

135 FERC ¶ 61,098  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;  
Marc Spitzer, Philip D. Moeller,  
John R. Norris, and Cheryl A. LaFleur.

Tennessee Gas Pipeline Company

Docket No. RP11-1942-000

ORDER ACCEPTING AND SUSPENDING TARIFF RECORDS AND  
ESTABLISHING HEARING AND SETTLEMENT JUDGE PROCEDURES

(Issued April 29, 2011)

1. On March 31, 2011, Tennessee Gas Pipeline Company (Tennessee) filed revised gas quality and interchangeability standards, proposing to adopt certain safe harbor provisions, revise and increase the number of posted monitoring points, and revise its transportation of liquids provisions.<sup>1</sup> Tennessee states that it entered into a collaborative process to derive these standards and proposed changes. Tennessee requests a May 1, 2011 effective date. As discussed below, the Commission will accept and suspend the proposed tariff sheets effective October 21, 2011, subject to the outcome of settlement judge and evidentiary hearing procedures.

**Proposal**

2. Tennessee is proposing to adopt safe harbor ranges and limits for gas delivered to Tennessee at receipt points for specifications for heating value, Wobbe Number, C2+, C4+, combined carbon dioxide, nitrogen and oxygen, and an individual safe harbor for carbon dioxide. The safe harbor provisions provide that Tennessee shall not refuse to accept gas that falls within the specified safe harbor range or below a specified limit. Tennessee is also proposing to adopt hard limits on combined carbon dioxide and nitrogen, sulfur, hydrogen sulfide, and oxygen. Tennessee's proposed gas quality and interchangeability specifications are summarized below:

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<sup>1</sup> The proposed tariff records are shown on the Appendix.

<b>Specification</b>	<b>Receipt Point</b>	<b>Delivery Point</b>
Heating Value	Safe Harbor = 967 – 1110 Btu	Minimum = 967 Btu Maximum = 1110 Btu
Wobbe Number	Safe Harbor = 1314 – 1400	Minimum = 1314 Maximum = 1400
Non□Methane Hydrocarbons - C2+ (Ethane)	Safe Harbor = 12% or less	Not more than 12%
Heavier Hydrocarbons - C4+	Safe Harbor = 1.5% or less	Not more than 1.5%
Diluents	Safe Harbor = less than 4%, combined CO <sub>2</sub> , N and O CO <sub>2</sub> does not exceed 3 % O <sub>2</sub> does not exceed 0.2% N and O <sub>2</sub> combined does not exceed 2.75%	Not more than 4 % combined CO <sub>2</sub> , N and O CO <sub>2</sub> does not exceed 2% N and O <sub>2</sub> combined does not exceed 2.75%
Carbon Dioxide (CO <sub>2</sub> )	Safe Harbor = 2% or less CO <sub>2</sub> not more than 3%	Not more than 2%
CO <sub>2</sub> and Nitrogen (N) combined	CO <sub>2</sub> and N combined not more than 4% CO <sub>2</sub> shall not exceed 3%	
Oxygen (O <sub>2</sub> )	O <sub>2</sub> not more than 0.2%	O <sub>2</sub> not more than 0.2%
Sulfur (S) and Hydrogen Sulfide (H <sub>2</sub> S)	S not more than 10 grains per 100 cubic feet (cf) H <sub>2</sub> S not more than .25 grain per 100 cf	S not more than 10 grains per 100 cf, H <sub>2</sub> S not more than .25 grain per 100 cf
Water (H <sub>2</sub> O) Vapor	H <sub>2</sub> O not more than 7 pounds per MMcf	H <sub>2</sub> O not more than 7 pounds per MMcf
Biological Agents	Shall not contain, either in the gas or in any liquids with the gas, any microbiological organism, pathogen, active bacteria or bacterial agent	

