

155 FERC ¶ 61,321  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

Transwestern Pipeline Company, LLC

Docket No. RP16-329-000

ORDER FOLLOWING TECHNICAL CONFERENCE

(Issued June 30, 2016)

1. On December 30, 2015, Transwestern Pipeline Company, LLC (Transwestern) filed a tariff record<sup>1</sup> to implement a maximum Btu limit in its FERC Gas Tariff. Transwestern proposed a maximum total heating value of not more than 1,110 Btu per standard cubic foot (scf). Parties to the proceeding filed comments and requested a technical conference. On January 28, 2016, the Commission issued an order (January 28 Order) accepting and suspending the tariff record for the maximum five-month statutory period to be effective July 1, 2016, subject to refund, and the outcome of a technical conference.<sup>2</sup> Staff held a technical conference on April 5, 2016, at which Transwestern explained its proposal and the parties<sup>3</sup> expressed their concerns. On April 15, 2016, Transwestern filed comments and *pro forma* tariff revisions proposing additional changes to address concerns expressed by parties (April 15 filing). On April 29, 2016, the parties filed comments on the revised proposal. On May 13, 2016, Transwestern and parties filed reply comments.

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<sup>1</sup> Transwestern Pipeline Company, LLC, FERC NGA Gas Tariff, Fifth Revised Volume No. 1, GT&C Section 2., Quality, 3.0.0.

<sup>2</sup> *Transwestern Pipeline Co. LLC*, 154 FERC ¶ 61,051 (2016).

<sup>3</sup> New Mexico Gas Company (NMGC), Pacific Gas and Electric Company (PG&E), Agave Energy Company (Agave), and Indicated Shippers.

2. As discussed below, the Commission accepts the tariff record referenced in footnote No. 1, effective July 1, 2016, subject to Transwestern's filing actual tariff records implementing the *pro forma* revisions it agreed to in its post-technical conference comments, within 15 days from the issuance of this order.

### **I. Background**

3. On June 22, 2015, Transwestern filed an uncontested Stipulation and Agreement of Settlement (Settlement) that resolved many issues raised in Transwestern's Natural Gas Act (NGA) section 4 general rate proceeding in Docket No. RP15-23-000, *et al.*, which the Commission had set for hearing.<sup>4</sup> The Commission approved the Settlement on October 15, 2015.<sup>5</sup> While the Settlement resolved certain pending issues, it also provided for further processes to resolve the Btu content/heating value issue that is the subject of this order.

4. Transwestern now proposes to implement a requirement that all gas delivered into its system at a receipt point have a maximum heating value of not more than 1,110 Btu/scf. In its rate case filing, in Docket No. RP15-23-000, *et al.*, Transwestern had proposed to implement a maximum heating value of not more than 1,200 Btu/scf. Transwestern states that one shipper, NMGC, opposed the proposal and argued that the Commission should impose an interim maximum heating value of not more than 1,100 Btu/scf. NMGC asserted that without the interim standard, NMGC would be required to install blending or other processing facilities at its delivery points on the Transwestern system. The Settlement committed the parties to meet and attempt to develop a maximum heating value specification that was acceptable to all parties that supported or did not oppose the Settlement.

5. Specifically, Article V, section 1 of the Settlement, provided that Transwestern was to meet with shippers to provide procedures for resolving the issues of maximum Btu content in the gas stream. The Settlement provided that if the parties did not reach agreement on this matter by January 1, 2016, Transwestern would file to implement tariff provisions applicable to such unresolved matters to be effective following the end of the suspension period and Commission's review and approval of such tariff provisions. The Settlement also required Transwestern to request that the Commission hold a technical conference on such unresolved matters. Transwestern states it held several meetings with

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<sup>4</sup> *Transwestern Pipeline Co. LLC*, 149 FERC ¶ 61,094 (2014).

<sup>5</sup> *Transwestern Pipeline Co. LLC*, 153 FERC ¶ 61,039 (2015).

shippers to discuss the basis and reason for implementing a maximum Btu limit in the tariff but the parties were unable to reach consensus on the matter.

