135 FERC ¶ 61,001
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

April 1, 2011

In Reply Refer To:
Equitrans, L.P.
Docket No. RP11-1867-000

Equitrans, L.P.
EQT Corporation
625 Liberty Avenue, Suite 1700
Pittsburgh, PA 15222-3111

Attention: Thomas Yeh, Manager
Rates and Commercial Analysis

Reference: Revisions to Scheduling Priorities Provisions

Ladies and Gentlemen:

1. On March 2, 2011, Equitrans, L.P., (Equitrans) filed revised tariff records[1] to modify the scheduling and curtailment priority provisions set forth in section 6 of the General Terms and Conditions (GT&C) of its tariff. In general, Equitrans proposes to schedule and curtail interruptible transportation and storage services on an economic basis instead of the current first-come, first-served basis. Equitrans requests an April 2, 2011, effective date for its revised tariff records. As explained below, the Commission conditionally accepts Equitrans' revised tariff records to become effective April 2, 2011, subject to Equitrans filing revised tariff records, within 15 days of the date this order issues, setting forth the changes discussed below.

2. Equitrans' scheduling and curtailment provisions are set forth in section 6 of the GT&C of its tariff. Under its currently effective provisions, Equitrans provides the following priorities for the scheduling of services: (1) firm transportation and storage service at primary receipt and delivery points; (2) firm transportation and storage service for service at secondary receipt and delivery points; and (3) all interruptible services. Under its currently effective tariff, for the scheduling of interruptible transportation, storage, and park and loan service, Equitrans establishes a priority queue. A shipper's

[1] *See* Appendix.

position within the queue is based in part upon the date the shipper and Equitrans executed the agreement for the respective service. Shippers higher in the queue have their capacity scheduled before those lower in the queue. Equitrans curtails capacity based on the inverse of its scheduling priorities.

3. Equitrans contends that maintaining the queue for the scheduling and curtailing of service is administratively cumbersome and no longer consistent with Commission policy. Equitrans instead proposes to schedule interruptible services based on the economic value of the service. Equitrans asserts this methodology would ensure that the capacity is awarded to shippers that value it the most. To implement its proposal, Equitrans proposes to incorporate the following four scheduling priority tiers into section 6.8(5) of its GT&C:

> (a) First, among firm transportation (NOFT, FTS, and STS-1) and storage service (SS-3, 115SS, and 60SS) Customers nominating service at primary receipt and/or delivery points, up to contractual quantities specified for such point;
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> (b) Second, among firm transportation and storage service Customers nominating service at secondary receipt and/or delivery points;
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> (c) Third, among interruptible transportation service customers, including authorized overrun for firm transportation (NOFT, FTS and STS-1) and interruptible storage service Customers, including firm storage overrun (SS-3, 115SS and 60SS) and lending and parking (LPS) nominating service at receipt and delivery points based on economic value to Equitrans, with the nomination generating the highest economic value to Equitrans given the highest priority; and
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> (d) Last, among interruptible and firm service Customers scheduling excess receipts or deliveries for the purpose of resolving a prior imbalance in scheduled receipts or deliveries.

4. Equitrans proposes conforming revisions to other sections of its GT&C, as well as to Rate Schedules FTS, 115SS, 60SS, INSS, SS-3, STS-1, and LPS. Equitrans also proposes changes to its curtailment provisions set forth in section 6.9 of its GT&C, proposing to use the same priority criteria to implement curtailments, only in the inverse order of its scheduling.

5. Public notice of Equitrans' filing was issued on March 7, 2011. Interventions and protests were due as provided in section 154.210 of the Commission's regulations.[2]

[2] 18 C.F.R. § 154.210 (2010).

Pursuant to Rule 214,[3] all timely filed motions to intervene and any unopposed motion to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. Hess Corporation (Hess), the National Grid Gas Delivery Companies (National Grid), and Philadelphia Gas Works (PGW) filed protests. Independent Oil and Gas Association of West Virginia, Inc. (IOGA) filed adverse comments. Equitrans filed an answer to the protests and comments. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure[4] prohibits answers to protests unless otherwise permitted by the decisional authority. We accept Equitrans' answer to the protests and comments because it has clarified certain elements of its proposal and assisted in our decision-making.

