145 FERC ¶ 61,299
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Acting Chairman;
Philip D. Moeller, John R. Norris,
and Tony Clark.

Trailblazer Pipeline Company LLC Docket No. RP13-1031-000

ORDER FOLLOWING TECHNICAL CONFERENCE

(Issued December 30, 2013)

1. On September 10, 2013, the Commission convened a technical conference to address tariff records filed by Trailblazer Pipeline Company LLC (Trailblazer) to change certain non-rate provisions in the General Terms and Conditions (GT&C) of its tariff.[1] As discussed below, the Commission rejects Trailblazer's proposed general waiver provision. The Commission also generally rejects Trailblazer's proposed gas quality standards but we accept its proposed gas quality waiver and reimbursement of damages provisions. The Commission accepts, subject to conditions, certain other proposed non-rate changes, including those related to reservation charge crediting, reservation of pipeline capacity, and Trailblazer's cash-out mechanism.

I. **Background**

2. Trailblazer is a 436 mile west-to-east mainline pipeline. Trailblazer's system consists of a total capacity of 846,263 dekatherms per day (Dth/day). Trailblazer's system primarily receives gas at Cheyenne Hub, Colorado, from other interstate pipelines. Trailblazer delivers gas to other interstate pipelines, LDCs and direct end-users, including one power plant. Trailblazer has no company-owned storage. However,

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[1] *Trailblazer Pipeline Co. LLC*, 144 FERC ¶ 61,084 (2013) (July 31 Order). Trailblazer's July 1, 2013 filing in this docket also proposed to change its rates and fuel mechanism. The July 31 Order set those issues for hearing procedures, which remain ongoing. This order addresses solely those issues set for technical conference.

Trailblazer has a bi-directional interconnection with East Cheyenne Gas Storage, LLC, (East Cheyenne), a third-party storage operator.

3. In its July 1, 2013 filing, Trailblazer proposed several changes to its GT&C, including to provisions related to gas quality standards, waivers, reservation charge crediting, its cash-out mechanism, and policies related to the reservation of capacity for expansion projects. Protesters raised numerous concerns with Trailblazer's proposal. The Commission's July 31 Order accepted and suspended Trailblazer's proposed tariff records, to be effective January 1, 2014, subject to refund and conditions, and the outcome of a technical conference.

4. Commission staff convened a technical conference on September 10, 2013, to address the issues raised in this proceeding that had not been set for hearing. Following discussions at the technical conference, Trailblazer filed its technical conference presentation which contained additional technical support for its filing (September 10, 2013 Filing). On September 27, 2013, and October 2, 2013, Trailblazer filed revised *pro forma* tariff records proposing modifications to its initial proposal. On October 2, 2013, Trailblazer also filed additional gas quality data related to specific receipt points on its system. On October 11, 2013, Trailblazer, Wyoming Pipeline Authority, Indicated Shippers,[2] Tenaska Marketing Ventures (Tenaska), and East Cheyenne filed initial comments. On October 25, 2013, Trailblazer, Wyoming Pipeline Authority, Indicated Shippers, and East Cheyenne filed reply comments.

5. On November 4, 2013, East Cheyenne filed an answer to the reply comments. This answer is rejected because it is inconsistent with the procedural schedule accepted by the parties at the September 10, 2013 Technical Conference.

6. On November 7, 2013, Commission Staff issued a data request to Trailblazer, seeking additional information regarding the proposed gas quality tariff changes. On November 14, 2013, Trailblazer filed a response to Staff's data request. On November 18, 2013, Indicated Shippers filed an Answer to Trailblazer's response to the data request. We accept Indicated Shippers' answer.[3]

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[2] Indicated Shippers consist of Anadarko Energy Services Company; Chevron U.S.A. Inc.; ConocoPhillips Company; Cross Timbers Energy Services, Inc.; Marathon Oil Company; Shell Energy North America (US), L.P.; SWEPI, LP; and WPX Energy Marketing, LLC.

[3] 18 C.F.R. § 385.213(a)(3) (2013); *Equitrans, L.P.*, 109 FERC ¶ 61,209, at P 31 (2004).

II. Discussion

A. General Waiver

7. Trailblazer proposes a new section 39 of its GT&C which provides that:

> Transporter may waive any of its rights or any obligations of Shipper under this Tariff on a basis which is not unduly discriminatory: provided that no waiver shall operate or be construed as a waiver of other or future rights or obligations whether of a like or different character.

8. In its initial and reply comments Trailblazer emphasizes that it will implement this provision in a non-discriminatory manner. Trailblazer contends that the waiver provision is consistent with Commission precedent.[4] Trailblazer states that the Commission has accepted identical language in the tariff of one of its affiliates,[5] and Trailblazer argues that there is no reason to reject a similar proposal in this proceeding.

9. Tenaska and the Wyoming Pipeline Authority argue that this waiver provision should be rejected as too broad. The Wyoming Pipeline Authority asserts that Trailblazer's proposal fails to distinguish between tariff provisions that are required to be included in the tariff by Commission policy and tariff provisions included at the pipeline's discretion. Tenaska argues that the Commission has rejected a proposed waiver that is similar to the proposal made by Trailblazer.[6] Tenaska asserts that such broad waiver provisions are subject to abuse and make it possible for the pipeline to engage in unduly discriminatory behavior via an open-ended waiver policy. To the extent that any waiver is approved for Trailblazer, the Wyoming Pipeline Authority argues that Trailblazer should post any waivers granted pursuant to this provision on its website.

10. The Commission rejects Trailblazer's proposed general waiver provision. Trailblazer's proposed discretionary waiver provision is overly broad and is inconsistent

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[4] Trailblazer, Initial Comments at 16 (citing *Discovery Gas Transmission L.L.C.*, 111 FERC ¶ 61,377, at P 15 (2005) (Discovery Gas)).

[5] Trailblazer Reply Brief at 34 (citing *Rockies Express Pipeline,* Delegated Letter Order, Docket No. RP10-839-000 (Nov. 23, 2010)).

[6] Tenaska, Initial Comments at 6 (citing *Discovery Gas*, 111 FERC ¶ 61,377 at PP 13-14).

with the Commission's policy set forth in *Discovery Gas.*[7] Trailblazer proposes that it may waive any provisions of its effective FERC Gas Tariff related to Shipper obligations. In *Discovery Gas*, the pipeline proposed language stating that "Transporter may waive any of its rights hereunder or any obligations of shipper on a basis that is not unduly discriminatory."[8] The Commission stated that this broad waiver provision had the potential for unduly discriminatory application. The Commission stated that it had previously held that pipelines should only use such waiver provisions to waive past occurrences, not to waive a broad range of tariff provisions for mutual benefit in the context of a transportation agreement.[9]

11. In that proceeding, the Commission set forth its policy concerning general waivers and stated that such waiver provisions would be permitted in a pipeline's tariff to address specific past defaults.[10] Further, the Commission also addressed the argument that there is a distinction between on-going waivers that would result in non-conforming contract provisions that the Commission prohibits, and advance waivers necessary to prevent service interruptions. The Commission stated that its intent in prohibiting such advance waivers was to prevent negotiations for service agreements that reflect permanent waivers of tariff terms and conditions of service which may result in undue discrimination among shippers, not to prohibit waivers that apply to temporary periods for operational reasons on a case-by-case basis.[11]

12. Accordingly, the Commission stated,

> while we continue to find that broad waiver language of the type Discovery initially proposed in this proceeding is inappropriate, we will permit pipelines to include in their

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[7] 111 FERC ¶ 61,377. *See CenterPoint Energy Gas Transmission Co.*, 104 FERC ¶ 61,281, at P 49 (2003) (*CenterPoint*) (rejecting pipeline's interpretation of a tariff provision that would authorize non-conforming material deviations without seeking Commission approval). *See also El Paso Natural Gas Co.*, 114 FERC ¶ 61,305, at P 348-349 (2006).

