

157 FERC ¶ 61,097  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, DC 20426

November 10, 2016

In Reply Refer To:  
Chesapeake Energy Marketing, L.L.C.  
Core Appalachia Midstream LLC  
Docket No. RP17-20-000

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William F. Demarest, Jr.  
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Dear Mr. Floom and Mr. Demarest:

1. On October 11, 2016, Chesapeake Energy Marketing, L.L.C. (CEM) and Core Appalachia Midstream LLC (Core Midstream) (jointly, the Petitioners) filed a joint petition requesting a limited and temporary waiver of the Commission's capacity release regulations and policies, the applicable capacity release provisions in the tariff of Columbia Gas Transmission, LLC (Columbia), as well as any other waivers or authorizations necessary to effectuate CEM's permanent release and assignment of certain firm transportation capacity to Core Midstream in connection with the sale of certain oil and gas leases, producing assets and appurtenant facilities (Transaction). For the reasons discussed below, and for good cause shown, the Commission grants the requested temporary waiver.
2. Petitioners state that on September 16, 2016, wholly-owned subsidiaries of Chesapeake Energy Corporation, the parent of CEM, entered into the Transaction with TCFII Core LLC (Core), the parent of Core Midstream, to transfer certain oil and gas assets and mineral leases located in Kentucky, Virginia, West Virginia, as well as

appurtenant facilities.<sup>1</sup> Petitioners state that the leased acreage involved in the Transaction includes significant production reserves of natural gas, natural gas liquids and crude oil. According to Petitioners, the Transaction requires that CEM transfer to Core Midstream the subject firm transportation capacity, so that Core Midstream can transport the natural gas production to downstream markets in the same manner that CEM currently transports it. Specifically, Petitioners state that CEM seeks to permanently release and assign to Core Midstream thirty contracts for firm transportation capacity on Columbia, totaling 113,425 Dth/d.<sup>2</sup> Petitioners assert that two of the contracts are for negotiated rates and several contracts have remaining terms of less than one year.

3. Petitioners state that the transfer of the assigned contracts is an integral part of the Transaction and that the requested approvals will allow the Transaction to be fully implemented and allow adequate time for CEM to permanently release the assigned contracts to Core Midstream. Petitioners seek to maintain the commercial arrangements reflected in the agreements for the remainder of the term of the assigned contracts. Petitioners state that this will preserve the bargain for the benefit of Columbia, as the pipeline, and Core Midstream, as the replacement shipper, under the existing firm transportation contracts.

4. Petitioners claim that the assignment of capacity is a necessary component of the Transaction, which cannot be fully effectuated without the transfer of the assigned contracts. Accordingly, to facilitate the Transaction, Petitioners seek a temporary 120-day waiver of the following Commission regulations and policies in order to effectuate the transfer of pipeline capacity: (1) prohibition against tying arrangements; (2) restrictions on capacity releases above or below the applicable maximum rate;<sup>3</sup> (3) capacity release regulations set forth in section 284.8 of the Commission's regulations, including the posting and bidding requirements;<sup>4</sup> (4) prohibition against

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<sup>1</sup> Joint Petition at 4.

<sup>2</sup> Joint Petition at 5-6.

<sup>3</sup> 18 C.F.R. §§ 284.8(b)(2), 284.8(h)(1)(iii) (2016).

<sup>4</sup> 18 C.F.R. §§ 284.8(c)-(e) (2016).

buy/sell arrangements; and (5) the “shipper must have title” rule. Petitioners also request that the Commission waive the related capacity release tariff provisions of Columbia’s tariff.<sup>5</sup>

5. The Petitioners state that the Commission has granted temporary waivers of its capacity release regulations and policies to permit parties to consummate similar transactions.<sup>6</sup> The Petitioners also state that the consummation of the Transaction between CEM’s affiliates and Core Midstream is in the public interest in that it will facilitate the continued production of the transferred properties because Core Midstream will have the firm transportation rights necessary to move such production to markets.

6. Public notice of the filing was issued on October 13, 2016. Interventions and protests were due on October 20, 2016, as provided in section 154.210 of the Commission’s regulations.<sup>7</sup> Pursuant to Rule 214,<sup>8</sup> all timely 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. No protests or adverse comments were filed.

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<sup>5</sup> See General Terms and Conditions of Part 1 of Columbia’s tariff, sections 14.1 (Capacity Release and Assignment Procedures), 14.2 (Initiating the Release and Assignment) 14.3 (Posting), 14.4 (Bidding), and 14.5 (Evaluation of Bids and Assigning Service Rights).