3. Tennessee is also proposing to include language further delineating the term “microbiological organisms” and setting forth industry-standard procedures that will be used to test for bacteria or bacterial agents. Tennessee also proposes to modify section 2 of the General Terms and Conditions (GT&C) of its tariff, which addresses the failure to conform to tariff specifications against objectionable matter. Tennessee proposes to remove the words “objectionable matter” from the heading, as the provisions in this section are not limited to objectionable matter. Tennessee also proposes to re-designate section 2 as section 4 and make certain changes to this section to clarify the rights of shippers with regard to any failure of Tennessee to remedy any deficiency in gas that

does not conform to delivery specifications. Tennessee states that proposed section 4(a) adds language to give Tennessee an opportunity to correct any failure to conform to a delivery specification before a shipper may take actions to bring the gas into conformance with applicable delivery point specifications, and seek reimbursement from Tennessee for those costs. Tennessee states that in proposed section 4(b), it is proposing clarifications to provisions regarding a shipper's right to request that Tennessee deliver gas that does not meet a delivery point specification. Specifically, Tennessee states that it is proposing to clarify that a shipper may agree to indemnify, defend and hold harmless Tennessee from any damages to other downstream parties' facilities, in addition to the shipper's facilities. Tennessee is also proposing to delete the current language limiting a shipper's right to request delivery of non-conforming gas at points in the supply area. Tennessee states that this provision was designed to accommodate producers who use gas for gas lift in enhanced oil recovery operations (EOR) where the characteristics and composition of the gas are not important. Tennessee states that it is proposing to delete the supply area limitation, even though Tennessee has only received requests pursuant to this section from producers using gas in EOR operations. Tennessee notes that proposed section 4(c) continues to obligate Tennessee to deliver gas that satisfies the delivery point specifications proposed in section 3 in all other circumstances.

4. In order to help manage its ability to accept gas outside of the safe harbor specifications, and at the same time satisfy the proposed delivery point specifications in section 3, Tennessee states that it is proposing to adopt, in section 5(o), Posting Procedures under which it may post additional limits on heating value, Wobbe Number, carbon dioxide, nitrogen, C2+ or C4+. Tennessee further states that in no event shall these limits exceed the limits established in the safe harbor specifications provided for in section 5. Tennessee is proposing to post on Passkey<sup>2</sup> limits on the specifications applicable to certain Interchangeability Segments, where such limits are necessary to prevent an Interchangeability Problem, correct an actual Interchangeability Problem, or to assure that Tennessee will be able to meet the delivery point specifications of section 3. Tennessee is also proposing to include a definition of the term Interchangeability Problem in Article I of the GT&C of its tariff. Tennessee states that according to the proposed Posting Procedures it would determine the maximum limit for the applicable specification that it could accept and still meet delivery specifications and post the limit, which limit shall be no lower than the applicable safe harbor, on Passkey. If gas delivered to Tennessee does not comply with the posted limit, Tennessee may refuse to accept the gas, or may restrict receipts that do not comply with the posted limit volumetrically on a *pro rata* basis as necessary to achieve a blended stream that will allow Tennessee to meet its delivery specifications. Tennessee states that volumes would remain restricted until such time as Tennessee can meet its delivery specifications

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<sup>2</sup> "Passkey" is Tennessee's computer information and scheduling system accessed through Tennessee's interactive Internet website or through Electronic Data Interchange. See GT&C of Tennessee's tariff, section I.(27).

without the posted limit. Tennessee states that the posted limits shall apply to the specified Interchangeability Segment(s) where the delivery point specification cannot be met, and to any immediately upstream Interchangeability Segment(s) to the extent Tennessee deems it necessary to meet the delivery point specification. Tennessee states that it will provide as much notice as reasonably practicable of a limitation in an Interchangeability Segment and will attempt to provide such notice at least 10 days prior to the effective date of the limit. Tennessee may post limits in contiguous upstream Interchangeability Segments to the extent such limits are operationally necessary.

5. Tennessee is also proposing to add several Monitoring Points to its currently effective tariff list, which will be used to establish both HDP Segments and Interchangeability Segments. For receipts into Tennessee from storage, Tennessee states that it will not apply the heating value, Wobbe Number, carbon dioxide, nitrogen, C2+ or C4+ limits proposed in section 5. Tennessee states that it is adding this provision to address concerns raised during the collaborative process about customer's ability to control the quality and interchangeability specifications of gas entering the Tennessee system from storage.