[8] *Discovery Gas*, 111 FERC ¶ 61,377 at P 3.

[9] *Id.* P 4 (citing *Northern Border Pipeline Co., LLC*, 110 FERC ¶ 61,203 (2005); and *CenterPoint*, 104 FERC ¶ 61,281).

[10] *Id.* P 14.

[11] *Id.*

> tariffs provisions not only permitting waiver of the tariff to address past defaults but also permitting advance waivers to address specific, short-term operational problems.[12]

In *Tennessee Gas Pipeline Company*,[13] the Commission reaffirmed its position in *Discovery Gas*, and rejected a similarly overbroad waiver provision.

13. Trailblazer's proposed general waiver provision is inconsistent with Commission policy as set forth in *Discovery Gas* and *Tennessee*. Trailblazer's proposal expands its waiver authority beyond (1) waivers of past defaults or (2) advance waivers to address specific, short-term operational problems. Therefore, the Commission rejects Trailblazer's proposed section 39 of its GT&C containing the general waiver provision.[14]

B. Gas Quality

14. Trailblazer proposes new gas quality specifications for (1) inert substances, (2) cricondentherm hydrocarbon dew point, (3) hydrogen sulfide, and (4) sulfur. Trailblazer also proposed provisions permitting (1) waiver of its gas quality specifications; (2) reimbursement for damages caused by gas which is inconsistent with Trailblazer's gas quality specifications, and (3) other ministerial changes to the gas quality provisions in its tariff. Several shippers objected to Trailblazer's proposed gas quality changes.

15. A pipeline has the burden under section 4 of the Natural Gas Act to show that its proposed gas quality tariff changes are just and reasonable. The Commission's Gas Quality Policy Statement[15] and subsequent Commission orders provide a framework for

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[12] *Id.* P 14.

[13] 135 FERC ¶ 61,208, at PP 149-157 (2011) (Tennessee).

[14] Trailblazer relies upon a Commission delegated letter order that accepted an uncontested filing by Rockies Express. Trailblazer Reply Brief at 34 (citing *Rockies Express Pipeline*, Delegated Letter Order, Docket No. RP10-839-000 (Nov. 23, 2010)). However, such delegated orders do not establish precedent binding on the Commission. *Millennium Pipeline Co., LLC*, 145 FERC ¶ 61,088, at P 10 n.11 (2013) (citing *Westar Energy, Inc.*, 124 FERC ¶ 61,057, at P 26 (2008); *Norwalk Power, LLC*, 122 FERC ¶ 61,273, at P 25 (2008)).

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

pipelines to modify their tariffs to correct ongoing gas quality or interchangeability problems, to make changes in anticipation of new supply sources, or to make adjustments due to operational changes to the pipeline system. Among other things, the Commission's gas quality policies seek to minimize unnecessary restrictions on gas supplies.[16] Before a pipeline may tighten its gas quality requirements, the pipeline "must demonstrate an operational or other reason why such tightening is necessary."[17] This fact-intensive demonstration must show that the proposed gas quality provisions are necessary to address the specific needs of the pipeline's system.[18]

16. As discussed further below, Trailblazer has failed to demonstrate that its current operations or any anticipated changes on its system (such as new gas supply sources) necessitate several of its proposed gas quality provisions. The Commission thus rejects Trailblazer's proposal to change its specifications for (1) inert substances, (2) cricondentherm hydrocarbon dew point, (3) hydrogen sulfide, and (4) sulfur.[19] Accordingly, the Commission accepts the other proposed changes to section 21 of Trailblazer's GT&C (i.e. those related to waiver, damages, and certain ministerial changes) subject to the condition that Trailblazer file within 30 days tariff records removing the rejected provisions and consistent with the discussion below.

1. Inert Substances

17. In the July 1 filing, Trailblazer proposed to require that all natural gas received by its system and subsequently delivered consist of no more than 3.0 percent inert

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[16] *Northern Natural Gas Co.*, 121 FERC ¶ 61,122, at P 9 (2007) (*Northern Natural*). *See also* Gas Quality Policy Statement, 115 FERC ¶ 61,325 at P 31.

[17] *Northern Natural*, 121 FERC ¶ 61,122 at P 9 (citations omitted).

[18] Gas Quality Policy Statement, 115 FERC ¶ 61,325 at PP 25, 28.

[19] The Commission further observes that Trailblazer failed to consult with its customers prior to filing its proposed gas quality changes. The Gas Quality Policy Statement specifies that pipelines should work with their customers "to resolve gas quality and interchangeability issues on their own either prior to or outside of formal Commission proceedings." Gas Quality Policy Statement, 115 FERC ¶ 61,325 at P 31. Gas quality issues should only be brought to the Commission to the extent that such good faith negotiations between the parties have not yielded a resolution. *Id.* P 33. When proposing future gas quality changes, Trailblazer must adhere to the procedures outlined in the Gas Quality Policy Statement.

substances.[20] In the *pro forma* tariff records submitted with the September 27, 2013 Filing, Trailblazer proposed to relax its initial proposal to require that gas be composed of less than 4.0 percent inert substances.[21]

18. In its initial comments, Trailblazer contends that the proposed 4.0 percent limit on inert substances ensures interchangeability and addresses environmental considerations related to nitrous oxide, which it states is a regulated air pollutant. Trailblazer states that the 4.0 percent threshold is consistent with Commission precedent and the Natural Gas Council Plus Interim Guidelines, which were cited by the Commission's Gas Policy Statement. In addition, Trailblazer states that the 4.0 percent threshold for inert substances is consistent with the requirements of two interconnected pipelines.[22] In its September 10, 2013 filing, Trailblazer submitted a chart illustrating that 65 pipelines limit inert levels to 4.0 percent, much like Trailblazer's proposed standard.[23]

19. In the initial comments, the Wyoming Pipeline Authority and Indicated Shippers object that Trailblazer provided inadequate support for its proposal. They state that Trailblazer must show that such a cap is necessary given (a) the levels of inert substances in its gas stream and (b) any resulting operational needs. They assert that Trailblazer has not made such a showing.

20. Indicated Shippers further emphasize that 62 pipelines have no inert standards and several others have less restrictive standards than the 4.0 percent threshold proposed by Trailblazer. Indicated Shippers state that Trailblazer's proposal is more stringent than most of its interconnecting pipelines. Indicated Shippers further add that on the occasions when the blended gas stream on Trailblazer's system has exceeded 4.0 percent, there is no evidence that Trailblazer experienced difficulty delivering gas or other operational problems.