<sup>6</sup> Joint Petition at 2 (citing *SWN Energy Services Co., LLC*, 156 FERC ¶ 61,040 (2016); *EQT Energy, LLC and Statoil Natural Gas LLC*, 156 FERC ¶ 61,013 (2016); *Chesapeake Energy Marketing, L.L.C. and FourPoint Energy, LLC*, 155 FERC ¶ 61,092 (2016); *Anadarko Energy Services Co.*, 153 FERC ¶ 61,124 (2015); *Washington Gas Light Co.*, 152 FERC ¶ 61,159 (2015); *WPX Energy Marketing, LLC*, 151 FERC ¶ 61,164 (2015); *Chesapeake Energy Marketing, L.L.C.*, 150 FERC ¶ 61,015 (2015); *WPX Energy Appalachia, LLC*, 150 FERC ¶ 61,013 (2015); *GeoMet, Inc.*, 147 FERC ¶ 61,083 (2014); *BP Energy Co.*, 142 FERC ¶ 61,037 (2013); *Big Sandy Pipeline, LLC*, 141 FERC ¶ 61,151 (2012); *Antero Resources Corp.*, 139 FERC ¶ 61,258 (2012); *Big Sandy Pipeline, LLC*, 136 FERC ¶ 61,130, at P 1 (2011); *BHP Billiton Petroleum (Fayetteville) LLC*, 135 FERC ¶ 61,088, at P 2 (2011); *Marathon Oil Co.*, 133 FERC ¶ 61,168 (2010); *Total Gas & Power North America, Inc.*, 131 FERC ¶ 61,023, at PP 10-12 (2010)).

<sup>7</sup> 18 C.F.R. § 154.210 (2016).

<sup>8</sup> 18 C.F.R. § 385.214 (2016).

7. The Commission has reviewed the Petitioners' request for temporary waiver and finds that the request is adequately supported and consistent with previous waiver requests that the Commission has granted to permit the release of capacity under similar circumstances.<sup>9</sup> Specifically, the Commission finds that the Petitioners have appropriately provided the information required for approval of such waivers, by: (1) identifying the regulations and policies for which waiver is sought; (2) identifying the pipeline service agreements and capacity to be transferred; (3) describing the overall transaction and its claimed benefits, with sufficient detail to permit the Commission and other interested parties to determine whether granting the requested waiver is in the public interest; and by (4) filing the Petition as much in advance of the requested date as possible.<sup>10</sup>

8. Accordingly, for good cause shown, the Commission grants the Petitioners' request for temporary, limited waiver of the Commission's capacity release regulations and policies as specified above, but only as necessary to facilitate the described Transaction. The temporary, limited waivers requested by Petitioners are granted, effective on the date that this order is issued, and waiver of the prohibition of buy/sell arrangements, the posting and bidding provisions, and the shipper-must-have-title rule shall continue for 120 days thereafter, as requested, to allow resolution of any transitional issues involving the assigned capacity.

By direction of the Commission.

Kimberly D. Bose,  
Secretary.

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<sup>9</sup> See, e.g., *Barclays Bank PLC*, 152 FERC ¶ 61,069 (2015); *J.P. Morgan Ventures Energy Corp.*, 148 FERC ¶ 61,010 (2014); *Antero Resources Corp.*, 139 FERC ¶ 61,258 (2012); *Salmon Resources, LTD*, 138 FERC ¶ 61,059 (2012); *Big Sandy Pipeline, LLC*, 136 FERC ¶ 61,130 (2011); *BHP Billiton Petroleum (Fayetteville) LLC*, 135 FERC ¶ 61,088 (2011); *Wisconsin Electric Power Co.*, 131 FERC ¶ 61,104 (2010); *EnergyMark, LLC*, 130 FERC ¶ 61,059 (2010); *Total Gas & Power North America, Inc.*, 131 FERC ¶ 61,023 (2010); *Sequent Energy Mgmt., L.P.*, 129 FERC ¶ 61,188 (2009); *Bear Energy LP*, 123 FERC ¶ 61,219 (2008).

<sup>10</sup> *Request for Clarification of Policy Regarding Waivers of Applicable Requirements to Facilitate Integrated Transfers of Marketing Businesses*, 127 FERC ¶ 61,106, at P 10 (2009).