6. Tennessee states that it is proposing to revise c section 12 of the GT&C of its tariff relating to Plant Thermal Reduction (PTR) and the transportation of liquefiable hydrocarbons on Tennessee. Tennessee states that its proposed modification clarifies that any shipper transporting PTR shall be required to enter into a PTR Transportation Agreement with Tennessee and that any shipper transporting PTR make-up volumes shall be required to enter into a Transportation Contract with Tennessee under Rate Schedule IT.

7. Tennessee states that in developing its gas quality and interchangeability tariff proposal, it adhered to the Commission's guidance in the *Policy Statement*.<sup>3</sup> As a result of extensive negotiations, Tennessee believes that its proposal is either supported or not opposed by nearly all of the participants in the collaborative process.

### **Protests and Comments**

8. Public notice of the filing was issued on April 1, 2011. Interventions and protests were due on or before April 12, 2011. Pursuant to Rule 214 (18 C.F.R. § 385.214 (2010)), 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.

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<sup>3</sup>*Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Company Tariffs*, 115 FERC ¶ 61,325, at P 2 (2006) (*Policy Statement*).

9. The Tennessee Customer Group (TGC)<sup>4</sup>; Indicated Shippers,<sup>5</sup> Louisville Gas and Electric Company (Louisville), NextEra Energy Resources LLC (NextEra), Consolidated Edison of NY and Orange and Rockland Utilities (together Con Edison), and Calpine Corporation (Calpine) filed protests or comments to Tennessee's filing. Superior Natural Gas Corporation, Tana Exploration Company, LLC and Walter Oil & Gas Corporation filed joint comments.

10. On April 22, 2011, Tennessee filed a motion for leave to answer and answer to the comments and protests (Tennessee Answer). Rule 213(a)(2) of the Commission's Rules of Practice and Procedure<sup>6</sup> prohibits answers to protests or answers unless otherwise permitted by the decisional authority. We will accept Tennessee's answer because it helps clarify the matters under discussion and assisted us in our decision making process.

11. Several parties support Tennessee's proposals. Statoil Natural Gas LLC (Statoil) supports Tennessee's proposed changes, particularly the modifications to section 5(o)(i) of the GT&C of Tennessee's tariff. Statoil notes that the provision will provide added certainty to producers while still protecting the stated needs of utilities and end-users on Tennessee's system. In addition, Statoil states that Tennessee's proposal to post information related to specification limits from an expanded list of monitoring points is beneficial and will provide additional certainty and transparency for all shippers. Chesapeake Energy Marketing, Inc. (Chesapeake) also supports proposed section 5(o)(i) because it enables producers to develop significant new volumes of nontraditional, onshore supplies like the Marcellus Shale. Chesapeake also commends Tennessee for its efforts to strike a reasonable balance among the many competing interests.

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<sup>4</sup> The Tennessee Customer Group (TCG) includes the following entities: CenterPoint Energy; City of Clarksville Gas and Water Department, City of Clarksville; City of Corinth Public Utilities Commission; Delta Natural Gas Company, Inc.; Greater Dickson Gas Authority; Hardeman Fayette Utility District; Henderson Utility Department; Holly Springs Utility Department; Humphreys County Utility District; Town of Linden; Morehead Utility Plant Board; Portland Natural Gas System, City of Portland; Savannah Utilities; Springfield Gas System, City of Springfield; City of Waynesboro; and West Tennessee Public Utility District.

<sup>5</sup> The Indicated Shippers are Apache Corporation; BP Energy Company; BP America Production Company; Chevron U.S.A. Inc.; ConocoPhillips Company; ExxonMobil Gas & Power Marketing Company, a division of Exxon Mobil Corporation; Noble Energy, Inc.; and Shell Offshore Inc.

<sup>6</sup> 18 C.F.R. § 385.213(a)(2)(2010).