## II. Technical Conference

6. On April 5, 2016, Commission staff conducted a technical conference at which Transwestern explained its proposal and provided a presentation setting forth the technical, engineering, and operational support for its proposal (Transwestern's Presentation).<sup>6</sup> At the technical conference, Transwestern provided data on Btu levels at all receipt points on the Transwestern system, the geographic location of such receipt points, the volumes and geographic location of receipt points with high Btu gas, and the geographic location of the local distribution company (LDC) delivery points, including those of NMGC.

7. Transwestern also presented data reflecting five years of Btu and volume data for each receipt point in each of the supply areas on its system where significant volumes of gas are received. Transwestern provided analyses showing the results of blending of high Btu and low Btu gas in each of the supply areas, as well as the blended Btu level of gas delivered to NMGC at each of its delivery points. The following summarizes the data presented during the technical conference regarding the three supply areas and the delivery points for NMGC:

- a) San Juan Area: The Btu levels in this area are generally relatively low. According to the data, the highest average Btu level for any receipt point in the San Juan area was approximately 1,043 Btu/scf, and over 95 percent of gas receipts during the five-year period were below 1040 Btu/scf.<sup>7</sup> In fact, for the entire five-year period, a total of only 320 MMcf or 0.01 percent of receipts were above 1,110 Btu/scf.<sup>8</sup>
- b) Panhandle Area: In contrast to the low Btu San Juan area, where no receipt point had an average Btu level over the five-year period above 1,043 Btu/scf, approximately 70 percent of gas receipts in the Panhandle Area during the

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<sup>6</sup> Transwestern filed a copy of its presentation with the Commission on April 5, 2016.

<sup>7</sup> *Id.* at 5.

<sup>8</sup> *Id.* at 6.

five-year period were at or above 1,040 Btu/scf. For the five-year period, a total of only 250 MMcf or 0.34 percent of receipts were above 1,110 Btu/scf.<sup>9</sup>

- c) West Texas Area: In the West Texas area, over half of the receipt points during the five-year period had an average Btu level at or above 1,050 Btu/scf, with 10.77 percent of volumes received having a Btu level above 1,110 Btu/scf. The data shows that the Atoka Lateral receives the highest volume of high Btu gas, with four of its six receipt points registering Btu levels over 1,110 Btu/scf. Transwestern also shows that over the five-year period, the West Texas area consistently had receipts above 1,110 Btu/scf, with many days having receipts above 1,145 Btu/scf.<sup>10</sup>
- d) NMGC Delivery Points: The data shows that NMGC's delivery points are located particularly close to areas that supply high Btu gas to Transwestern's system and as a result, NMGC is the customer on Transwestern's system that is most affected by the delivery of high Btu gas. In particular, NMGC has a delivery point (Thompson) that is in close proximity to the Atoka Lateral that provides high Btu gas.<sup>11</sup>

8. Transwestern's Presentation showed that to date it has been able to blend gas flows to mitigate the effects of the high level Btu gas it has been receiving, but that Btu levels are increasing and becoming more volatile in recent periods. According to Transwestern, due to geographical and operational factors, the Btu issue on Transwestern is significantly different from the Btu issue on other long-line pipelines. Long-line pipelines are able to deliver a blended stream of lower Btu gas because they have an ample opportunity to blend high Btu gas with low Btu gas over the many miles from the points of receipt of high Btu gas to the location of delivery points. Transwestern contends that the unique factor on its system of having LDC delivery points in close proximity to receipts of high Btu gas supports approval of the proposed 1,110 Btu/scf limit and tariff revisions.

9. Transwestern states that the data for the recent five-year period demonstrates changing conditions and a trend toward higher Btu levels for gas at receipt points in the

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<sup>9</sup> *Id.* at 12.

<sup>10</sup> *Id.* at 22-29.

<sup>11</sup> *Id.* at 20.

areas where NMGC has delivery points in proximity to such high Btu receipt points. According to Transwestern, the trend for gas receipts in West Texas, where NMGC has three delivery points, has consistently moved toward higher Btu gas for the period from June 1, 2010 through June 2, 2015.<sup>12</sup> The trend for gas receipts in the Panhandle area, where NMGC has one delivery point, also has consistently moved toward higher Btu gas. Transwestern's pipeline in the East of Thoreau area, where NMGC has three delivery points, transports the combined volumes from the West Texas and Panhandle supply areas and, consistent with the trend identified above, is also experiencing a trend toward higher Btu gas.<sup>13</sup>