21. The Wyoming Pipeline Authority expresses concern that limiting total inert substances in the gas stream to 4.0 percent will impede the flow of gas out of the Powder

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[20] Trailblazer's proposed tariff language defines inert substances as "principally carbon dioxide, nitrogen, helium, oxygen or any other diluent compound…."

[21] Trailblazer's current tariff also requires that all natural gas received and delivered by the pipeline contain more than 2.0 percent carbon dioxide. Trailblazer proposed to retain this requirement in addition to the limits on all inert substances.

[22] Trailblazer, September 10, 2013 Filing at 21.

[23] *Id.*

River Basin. The Wyoming Pipeline Authority states that Powder River Basin gas contains higher levels of inert substances and that the nitrogen content of gas in some areas of the Powder River Basin has been rising over time. The Wyoming Pipeline Authority adds that, due to a variety of factors, less gas from other sources is now available for blending to lower the inert levels in the Powder River Basin gas. The Wyoming Pipeline Authority explains that treating the Powder River Basin gas to remove the nitrogen imposes significant costs. The Wyoming Pipeline Authority also asserts that, although it could use other pipelines, these other transportation alternatives are more expensive. The Wyoming Pipeline Authority further alleges that inert substances present no risk of physical damage to the pipeline or threats to human health.

22. In its reply comments, Trailblazer reiterates that the Natural Gas Council Plus Interim Guidelines, which were cited by the Gas Quality Policy Statement, recommend that natural gas injected into a pipeline consist of less than 4.0 percent inerts.[24] Trailblazer asserts that the Wyoming Pipeline Authority provided little evidence to support its allegations of economic harm. Similarly, Trailblazer states that to the extent its proposed limits on inert substances are more stringent than those of interconnected pipelines, protestors have presented no evidence that this is likely to be problematic. Trailblazer also continues to claim that combusted nitrogen results in the formation of nitrous oxide, a regulated pollutant.

23. In reply comments, Indicated Shippers and the Wyoming Pipeline Authority continue to object to Trailblazer's proposal to limit inerts. They assert that Trailblazer has failed to provide system specific data to justify its proposal. The Wyoming Pipeline Authority continues to express concerns regarding the effect of Trailblazer's proposed limit on inert substances within Trailblazer's gas flows.

24. Based upon the record in this proceeding, the Commission rejects Trailblazer's proposed requirement that gas received and delivered by its system consist of less than 4.0 percent inert substances. In order to avoid unnecessary restrictions on gas supplies, a pipeline seeking to tighten its gas quality standards must demonstrate that such restrictions are necessary given the characteristics and operational needs of its particular system.[25] Although the Commission gives weight to the Natural Gas Council Plus

[24] Trailblazer Reply Comments at 17-18 (citing Gas Quality Policy Statement, 115 FERC ¶ 61,325 at P 17).

[25] Gas Quality Policy Statement, 115 FERC ¶ 61,325 at P 38; *Gulf South Pipeline Co.*, 120 FERC ¶ 61,076, at P 38 (2007) (rejecting a limit on inert substances of 4.0 percent because Gulf South failed to demonstrate that such a restriction was necessary on its system).

Interim Guidelines, the level of inert substances permissible in a pipeline's gas stream ultimately depends upon the pipeline's particular operational characteristics and circumstances.[26]

25. The characteristics of Trailblazer's gas stream and Trailblazer's operational history do not justify Trailblazer's proposed restrictions. Between January 1, 2011, and November 11, 2013, the level of inert substances in Trailblazer's gas stream rarely exceeded 4.0 percent,[27] the level that Trailblazer claims is excessive based upon the Natural Gas Council Plus Interim Guidelines. On the infrequent occasions that Trailblazer's gas stream contained more than 4.0 percent inert substances, Trailblazer has provided no evidence that these elevated levels of inerts in its gas stream interfered with Trailblazer's downstream delivery obligations, including deliveries to other pipelines.[28] Similarly, to the extent that Trailblazer has received gas at any receipt point that exceeded 4.0 percent inert substances,[29] there is no evidence that these gas receipts ever created any problems on Trailblazer's system. Furthermore, Trailblazer has not identified changing supply sources or other conditions which justify, at this time, the imposition of these new restrictions on inert substances.[30]

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[26] *Id.*

[27] Trailblazer states that from the period of January 2011 through July 2013, total inert level exceeded the 4.0 percent level on only 15 days. Trailblazer, Initial Comments at 11 n.34. Between July 1, 2013, and November 11, 2013, the percentage of inerts in Trailblazer's gas stream did not exceed 3.34 percent. Trailblazer, November 14, 2013 Data Response, Attachment 1.

[28] Trailblazer, November 14 Data Response at 6, 8.

[29] Trailblazer, October 2, 2013 Filing at 6.

[30] In its November 7, 2013 data request, the Commission asked Trailblazer to define how any new gas supplies could "numerically affect" the level of inert substances in Trailblazer's gas stream. Trailblazer, November 14, Data Response at 1-2, 5. In its response, Trailblazer neither provided the requested numerical data nor explained how any new gas sources were likely to alter the operations of its system such that the proposed restrictions on inert substances are necessary. *Id.* at 2. Although Wyoming Pipeline Authority discusses, in general terms, the potential for increasing inert levels in Powder River Basin gas, Trailblazer did not seek to explain or quantify how these changes would affect its system so that the proposed restrictions on inert substances were necessary.

26. Trailblazer's reliance upon the policies of other pipelines to support its proposal is misplaced. To the extent the Commission has approved gas quality standards for other pipelines, those determinations were based on findings related to the specific needs and operational characteristics of those particular pipelines, not the characteristics of Trailblazer's system.[31] Trailblazer has operated its system for years without a limit on the level of inerts, and Trailblazer has not demonstrated in this proceeding that a new 4.0 percent limit on inerts is necessary.

2. Hydrocarbon Dew Point

27. In its July 1, 2013 filing, Trailblazer proposed to require that gas tendered for delivery at receipt points have a cricondentherm hydrocarbon dew point less than 15 degrees Fahrenheit. In its *pro forma* tariff records filed September 27, 2013, Trailblazer proposed to modify its initial proposal to provide that:

> Transporter shall accept all deliveries of natural gas with a cricondentherm hydrocarbon dew point (CHDP) equal to or less than 15 degrees Fahrenheit (CHDP Safe Harbor) provided that such gas conforms to all other applicable provisions of Transporter's FERC Gas Tariff. From time to time, Transporter may post on its Interactive Website CHDP limits greater than 15 degrees Fahrenheit for receipt points and/or pipeline segments specified in such posting, if Transporter determines that: (1) such CHDP limits will not interfere with Transporter's ability to maintain the prudent and safe operation of part or all of Transporter's pipeline system, (2) such CHDP limits do not adversely affect Transporter's ability to provide service to others, and (3) such CHDP limits do not adversely affect Transporter's ability to tender gas for delivery to a downstream pipeline or end-user; provided such CHDP limits shall not be less than the CHDP Safe Harbor.[32]

28. In its initial comments, Trailblazer states this this provision is necessary to protect against hydrocarbon liquid dropout.[33] Trailblazer states that it calculated the

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[31] *See Gulf South*, 120 FERC ¶ 61,076 at P 39 (merely showing that other pipelines have a similar gas quality standards provides insufficient justification for a pipeline's gas quality proposal).

