

153 FERC ¶ 61,111
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;
Philip D. Moeller, Cheryl A. LaFleur,
Tony Clark, and Colette D. Honorable.

Algonquin Gas Transmission, LLC

Docket No. RP15-1277-000

ORDER ACCEPTING TARIFF RECORDS SUBJECT TO CONDITIONS

(Issued October 29, 2015)

1. On September 17, 2015, Algonquin Gas Transmission, LLC (Algonquin) filed revised tariff records¹ to include a *pro forma* Operational Balancing Agreement (OBA) and make certain other conforming changes to its tariff to facilitate the establishment of standard processes for execution and administration of OBAs. Algonquin proposes November 1, 2015 as the effective date. Algonquin's revised tariff records are accepted to be effective November 1, 2015, subject to the conditions set forth in this order.

I. Description of the Filing

2. An OBA is a contract between the pipeline and the operator of interconnecting facilities, such as another pipeline, specifying the procedures to be used in processing differences between the quantities scheduled to flow at the interconnection subject to the OBA and actual flows at that point. An OBA at an interconnection ensures that once a shipper has scheduled gas at that location and had its gas confirmed by the pipeline, the shipper will be allocated its scheduled quantity at that location and will not be subjected to imbalances or any imbalance penalties resulting from differences between scheduled gas quantities and actual physical deliveries at that location. Rather, any difference between scheduled and measured quantities at points covered by an OBA belongs to the point operator at that point.

3. In Order No. 587-G, the Commission adopted section 284.12(b)(2)(i) of its regulations, requiring interstate pipelines to enter into OBAs at all interstate and intrastate

¹ See appendix.

pipeline interconnects.² The Commission also encourages pipelines to negotiate OBAs with point operators at other interconnections.³ While Algonquin has negotiated OBAs with pipelines and other operators of interconnecting facilities at many points on its system, Algonquin's current tariff does not include a *pro forma* OBA.

4. In this filing, Algonquin proposes to add a *pro forma* OBA to Part 7, Form of Service Agreements, of its tariff. Algonquin states that Article 1 of the *pro forma* OBA describes the operational parameters and imbalance resolution procedures agreed upon by the OBA parties. Algonquin further states that section 1.1 provides that, prior to the effective date and time of flow at each location, the parties will confirm nominations electronically unless otherwise agreed by the parties. Section 1.2 defines the difference between the total actual physical flow of natural gas at a location and the total scheduled quantities at that location as the "Daily Operational Imbalance." The sum of all unresolved Daily Operational Imbalances is defined as the "Cumulative Operational Imbalance." Algonquin states that section 1.2 provides that the parties shall eliminate these imbalances pursuant to the OBA.

5. In addition, Algonquin states that section 1.3 describes the calculation of the Cumulative Operational Imbalances and declares that such imbalance shall be calculated by the party responsible for measurement at the location no later than the tenth (10th) day of the following month. Algonquin also states that section 1.4 addresses the resolution of the Cumulative Operational Imbalance and provides two options for that resolution: cash-out pursuant to section 25.10 of Algonquin's General Terms and Conditions (GT&C) or in-kind receipt or delivery of gas.

6. In addition, Algonquin states that Article 2 of the *pro forma* OBA defines the term of the OBA, details the conditions under which the OBA can be terminated by either party, and describes the process for the resolution of imbalances that remain upon the termination date of the OBA. Algonquin also states that section 2.1 addresses the resolution of the Cumulative Operational Imbalance upon the termination of the OBA and again provides two options for the language that will be included in an executed OBA based on the imbalance resolution method (cash-out pursuant to the tariff or in-kind receipt or delivery of gas) agreed upon by the parties. Exhibit 1 to the OBA identifies the location(s) to which the OBA will be applicable.

7. Algonquin also proposes to make certain conforming tariff changes to facilitate the establishment of standard processes for execution and administration of OBAs. As

² *Standards for Business Practices of Interstate Natural Gas Pipelines*, Order No. 587-G, FERC Stats. & Regs. ¶ 31,062, at 30,677-80 (1998) (Order No. 587-G), *order on reh'g*, Order No. 587-I, FERC Stats. & Regs. ¶ 31,067 (1998).