10. In response to an informal Commission Staff request at the technical conference, Transwestern's April 15 filing included additional data demonstrating increasing Btu levels and higher volatility in Btu levels. Transwestern states that its response shows that the trend for the five largest volume receipt points in West Texas is toward higher Btu levels and increased volatility, with Btu levels spiking above 1,110 Btu/scf. Transwestern states some of the spikes were not only above 1,110 Btu/scf, but above 1,150 Btu/scf or even as high as 1,212 Btu/scf.<sup>14</sup> Transwestern also states the spikes are very significant in terms of impact on the blended Btu level of the gas stream because the blended Btu level is a weighted average of receipt volumes, with the largest volume receipt points having the greatest impact. Additionally, Transwestern states that the number of days when at least one of the five largest volume receipt points spiked above 1,110 Btu/scf was 10 times higher in the last half of the five-year period compared to the first half, with 7 days above 1,110 Btu/scf from June 2010 to December 2012, and 71 days above 1,110 Btu/scf from January 2013 to June 2015.<sup>15</sup> Therefore, Transwestern states there already have been instances when some of those five points have had Btu levels that spiked simultaneously.

### **III. Pro Forma Tariff Proposal**

11. On April 15, 2016, Transwestern filed *pro forma* tariff revisions proposing additional changes to address the concerns expressed by parties. Specifically, the

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<sup>12</sup> *Id.* at 29; NMGC Presentation at 7.

<sup>13</sup> Transwestern's Presentation at 17-19.

<sup>14</sup> Figure Q2.2 of Appendix B of Transwestern's April 15 filing.

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

*pro forma* tariff revisions (1) amend section 2.4 of its General Terms and Conditions (GT&C) to exclude delivery points in the West of Thoreau area of the Transwestern system from the proposed maximum heating value specification of 1,110 Btu/scf; (2) add section 2.7 to its GT&C to allow shippers to aggregate natural gas volumes received from receipt points located on the same area of the Transwestern system for the purpose of determining the maximum total heating value of gas received from those points; and (3) add exhibits to the Operator Balancing Agreement that will allow a shipper to list receipt points it chooses to aggregate for the purpose of determining the maximum total heating value of gas it ships on the system.

12. Transwestern states that the proposed tariff language meets the concerns of PG&E by providing that the 1,110 Btu/scf limit will not apply to delivery points in the West of Thoreau Area. Furthermore, Transwestern states that it has crafted an aggregation mechanism that balances the safety and reliability concerns of NMGC with the importance of maximizing supply from producers, such as Agave, that would be directly affected by the proposed 1,110 Btu/scf limit.

#### **IV. The Gas Quality Policy Statement**

13. On June 15, 2006, the Commission issued the *Gas Quality Policy Statement*.<sup>16</sup> Gas quality, as discussed in the Policy Statement, is concerned with the impact of non-methane hydrocarbons on the safe and efficient operation of pipelines, distribution facilities, and end-user equipment. As used by the gas industry historically, “interchangeability” means the extent to which a substitute gas can safely and efficiently replace gas normally used by an end-use customer in a combustion application.

14. The Commission’s policy embodies five principles: (1) only natural gas quality and interchangeability specifications contained in a Commission-approved gas tariff can be enforced; (2) pipeline tariff provisions on gas quality and interchangeability need to be flexible to allow pipelines to balance safety and reliability concerns with the importance of maximizing supply, as well as recognizing the evolving nature of the science underlying gas quality and interchangeability specifications; (3) pipelines and their customers should develop gas quality and interchangeability specifications based on technical requirements; (4) in negotiating technically based solutions, pipelines and their customers are strongly encouraged to use the Natural Gas Council (NGC+) interim

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<sup>16</sup> *Natural Gas Interchangeability* (Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Tariffs), 115 FERC ¶61,325 (2006) (Policy Statement).

guidelines on gas quality and interchangeability filed with the Commission in two reports on February 28, 2005,<sup>17</sup> as a common scientific reference point for resolving the issues;<sup>18</sup> and (5) to the extent pipelines and their customers cannot resolve disputes over gas quality and interchangeability, those disputes can be brought before the Commission to be resolved on a case-by-case basis, on a record of fact and technical review.