12. National Grid<sup>7</sup> commends Tennessee for the collaborative process that resulted in its gas quality filing. Further, National Grid states that Tennessee's filing is based on sound technical, engineering, and scientific considerations and is consistent with the Commission's gas quality policy statement. Specifically, National Grid supports Tennessee's use of safe harbor provisions and delivery point specifications. Lastly, National Grid either supports or does not oppose each of Tennessee's proposed gas quality specifications.

13. As noted, several parties protested Tennessee's filing and/or asked for clarifications. The TGC states that proposed Article II, section 5 of the GT&C, which sets forth the safe harbor standards, provides that Tennessee "shall not refuse to accept" gas that meets five separate safe harbor standards. TCG contends this language would permit gas that fails to meet other Tennessee gas specifications to be accepted. TCG recommends that Tennessee include language that says "provided the gas meets all other gas quality specifications" to close this omission. Tennessee answers that there is nothing in its proposal or existing tariff that would require Tennessee to accept gas that conforms to only one safe harbor limitation.<sup>8</sup>

14. Superior Natural Gas Corporation, Tana Exploration Company, LLC and Walter Oil & Gas Corporation, jointly contend that the tariff should clearly state that gas that meets Tennessee's quality specifications prior to commingling at a point upstream of its delivery to Tennessee does not have to be processed if the comingled gas is out of specification. Tennessee states in its Answer that the producers' proposal regarding processing is not necessary because nothing in Tennessee's tariff requires processing in order for gas to enter Tennessee's system. Tennessee states that imposing any obligation to evaluate gas characteristics upstream of receipt meters would not be just and reasonable.<sup>9</sup>

15. Louisville Gas and Electric Company (Louisville) protests Tennessee's proposal to expand the "Requesting Shipper" provision beyond supply areas. Louisville relates that in 2004 Tennessee sought to modify its tariff to allow a customer, at a production meter, to hold Tennessee harmless from any damages relating to Tennessee's delivery of

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<sup>7</sup> The Brooklyn Union Gas Company d/b/a National Grid NY; KeySpan Gas East Corporation d/b/a National Grid; Boston Gas Company and Colonial Gas Company, collectively d/b/a National Grid; EnergyNorth Natural Gas, Inc., d/b/a National Grid NH; Niagara Mohawk Power Corporation d/b/a National Grid; and The Narragansett Electric Company d/b/a National Grid, all subsidiaries of National Grid USA, Inc. (collectively National Grid).

<sup>8</sup> Tennessee Answer at 29.

<sup>9</sup> *Id.* at 24.

natural gas that does not conform to the gas quality specifications of its tariff.<sup>10</sup> Louisville states that Tennessee's proposal was controversial at the time, as some shippers were concerned that the provision could be applied beyond the supply area. Tennessee agreed to modify the tariff language to clarify such requests would be limited to the production meters, and the Commission accepted the "Requesting Shipper" provision with the supply area qualification.<sup>11</sup> Louisville complains that Tennessee now inexplicably proposes to remove the very supply area limitation that Louisville contends is the "lynchpin" of the Commission's prior acceptance of the provision.<sup>12</sup>

16. Louisville asserts that there is no justification for the Requesting Shipper provisions to apply to Tennessee's entire system. Louisville states that Tennessee's original justification for the provision, addressing unprocessed gas upstream of processing facilities, does not apply in the market area. Louisville also notes that gas quality at delivery meters in the market area is Tennessee's responsibility and the pipeline should not be allowed to shift that responsibility to local distribution companies (LDC). Louisville claims that the presence of non-conforming gas at a delivery point in the market area would be Tennessee's fault for failure to tender gas at a customer delivery meter that meets Tennessee's gas quality delivery standards. Louisville states that one remedy available to the customer in that situation, to refuse to accept the delivery of the non-conforming gas, is impractical because it would result in loss of service to the LDC's customers. Thus, Louisville concludes, the removal of the supply area limitation could leave market area customers with the patently unfair choice of waiving their rights to insist that Tennessee meet its delivery point standards or indemnifying Tennessee.