[32] Trailblazer September 27, 2013 Filing, Appendix B, *Pro Forma* GT&C Section 21.2 (h).

[33] Gas Quality Policy Statement, 115 FERC ¶ 61,325 at P 1 (citing Report on Liquid Hydrocarbon Drop Out in Natural Gas Infrastructure). Natural gas contains

(continued…)

cricondentherm hydrocarbon dew point safe harbor following the methods described in the Gas Quality Policy Statement and the Natural Gas Council Plus Hydrocarbon Dew Point Report, which as cited in the Gas Quality Policy Statement.[34] Trailblazer states that its proposal resolves potential ambiguity in its current tariff, which merely states that gas tendered at a receipt point will have no hydrocarbons that could condense under normal pipeline operations.

29. In its September 10, 2013 Filing, Trailblazer provided three charts to support the hydrocarbon dew point restrictions. The first chart, based upon historical system data for the period January 2011 through July 2013, shows the cricondentherm hydrocarbon dew point temperatures of Trailblazer's gas stream ranging between -50 degrees Fahrenheit to -12 degrees Fahrenheit; with the vast majority of the temperatures at or below -20 degrees Fahrenheit.[35] A second chart demonstrates that the cricondentherm hydrocarbon dew point for Trailblazer's gas streams was about -5 degrees at 400 pounds per square inch from January 2011 through July 2013.[36] The third chart surveys the hydrocarbon dew point specifications of other pipelines. According to Trailblazer's data, 32 pipelines (including some of its interconnecting pipelines) have a cricondentherm

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hydrocarbon compounds of varying molecular weight. In a process known as hydrocarbon liquid dropout, unprocessed natural gas may experience changes in temperature and pressure which may cause the heavy hydrocarbons to condense into liquid form. The potential for hydrocarbon liquid dropout can be measured in terms of the hydrocarbon dew point of the gas stream in question. When this hydrocarbon liquid dropout occurs, pipelines and other downstream equipment may experience inefficient operations and unsafe conditions of the liquid in the gas stream.

[34] Hydrocarbon dew point varies depending upon the temperature, pressure, and composition of a gas stream. These relationships can be illustrated with a graph where the temperature sufficient to maintain the gaseous phase of a particular gas stream is plotted as a function of increasing pressure levels, which results in a balloon-shaped curve. 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 cricondentherm hydrocarbon dew point of the gas stream in question.

[35] Trailblazer, September 10, 2013 Filing at 16. Elsewhere, Trailblazer reports a non-coincidental maximum of -7 degrees Fahrenheit. *Id.* at 8.

[36] *Id.* at 17.

hydrocarbon dew point safe harbor of 15 degrees Fahrenheit (Trailblazer's proposed standard).[37]

30. In its October 2, 2013 Filing, Trailblazer provided cricondentherm hydrocarbon dew point levels by receipt point for the period January 2011 through July 2013. There was only one significant instance (at the Colorado Interstate Gas Company, LLC (CIG) interconnection in May 2012) in which the cricondentherm hydrocarbon dew point temperature of gas injected into Trailblazer's system exceeded 15 degrees Fahrenheit.[38] All other instances in which the temperature exceeded 15 degrees Fahrenheit occurred at receipt points which represent insignificant flows on Trailblazer's system.[39]

31. On November 14, 2013, Trailblazer provided system wide data for the July 1, 2013, to November 11, 2013 period, indicating that the cricondentherm hydrocarbon dew point of Trailblazer's gas stream averaged -42 degrees Fahrenheit and a non-coincidental maximum of -26 degrees Fahrenheit.

32. Indicated Shippers, East Cheyenne, and the Wyoming Pipeline Authority oppose Trailblazer's proposal. They contend that Trailblazer has not shown any current or likely future problems on its system related to liquid fall-out, and thus they assert that Trailblazer has failed to provide the support required by Commission policy.[40] Indicated Shippers and East Cheyenne add that Trailblazer's proposed cricondentherm hydrocarbon dew point limit is more stringent than some connecting pipelines and, accordingly, they assert that Trailblazer's proposal may restrict receipts onto Trailblazer's system. Indicated Shippers and East Cheyenne also note that in the limited circumstances when gas entering Trailblazer's pipeline has exceeded the 15 degrees Fahrenheit cricondentherm hydrocarbon dew point threshold, there is no evidence that Trailblazer experienced operational or other problems. The Wyoming Pipeline Authority adds that the vast majority of the gas delivered into Trailblazer comes from the blended streams of

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[37] *Id.* at 18.

[38] Trailblazer, October 2, 2013 Filing at 4-5.

[39] Specifically, the cricondentherm hydrocarbon dew point exceeded 15 degrees Fahrenheit at the East Cheyenne Storage (ECS) (0.72 percent of total Trailblazer gas flow), Tallgrass Interstate Gas Transmission, LLC (TIGT)) (1.95 percent), and Summit Energy LLC (Summit) (0.00 percent) receipt points.

[40] East Cheyenne Initial Comments at 4-5 (citing *Norstar Operating, LLC, v. Columbia Gas Transmission Corp.*, 118 FERC ¶ 61,221, at PP 33-35 (2007) (*Norstar*); *Southern Natural Gas Co.*, 122 FERC ¶ 61,240, at PP 37-39 (2008)).

four interconnected interstate pipelines, and under such circumstances there is no need for the proposed cricondentherm hydrocarbon dew point standard.

33. East Cheyenne and Indicated Shippers further assert that Trailblazer failed to consider procedures that more narrowly target any cricondentherm hydrocarbon dew point requirements to specific locations on the pipeline experiencing liquid drop-out issues. East Cheyenne also claims there is no evidence that Trailblazer complied with the Natural Gas Council Plus Interim Guidelines, including the nine-step analytical process required for establishing scientifically supported cricondentherm hydrocarbon dew point limits. East Cheyenne further objects that Trailblazer mislabels its cricondentherm hydrocarbon dew point as a "safe harbor." Rather than providing that there is no cricondentherm hydrocarbon dew point unless Trailblazer is experiencing a liquid fallout problem, East Cheyenne emphasizes Trailblazer proposes to require that gas have lower than a 15 degrees Fahrenheit cricondentherm hydrocarbon dew point unless Trailblazer posts a greater limit. East Cheyenne, as an interconnected storage provider, is also concerned that Trailblazer could post a higher cricondentherm hydrocarbon dew point, and then later lower the cricondentherm hydrocarbon dew point back to 15 degrees Fahrenheit. Under these circumstances, East Cheyenne is concerned that gas could be trapped inside its storage facility. East Cheyenne also urges the Commission pursuant to section 5 of the Natural Gas act to order Trailblazer to remove its existing hydrocarbon fallout provision, arguing that the provision is vague.