15. Transwestern argues that its proposed maximum Btu limit is consistent with the Policy Statement. Transwestern contends that its efforts to address the parties' issues by proposing revised tariff language is exactly what was envisioned when the Commission addressed the need for flexibility to balance safety and reliability concerns with the importance of maximizing supply. Transwestern states that, with the encouragement of Commission Staff at the technical conference, the parties directly affected by the proposed maximum Btu limit, NMGC, Agave, and PG&E were able to reach agreement on tariff revisions that provide the flexibility to address NMGC's safety and reliability concerns, while at the same time addressing Agave's interest in maximizing its supplies of gas to the Transwestern system. The parties were also able to agree to tariff revisions to address PG&E's concern that the proposed maximum Btu limit not apply to the West of Thoreau delivery points.

16. Transwestern states the maximum limit of 1,110 Btu/scf and proposed additional tariff modifications also comply with the third and fourth principles of the Policy Statement regarding the development of standards based on technical requirements and using the NGC+ guidelines as a common reference point. Transwestern notes that in recent orders, the Commission has reiterated its interest in having parties follow the Policy Statement and the NGC+ guidelines referenced therein.<sup>19</sup> The proposed maximum limit of 1,110 Btu/scf is based on the technical requirements of Transwestern and

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<sup>17</sup> *HDP White Paper and White Paper on Natural Gas Interchangeability and Non-Combustion End Use* (February 28, 2005).

<sup>18</sup> The interim guidelines for interchangeability list the maximum heating value limit as 1,110 Btu/scf.

<sup>19</sup> Transwestern's Presentation at 44, citing *Florida Gas Transmission Co., LLC*, 151 FERC ¶ 61,254, at PP 120-122 (2015); *Alliance Pipeline L.P.*, 151 FERC ¶ 61,271, at P 41 (2015); *DBM Pipeline, LLC*, 152 FERC ¶ 62,056, at 64,157 (2015); *Sierrita Gas Pipeline, LLC*, 147 FERC ¶ 61,192, at PP 62-63 (2014); *Trailblazer Pipeline Co. LLC*, 145 FERC ¶ 61,299, at PP 15-16, n.19 (2013); and *Texas Eastern Transmission, LP*, 144 FERC ¶ 61,082, at P 19 (2013).

NMGC, and is the exact 1,110 Btu/scf standard contained in the NGC+ guidelines. Transwestern further noted that its proposed 1,110 Btu/scf limit is consistent with the Btu limit of connecting pipelines Oasis Pipeline Company Texas, L.P., Oneok Westex Transmission, L.P., New Mexico Natural Gas Company, and Natural Gas Pipeline Company of America.<sup>20</sup>

## V. Initial Comments

17. On April 29, 2016, parties in the proceeding filed initial comments following the technical conference. In its comments, Transwestern contends that it has provided a significant amount of technical, engineering, and operational data that shows its ability to blend gas flows is decreasing because of rising Btu levels and increasing volatility. Transwestern notes that, moreover, its April 15 filing has addressed the concerns of several parties in the proceeding that had objected to the establishment of a maximum Btu level on the Transwestern system. PG&E, Agave, and NMGC filed initial post-technical conference comments supporting the *pro forma* tariff revisions proposed by Transwestern. However, Indicated Shippers<sup>21</sup> oppose the proposed *pro forma* tariff revisions and filed adverse comments as discussed below.

18. Indicated Shippers continue to oppose the establishment of a maximum Btu level on the Transwestern system. Indicated Shippers state that Transwestern has failed to meet the burden of demonstrating the need for a higher heating value upper limit and failed to support its claim that the proposed 1,110 Btu/scf is the correct limit to implement on its system. Indicated Shippers argue that Transwestern's proposed higher heating value upper limit of 1,110 Btu/scf should be rejected. Indicated Shippers acknowledge that Transwestern has provided additional data, but contend it does not include the support necessary for the Commission, "to develop a factual record, with sound technical underpinnings," to resolve the dispute.

19. Indicated Shippers also request modification of Transwestern's proposed revision to section 2.7 of its GT&C to allow aggregating of natural gas volumes. Indicated Shippers state that while Transwestern's proposal permits only Transwestern and a point operator to determine whether volumes from designated receipt points may be aggregated for compliance with the heating value upper limit, Transwestern should permit shippers,

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<sup>20</sup> Transwestern's Presentation at 45.