³ *Transcontinental Gas Pipe Line Co., LLC*, 139 FERC ¶ 61,159, at P 3 (2012).

part of these revisions, Algonquin proposes to modify section 1 (Definitions) of the GT&C of its tariff by (i) adding definitions for the terms “Cash-out OBA Party” and “OBA Party” and (ii) modifying the definition of “Cash-out Party.”

8. In addition, Algonquin proposes to modify GT&C section 2.1(a) to reflect that parties desiring to execute an OBA in the form contained in the tariff must submit the request for such agreement electronically via the LINK® System. Algonquin proposes to modify GT&C section 2.3(a) to reflect that all OBAs and all amendments to OBAs that are executed in the form contained in the tariff must be executed electronically via the LINK® System. Algonquin proposes to further modify GT&C section 2.3(a) to reflect that OBAs and amendments to OBAs that are executed in a form other than the *pro forma* OBA contained in the tariff must be executed in writing.

9. Algonquin proposes to modify GT&C section 25.6 to include a description of Algonquin’s current business practice for calculating monthly imbalances. Specifically, the monthly imbalance for a service agreement other than an OBA is calculated as the difference between the actual quantities of gas Algonquin receives at a receipt point, less Applicable Shrinkage, and the actual quantities of gas it delivers during the month under such service agreement. GT&C section 25.6 further provides that, if a customer is using service at a meter covered by an OBA, the customer’s confirmed and scheduled quantities at that meter will be used as the actual quantity for purposes of calculating such customer’s monthly imbalance. The monthly imbalance for an OBA Party is calculated as the difference between total actual quantities of gas received and/or delivered through the applicable meter and the total aggregated confirmed and scheduled quantities for such meter. Algonquin asserts that the addition of these provisions will not adversely impact any party because the sole reason for adding the language is to simply memorialize Algonquin’s current formula for calculating monthly imbalances. Algonquin proposes to modify section 30.1 to reflect that the responsibility for resolving variances between actual quantities and scheduled and confirmed quantities is shared by Algonquin and the OBA Party.

10. Algonquin proposes to modify GT&C section 30.2 to reflect that the OBA executed by Algonquin and the OBA Party will be in the form of the *pro forma* OBA, with the exception that OBAs at interconnections with interstate or intrastate pipelines may be executed in another mutually agreeable form. Algonquin states that this exception for OBAs at pipeline interconnections recognizes that both pipelines may have a *pro forma* OBA in their respective tariff and allows the pipelines to mutually agree upon the terms and provisions for an OBA that best fits the operating characteristics of the applicable pipeline interconnection.

11. Notice of Algonquin’s filing was issued on September 21, 2015. Interventions and protests were due as provided in section 154.210 of the Commission's regulations, 18 C.F.R. § 154.210 (2015). Pursuant to Rule 214, 18 C.F.R. § 385.214 (2015), all timely filed unopposed motions to intervene and any unopposed motions 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 this proceeding or place additional burdens on existing parties. Comments were filed by the New England Local Distribution Companies (New England LDCs).⁴ Algonquin filed an answer to the comments.⁵ The comments and answer are discussed below.

II. Commission Determination

12. The Commission finds that Algonquin's revised tariff records are reasonable and consistent with Commission policy, subject to the conditions set forth below. Therefore, Algonquin's revised tariff records are accepted to be effective November 1, 2015, subject to conditions.

Service Under Existing OBAs

13. The New England LDCs filed comments stating that they do not object to the instant filing, and request that the Commission "make clear in its order approving Algonquin's filing that the revised OBAs will not affect the flexibility of service currently provided by Algonquin to firm shippers under existing OBAs."⁶

14. Algonquin has clarified and presented an adequate justification for its filing. In its answer, Algonquin clarifies that it is not proposing to change the way it operates its system in this docket.⁷ Algonquin states that it intends to continue to have OBAs at all points currently covered by OBAs. Algonquin further states that its filing is not intended or anticipated to impact the operational benefits and certainty provided to interconnecting parties under existing OBAs. Algonquin asserts that the instant filing is only intended to standardize Algonquin's OBAs and allow Algonquin to continue to actively monitor and

⁴ For the purpose of this filing the New England LDCs are Bay State Gas Company d/b/a Columbia Gas of Massachusetts; Connecticut Natural Gas Corporation; Liberty Utilities (New England Natural Gas Company) Corp. d/b/a Liberty Utilities; Middleborough Gas & Electric Department; NSTAR Gas Company d/b/a Eversource; Northern Utilities, Inc.; City of Norwich, Department of Public Utilities; The Sothern Connecticut Gas Company; and Yankee Gas Services Company d/b/a Eversource.