34. In its reply comments, Trailblazer claims that it followed the nine-step process outlined in the Natural Gas Council Plus Interim Guidelines. Trailblazer states that it is able to collect, transmit, and retain data related to the cricondentherm hydrocarbon dew point levels on its system. Trailblazer also reiterates that its proposal is similar to tariff provisions of other pipelines. Trailblazer adds that it will continue to accept non-conforming gas if it can adequately blend gas on its system. Trailblazer also asserts that the hydrocarbon dew point standards in its current tariff are just and reasonable, and that East Cheyenne has not met its burden under section 5 of the NGA to require modification to Trailblazer's existing provisions.

35. In reply comments, Wyoming Pipeline Authority, East Cheyenne, and Indicated Shippers continue to object to Trailblazer's proposal, reiterating, among other things, that Trailblazer has not demonstrated that the proposed restrictions are necessary or that Trailblazer followed the procedures provided by the Commission's Gas Quality Policy Statement. East Cheyenne expresses concern that the proposed cricondentherm hydrocarbon dew point proposal may limit receipts at various points on Trailblazer's system.

36. The Commission rejects Trailblazer's proposal limiting receipts and deliveries based upon cricondentherm hydrocarbon dew point. Trailblazer has failed to demonstrate, as required by Commission policy, that such restrictions are necessary

either to manage an ongoing gas fallout problem or to address changing conditions (such as new supply sources) which could precipitate unmanageable liquid dropout.[41] For the past two years, the cricondentherm hydrocarbon dew point of Trailblazer's gas stream has generally been below -20 degrees Fahrenheit, ranging between -50 degrees Fahrenheit and -12 degrees Fahrenheit.[42] Trailblazer has presented no evidence that unmanageable liquid dropout has occurred on its system. Trailblazer fails to identify changing conditions or supply sources[43] that may cause unmanageable liquid dropout in the future. Accordingly, there is inadequate support for Trailblazer's proposed cricondentherm hydrocarbon dew point limits on gas injected into its system.

37. Furthermore, Trailblazer's proposal was not based on the nine step process outlined in Appendix B to the Natural Gas Council Plus Hydrocarbon Dew Point Report.[44] For example, Trailblazer provided no analysis of whether liquid drop out would occur at points on its system with pressure reductions, as recommended in Step 6 of the Appendix B analytical process. Despite Trailblazer's bare assertion that it followed the process outlined in the Natural Gas Council Plus Hydrocarbon Dew Point report, the evidence suggests otherwise. Accordingly, based on the lack of system-specific data and Trailblazer's failure to follow the process set forth in the Natural Gas

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[41] *Southern Natural Gas Co.*, 122 FERC ¶ 61,240, at PP 37-39 (2008); *Northern Natural*, 121 FERC ¶ 61,122 at PP 78-79.

[42] September 10, 2013 Filing at Page 16. During this period, Trailblazer identifies a non-coincidental maximum of -7 degrees Fahrenheit. *Id.* at 8.

[43] Trailblazer states that it anticipates new sources of gas coming onto its system from production of the Niobrara shale. Trailblazer, November 14, Data Response at 2. However, Trailblazer does not provide any information to indicate that these new supply sources have the potential to create a liquid drop-out problem on its system.

[44] Appendix B of the *Report on Liquid Hydrocarbon Drop Out in Natural Gas Infrastructure* Report sets forth a nine-step process for determining a cricondentherm hydrocarbon dew point limit. This includes reviewing historical data for the composition, flowing gas temperature and pressure of gas deliveries from the pipeline, selecting a candidate cricondentherm hydrocarbon dew point limit, and then analyzing whether liquid drop out would occur under that limit. This analysis includes identifying the lowest temperature and highest coinciding pressure of flowing gas at places on the pipeline's system where pressure reductions occur and determining whether those pressure reductions would cause liquid dropout.

Council Plus Hydrocarbon Dew Point Report, the Commission rejects Trailblazer's proposed gas quality restrictions related to cricondentherm hydrocarbon dew point.[45]

3. Hydrogen Sulfide

38. Trailblazer proposes to revise GT&C section 21.2 (b) to reduce the hydrogen sulfide permissible for gas received and delivered by its system from 1 grain/Ccf to 0.25 grains/Ccf. Trailblazer states that hydrogen sulfide poses health and safety risks, pipeline integrity risks, and is a hazardous pollutant. Trailblazer also states this proposal is consistent with other specifications on CIG and Wyoming Interstate Pipeline, LLC (WIC), the largest receipt points on Trailblazer's system. In addition, Trailblazer states this proposal is consistent with the recommendations of NACE International, which similarly recommends a specification of 0.25/Ccf.

39. In its September 10, 2013 and November 14, 2013, filings Trailblazer submitted data showing the historical hydrogen sulfide levels on Trailblazer's system for the period January 2011 through November 2013.[46] Trailblazer also provided evidence indicating that 114 pipelines, including all of the pipelines which connect to Trailblazer, have the same 0.25 grains/Ccf limit proposed by Trailblazer.[47] In its reply comments, Trailblazer notes that no party commented on this proposal, and Trailblazer reiterates its proposal is consistent with industry standards and other pipelines.

40. The Commission rejects Trailblazer's proposed requirement that gas tendered to its system contain less than 0.25 grains/Ccf of hydrogen sulfide. In order to avoid unnecessary restrictions on gas supplies, the Commission requires pipelines seeking to impose more stringent gas quality standards to demonstrate that the restrictions are

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[45] *Norstar*, 118 FERC ¶ 61,221 at PP 33-35. East Cheyenne also proposes that the Commission alter the existing provisions in Trailblazer's tariff related to hydrocarbon dew point. The purpose of this proceeding is to address Trailblazer's proposed tariff changes under section 4 of the Natural Gas Act. As East Cheyenne's suggestion relates to an existing provision of Trailblazer's tariff, it is beyond the scope of this proceeding. To the extent East Cheyenne believes it has sufficient support for a complaint related to this issue, it may file one pursuant to section 5 of the Natural Gas Act.

[46] Trailblazer September 10, 2013 Filing at 8, 11; Trailblazer November 14, 2013 Filing, Attachment 1.

[47] Trailblazer September 10, 2013 Filing at 12.

necessary to resolve current or anticipated issues on its pipeline system.[48] Trailblazer has not established that its gas stream has experienced elevated hydrogen sulfide levels or that it needs to impose restrictions in order to ensure pipeline integrity. Between January 1, 2011, and November 11, 2013, the level of hydrogen sulfide in Trailblazer's gas stream typically remained less than 0.05 grains/Ccf[49] and never surpassed the 0.25 NACE International Standard, which is the threshold that Trailblazer has cited as the basis for its proposal. Although Trailblazer represents that several other pipeline tariffs prohibit acceptance of gas with hydrogen sulfide levels exceeding 0.25 grains/Ccf, Trailblazer has failed, as required by Commission policy, to show that the operational characteristics of its particular system warrant similar restrictions.[50] Although Trailblazer has identified a new source of supply, Trailblazer has not provided any evidence that these new supply sources or other circumstances will increase the level of hydrogen sulfide in Trailblazer's gas stream.[51] Accordingly, Trailblazer has not justified its proposal to restrict the placement of gas on its system based upon a hydrogen sulfide level of 0.25 grains/Ccf.[52]

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[48] *See Northern Natural*, 121 FERC ¶ 61,122 at PP 9, 45-57 (rejecting proposed oxygen and carbon dioxide limits when those elements were not linked to specific pipeline integrity issues on the pipeline's system).