6. We conditionally accept Equitrans' proposal to schedule and curtail interruptible transportation and storage services on an economic basis instead of the current first-come, first-served basis. The Commission routinely accepts tariff proposals by pipelines to schedule and curtail interruptible service based on economic value.[5] This acceptance, however, is subject to Equitrans filing revised tariff records, within 15 days of the date this order issues, making the tariff changes discussed below.

7. PGW identifies an inconsistency in Equitrans' proposal. Under proposed section 6.8(5)(a) of Equitrans' GT&C, Equitrans would give first tier priority to "firm transportation (NOFT, FTS and STS-1) and storage service (SS-3, 115SS and 60SS) Customers nominating at primary receipt and/or delivery points, up to contractual quantities specified for such points." Under proposed section 6.8(5)(b) of Equitrans' GT&C, Equitrans would give second tier priority to "firm transportation and storage service Customers nominating service at secondary receipt and/or delivery points." According to PGW, a shipper nominating from a secondary receipt point to a primary delivery point would be entitled to the first tier priority under section 6.8(5)(a), but would also fall under the second tier priority set forth in section 6.8(5)(b).

8. In its answer, Equitrans suggests certain modifications to its original proposal to resolve the inconsistency that PGW identifies. First, Equitrans proposes to modify its first tier priority level to include firm transportation and storage service where receipt *and* delivery points are primary points. Equitrans proposes to add the following provision as a new second tier priority level:

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[3] 18 C.F.R. § 385.214 (2010).

[4] 18 C.F.R. § 385.213(a)(2) (2010).

[5] For instance, the Commission recently accepted a similar proposal in *Great Lakes Gas Transmission L.P.*, 134 FERC ¶ 61,148 (2011).

> Second, among firm transportation and storage service Customers, where there are constraints affecting receipt points (whether directly at a receipt point or at a pipeline section through which the gas flows), primary receipt nominations will have higher priority than secondary receipt nominations, and where there are constraints affecting delivery points (whether directly at a delivery point or from a pipeline section through which the gas flows), primary delivery nominations will have higher priority than secondary delivery nominations.

Equitrans proposes to make the third tier priority level to include firm transportation and storage service where receipt *and* delivery points are secondary points. In its modified proposal, Equitrans also proposes minor conforming changes to its other originally proposed tiers. We accept the proposed modifications set forth in Equitrans' answer. These modifications would resolve the inconsistency noted by PGW and would also clarify certain other elements of Equitrans' proposal. Accordingly, we direct Equitrans to file revised tariff records, within 15 days of the date this order issues, setting forth these revisions.

9. Parties express concerns over how Equitrans defines "economic value" in its scheduling and curtailing provisions. Hess asserts that Equitrans' tariff fails to define or establish objective criteria for determining the highest and lowest economic value to Equitrans, and asks that the Commission require Equitrans to define this value for all parties to review. National Grid expresses concerns that, under Equitrans' proposal, a larger shipper paying a lower interruptible rate could obtain favorable scheduling or curtailment priority from Equitrans because it is providing the pipeline with a greater "economic value," despite its rate being less than other shippers. National Grid asserts it would not object to criteria where higher priority is given to shippers paying a higher rate. National Grid continues, however, that to the extent shippers paying the highest rate must receive an allocation, such allocation should continue to be based on existing queue in which service priority is determine based on the date on which the service agreement was executed. It adds that continuation of the "first-come, first-served" policy would be consistent with Commission decisions allowing the pipeline to allocate IT capacity based on price in the first instance and in an appropriately non-discriminatory manner to break a tie.[6]

[6] National Grid cites *Transcontinental Gas Pipe Line Corp.*, 63 FERC ¶ 61,194 (1993) where the Commission approved continuation of a price-based allocation methodology in which the queue is used as a tiebreaker among shippers paying the same rate.

10. In its answer, Equitrans clarifies that it will determine the "highest economic value" for interruptible service based on the rate the shipper pays.[7] Equitrans adds that, among shippers paying the same rate, it will schedule on a *pro rata* basis. Equitrans states that the *pro rata* methodology for breaking ties among interruptible shippers paying the same rate is an objective, non-discriminatory method of allocating capacity and is consistent with Commission policy.[8] Equitrans also clarifies in its answer that it will not favor high volume shippers over small volume shippers, but will determine the highest economic value of interruptible transportation service based solely on rate and without consideration to volumes. We accept Equitrans' explanation and direct Equitrans to file revised tariff records, within 15 days of the date this order issues, clarifying in its tariff how it would determine the highest economic value for shippers.