<sup>21</sup> Indicated Shippers include Anadarko Energy Services Company, BP Energy Company, ConocoPhillips Company, and Shell Energy North America (US), L.P.

as well as point operators, to blend their nominated quantities to allow volumes to be shipped on the system. Indicated Shippers argue that such a revision is fully consistent with the Commission's Gas Quality Policy Statement and that Transwestern provided no explanation for why it could not allow producers and shippers to blend nominated quantities at various receipt points to maximize the ability of supplies to flow on the Transwestern system.<sup>22</sup>

## VI. Reply Comments

20. In its reply comments filed May 13, 2016, Transwestern contends that Indicated Shippers err in their opposition to the affected companies' compromised Btu limit. Transwestern argues that the comments of the Indicated Shippers disregard the principles of the Policy Statement, ignore or mischaracterize the data, and incorrectly claim that, "Transwestern's proposal is opposed by many parties."<sup>23</sup> As a result, according to Transwestern, Indicated Shippers have presented no basis to reject its proposed standard. Transwestern states that Indicated Shippers fail to acknowledge the unique facts involving NMGC's delivery points on Transwestern's system. According to Transwestern, although the unique facts concerning the operations and design elements of its system support approval of the proposed 1,110 Btu/scf standard, Indicated Shippers clearly oppose any such standard in this proceeding in order to avoid alleged purported "precedential effect."<sup>24</sup>

21. Additionally, Transwestern argues that Indicated Shippers fail to properly balance safety and reliability concerns with the importance of maximizing supply as called for in the Policy Statement. According to Transwestern, Indicated Shippers' focus is on maximizing supply while ignoring the safety and reliability concerns. According to Transwestern, as Indicated Shippers' interpret it, the second principle of the Policy Statement only relates to maximizing supply and does not involve balancing safety and reliability concerns at all.<sup>25</sup>

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<sup>22</sup> Indicated Shippers Initial Comments at 26-27.

<sup>23</sup> Transwestern Reply Comments at 1.

<sup>24</sup> *Id.* at 6.

<sup>25</sup> *Id.* at 7.

22. Transwestern emphasizes that all parties in this proceeding, with the exception of Indicated Shippers, have strived to balance safety and reliability concerns with the importance of maximizing supply, as contemplated by the Policy Statement.

Transwestern points out that this balancing of interests includes meeting the needs of both the LDC most directly affected by high Btu gas, NMGC, and the producer subject to the most significant impact under the 1,110 Btu/scf limit, Agave. Transwestern states that the parties most directly affected by the proposed 1,110 Btu/scf limit attempted to follow the second principle of the Policy Statement and balanced the safety and reliability concerns. In contrast, Transwestern states that Indicated Shippers failed to even identify the location of their supplies or their specific volumes at each location, much less provide information as to which of their gas supplies, if any, could be affected by the proposed Btu standard.<sup>26</sup>

23. In their reply comments, Indicated Shippers argue that their proposal to include individual shippers in the aggregation method is “fully consistent with” the Policy Statement. Transwestern states nothing cited by Indicated Shippers supports a claim that the Policy Statement requires that individual shippers be included in the aggregation method. Additionally, Transwestern states that the Policy Statement encourages the parties to be flexible as to “blending, pairing, and other strategies” and the agreed-upon aggregation method is fully consistent with the Policy Statement.

24. Indicated Shippers claim that Transwestern “provided no explanation” for not including individual shippers and producers in the aggregation method. Transwestern states the aggregation of gas supplies properly falls within the role of a point operator, which is the party that has the necessary control at the point. Allowing both operators, as well as shippers, to aggregate gas supplies, would not properly function as a protection against an aggregation that results in gas supplies being over 1,110 Btu/scf when the same receipt points are being utilized by both operators and shippers to aggregate gas supplies.