[49] Trailblazer September 10, 2013 Filing at 8 (showing hydrogen sulfide averages 0.00 grains/Ccf), 11 (graph showing that hydrogen sulfide in Trailblazer's gas stream is generally below 0.05 grains/Ccf); Trailblazer November 14, 2013 Filing Attachment 1 (showing hydrogen sulfide averaging 0.01 between July 1, 2013 and November 11, 2013).

[50] *Gulf South*, 120 FERC ¶ 61,076 at P 39.

[51] In its November 7, 2013 data request, the Commission asked Trailblazer to explain how any new gas supplies could "numerically affect" the level of hydrogen in Trailblazer's gas stream. Trailblazer, November 14, Data Response at 1-2. In its response, Trailblazer neither provided the requested numerical data nor explained how any new gas sources or other anticipated changes made the new restrictions on hydrogen sulfide necessary. *Id.* at 2.

[52] Further illustrating the lack of support for Trailblazer's proposal, Trailblazer's data indicate that no measurement was taken for hydrogen sulfide at any of Trailblazer's receipt points between January 1, 2011 and June 30, 2013. Trailblazer October 2, 2013 Filing at 4, 7, 10, 13, 16, 19, 22, 25. This may suggest that Trailblazer does not have the

(continued…)

4. Sulfur

41. In the July 1 filing, Trailblazer proposed to revise GT&C section 21.2(c) to reject shipper gas injections with more than 5 grains/Ccf of sulfur, which is more restrictive than the current limit of 20 grains/Ccf of sulfur. Trailblazer states that elemental sulfur is increasingly found in natural gas, resulting in significant operational and maintenance issues. Trailblazer states its proposal is consistent with interconnecting pipelines' requirements, representing that 29 pipelines refuse to accept gas containing more than 5 grains/Ccf.[53] Trailblazer also states that its proposal moves closer to the NACE International recommendation of 2 grains/Ccf.

42. Indicated Shippers object that Trailblazer's proposed sulfur standards are too restrictive, noting that up to 101 pipelines have more lenient sulfur specifications than Trailblazer's proposal.[54] In its reply comments, Trailblazer reiterates that its proposal is consistent with the requirements of interconnecting pipelines, specifications on other pipelines, and industry standards.

43. The Commission rejects Trailblazer's proposed requirement that all gas injected into and withdrawn from its system contain 5 grains/Ccf or less of sulfur. Trailblazer has failed to demonstrate that such a restriction is required to address either current or anticipated problems on its system. Trailblazer has neither provided data demonstrating the presence of sulfur in its gas stream,[55] nor provided evidence that new supply sources will increase sulfur content.[56] Trailblazer has not produced any evidence that its system is experiencing operational problems related to the presence of sulfur or demonstrated that interconnecting pipelines have refused to accept gas from Trailblazer due to issues

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ability to monitor levels of hydrogen sulfide at the time gas is injected at a receipt point and is thus unable to enforce its proposed hydrogen sulfide standard.

[53] Trailblazer, September 10, 2013 Filing at Page 14. Trailblazer's data also show that 82 pipelines have the same sulfur tariff specification that Trailblazer has today (20 grains/Ccf).

[54] Indicated Shippers, Initial Comments at 11 (citing Trailblazer, September 10 Filing at 14).

[55] The gas composition metrics provided by Trailblazer state there is no recent measurement for sulfur. Trailblazer, September 10, 2013 Filing, at 8; Trailblazer, November 14, 2013 Data Response at Attachment 1.

[56] Trailblazer, November 14, 2013 Data Response at 1-2.

related to the sulfur content of its gas stream.[57] Accordingly, Trailblazer has not demonstrated that its proposed sulfur restrictions are necessary, and Trailblazer's proposed sulfur standard is rejected.

5. **Gas Quality Waiver Provision**

44. In addition to proposing changes to its gas quality specifications, Trailblazer also proposes to modify section 21.4(b) of its GT&C to allow for waiver of its gas quality specifications on its system provided:

> [S]uch acceptance will not interfere with Transporter's ability to: (1) maintain prudent and safe operation of part or all of Transporter's pipeline system, (2) ensure that such gas does not adversely affect Transporter's ability to provide service to others, and (3) ensure that such gas does not adversely affect Transporter's ability to tender gas for delivery to a downstream pipeline or end-user.

In its September 27, 2013 Filing, Trailblazer submitted *pro forma* tariff records modifying its proposal to provide for posting the notice of waivers on its website. In its comments and reply comments, Trailblazer asserts that its gas quality waiver provision provides flexibility which will benefit shippers. Trailblazer further asserts that its proposed waiver is consistent with the requirements of Commission policy.[58] Trailblazer states that the Gas Quality Policy Statement encourages pipelines to waive strict gas quality limits when operating conditions allow.[59]

45. In the initial and reply comments, the Wyoming Pipeline Authority, East Cheyenne, and Tenaska urge the rejection or modification of Trailblazer's proposed provision for waiving its gas quality specifications. The Wyoming Pipeline Authority assert that the general waiver accords Trailblazer too much discretion, and East Cheyenne expresses concern that Trailblazer's waiver policy may cause gas to be stranded in East Cheyenne's storage facility. Tenaska states that Trailblazer should guarantee that it will only grant waiver if the waiver will not interfere with Trailblazer's ability to meet the quality specifications applicable to each delivery point.

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[57] *Id.* at 8.

[58] Trailblazer, Reply Comments, at 26 (citing *Norstar*, 118 FERC ¶ 61,221 at PP 146-147).

[59] *Id.* (citing Gas Quality Policy Statement, 115 FERC ¶ 61,325 at P 41).

46. The Commission accepts Trailblazer's proposed gas quality waiver provision. In the Gas Quality Policy Statement, the Commission stated "it is appropriate to allow pipelines to exercise their discretion to waive strict gas quality limits when operating conditions allow, and to enforce such limits when operating conditions require stricter measures, as long as it is done in a not unduly discriminatory manner."[60] Consistent with this policy, the Commission has accepted similar gas quality waiver provisions in other pipeline tariffs.[61] The concerns raised by the protests that Trailblazer's proposal will disrupt system deliveries are without merit. Trailblazer's proposed gas quality waiver provision provides that Trailblazer may accept non-conforming gas only if accepting such gas will "not adversely affect Transporter's ability to tender gas for delivery to a downstream pipeline or end-user."[62] Accordingly, prior to granting a receipt point waiver, Trailblazer must first determine that the waiver will not affect Trailblazer's ability to deliver gas in accordance with the delivery standards in its tariff. Furthermore, ensuring transparency, Trailblazer's proposal requires it to post each waiver on its website.[63] Trailblazer's proposed gas quality waiver provision is accepted subject to the condition that Trailblazer file tariff records within 30 days incorporating the changes that it proposed in its September 27, 2013 Filing.