11. Hess also expresses concerns regarding how Equitrans handles authorized overrun service under its proposal. Hess explains that, under Equitrans' proposal, authorized overrun service would be scheduled and curtailed at an equal priority as other interruptible services under tier four. However, Hess contends that Equitrans' objective criteria for determining the scheduling priority for individual interruptible services, including authorized overrun service, should give weight to the totality of the service and include the charges under the accompanying FTS service agreement. IOGA asserts that authorized overrun service should be evaluated on a stand-alone, commodity rate basis without accounting for the underlying FTS service agreement.

12. In its answer, Equitrans states that the Commission should reject Hess' argument that the determination of highest economic value for authorized overrun service should also account for the value of the services and charges under the associated FTS service agreement. According to Equitrans, under its tariff, shippers must request authorized overrun service and pay a separate rate for it.[9] Therefore, it contends that scheduling authorized overrun service based on a rate the shipper agrees to pay for that particular service is just and reasonable, and ensures that all shippers receiving like services are treated equally. We agree, and find that Equitrans' proposal to evaluate its authorized overrun service on a stand-alone, commodity rate basis is just and reasonable.

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[7] Section 6.8(5) of the proposed GT&C further clarifies that shippers paying a Negotiated Rate that exceeds the Recourse Rate shall be considered Recourse Rate shippers for the purposes of scheduling and curtailing.

[8] Equitrans cites *Northern Natural Gas Co*., 62 FERC ¶ 61,075, at 61,415 (1993); *Colorado Interstate Gas Co*., 68 FERC ¶ 61,295, at 62,235 (1994); *Natural Gas Pipeline Co. of America*, 63 FERC ¶ 61,105, at 61,699 (1993).

[9] Equitrans' authorized overrun service rate is a daily 100-percent load factor rate based on Equitrans' Rate Schedule FTS rate.

13. IOGA expresses concerns that Equitrans may use the new scheduling and curtailment methodology to favor its affiliates' gas over gas owned by other shippers. IOGA also asks that Equitrans clarify in section 6.8 of its GT&C that under the proposal it would schedule and curtail transportation and storage services separately for purposes of determining economic value. In its answer, Equitrans asserts that it cannot favor affiliates in the scheduling and curtailing of service since all shippers operate under the same tariff procedures for service. Equitrans also clarifies that it will schedule and curtail transportation and storage services separately. We accept Equitrans' explanations.

14. IOGA expresses concern that shippers on Equitrans' Sunrise Project would receive higher scheduling priority under Equitrans' proposal since, IOGA asserts, they pay both the Sunrise incremental rate and the mainline rate. In its answer, Equitrans clarifies that interruptible shippers on the Sunrise Project do not pay the two rates; they pay one interruptible transportation rate, and it is the same system-wide interruptible rate that all shippers pay across its entire system. Thus, Equitrans states that there is no basis for IOGA's concern that interruptible shippers on the Sunrise Project would have a higher scheduling priority than other interruptible shippers on Equitrans' system. We accept Equitrans' clarification that interruptible shippers on the Sunrise Project pay only the system-wide interruptible rate.

15. IOGA and PGW also request that the Commission suspend Equitrans' proposal for five months to ensure that Equitrans is able to modify its software and computer systems to accommodate the proposed changes and to educate its shippers regarding the new tariff provisions. Because we find Equitrans' proposal, as modified, to be just and reasonable and not unduly discriminatory, we find no basis for suspending the tariff records and accept the revised tariff records, to be effective April 2, 2011, subject to the conditions discussed above.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Appendix

Equitrans, L.P.
Equitrans Tariff
FERC NGA Gas Tariff
<u>Tariff Records Accepted Subject to Conditions Effective April 2, 2011</u>

Section 5.2, Rate Schedule FTS, 4.0.0
Section 5.4, Rate Schedule 115SS, 1.0.0
Section 5.5, Rate Schedule 60SS, 2.0.0
Section 5.6, Rate Schedule INSS, 2.0.0
Section 5.7, Rate Schedule SS-3, 1.0.0
Section 5.8, Rate Schedule STS-1, 1.0.0
Section 5.10, Rate Schedule LPS, 2.0.0
Section 6.6, Procedures for Requesting and Contracting for Service, 1.0.0
Section 6.7, Flexible Receipt and Delivery Points, 2.0.0
Section 6.8, Scheduling of Services, 1.0.0
Section 6.9, Curtailment of Service, 1.0.0