement on gas quality. Fifth, Texas Eastern states that tariff proposals are supported or not opposed by nearly all of the participants in this collaborative effort.

4. The table below provides a summary of Texas Eastern's current and proposed gas quality and interchangeability limits. These proposed limits are equally applicable for both receipt and delivery points.

Summary of Texas Eastern's Current and Proposed Gas Quality and Interchangeability Limits

Specification	Texas Eastern's Tariff Limit	Texas Eastern's Proposed Tariff Limit
Higher Heating Value	Min: 967 Max: None	Min: 967 Btu/scf Max: 1110 Btu/scf
Wobbe Index	Min: None Max: None	Min: 1314 Max: 1400
Non-Hydrocarbon Gas (Carbon Dioxide, Nitrogen, and Oxygen)	Max: 4.0%	Max: 4.0%
Combined Carbon Dioxide and Nitrogen	Max: 4.0%	Max: 4.0%
Carbon Dioxide	Max: 3.0%	Max: 2.0%
Combined Nitrogen and Oxygen	Max: None	Max: 2.75%

³ *Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Company Tariffs* (Policy Statement), 115 FERC ¶ 61,325 (2006).

⁴ Report on Liquid Hydrocarbon Drop Out in Natural Gas Infrastructure (HDP Report) and Report on Natural Gas Interchangeability and Non-Combustion End Use (Interchangeability Report), respectively.

Specification	Texas Eastern's Tariff Limit	Texas Eastern's Proposed Tariff Limit
Oxygen	Max: 0.2%	Max: 0.1%
Sulfur	Max: 10 grains per 100 scf	Max: 5 grains per 100 scf
Ethanes and Heavier Hydrocarbons ("C2+")	Max: None	Max: 12.0%
Butanes and Heavier Hydrocarbons ("C4+")	Max: None	Max: 1.5%
Liquefiable Hydrocarbons	Max: None	Max: .032 gallons per thousand cubic feet

5. Texas Eastern states that it recognizes that the proposed requirements must be flexible and maximize potential supply while minimizing the economic effects to downstream end-users. Therefore, Texas Eastern states that it is proposing to grant a set of waivers that will permit it to receive a limited amount of non-standard gas without violating the proposed delivery gas quality standards.

6. First, Texas Eastern proposes a waiver of its proposed nitrogen and oxygen limit in certain circumstances in order for suppliers to use nitrogen injection to dilute regasified LNG to lower its Btu content and Wobbe Number. In order to accommodate gas from the recently expanded Dominion Cove Point LNG LP terminal and gas from LNG terminals recently completed or under construction in the Gulf of Mexico, Texas Eastern states that it is proposing to accept gas that exceeds the combined nitrogen and oxygen requirements if it determines that the commingling opportunities are sufficient so that gas deliveries will not exceed the combined limit in the markets downstream of the Eagle, Pennsylvania Compressor Station or the New Roads, Louisiana Facilities.

7. Second, Texas Eastern proposes a waiver for the phase-in of current production entering its system that meets the existing gas quality specifications but will not meet the proposed specifications. The phase-in will allow existing production that does not meet the new specifications to continue to enter Texas Eastern's system within certain parameters and under the condition that the gas meet the new specifications by the next delivery point. However, Texas Eastern states that this waiver will only apply to receipt facilities where gas was flowing onto Texas Eastern's system on or before May 1, 2009. In addition, Texas Eastern states that it has current waivers in place that will remain in effect. Texas Eastern states that it will continue to evaluate the existing waivers on its system and modify them as new circumstances arise.

8. Third, Texas Eastern proposes to grant a waiver of its proposed Btu, Wobbe Number and C2+ limitations on certain portions of its system in order to address the

development of the Marcellus Shale. Texas Eastern states that currently the quality of the gas from the Marcellus Shale is unknown. However, Texas Eastern continues, there may be a portion of the Marcellus Shale with a high C2+ content. Normally, Texas Eastern explains, the high C2+ content of gas from the Marcellus Shale would be removed through processing. However, Texas Eastern continues, the producers have expressed a desire for flexibility in processing ethane until a market for ethane develops in the region. In order to promote development of the Marcellus Shale, Texas Eastern proposes a five year waiver of its Btu, Wobbe Number and C2+ limits upstream of the Holbrook compressor station, provided that the gas will comingle and meet the proposed limits by the next delivery point. This waiver is referred to as the Holbrook Waiver.