17. In its Answer, Tennessee states that the change in language of the "Requesting Shipper" provision is designed to enhance Tennessee's ability to serve producers in new production regions and maximize supply available on its system. Further, Tennessee states that LG&E's concerns regarding acceptance of non-conforming gas are adequately addressed by the provision because a shipper must affirmatively request to receive non-conforming gas, and in the absence of such a request, the receipt point specifications of section 3 of the GT&C of its tariff apply. Tennessee states that it has no tariff authority to force a shipper to become a "Requesting Shipper" and accept non-conforming gas.<sup>13</sup>

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<sup>10</sup> *Citing Tennessee Gas Pipeline Co.*, 108 FERC ¶ 61,097, at P 1 (2004).

<sup>11</sup> *Citing Tennessee Gas Pipe Line Co.*, Docket No. RP04-349-001 (unpublished delegated letter order issued December 16, 2004).

<sup>12</sup> Louisville Protest at 5.

<sup>13</sup> Tennessee Answer at 13.

18. NextEra Energy Resources LLC (NextEra) questions whether Tennessee's proposed tariff language would even permit the shipper to reject the gas. Second, NextEra states that if the shipper elects to have Tennessee correct the gas, then Tennessee needs to expressly state how long Tennessee has to make this correction. Finally, NextEra notes that Tennessee proposes in section II. 4(a) that it "may" reimburse the shipper for any reasonable expenses incurred to bring the gas into conformity with Tennessee's tariff specifications. NextEra argues that Tennessee must change the language in that provision from "may" to "will." Consolidated Edison of NY and Orange and Rockland Utilities (together Con Edison) also contends that section II. 4(a) should be modified to provide that Tennessee "will," instead of "may," reimburse shippers in such circumstances. Con Edison also objects to the modification of the Requesting Shipper provision, contending that it: (1) subjects downstream customers to nonconforming gas; (2) provides no notification to downstream customers; (3) does not permit additional liability for other damages beyond facility damage; and (4) provides Tennessee too much discretion in deciding when to grant or deny such requests.

19. Tennessee states that the provision requiring Tennessee to "promptly" correct deficiencies and stating that Tennessee "may" reimburse reasonable expenses is part of Tennessee's currently effective tariff, and therefore, the protesters have the burden to show that it is unjust and unreasonable. Tennessee states that the NextEra has not offered any evidence to show where the "promptly" language has been controversial. Tennessee also claims that because interchangeability deficiencies are impossible to predict, it is impractical to impose a specific time period. Tennessee states that NextEra has not offered any evidence that the "may reimburse" language has been interpreted to the detriment of any shipper. Tennessee further notes that use of the term "may" does not give Tennessee authority to refuse to reimburse a shipper for no reason and that it is intended to protect Tennessee's right to evaluate a shipper's expenses to ensure they are reasonable.

20. Con Edison contends that Tennessee's proposed gas specification for sulfur (10 grains per 100 cubic feet) is too high and not supported by historical evidence. Con Edison contends that the historic level is no greater than 5 grains per 100 cubic feet, and that Tennessee could blend higher sources of gas with higher levels of sulfur to get to a delivery specification of 5 grains per 100 cubic feet. PSEG Energy Resources and Trade LLC (PSEG) agrees with Con Edison that the limit on sulfur should be 5 grains per 100 cubic feet, as that limit falls within Tennessee's historical values. PSEG believes that Tennessee's reliance on only other pipelines' limits is inadequate to support its proposal.

21. In response to PSE&G's and Con Ed's arguments regarding the proposed 10 grains per 100 cubic feet sulfur limit, Tennessee states that its proposal is just and reasonable and strikes the best balance between accommodating end user concerns and

maximizing supplies to its system.<sup>14</sup> Tennessee asserts that though the tariff would allow it to accept gas with up to 10 grains of sulfur, its historic operating data indicates that typically sulfur has been below 5 grains and Tennessee expects a downward trend to continue.<sup>15</sup> Tennessee also notes that a 10 grain sulfur limit is appropriate because the interconnecting pipelines from which Tennessee receives significant supplies have 20 grain sulfur limits, as does Tennessee's existing tariff.<sup>16</sup> Tennessee states that it expects it will be able to blend gas with this higher sulfur content gas to meet a 10 grain limit but that it would be very difficult to meet a much lower 5 grain limit. Tennessee claims that its proposal on the sulfur limit is just and reasonable and thus the Commission should approve it even if other alternative proposals are just and reasonable.<sup>17</sup>