6. Gas Quality Damages Provision and Other Changes

47. Trailblazer also proposes a new provision in section 21.4(c) of its GT&C which allows Trailblazer to obtain reimbursement for damage to its system caused by gas which does not meet the gas quality requirements in its tariff. In its October 2, 2013 Filing, Trailblazer proposed *pro forma* tariff records containing minor revisions to this proposal. Trailblazer states that this provision would allow it to recover damages (including replacement gas) from a party that tendered non-conforming gas that causes system damage. Trailblazer states that this proposal is consistent with Commission policy,[64] and

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[60] Gas Quality Policy Statement, 115 FERC ¶ 61,325 at P 41.

[61] *Norstar*, 118 FERC ¶ 61,221 at PP 146-147, *order reh'g,* 122 FERC ¶ 61,163, at PP 33-36 (2008).

[62] Trailblazer, September 27, 2013 Filing, at Appendix B (proposed section 21.4(b) of Trailblazer's GT&C).

[63] *Id.*

[64] Trailblazer, Reply Comments at 30 (citing *Natural Gas Pipeline Co. of Am.,* 90 FERC ¶ 61,101, at 61,318 (2002)).

states that the Commission has approved similar language in the past.[65] In its reply comments, Trailblazer also emphasizes that no shipper opposes the proposed reimbursement provisions for damage caused by non-compliant gas.

48. Trailblazer also proposes changes to its gas quality tariff provisions related to commingling of gas in section 21.5 and as well as other ministerial changes. No party objected to these aspects of Trailblazer's proposal.

49. The Commission accepts Trailblazer's proposed gas quality provisions related to reimbursement for damages, subject to the condition that Trailblazer file tariff records within 30 days incorporating the changes that it proposed in its October 2, 2013 Filing. The Commission also accepts the provisions related to commingling of gas and other ministerial changes to Trailblazer's gas quality provisions in section 21 of its GT&C.

C. Other Changes to Trailblazer's GT&C

50. Trailblazer proposed several other changes to its GT&C, including reservation of capacity for pipeline expansions, reservation charge crediting, and cash-out provisions. As discussed below, these proposed changes are accepted subject to conditions and Trailblazer's filing revised tariff records within 30 days of this order's issuance.

1. Reservation of Capacity for Pipeline Expansions

51. Trailblazer proposes to permit reservation of unsubscribed capacity for expansion projects. In its September 27, 2013 Filing, Trailblazer presented *pro forma* tariff records modifying this proposal for the reservation of capacity to 12 months.[66] Trailblazer states that its proposal is consistent with provisions approved in other pipeline tariffs.[67]

52. In its initial and reply comments, East Cheyenne states that the Commission should reject Trailblazer's proposal to reserve unsubscribed capacity for expansion projects. East Cheyenne states that Trailblazer's proposal does not include a provision to

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[65] Trailblazer, Reply Comments at 30 (citing Rockies Express Pipeline LLC, FERC Gas Tariff, Third Revised Volume No. 1 GT&C Section 20.5).

[66] Trailblazer, Initial Comments at 4 (citing *Portland Natural Gas Transmission Sys.*, 143 FERC ¶ 61,181 (2013)).

[67] *Id.* (citing *Nw. Pipeline Corp.*, 85 FERC ¶ 61,335, at 62,311-12 (1998))

allow the sale of reserved capacity on an interim basis.[68] East Cheyenne notes that this omission is inconsistent with the provision in Rockies Express' tariff, which Trailblazer claims served as the template for its proposal. The Wyoming Pipeline Authority states that it supports Trailblazer's proposal, as amended in Trailblazer's September 27, 2013 Filing, for reserving capacity for pipeline expansions.

53. In its reply comments, Trailblazer states that it is willing to address East Cheyenne's concerns and will amend the provision in its compliance filing to state that Trailblazer will offer the reserved capacity on an interim basis.

54. The Commission accepts Trailblazer's proposal related to the reservation of capacity for pipeline expansions, subject to Trailblazer's filing revised tariff language consistent with the modifications it has proposed in its September 27, 2013 filing and its comments in this proceeding. As modified, Trailblazer's proposed provision is consistent with Commission policy.[69]

2. <u>Reservation Charge Crediting</u>

55. Trailblazer proposes to modify section 7.14(d) of its GT&C to calculate reservation charge credits based on the seven-day period before the posting date of the Monthly Maintenance Schedule. Trailblazer states that the Commission has approved a similar methodology in the past, and Trailblazer asserts that its proposal will minimize opportunities for shippers to engage in gaming.[70] In its September 27, 2013 Filing's *pro forma* tariff records, Trailblazer also proposed to modify GT&C section 37.1(c) to require posting of Trailblazer's Monthly Maintenance Schedule on its website. Trailblazer states that posting the Monthly Maintenance Schedule allows customers to anticipate any planned outage and to make alternative arrangements for transportation. In its September 27, 2013 Filing, Trailblazer also proposed to clarify how the reservation charge credit will be calculated.

56. In their initial and reply comments, the Indicated Shippers and the Wyoming Pipeline Authority state that under Trailblazer's September 27, 2013 proposal, the

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[68] East Cheyenne Initial Comments at 11 (citing *Northern Border Pipeline Co.*, 105 FERC ¶ 61,228, at P 15 (2003); *Northern Natural Gas Co.*, 105 FERC ¶ 61,057, at P 32 (2003)).

[69] *E.g.*, *Portland*, 143 FERC ¶ 61,181 at PP 12, 19.

[70] Trailblazer Initial Comments at 5 (citing *Rockies Express Pipeline LLC*, 142 FERC ¶ 61,075, *reh'g denied*, 144 FERC ¶ 61,216 (2013)).

reservation charge credit will equal, incorrectly, the sum of the quantity nominated *and* the greater of the quantity not scheduled or not delivered. The Wyoming Pipeline Authority and Indicated Shippers state that Trailblazer's proposal should be clarified to provide that reservation charges will be eliminated based upon "the quantity of Gas, not to exceed the applicable MDQ, nominated Shipper's primary point(s) and that is not scheduled or not delivered, whichever is greater"[71]

57. In its reply comments, Trailblazer agrees to clarify its reservation charge crediting proposal as suggested by Indicated Shippers and the Wyoming Pipeline Authority.

58. The Commission accepts Trailblazer's proposed reservation charge crediting provisions, subject to Trailblazer's filing, within 30 days of the issuance of this order, revised tariff language consistent with the revisions it has proposed in its September 27, 2013 filing and its subsequent comments.

3. **Cash-Out Changes**

59. Trailblazer proposes to revise the cash-out procedures in section 12.3 of its GT&C to address potential gaming of imbalances. Trailblazer asserts that under its existing tariff, shippers may be able to "borrow" gas from Trailblazer when the market price is high and cash-out when the market price is low. Trailblazer states that it has no storage on its system, thus this activity utilizes system line-pack and can affect system operations.

