FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

April 13, 2007

In Reply Refer To:
Liberty Gas Storage, LLC
Docket Nos. RP07-357-000
CP05-92-003

Liberty Gas Storage, LLC
101 Ash Street, HQ-13
San Diego, CA 921010

Attention: William D. Rapp
Senior Regulatory Counsel

Reference: Tariff Sheets Listed in Footnotes 1 and 3.

Dear Mr. Rapp:

1. On March 16, 2007, Liberty Gas Storage (Liberty) filed tariff sheets[1] in Docket No. CP05-92-003 to comply with the Commission's December 8, 2005 Order granting Liberty certificate authorization to construct and operate a natural gas storage facility and related pipeline and appurtenant facilities.[2] Certain of the tariff sheets filed in Docket No. CP05-92-003 also includes new proposals by Liberty. On March 16, 2007, Liberty also filed, in Docket No. RP07-357-000, tariff sheets[3] which comprise its entire FERC Gas Tariff, including the tariff sheets filed in Docket No.CP05-92-003. Liberty requests

[1] Original Sheet Nos. 1, 4, 8, 10, 12, 105, 108, 109, 131, 136, 138, 142, 144, 149, 154, 155, 200, 206 and 216 to Liberty's FERC Gas Tariff, Original Volume No. 1.

[2] *Liberty Gas Storage*, LLC, 113 FERC ¶ 61,247 (2005) (December 8, 2005 Order).

[3] Original Sheet Nos. 1 through 223 to Liberty's FERC Gas Tariff, Original Volume No. 1. These tariff sheets include the tariff sheets filed by Liberty in Docket No. CP05-92-003.

an April 15, 2007 effective date for the tariff sheets tendered in both dockets to coincide with the expected in-service date of the facilities. The tariff sheets tendered in Docket No. CP05-92-003 generally comply with the December 8, 2005 Order and its new proposals are generally found reasonable, and the tariff sheets in that docket are accepted to be effective the later of April 15, 2007 or the date that the subject facilities actually go into service, subject to conditions as detailed below. If Liberty's facilities are placed into service later than April 15, 2007, Liberty is directed to notify the Commission of the date the facilities are placed into service, within ten days thereof. The tariff sheets in Docket No. RP07-357-000 that are identical to the sheets filed in Docket No. CP05-92-003 are rejected as moot and the remaining tariff sheets filed in Docket No. RP07-357-000 also comply with the December 8, 2005 Order and are accepted, subject to the conditions of this order, to be effective the later of April 15, 2007, or the date the facilities actually go into service.

2. Public notices of Liberty's filings were issued on March 21, 2007. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214). Any opposed or untimely filed motion to intervene is governed by the provisions of Rule 214. No protests or adverse comments were filed.

3. In the December 8, 2005 Order, the Commission issued Liberty a certificate to construct a new storage facility, subject to Liberty filing actual tariff sheets to implement its initial tariff with certain changes to the originally-proposed *pro forma* tariff provisions, as directed by the Commission in that order. First, the Commission directed Liberty to comply with the Order No. 587-S requirements for which waiver has not been granted, as modified by any future North American Energy Standards Board (NAESB) requirements that may be in effect. The Commission also directed that proposed section 24 of the General Terms and Conditions (GT&C) of Liberty's tariff must delete the reference to Standard 1.3.2(v) since such standard is required to be stated verbatim in the tariff rather than incorporated by reference.[4]

4. Second, the Commission directed Liberty to revise several creditworthiness provisions of its tariff. The Commission directed Liberty to revise section 32 of its GT&C to clarify how and when it intends to communicate its initial creditworthiness determinations and that it will include the reasons for denial in such communications. The Commission also directed Liberty to clarify its tariff to provide that its shippers that opt to pay collateral as financial assurance must have an opportunity to earn interest on such prepayments and that such advance payments would be considered as collateral held

[4] 113 FERC ¶ 61,247 at P 65.

for security and not prepayments for services. Finally, the Commission ordered that Liberty revise section 32.7 of the GT&C to specify how long a shipper has to provide collateral assurances and to provide customers at least 30 days' notice before termination of a service agreement.[5]

5. In Docket No. CP05-92-003, Liberty filed tariff sheets to comply with these directives. The Commission finds that the proposed tariff sheets generally comply with the directives of the December 8, 2005 Order, except as discussed below. First, regarding the directive relative to the Order No. 587-S requirements, Liberty tendered Original Sheet No. 149 that incorporates by reference Version 1.7 of the consensus standards promulgated by the Wholesale Gas Quadrant (WGQ) of the North American Energy Standards Board (NAESB). Liberty, however, did not identify the 2004 Annual Plan Item 2 and 2005 Annual Plan Item 8 standards. On May 9, 2005, the Commission required pipelines incorporating the gas quality standards by reference to refer to the standard number and the Recommendation number in which the standard is adopted.[6] The Commission also required that pipelines incorporating the standards adopted by NAESB to implement Order No. 2004 must refer to the standard as 2004 Annual Plan Item 2 FERC Order 2004 and 2005 Annual Plan Item 8 (May 3, 2005) (Affiliate Order standards).[7] Liberty is directed to revise Original Sheet No. 149 accordingly.

6. The Commission also directed Liberty to revise several creditworthiness provisions of its tariff. Liberty tendered Original Sheet No. 154 to comply with the Commission's directives. Section 32.7 of this tariff sheet states that if a customer fails to meet Liberty's credit requirements, Liberty has the right to require security or a deposit "as specified herein," within five business days of Liberty's written request and that Liberty will terminate service upon at least thirty days notice to the customer and the Commission. However, section 32.5 of Liberty's tariff provides the only reference to the amount of security required. Section 32.5 provides that the deposit should equal three months of reservation charges for firm service and three months of projected usage charges for interruptible service. Therefore, given Liberty's proposed language in section 32.7, it appears that Liberty proposes that a customer would have to provide three months of collateral within five business days of Liberty's written request for security or a deposit.