22. Con Edison also requests clarification of proposed section II.3(a) of the GT&C, which sets forth proposed maximum and minimum heating values. Con Edison requests clarification as to whether the provision adds or subtracts from a shipper's rejection of gas rights provided in section II.4(a) of the GT&C, or if the provision is redundant. Con Edison is also concerned as to whether and if rejection is based on "average" daily heating value, which might effectively nullify the minimum or maximum heating value standard, or the heating value at any point time.

23. Con Edison, PSEG, the Indicated Shippers<sup>18</sup> and Calpine Corporation (Calpine) all contend that Tennessee should be required to post at least all available gas quality data.<sup>19</sup>

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<sup>14</sup> *Id.* at 15.

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*, at 16.

<sup>17</sup> *Id.* (citing *Columbia Gas Transmission LLC*, 131 FERC ¶61,193 at P 21 (2010) (citations omitted).

<sup>18</sup> The Indicated Shippers are Apache Corporation; BP Energy Company; BP America Production Company; Chevron U.S.A. Inc.; ConocoPhillips Company; ExxonMobil Gas & Power Marketing Company, a division of Exxon Mobil Corporation; Noble Energy, Inc.; and Shell Offshore Inc.

<sup>19</sup> Con Edison cites to the North American Energy Standards Board Business Practice Standard 4.3.90, which provides in part:

For purposes of this standard, "readily available" is that data which is currently available in electronic format or would be available electronically with minor enhancement(s) to existing data collection, processing and reporting capability.

In response to comments regarding Tennessee's informational postings, Tennessee states that it is fully compliant with NAESB standards regarding the availability of gas quality data. Additionally, Tennessee states it will post gas quality data on a daily basis gathered at each of the 29 monitoring points listed in its tariff. Further, Tennessee notes that it is currently evaluating its ability to post gas quality information on a more regular basis. Lastly, Tennessee states that it is willing to work with customers to ensure the shipper has gas quality information necessary to manage its system.<sup>20</sup>

24. NextEra takes issue with proposed section 3(l) of the GT&C of Tennessee's tariff, which provides, "Transporter's obligation hereunder shall in no way require Transporter to deliver gas to Shipper at anything other than at the prevailing pressure and temperature in Transporter's pipeline." NextEra notes that Tennessee's existing transportation service agreements already contain a section addressing delivery pressures, and NextEra is concerned the proposed language could create contractual conflicts.

25. Tennessee notes that because NextEra is proposing to eliminate existing tariff language, NextEra has the burden to show that the existing language is unjust and unreasonable and that its proposal is just an reasonable. Tennessee states that the purpose of the language regarding delivery temperature and pressure is, and has always been, to not hold the pipeline responsible for mitigating sublimation of sulfur or hydrocarbon fallout, and that no change in the currently effective language is needed because it does not conflict with other provisions of the tariff or with any provision in individual service agreements.<sup>21</sup>

26. Calpine complains that Tennessee's proposed gas quality standards do not address technical requirements of Calpine's gas turbines. Calpine contends that its gas turbines are designed for a tolerance of 2 percent plus or minus for Wobbe and rate of change less than 2 percent/minute. Calpine states that it is working with Tennessee on obtaining real time data.

27. In response to Calpine's request for a more restrictive Wobbe limit, Tennessee avers that its proposed Wobbe limit is more restrictive than the range recommended by Interchangeability White Paper, is appropriate for its system, and maximizes supply and accommodates end user concerns

28. PSEG also opposes Tennessee's proposal to keep the oxygen level at 0.2 percent. PSEG believes that Tennessee should adopt 0.1 percent limit because other pipelines have done so. Tennessee states that because it is not proposing to change the oxygen

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<sup>20</sup> Tennessee Answer at 27-29.