⁵ The Commission's Rules of Practice and Procedure do not permit answers to protests or answers to answers unless otherwise ordered by the decisional authority. 18 C.F.R. § 385.213(a)(2) (2015). The Commission finds good cause to accept the Algonquin's answer since it will not delay the proceeding, may assist the Commission in understanding the issues raised, and will ensure a complete record.

⁶ The New England LDCs comments at 5.

⁷ Algonquin's answer at 2.

manage imbalance activity and improve transparency with respect to all OBAs across its system. Similarly, Algonquin states that its filing will not affect the quality or flexibility of service that Algonquin provides to firm shippers under their firm service agreements.

15. While the Commission does not require pipelines to include *pro forma* OBAs in their tariff, the Commission has permitted other pipelines to include such *pro forma* agreements in their tariffs.⁸ As Algonquin states, use of a *pro forma* OBA is a reasonable means of increasing the transparency of such agreements and minimizing undue discrimination.

Resolution of Imbalances

16. Section 1.4 of Algonquin's proposed *pro forma* OBA provides alternative language depending upon whether the parties agree to resolve Cumulative Operational Imbalances using (1) the cash-out provisions in GT&C section 25.10 or (2) in-kind receipt or delivery of natural gas.

17. Algonquin also proposes that if a party chooses to resolve its Cumulative Operational Imbalance using the cash-out provisions in GT&C section 25.10, thus qualifying as a "Cash-out Imbalance Party," that party may also net and trade imbalances under GT&C 25.8 and 25.9, thus minimizing the remaining imbalance to be cashed out under GT&C section 25.10. However, if a party chooses in-kind resolution of imbalances it will not qualify as a "Cash-out Imbalance Party" and therefore will not be eligible to net and trade imbalances.

18. Section 284.12(b)(2)(ii) of the Commission's regulations⁹ requires pipelines to establish provisions permitting shippers and their agents to net and trade all imbalances that have a similar operational impact on the pipeline's system. As the Commission stated in Order No 587- G:

Permitting shippers to trade imbalances in the same operational area enables shippers to avoid imbalance charges without jeopardizing system reliability. When individual shipper imbalances offset each other, the pipeline as a whole is in balance.¹⁰

This is true regardless of whether any remaining imbalance after netting and trading is resolved through a cash-out or in-kind methodology. Therefore, our acceptance of Algonquin's filing is subject to the condition that Algonquin file revised tariff records,

⁸ *Transwestern Pipeline Co., LLC*, 132 FERC ¶ 61,052 (2010).

⁹ 18 C.F.R. § 284.12(b)(2)(ii) (2015).

¹⁰ Order No. 587-G, FERC Stats. & Regs. ¶ 31,062 at 30,677.

within thirty days of the date of this order, permitting netting and trading when the in-kind imbalance resolution methodology is utilized.

The Commission orders:

(A) The revised tariff records listed in the appendix are accepted to be effective November 1, 2015, subject to the conditions set forth in this order.

(B) Algonquin is directed to file revised tariff records, within thirty days of the date of this order, permitting netting and trading, as discussed above.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Appendix

Algonquin Gas Transmission, LLC FERC NGA Gas Tariff Algonquin Database 1

Tariff Records Conditionally Accepted Effective November 1, 2015

[Part 1, Table of Contents, 7.0.0](#)

[1., Definitions, 8.0.0](#)

[2., Request for Transportation Service, 6.0.0](#)

[25., Imbalance Resolution Procedures, 3.0.0](#)

[30., Operational Balancing Agreements, 2.0.0](#)

[Part 7, Forms of Service Agreements, 3.0.0](#)

[15., Operational Balancing Agreement, 0.0.0](#)

[15.1, Exhibit 1 to Operational Balancing Agreement, 0.0.0](#)