9. Fourth, Texas Eastern proposes a general waiver provision in its tariff to accommodate future supplies of natural gas that may enter its system. The general waiver provision would allow Texas Eastern to grant waivers if there is an opportunity for the new gas to comingle sufficiently to meet Texas Eastern's specifications.

10. Texas Eastern proposes an effective date of November 2, 2009, for the filed tariff sheets.

Public Notice, Intervention and Comments

11. Notice of Texas Eastern's filing was issued on October 2, 2009. Interventions and protests were due on October 14, 2009 as provided in section 154.210 of the Commission's regulations, 18 C.F.R. § 154.210 (2009). Pursuant to Rule 214, 18 C.F.R. § 385.214 (2009), all timely-filed motions to intervene and any motions to intervene out-of-time before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties.

12. Protests or comments were filed by CNX Gas Company LLC (CNX), Consolidated Edison Company of New York and Philadelphia Gas Works (collectively ConEd), the National Grid Gas Delivery Companies (National Grid), The New England Local Distribution Companies (New England LDCs),⁵ Statoil Natural Gas LLC (Statoil), Noble Energy Inc. (Noble), Chesapeake Energy Corporation (Chesapeake), Columbia Gas Transmission LLC (Columbia), ConocoPhillips Company (ConocoPhillips), Devon Gas Services LP (Devon), Dominion Transmission Inc. and Dominion Cove Point LNG LP (collectively Dominion), EQT Production (EQT), Equitrans LP (Equitrans), Gulf

⁵ Bay State Gas Company, Connecticut Natural Gas Company, New England Gas Company, Northern Utilities, Inc., NSTAR Gas Company, The Southern Connecticut Gas Company, and Yankee Gas Services Company.

South Pipeline Company LP (Gulf South), Haynesville Shippers (Haynesville),⁶ Independent Oil & Gas Association of West Virginia (IOGA), PSEG Energy Resources & Trade LLC (PSEG), and Hess LNG (Hess).

13. On October 22, 2009, Texas Eastern filed a motion for leave to answer and answer to the protests. We will accept Texas Eastern's answer because it provides information that assisted us in our decision-making process.

14. National Grid, New England LDCs, and CNX filed comments in support of Texas Eastern's proposed gas quality standards. However, CNX stated that it supports the proposed tariff modifications as a package in their entirety; and if the Commission does not accept the revisions as such then it would oppose the limits on carbon dioxide and minimum Wobbe Number. The New England LDCs specifically support the proposed limits on combined nitrogen and oxygen, as well as the limit on C2+.

15. PSEG and ConEd filed comments voicing their concern about Texas Eastern's Liquefiable Hydrocarbon Standards. They are concerned that gas placed into storage during the summer may not be able to be withdrawn during the winter due to a liquefiable hydrocarbon problem. Both companies request that Texas Eastern change the proposed tariff so that storage withdrawals are the last transactions subject to liquefiable hydrocarbon limits when there is a liquefiable hydrocarbon problem.

16. Hess, Statoil, and Dominion filed protests against Texas Eastern's proposed nitrogen and oxygen standards as too restrictive. Hess contends that the proposed oxygen limit may prevent some supplies of LNG from entering the system. Hess recommends that the current limit for oxygen of 0.2 percent be maintained at least on some part of Texas Eastern's system. Statoil questions whether Texas Eastern has provided enough technical information about the nitrogen oxygen and carbon dioxide standards they are proposing, and objects to the new standards because they are too stringent. Statoil is also concerned that its firm transportation service on Dominion may be compromised by Texas Eastern's nitrogen limits. Dominion also protested the proposed nitrogen and oxygen standards because according to Dominion they are too restrictive and would interfere with storage and LNG supplies. Dominion recommends that the current standards be maintained. Columbia contends the proposed nitrogen limits may hamper its ability to blend gas supplies.