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[5] 113 FERC ¶ 61,247 at P 68-70.

[6] *Standards for Business Practices of Interstates Natural Gas Pipelines,* 111 FERC ¶ 61,203 (2005) at P 51.

[7] *Id*.

7. In the December 8, 2005 Order, the Commission directed Liberty to "clarify how long a shipper has to provide collateral assurances, consistent with our ruling in *Gulf South Pipeline Company, LP*." [8] In *Gulf South*, the Commission rejected a proposal by the pipeline to reduce a shipper's time period to post security from fifteen days to five days, stating that five days was not a reasonable time period to expect a shipper to obtain three months' collateral, and does not provide sufficient time for the Commission to respond to a complaint filed by a shipper. In addition, the Commission stated that the shipper may be faced with requests from other pipelines to provide collateral and five days would not provide sufficient time. Therefore, consistent with *Gulf South*, the Commission rejects Liberty's proposal to require its customers to provide a security deposit of three months' collateral within five business days.

8. As provided in *Gulf South*, Liberty may file to justify any specific notice period as providing shippers with a reasonable opportunity to provide collateral or may adopt the following approach which the Commission delineated in *Gulf South*. Under this approach, when a shipper loses its creditworthiness status, the shipper must, within five business days, pay for one month of service in advance to continue service. If the shipper fails to provide the required security within these time periods, Liberty may suspend service immediately. This procedure would allow the shipper to have at least thirty days to provide the next three months of security for service. Liberty is directed to file to revise the language in section 32, consistent with the above discussion.

9. In addition to tariff sheets it filed to comply with the Commission's December 8, 2005 Order, Liberty included tariff sheets in Docket No. CP05-92-003 proposing certain modifications that were not directed by the Commission's December 8, 2005 Order and, accordingly, had not previously been reviewed by the Commission. Liberty proposes a new provision in section 35 of its GT&C that would permit it to sell gas for operational reasons. Liberty also proposes to add new language in section 14 of the GT&C that will permit it to transmit invoices electronically to customers. Liberty states that it also proposed several changes that are intended solely to correct incorrect references and typographical errors in the tariff and to update relevant contact information.

[8] 113 FERC ¶ 61,247 at P 70, *citing, Gulf South Pipeline Co. LP*, 103 FERC ¶ 61,129 at P 49, *reh'g denied*, 107 FERC ¶ 61,273 at P 45 (2003).

10. Although the purpose of a compliance filing is solely to comply with the previous Commission directives[9] and these additional proposals are more appropriately filed as certificate amendments, the Commission will, in this instance, review and rule upon Liberty's additional proposals.

11. Liberty proposes, in section 35 of its GT&C, to sell gas from time to time which it has retained or taken title to and which is in excess of its operational requirements. The Commission has allowed other pipelines to sell gas for operational reasons.[10] Consistent with our prior Commission rulings, we will accept Liberty's proposed tariff provisions to allow it to sell gas for operational reasons, subject to the following conditions.

12. Proposed section 35 of Liberty's GT&C lists the circumstances where Liberty may sell gas which exceeds its operational requirements. Specifically, section 35 permits Liberty to make such operational sales to the extent necessary to: (1) maintain cavern pressure; (2) balance fuel quantities under storage agreements; (3) manage storage imbalance quantities; and/or (4) perform other operational functions in connection with Liberty's storage services. Proposed section 35 also states that operational sales will have the lowest service priority established under Liberty's GT&C. To ensure that Liberty's operational sales are indeed limited, transparent, and incidental to its primary services, the Commission directs Liberty to revise its proposed tariff language so that Liberty will be required to provide, in its semi-annual storage report filed pursuant to section 284.13(e) of the Commission's regulations, the reasons for any operational sales and a showing that the sales are for operational purposes and limited in volume and duration and incidental to its primary storage services. Liberty is also directed to modify its proposed tariff language to delineate the posting and bidding procedures that would apply to these operational gas sales.

13. Because any sales of gas under this authorization must be made only on an occasional basis and will only be incidental to Liberty's primary business of providing storage and transportation services, the Commission will not require Liberty to establish a separate marketing department. Therefore, for good cause shown, the Commission grants

[9] 18 CFR §154.203 (b) (2006); *See, e.g.*, *Maritimes & Northeast Pipeline, LLC*, 105 FERC ¶ 61,356 at P 11 (2003); *Transcontinental Gas Pipe Line Corp.,* 101 FERC ¶ 61,154 (2002).

[10] *Petal Gas Storage, L.L.C.*, 118 FERC ¶ 61,183 (2007)(*Petal*); *Alliance Pipeline LP*, 116 FERC ¶ 61,166 (2006); *Dominion Cove Point LNG, LP*, 104 FERC ¶ 61,218 (2003).

waiver of sections 284.286(c) and (d) of its regulations[11] to permit Liberty to make incidental operational sales of gas as described above. The Commission, therefore, accepts the proposed tariff sheets subject to Liberty filing revised tariff sheets, consistent with the discussion above, within 30 days of the date of the instant order. In addition, the Commission also accepts Liberty's tariff sheets proposing to electronically invoice its customers and to make the typographical and contact modifications described above.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

[11] 18 C.F.R. § 284.286(c) and (d) (2006).