## **VII. Commission Determination**

### **A. Transwestern’s Analysis Supports Approval of the Proposed Maximum Btu Level on the Transwestern System**

25. The Commission finds that Transwestern has adequately supported its proposal for a maximum 1,110 Btu/scf level on its system, and thus accepts Transwestern’s tariff

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<sup>26</sup> *Id.* at 9.

record, as proposed to be effective July 1, 2016. In support of its proposal, Transwestern provided substantial technical and operational data that demonstrates changing conditions, and a trend toward higher Btu levels for gas at receipt points on its system. In support of its claim for a need for a maximum heating standard to address these changes, Transwestern provided heating value data for the last five years from all active receipt points on its system, the geographic location of such receipt points, the volumes and geographic location of receipt points with high Btu gas, the geographic location of the LDC delivery points of NMGC (which are in proximity to receipts of high Btu gas) and the technical, engineering and operational issues involved in the receipt and blending of high Btu gas prior to deliveries to the nearby LDC delivery points of NMGC. As discussed herein, this data supports the implementation of a maximum Btu standard to protect Transwestern's system.

26. The Commission finds that Transwestern has provided an acceptable aggregation plan that balances the safety and reliability concerns of the shippers and producers on its system. The Policy Statement encourages pipelines to allow blending, pairing, and other strategies, to the extent these can be implemented on a non-discriminatory basis and in a manner that is consistent with safe and reliable operations. The Policy Statement does not specify whether blending must be done on a shipper or producer basis, or whether the pipe can designate a point operator to have control of blending at multiple receipt points. Given the complexity of operating an interstate pipeline, there is substantial discretion given to a pipeline to decide when and how much to allow exceptions to gas quality and interchangeability specifications to accommodate production that may not have convenient access to gas processing. Here, Transwestern has elected to have a point operator aggregate supplies as a protection against an aggregation that results in gas supplies being over 1,110 Btu/scf entering the system. Transwestern states that no shipper's gas would be excluded from the aggregation method or double-counted when the aggregation is performed by the point operator on behalf of shippers. The Commission finds Transwestern has provided sufficient evidence illustrating that allowing point operators to aggregate supplies is an appropriate blending mechanism on its system that is consistent with the Policy Statement.

27. In addition, as discussed more fully below, Transwestern has shown that its proposed Btu limit is consistent with the heating value standards for the multiple pipelines that interconnect with Transwestern's system. Finally, consistent with the Policy Statement, Transwestern has negotiated with its customers to arrive at technically based solutions.

**B. The Data Presented Illustrates that Transwestern's Blending Capability is Decreasing Due to Rising Btu Levels and Increasing Volatility.**

28. Transwestern presented historical heating value data in this proceeding from individual receipt points, which it organized by segment (San Juan, Panhandle, East Thoreau and West Texas). Transwestern noted that its information shows that West Texas receipt points had the highest heating value gas and therefore required the most blending to get the gas to acceptable levels for delivery to NMGC.<sup>27</sup> Over the five-year period, the West Texas area consistently had receipts above 1,110 Btu/scf, with many days having receipts about 1,145 Btu/scf. The data also shows that if certain receipt points are bringing gas to the system above 1,110 Btu/scf, then Transwestern must rely on other receipt point volumes to blend the gas to an acceptable delivery point heating levels. Since West Texas data clearly illustrates a trend toward increasing Btu levels,<sup>28</sup> Transwestern performed a sensitivity analysis that examined the increase in Btu level that takes place in gas from the West Texas region's five largest volume receipt points (the Top 5) to result in deliveries of 1,110 Btu/scf gas to NMGC. West Texas has a total of 21 receipt points. The impact of the Top 5 was analyzed because the heating value blend is a weighted average, so the largest points have the most impact.<sup>29</sup>

29. According to Transwestern, historically, gas from the Top 5 has been a source of gas to blend with higher Btu gas in the region to bring it down to acceptable delivery levels. The data provided by Transwestern indicates that its ability to use the Top 5 to blend higher Btu level gas down to acceptable levels is decreasing over time due to increasingly hotter and more volatile heating value levels in the West Texas region. For example, as illustrated by Figure Q2.2 of Transwestern's April 15 filing, fluctuations (spikes) in heating values are increasing over time on the Transwestern system.

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<sup>27</sup> Transwestern's Presentation - Compare Graphs on Page 4 (San Juan receipts range from 980-1150 Btu), Page 17 (East Thoreau has zero active receipt points so there is no graph), Page 11 (Panhandle receipts range from 951-1149 Btu), Page 21 (West Texas receipts range from 928-1298 Btu).

<sup>28</sup> *Id.* at 21.