<sup>21</sup> *Id.* at 23.

specification it is under no obligation to support the current limit. Tennessee notes that PSEG did not attempt to show that the current limit is unjust and unreasonable.

29. Indicated Shippers commend Tennessee for its efforts in putting together a resolution that, to a large degree, meets the requirements of all stakeholders. The Indicated Shippers state that Tennessee's overall approach was constructive and resolved a number of issues. The Indicated Shippers state that they support Tennessee's need to alter its gas quality specifications due to changing supplies on its system but object to Tennessee's proposal with regard to receipt point carbon dioxide limits. The Indicated Shippers suggest that Tennessee's proposal for a 2 percent carbon dioxide safe harbor limit and 3 percent hard limit is the result of a "lowest common denominator approach, and is unclear with respect to how the two will operate together and when the delivery point carbon dioxide gas specifications will be taken into account. The Indicated Shippers assert that Tennessee needs to provide more evidence to justify the receipt point carbon dioxide limits. In addition, the Indicated Shippers believe that Tennessee did not support its proposed gas quality "storage exemption." The Indicated Shippers are concerned that some supplies would be shut in to accommodate non-conforming storage gas. Indicated Shippers request that the Commission suspend Tennessee's proposed tariff records for the full five months and establish a technical conference for remaining concerns.

30. Tennessee disputes Indicated Shippers characterization that the proposed carbon dioxide safe harbor of 2 percent, hard limit of 3 percent, and delivery point specification of 2 percent is a "least common denominator" approach. Rather, Tennessee states that the proposed carbon dioxide limits are based on historical data and flow studies and were designed to strike a balance between end user concerns and maximizing supply. Further, Tennessee clarifies that the proposed standards does not give Tennessee the authority to limit carbon dioxide below the proposed 2 percent safe harbor. Lastly, Tennessee states that its proposed carbon dioxide limits are sufficient to manage corrosion concerns on its system and no additional evidence of corrosion on its system is necessary.

### **Discussion**

31. Tennessee states that in developing its proposed revised gas quality and interchangeability standards it adhered to the Commission's guidance in the *Policy Statement*. The *Policy Statement* sets forth five general principles to guide pipelines in developing tariff provisions to address gas quality and interchangeability concerns. First, gas quality and interchangeability provisions should be in the tariff. Tennessee's proposal would, upon acceptance, establish gas quality and interchangeability provisions in its tariff. Second, the standards should provide for flexibility to accept natural gas supplies outside of specification to maximize supply while balancing safety and reliability concerns. Tennessee's proposed safe harbor gas specifications, combined with the ability to accept gas outside of those specifications provided delivery point gas standards are met, attempt to do so, though some parties take exception to certain aspects of its proposal. Third, gas quality and gas interchangeability standards should be

prepared in consultation with customers and be based upon technical, engineering and scientific considerations. While some parties believe certain of Tennessee's proposals have not been adequately supported, all parties agree that Tennessee has entered into consultation with them to establish the proposed standards. Fourth, gas quality and gas interchangeability standards should be consistent with the Natural Gas Council Plus' *Interim Guidelines*.<sup>22</sup> Finally, if after negotiations issues cannot be resolved, those issues are to be taken to the Commission. Parties protesting and requesting changes to Tennessee's proposals are availing themselves of that right in the instant proceeding.

32. The Commission has reviewed Tennessee's tariff filing, as well as the comments and protests, and finds that Tennessee's proposed gas quality and interchangeability standards raise a number of technical, engineering, and operational issues, and issues of material fact, that cannot be resolved based upon the record before us. Accordingly we set those issues for an evidentiary hearing before an Administrative Law Judge.

33. As evidenced by the comments filed in this proceeding, it is clear that Tennessee and its customers have engaged in a significant collaborative effort. While some commenters seek clarification as to certain items, it is apparent that the group has made substantial progress in resolving the gas quality and interchangeability issues presented herein. This suggests that Tennessee and the parties may be able to successfully reach a settlement in this matter. The Commission further finds that settlement would be facilitated by the presence of a settlement judge. Accordingly we hold the evidentiary hearing in abeyance and establish settlement judge procedures, pursuant to Rule 603 of the Commission's Rules of Practice and Procedure.<sup>23</sup> If the parties desire, they may, by mutual agreement, request a specific judge as the settlement judge in the proceeding; otherwise, the Chief Judge will select a judge for this purpose.<sup>24</sup> The settlement judge shall report to the Chief Judge and the Commission within 30 days of appointment of the settlement judge concerning the status of settlement discussions. Based on this report, the Chief Judge may provide parties with additional time to continue their settlement discussions.

