136 FERC ¶ 61,028
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

July 12, 2011

In Reply Refer To:
Arkansas Oklahoma Gas Corporation
Docket No. PR11-86-000

Arkansas Oklahoma Gas Corporation
PO Box 2414
Fort Smith, AR 72902-2414

Attention: Michael J. Callan, President

Reference: Request for Waiver

Ladies and Gentlemen:

1. On January 14, 2011, Arkansas Oklahoma Gas Corporation (AOG) filed a request for limited waiver of the requirement in Form No. 549-D to specify the receipt point for each jurisdictional transaction (Receipt Point Reporting Requirement),[1] which took effect pursuant to Order Nos. 735 and 735-A.[2] For good cause shown, we grant waiver of the Receipt Point Reporting Requirement, limited in the manner discussed below.

2. In Order No. 735, the Commission revised the contract reporting requirements for those natural gas pipelines that fall under the Commission's jurisdiction pursuant to section 311 of the Natural Gas Policy Act (NGPA) or section 1(c) (Hinshaw) of the Natural Gas Act (NGA). The Final Rule revised section 284.126(b) of the Commission's regulations and created a new Form No. 549-D: Quarterly Transportation and Storage

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[1] 18 C.F.R. § 284.126(b)(1)(iv) (2011).

[2] *Contract Reporting Requirements of Intrastate Natural Gas Companies*, Order No. 735, 75 Fed. Reg. 29,404 (May 26, 2010), FERC Stats. & Regs. ¶ 31,310 (2010), *order on reh'g*, Order No. 735-A, 75 Fed. Reg. 80,685 (Dec. 23, 2010), FERC Stats. & Regs. ¶ 31,318 (2010).

Report for Intrastate Natural Gas and Hinshaw Pipelines. As part of that order, the Commission included a Receipt Point Reporting Requirement at section 284.126(b)(1)(iv) of the Commission's regulations, which states that as part of each quarterly report, the respondent must detail "the primary receipt and delivery points covered by the contract, identified by the list of points that the pipeline has published with the Commission." The Commission also acknowledged the particular challenges in reporting receipt points for systems that perform a gathering function. Accordingly, the Commission declared, "for gas received from dedicated wells or gathering lines, respondents may instead note as the receipt point the common point where the gathered gas is considered to enter the pipeline's transmission system."[3]

3. On rehearing to Order No. 735, AOG stated that the current set-up of its system does not allow it to track either receipt points or common points, and requested a modification of the Receipt Point Reporting Requirement. The Commission found AOG's request to be "narrowly tailored to its own circumstances, which appear to be quite rare" and accordingly advised AOG to "re-file its request in a separate docket, and request a case-specific waiver."[4]

4. In its request for waiver, AOG acknowledges that in Order No. 735, the Commission allowed pipelines to designate central measurement points as receipt points instead of individual wellheads. AOG argues that it cannot identify common receipt points. As currently set up, AOG states that it does not measure or monitor the roughly 240 smallest-volume wells, which are collected at 48 central measurement points. In addition to these 48 points, AOG states, there are another 153 wells attached directly to the AOG system without central measurement points, for a total of roughly 200 receipt points even by Order No. 735's reduced counting method.

5. AOG further argues that, as its pipeline is currently set up, it does not know from which wells a shipper is sourcing its gas. AOG states that it is a small local distribution company (LDC) for a ten-county rural area along the Arkansas-Oklahoma border.[5] When demand is not at peak, AOG delivers excess production gas to the interstate

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[3] Order No. 735, FERC Stats. & Regs. ¶ 31,310 at P 60.

[4] Order No. 735-A, FERC Stats. & Regs. ¶ 31,318 at P 66.

[5] AOG's request includes an affidavit from its president elaborating on its specific factual circumstances, along with a system map.

markets under an Order No. 63 Hinshaw blanket certificate.[6] Because AOG primarily uses the wellhead gas it receives for its LDC functions and only delivers the excess, it has no way of knowing the precise origin of those gas volumes that remain for delivery.

6. AOG further argues that because of the unique character of its system, even if it were to attempt to comply, the information collected would not aid the Commission's market oversight efforts. AOG states that it is essentially performing a gathering service for wellhead producers, and that it does not offer hub or wheeling services. Further, AOG's only delivery points, outside of its LDC functions, are to third party gathering facilities that are not subject to Commission regulation. As a result, even if AOG were to attempt to comply, the Commission would not be able to trace AOG gas molecules to the downstream interstate pipeline system because all of its immediate downstream interconnections are with entities not subject to any Commission reporting requirements. Accordingly, AOG requests that it identify the receipt point for all of its transactions as "production pool."

7. We grant AOG limited waiver of the Receipt Point Reporting Requirement. AOG has demonstrated that it would be substantially more burdensome for AOG to comply with the Receipt Point Reporting Requirement than for the typical NPGA section 311 or Hinshaw pipeline. AOG has further demonstrated that it has an exceptional set-up as an LDC whose only direct downstream interconnections are to unaffiliated, non-jurisdictional gathering facilities, such that the Receipt Point Reporting Requirement would not generate data that we expect would be useful to market participants. Taking these factors in combination, AOG has provided sufficient evidence to show good cause.

8. Accordingly, AOG may designate its receipt points as "production pool" on Form No. 549-D. The Commission has previously held that "AOG must file on or before January 15, 2015, an informational filing … to allow the Commission to determine whether any change in AOG's interstate transportation rates should be ordered pursuant to section 5 of the NGA."[7] Unless AOG requests in that filing that the waiver be

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[6] *See Arkansas Oklahoma Gas Corp.*, 33 FERC ¶ 61,197 at 61,401-02 (1985) (An Order No. 63 blanket certificate "permits a local distribution company that is served by an interstate pipeline . . . to sell and transport gas in interstate commerce under the same conditions as apply to those transactions when engaged in by intrastate pipelines under sections 311 and 312 of the NGPA.").

[7] *Arkansas Oklahoma Gas Corporation*, Docket No. PR10-6-000 (June 10, 2010) (unpublished letter order).

extended and demonstrates that its circumstances have not changed, our grant of waiver shall expire 150 days thereafter.

By direction of the Commission.

Kimberly D. Bose,
Secretary.