<sup>29</sup> *Id.* at 36. Since blending on Transwestern is accomplished through a weighted average approach, the receipt points with the largest volume have the most impact on the total blend. As a result, Transwestern's blended stream is most sensitive to fluctuations in heating value from receipt points that provide the largest volumes.

According to the data, there were only seven days where the heating levels went above the 1,110 Btu/scf level during the period from June 2010 to December 2012 as compared to 71 days when the Btu levels exceeded 1,100 Btu/scf the period January 2013 to June 2015. Thus, the evidence supports Transwestern's claims that overall gas heating values on its system are increasing and becoming more volatile.

**C. Interconnecting Pipeline Data Illustrates Upper Limit on Heating Values is Consistent with Transwestern's Proposal**

30. Transwestern also supplied data that supports its claim that its proposed implementation of a maximum Btu limit is consistent with the standards of the multiple pipelines which interconnect with Transwestern.<sup>30</sup> As shown on the chart below, all pipelines interconnecting with Transwestern except two have upper limits on their higher heating value standards, and all of those upper limits are at least 1,100 Btu/scf or higher. Therefore, we find that Transwestern's proposed upper limit on its maximum heating value is consistent with that of its interconnecting pipelines.

<b>Company</b>	<b>Heating Value Limits (Btu/cf)</b>
Oasis Pipeline Company Texas, L.P.	950 < X < 1100
Oneok Westex Transmission, L.P.	950 < X < 1110
Natural Gas Pipeline Company of America	950 < X < 1110
Pacific Gas and Electric Company	750 < X < 1150
Southern California Gas Company (SOCAL)	990 < X < 1150
Panhandle Eastern Pipeline Company, L.P.	950 < X < 1200
ANR Pipeline Company	967 < X < 1200
Enterprise Texas Pipeline, L.P.	950 < X
El Paso Natural Gas Company	967 < X

**D. Transwestern Has Reasonably Engaged in Collaborative Efforts with its Customers to Reach Technically Sound Solutions to the Btu Issue on Its System**

31. In Transwestern's October 1, 2014 general NGA section 4 rate case in Docket No. RP15-23, *et al.*, NMGC protested Transwestern's maximum Btu proposal and made several filings seeking a stay of the proposed tariff provision. NMGC argued that despite the end of the statutory maximum five-month suspension period, the Commission should

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<sup>30</sup> Page 24 of Transwestern's December 30, 2015 filing.

stay Transwestern's tariff proposal filed in Docket No. RP15-23, *et al.*, and impose an interim maximum heating value of 1,100 Btu/scf. NMGC stated that if this interim lower maximum heating limit was not imposed, then it would be required to install blending or other processing facilities at its delivery points on Transwestern to safeguard the quality of gas delivered to its customers. NMGC argued that such interim maximum heating limit would need to be adopted to ensure the safe and reliable operations of NMGC and its customers.

32. On December 30, 2015, Transwestern proposed a maximum Btu limit of 1,110 Btu/scf. NMGC, the local distribution company most directly affected by high Btu gas, supported Transwestern's proposal.<sup>31</sup> Initially, PG&E and Agave opposed a maximum heating value of 1,110 Btu/scf, but Transwestern worked with those customers to develop additional tariff language and standards that were acceptable to those parties consistent with the Commission's Policy Statement on Gas Quality. At this stage all active parties in the proceeding, except Indicated Shippers, support Transwestern's proposed upper limit of 1,110 Btu/scf. Notably, the parties supporting Transwestern's proposal include the LDC most directly affected by high Btu gas, NMGC, as well as the producer subject to the most significant impact under the 1,110 Btu/scf limit, Agave, whose vast majority of production sources are located on the east side of Transwestern's system, making them most difficult to blend.

#### **E. Transwestern's Trend Analysis Supports Its Proposal**

33. In their April 29, 2016, Initial Comments Following Technical Conference, Indicated Shippers stated that the trend analysis used by Transwestern to analyze its ability to blend was flawed. In their comments, Indicated Shippers implied that the upward trend in higher heating value on Transwestern's system was non-existent. In support of their position, Indicated Shippers provided a table indicating that, between April 2012 and April 2013, the trend line describing the percentage increase in the Btu of Top 5 receipt points in West Texas that would result in the blend reaching 1,110 Btu/scf was nearly flat. Indicated Shippers claims that this short segment of graph supports their position that Transwestern's analysis was flawed.