17. Noble, Devon, Haynesville, and Gulf South protested Texas Eastern's proposed carbon dioxide limits as too restrictive. Noble requests that the Commission require Texas Eastern to grant it waiver of the proposed carbon dioxide standards or, if a waiver

⁶ Southwest Energy, L.P., Common Resources, and Unit Petroleum.

is not granted, that the Commission reject the proposed carbon dioxide limit. Devon states that the proposed carbon dioxide standards are unnecessary because a historical 3 percent cap has resulted in gas supplies with less than 2 percent carbon dioxide content. Haynesville states that the proposed limits should not be approved because the collaborative process by which the standards were determined was not inclusive. Gulf South asserts that there is not enough technical evidence to support the proposed limits.

18. Columbia, IOGA and Dominion object to Texas Eastern's proposed C2+ receipt point limits as too restrictive. They contend that upstream pipelines currently receive gas supplies with a high C2+ content, and that Texas Eastern's receipt point C2+ standard would reduce flexibility on those systems. They also state that Texas Eastern had not provided sufficient information to justify its proposed C2+ limits. Dominion recommends that the Commission reject any limit below 14 percent. ConocoPhillips objects to the proposed C2+ delivery point standards because they may be too lax and have an adverse impact on its Bayway refinery.

19. Both EQT and Equitrans protest Texas Eastern's Holbrook Waiver applicable to the gas quality standards for gas from the Marcellus Shale. EQT and Equitrans contend that the waiver is too restrictive and discriminates against producers that are not granted the waiver. In addition, Equitrans and EQT are concerned that the waiver will not be included in Texas Eastern's tariff. EQT and Equitrans also contend that Texas Eastern has not provided enough technical and engineering data to justify the standards they have proposed.

20. Noble, Chesapeake, and Devon object to the proposed waiver for current production entering Texas Eastern's system that meets the existing gas quality specifications but will not meet the proposed specifications. Specifically, they object to the provision that grants waiver only to those producers who had gas flowing onto Texas Eastern's system on or before May 1, 2009. Noble states that it should be granted waiver regardless of the date that gas from its facilities was flowing onto Texas Eastern's system because it signed an agreement with the understanding that Texas Eastern's current standards would apply, and that the May 1, 2009 date is completely arbitrary. Noble requests that the Commission require Texas Eastern to grant Noble waiver of the proposed standards at the Harris Yates receipt point. Chesapeake requests that the Commission require Texas Eastern to grant waiver of the proposed receipt gas quality standards whenever comingling would permit meeting of the proposed delivery point standards. Chesapeake also contends that the May 1, 2009 limit should not apply to any shipper who can show it made investments prior to October 2, 2009 - the date of the filing. In addition, Chesapeake requests that the Commission require Texas Eastern to grant Chesapeake waiver at its Somerset Gas production point. Devon states that it objects to the May 1, 2009 date because the date is completely arbitrary and the phase-in volumes are too restrictive. Devon asserts that the waiver provisions should be strengthened to provide certainty that phase-in volumes will be accepted.

21. Devon, Columbia, ConocoPhillips, Equitrans, Noble, Statoil, Haynesville, and Dominion request that the Commission schedule a technical conference to further explore the issues discussed above. In addition, Columbia, Chesapeake, Equitrans, Noble, Statoil and Dominion request that the Commission suspend the tariff for the maximum period allowed under the law.

22. In its answer, Texas Eastern responds to the arguments made in the comments and protests. Generally, it notes that in absence of the proposed specifications, the composition of the supply expected to be delivered to its system in the future will change dramatically. It contends that the only issues raised in those filings are the specifications for ethanes and C2+, carbon dioxide, nitrogen and the exemptions and waivers related to the proposed specifications and thus those should be the only items set for discussion at a technical conference. It asserts that the proposed waivers and exceptions are intended to accommodate already flowing gas but that they are contingent on a certain amount of commingling. Texas Eastern states that implementation of the proposed specifications is essential to protect the interests of its system and downstream markets while maximizing supply that can enter the system. Texas Eastern also contends that the parties protesting the tariff specifications are essentially seeking to shift costs of new supplies that will be entering the system or to subsidize their own particular projects.