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<sup>22</sup> Submitted to the Commission by the NGC+ Interchangeability Working Group on February 28, 2005, in Docket No. PL04-3-000.

<sup>23</sup> 18 C.F.R. § 385.603 (2010).

<sup>24</sup> If the parties decide to request a specific judge, they must make their joint request to the Chief Judge by telephone at (202) 502-8500 within five (5) days of this order. The Commission's website contains a list of Commission judges and a summary of their background and experience ([www.ferc.gov](http://www.ferc.gov) – click on Office of Administrative Law Judges).

### Suspension

34. 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 October 1, 2011 or an earlier date set by subsequent Commission order, subject to the conditions in this order.

35. 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 October 1, 2011, subject to the outcome of the procedures established herein and further orders of the Commission.

#### The Commission orders:

(A) Tennessee's proposed tariff records shown on the Appendix are hereby accepted and suspended for a five-month period, to become effective October 1, 2011, as discussed in the body of this order.

(B) Pursuant to the Commission's authority under the Natural Gas Act, particularly sections 4, 5, 8, and 15 thereof, a public hearing is to be held in Docket No. RP11-1942-000 concerning the lawfulness of Tennessee's proposed gas quality and interchangeability standards. However, the hearing shall be held in abeyance to provide time for settlement judge procedures, as discussed in Ordering Paragraphs (D) and (E) below.

(C) Pursuant to Rule 603 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.603 (2010), the Chief Administrative Law Judge is hereby directed to appoint a settlement judge in this proceeding within fifteen (15) days of the date of this order. Such settlement judge shall have all powers and duties enumerated in Rule 603 and shall convene a settlement conference as soon as practicable after the Chief Judge designates the settlement judge. If the parties decide to request a specific judge, they must make their request to the Chief Judge within five (5) days of the date of this Order.

(D) Within thirty (30) days of the appointment of the settlement judge, the settlement judge shall file a report with the Commission and the Chief Judge on the status

of the settlement discussions. Based on this report, the Chief Judge shall provide the parties with additional time to continue their settlement discussions, if appropriate, or assign this case to a presiding judge for a trial-type evidentiary hearing, if appropriate. If settlement discussions continue, the settlement judge shall file a report at least every sixty (60) days thereafter, informing the Commission and the Chief Judge of the parties' progress toward settlement.

(E) If the settlement judge procedures fail and a trial-type evidentiary hearing is to be held, a presiding judge, to be designated by the Chief Judge, shall, within fifteen (15) days of the date of the presiding judge's designation, convene a prehearing conference in these proceedings in a hearing room of the Commission, 888 First Street, NE, Washington, DC 20426. Such a conference shall be held for the purpose of establishing a procedural schedule. The presiding judge is authorized to establish procedural dates and to rule on all motions (except motions to dismiss) as provided in the Commission's Rules of Practice and Procedure.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

## **Appendix**

Tariff Records Accepted and Suspended, to be Effective October 1, 2011

Tennessee Gas Pipeline Company  
TGP Tariffs  
FERC NGA Gas Tariff

Sheet No. 300, , 1.0.1

Sheet No. 301, Quality, 1.0.0

Sheet No. 301A, , 0.0.0

Sheet No. 302, Quality HDP, 1.0.0

Sheet No. 302A, , 0.0.0

Sheet No. 302B, , 0.0.0

Sheet No. 303, , 1.0.0

Sheet No. 304, , 1.0.0

Sheet No. 305, , 1.0.0

Sheet No. 306, , 1.0.0

Sheet No. 307, Quality Measurement and Measuring Equipment, 1.0.0