34. In its May 13, 2016 Reply to Post-Technical Conference Comments, Transwestern stated that the table supplied by Indicated Shippers created the illusion of a flat line because outlying data had been deleted and the range of the graph had been reduced to one year. Transwestern stated that this creates a distortion in the data that is misleading.

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<sup>31</sup> Comments of NMGC, January 11, 2016

Transwestern states that the flat trend line shown on Indicated Shippers Table 5 is based upon the range of the five year graph, but limited to one year, and excluding data provided by Transwestern in its analysis.

35. We agree with Transwestern that its data provides a fuller, more representative collection of data supporting its claim of an upward trend in heating values on its system. Indicated Shippers' data, by contrast, is not reliable because it excludes relevant data and time periods, thereby obscuring the trend toward increasingly higher heating value experienced by Transwestern at receipt points on its system in West Texas.

36. As was shown in Figure Q2.2 of Transwestern's April 15, 2016, filing, the frequency of the Top 5 large volume receipt points in West Texas spiking above 1,110 Btu/scf increased significantly during the period from January 2013 to June 2015 as compared to the period from June 2010 to December 2012, with simultaneous spikes occurring at multiple points on multiple occasions. Indicated Shippers, in their initial comments, implied that this trend toward increasing volatility is flawed. Indicated Shippers argue that according to Transwestern's data, the Top 5 Blend in West Texas never exceeded 1,110 Btu/scf and that the highest recording was 1,097 Btu/scf. Transwestern, in its May 13, 2016, filing, replies that a tenfold increase in the frequency of Top 5 large volume receipt points spiking above 1,110 Btu/scf in the last half of the five-year measurement period is not insignificant, and in addition, there were multiple instances when the Top 5 points were simultaneously over 1,110 Btu/scf. We agree with Transwestern and find that the increasing incidence of higher heating value spikes shown in Transwestern's supporting data are indicative of a significant operational change on their system that does require consideration.

#### **F. San Juan Area**

37. Transwestern's data shows that current Btu/scf levels do not present an issue with respect to gas receipts in the San Juan Area of its system. According to that data, the majority of the gas that is currently received into Transwestern's system does not exceed the proposed 1,110 Btu/scf limit. As shown by the five years of recent data presented by Transwestern in this proceeding, higher heating value receipt averages in San Juan do not exceed the 1,110 Btu/scf limit proposed by Transwestern, and thus there should be no impact on gas receipts in the San Juan area as a result of the proposed limit.

38. In addition, as is stated in Transwestern's tariff, GT&C section 2 states:

Transporter (Transwestern), in its reasonable discretion, exercised on a not unduly discriminatory basis, may accept any gas stream received into its pipeline system at receipt points, provided that such gas will not result in a blended gas stream that does not comply with the gas quality specifications listed in sections 2.1 and 2.2, or will not prevent delivery of the blended gas

stream into a downstream pipeline and other points of delivery, and in the reasonable judgment of Transporter (Transwestern), will not adversely impact Transporter's (Transwestern) facilities, pipeline integrity, or operations. Transporter (Transwestern) may, but is not obligated to, process or treat the gas stream on its system to assure that the gas stream meets its gas quality specifications.

39. Indicated Shippers would still retain the option of (i) processing the volumes they own or (ii) entering into contractual arrangements with third-party plant operators for such processing.

40. In sum, we find that Transwestern has made reasonable efforts to work with its shippers to accommodate deliveries to its system, and has provided convincing data and argument that support the proposed compromise between it and the most affected parties; on the other hand, Indicated Shippers have not shown that their access to Transwestern's system is likely to experience severe hardship, and based on the record developed in this proceeding, including data and argument highlighting safety and reliability concerns, Indicated Shippers' objections to the parties' compromise are rejected.

41. We therefore direct Transwestern, within 15 days of the date that this order issues, to file actual tariff records that implement those it filed as *pro forma* tariff records.

The Commission orders:

The tariff record referenced in footnote No. 1 is accepted to become effective July 1, 2016, subject to Transwestern's filing actual tariff records implementing the *pro forma* revisions agreed to by Transwestern and the parties as described herein, within 15 days from the issuance of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.