60. To address potential gaming and to avoid imbalances, Trailblazer proposes to strengthen its existing mechanism in GT&C section 12.3 by removing the average monthly index price multiplier and replacing it with a "high/low" monthly index price calculation. Under Trailblazer's proposal, if a shipper owes Trailblazer, cash-out will be calculated based upon the highest average weekly index price during the month. Conversely, if Trailblazer owes a shipper, cash-out will be calculated based upon the lowest average weekly index price during the month. Trailblazer contends that this proposal achieves the appropriate incentives and is necessary to discourage use of system line pack as storage. Trailblazer states that the Commission has previously accepted similar provisions.[72]

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[71] Indicated Shippers, Initial Comments at 13; Wyoming Pipeline Authority, Initial Comments at 17.

[72] Trailblazer, Initial Comments at 7 (citing *Stingray Pipeline Co.*, 125 FERC ¶ 61,167, at P 30 (2008); *Northern Natural Gas Co.*, 105 FERC ¶ 61,172 (2003), *reh'g*

(continued…)

61. Trailblazer also proposes to change the referenced index to "Natural Gas Intelligence Weekly Gas Price Index; Spot Gas Prices." Additionally, Trailblazer proposes to change the index price points used to calculate its cash-out. Currently Trailblazer uses index price points at NGPL, Midcontinent, and CIG, Rocky Mountains. Trailblazer proposes to replace these price points with Northern Natural Demarc and Cheyenne Hub.

62. Finally, Trailblazer proposes to revise GT&C section 37.10(a), which governs payment of cash-out penalties to shippers. Trailblazer proposes to net such payments against any costs incurred. Furthermore, Trailblazer proposes to calculate payments using a refund allocation factor for each shipper.

63. Tenaska opposes the revisions to Trailblazer's cash-out provisions. Tenaska asserts that the cash-out changes will increase shipper costs. Tenaska states that Trailblazer has not demonstrated that gaming of Trailblazer's current cash-out mechanism is occurring. Tenaska also contends that Trailblazer has failed to support its proposal to substitute the Northern Natural Demarc pricing point for the NGPL Midcontinent index for the pricing of shipper imbalance charges. Tenaska argues that Trailblazer's system is not connected to Demarc, and thus does not deliver to any location at the Northern Natural Demarc price. Tenaska states that, in contrast, sales transactions at both of Trailblazer's east-end pipeline interconnects – Northern Natural Beatrice and NGPL Gage – are priced based on the NGPL Midcontinent index at a slight premium. Tenaska states that in order to move gas from Beatrice to Demarc and to achieve Demarc pricing, a shipper would first have to buy transportation service on Northern Natural. Tenaska contends that Northern Natural Demarc will never be accurate for pricing Trailblazer's cash-out transactions. Tenaska attached data to its comments which it states show that pricing at Northern Natural Demarc is both consistently higher and more volatile than Midcontinent pricing.[73] Thus, Tenaska states that using Northern Natural Demarc increases the costs paid by shippers. Tenaska further states that changes to the cash-out index price will affect Trailblazer's fuel charges because, according to Tenaska, Trailblazer's fuel charges are developed using Trailblazer's cash-out indices.

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denied, 107 FERC ¶ 61,252 (2004)), *aff'd sub nom., The Industrials v. FERC*, 426 F.3d 405 (D.C. Cir. 2005)).

[73] Tenaska, Initial Comments at 3. Tenaska incorporated a survey comparing weekly prices at Northern Natural Demarc and NGPL, Midcontinent for the period between December 2011 and October 2013. *Id.* at Attachment 1.

64. In its reply comments, Trailblazer reiterates that its proposal is necessary to address gaming, and is consistent with Commission precedent.[74] Trailblazer argues that whether or not excess capacity exists on Trailblazer, shippers should be deterred from taking advantage of opportunities to create imbalances. Trailblazer also states that it is false for Tenaska to argue that Trailblazer's system is not connected to Northern Natural Demarc. Trailblazer states that it delivers gas into Northern Natural at Gage County, NE, which is a short distance north of the Northern Natural Demarc Point. In contrast, Trailblazer states that the NGPL Midcontinent index point favored by Tenaska is hundreds of miles from Trailblazer and is not connected to the Trailblazer system. Trailblazer states that the other alternatives described by Tenaska (Henry Hub; Rockies Express, Clarington, Ohio; and Dracut, Massachusetts) are nowhere near Trailblazer's system. Trailblazer states that Tenaska's comments regarding its fuel mechanism are beyond the scope of this proceeding.

65. The Commission accepts Trailblazer's proposed changes to its cash-out procedures. The Commission has previously approved "high/low" cash-out provisions similar to the proposal submitted by Trailblazer.[75] The Commission also accepts Trailblazer's proposal to modify the price indices it uses in its cash-out mechanism, including Trailblazer's decision to use the Northern Natural Demarc point as opposed to the NGPL Midcontinent index point. The Northern Natural Demarc point is a short distance from Northern Natural's receipt point in Gage County, NE, where Trailblazer delivers gas into Northern Natural. In contrast, the NGPL Midcontinent index point is hundreds of miles from Trailblazer. As a result, the Northern Natural Demarc point more accurately reflects the economic value of the gas at the major point of delivery in Gage County, Nebraska. Trailblazer's proposed changes to use a high/low" monthly index cash-out calculation and to change the indices used in its cash-out mechanism are accepted.

D. <u>Trailblazer's Motion to Place its Tariff Records into Effect</u>

66. In its Transmittal Letter, Trailblazer moved to place its proposed tariff records into effect at the end of any suspension period set by the Commission provided that the proposed tariff records were accepted as filed and without modifications.[76] Trailblazer stated that if the proposed tariff records were not approved as submitted, it reserved the

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[74] Trailblazer, Reply Comments at 7 (citing *Stingray*, 125 FERC ¶ 61,167 at P 30).

[75] *E.g. Stingray*, 125 FERC ¶ 61,167 at PP 21, 30.

[76] Trailblazer, July 1, 2013 Transmittal Sheet at 21.

right to file a subsequent motion to place such tariff records into effect.[77] In the July 31 Order,[78] the Commission accepted the tariff records contained in Trailblazer's filing and suspended them, subject to refund and conditions to be effective January 1, 2014. Because Trailblazer has reserved the right to file a motion to effectuate the tariff records contained in its proposal if its proposal is accepted subject to conditions, the proposed tariff sheets will only take effect upon motion by Trailblazer.[79]

The Commission orders:

(A) Trailblazer's proposed tariff record "Waivers, GTC Section 39 - Waivers, 0.0.0," is rejected as discussed in the body of this order.

(B) Trailblazer's other proposed tariff records remain subject to suspension and refund, and the outcome of hearing procedures and the technical conference proceedings as specified in the July 31, 2013 Order.

(C) Within 30 days of the date of this order, Trailblazer shall file revised tariff records consistent with the discussion in the body of this order, to be effective on the date Trailblazer moves its suspended records into effect.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

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[77] *Id.*

[78] 144 FERC ¶ 61,084.

[79] *Texas Eastern Transmission*, 89 FERC ¶ 61097, at 61,279 (1999).