Discussion

23. The Commission has reviewed Texas Eastern's tariff filing, as well as the comments and protests, and finds that Texas Eastern's proposed gas quality and interchangeability standards raise a number of technical, engineering, and operational issues that are best addressed at a technical conference. At the technical conference, the Staff and parties will have an opportunity to further discuss Texas Eastern's justification and support for its proposed gas quality and interchangeability specifications.

24. Texas Eastern should be prepared to address all concerns raised by the parties in their comments and to provide additional technical, engineering, and operational support for its proposed gas quality and interchangeability specifications, as appropriate. Consistent with the Commission's Policy Statement, Texas Eastern should be prepared to explain how its proposal differs from the Interim Guidelines.⁷ Further, Texas Eastern should be prepared to identify and discuss any existing gas quality waivers on its system, including how long those waivers have been in place. In addition, any party proposing alternatives to Texas Eastern's proposals should also be prepared to support its position with adequate technical, engineering, and operational information. Further, based upon its analysis of the information provided in this proceeding, the Commission Staff may

⁷ Policy Statement at P 34 and 37.

issue data requests prior to the technical conference, and/or a notice of the technical conference containing questions that need to be addressed by Texas Eastern or other parties at the conference. Finally, the Commission Staff is directed to convene a technical conference to address the issues raised by Texas Eastern's filing and to report the results of the conference to the Commission within 120 days of the date this order issues.

Suspension

25. Based on a review of the filing, the Commission finds that the proposed tariff sheets have not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission will accept the tariff sheets for filing, and suspend their effectiveness for a maximum period to be effective April 1, 2010 or an earlier date set by subsequent Commission order, subject to the conditions in this order.

26. The Commission's policy regarding tariff filing suspensions is that such filings generally should be suspended for the maximum period permitted by statute where preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or that it may be inconsistent with other statutory standards. *See, Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension). It is recognized, however, that shorter suspensions may be warranted in circumstances where suspension for the maximum period may lead to harsh and inequitable results. *See, Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (minimum suspension). The Commission finds that such circumstances do not exist here. Therefore, the Commission will exercise its discretion and suspend the proposed tariff sheets for the maximum period and permit them to become effective April 1, 2010, subject to the outcome of the technical conference established herein and further orders of the Commission.

The Commission orders:

(A) The tariff sheets listed in the Appendix are accepted and suspended, to be effective April 1, 2010 or an earlier date set by subsequent Commission order, subject to the outcome of the technical conference established in this proceeding and further orders of the Commission.

(B) The Commission Staff is directed to convene a technical conference to address the issues raised by Texas Eastern's filing and to report the results of the conference to the Commission within 120 days of the date this order issues.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Appendix
Proposed Tariff Sheets, Accepted and Suspended, Effective April 1, 2010

Texas Eastern's FERC Gas Tariff, Seventh Revised Volume No. 1:

Seventh Revised Sheet No. 503
Fifth Revised Sheet No. 504
Original Sheet No. 504A
First Revised Sheet No. 570
First Revised Sheet No. 571
First Revised Sheet No. 572
Original Sheet No. 572A
Original Sheet No. 572B
Original Sheet No. 572C
Original Sheet No. 572D
Original Sheet No. 572E
First Revised Sheet No. 573
Original Sheet No. 573A
Original Sheet No. 573B
Original Sheet No. 573C
Original Sheet No. 573D

Texas Eastern's FERC Gas Tariff, First Revised Volume No. 2:

Second Revised Sheet No. 111
First Revised Sheet No. 208
First Revised Sheet No. 209
First Revised Sheet No. 224
First Revised Sheet No. 235
First Revised Sheet No. 248
First Revised Sheet No. 258
First Revised Sheet No. 259
Substitute First Revised Sheet No. 269
First Revised Sheet No. 275
First Revised Sheet No. 276
First Revised Sheet No. 286
First Revised Sheet No. 293
First Revised Sheet No. 304
First Revised Sheet No. 305
First Revised Sheet No. 310