

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

Before Commissioners: Jon Wellinghoff, Chairman;  
Marc Spitzer, Philip D. Moeller,  
and John R. Norris.

Enterprise Texas Pipeline LLC

Docket Nos. PR08-30-000  
PR08-30-001  
PR07-12-003  
PR07-12-004

ORDER ON UNCONTESTED SETTLEMENT AND STATEMENTS  
OF OPERATING CONDITIONS

(Issued March 2, 2010)

1. In this order, the Commission addresses three petitions by Enterprise Texas Pipeline LLC (Enterprise Texas), an intrastate natural gas pipeline in Texas that provides interstate transportation and storage services under section 311 of the Natural Gas Policy Act of 1978 (NGPA).
2. In Docket No. PR08-30-000, Enterprise Texas proposed cost-based rates for its NGPA section 311 firm and interruptible transportation services on its newly constructed Sherman Extension. We approve an uncontested Settlement of Docket Nos. PR08-30-000 and PR08-30-001 filed by Enterprise Texas.
3. In Docket No. PR07-12-003, Enterprise Texas filed an amended Statement of Operating Conditions (SOC) for transportation service. We accept the SOC for transportation, subject to conditions.
4. In Docket No. PR07-12-004, Enterprise Texas filed an amended SOC for gas storage service. We accept the SOC for gas storage as filed.

**I. Background**

5. Enterprise Texas operates an over 6,000 mile intrastate pipeline system, which includes both gathering and transmission lines. The system gathers and transports natural gas in supply basins in Texas and offshore Texas state waters for delivery primarily to local distribution companies, electric generators, and other customers in Texas. Its original system includes both a southern mainline and a northern mainline. The southern

mainline runs between Waha, Texas and Katy, Texas; the northern mainline runs from Waha in the west to Carthage in the east. Enterprise Texas' last section 311 rate case was resolved by a settlement approved on September 4, 2007.<sup>1</sup> That settlement included a system-wide transportation rate of 38.50 cents per MMBtu. It also required Enterprise Texas to file a new rate proceeding on or before April 9, 2010.

6. After the approval of the currently effective rates, Enterprise Texas constructed the Sherman Extension. The Sherman Extension is a 178-mile extension of Enterprise Texas' intrastate system, which runs from an interconnection with Enterprise Texas' northern mainline to new production areas located in the Barnett Shale region of Texas. The Sherman Extension permits shippers to contract with Enterprise Texas to provide incidental NGPA section 311 transportation services via a proposed new interconnection with the interstate pipeline facilities recently constructed by Gulf Crossing Pipeline Company LLC<sup>2</sup> near the Oklahoma border at Sherman, Texas. Service began in March 2009.

## **II. Docket Nos. PR08-30-000 and PR08-30-001**

### **A. Initial Filing**

7. On September 30, 2008, Enterprise Texas filed in Docket No. PR08-30-000, a petition for approval of new rates for NGPA section 311 firm and interruptible transportation service on its Sherman Extension. Enterprise Texas proposed firm transportation service with a maximum monthly reservation rate of \$18.1545 per MMBtu, a usage charge of \$0.0401 per MMBtu, and a maximum authorized overrun rate of \$0.6370 per MMBtu. Also, Enterprise Texas proposed an interruptible service with a maximum usage charge of \$0.6370 per MMBtu. Enterprise Texas also submitted a revised SOC for transportation service to reflect the addition of the Sherman Extension facilities. We will discuss the proposed revisions to the SOC in sections III and IV of this order.

### **B. Notice**

8. Notice of Enterprise Texas' filing was issued on October 6, 2008. Interventions and protests were due as provided in section 154.210 of the Commission's regulations, 18 C.F.R. § 154.210. Pursuant to Rule 214, 18 C.F.R. § 385.214 (2009), all timely filed motions to intervene and any motions to intervene out-of-time filed before the issuance

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<sup>1</sup> *Enterprise Texas Pipeline LLC*, Docket No. PR07-12-000 (September 4, 2007) (unpublished letter order).

<sup>2</sup> *Gulf Crossing Pipeline Company LLC*, 123 FERC ¶ 61,100 (2008).

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. On October 17, 2008, WTG Gas Marketing, Inc. and West Texas Gas, Inc. (collectively, WTG) filed a Motion to Intervene and Protest and Agave Energy Corporation (Agave) filed a Motion to Intervene and Comments.

9. On October 27, 2008, Enterprise Texas filed an answer to the various protests. On November 3, 2008, WTG and, on November 5, 2008, Agave filed answers to Enterprise Texas' answer. On December 18, 2008, Enterprise Texas filed an answer to WTG and Agave's answers. On January 6, 2009, Agave filed an answer to Enterprise Texas' December 18, 2008 answer.

10. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2009), prohibits an answer to an answer unless otherwise ordered by the decisional authority. We will accept all the answers filed in this proceeding because they have provided information that assisted us in our decision-making process.

11. On January 14, 2009, Enterprise Texas filed a letter requesting deferral of review of its rate proposal and requesting a technical conference. Public notice of the letter was issued on January 22, 2009, with comments due on January 29, 2009. On January 26, 2009, Agave filed a motion for bifurcation of the issues and a deferral of the rate issue. Agave stated its support of Enterprise Texas' requests. On January 29, 2009, WTG filed an answer to the motion for bifurcation. WTG stated that the rate issues and SOC issues were inextricably linked.

### **C. Responsive Pleadings**

12. No comments were submitted on the rate proposal. WTG protests that Enterprise Texas filed a clean version of its SOC for transportation in Docket No. PR08-30-000 while it has not been approved by the Commission in Docket No. PR07-12-003. Enterprise Texas filed an answer, and WTG filed an answer to the answer. The SOC issues in Docket Nos. PR07-12-003 and PR07-12-004 are determined in sections II and III of this order. A redlined version of the proposed changes was filed in those dockets; therefore WTG's protest in this regard is moot and Enterprise Texas' answer with regard to this issue is dismissed.

### **D. Settlement**

13. In order to encourage the parties to settle the issues in dispute, the Commission on February 27, 2009, extended the time for action and instituted a technical conference.<sup>3</sup> In

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<sup>3</sup> *Enterprise Texas Pipeline LLC*, 126 FERC ¶ 61,183 (2009).

addition, the Commission issued four data requests in order to resolve issues and complete the record. Enterprise Texas filed answers to the data requests on January 14, 2009; February 18, 2009, as supplemented on February 20, 2009; March 20, 2009, as supplemented on April 7, 2009; and April 17, 2009. On October 1, 2009, the Commission issued a notice of settlement conference.

14. On April 14, 2009, the Commission staff held a technical conference to discuss rate and SOC related tariff issues. All parties attended. On May 14, 2009, WTG, Agave, and Enterprise Texas each filed reply comments. On October 7, 2009, the Commission staff held a settlement conference with Enterprise Texas to specifically discuss issues related to firm and interruptible rates on the Sherman Extension.

15. On November 23, 2009, in Docket No. PR08-30-001, Enterprise Texas filed an unopposed Stipulation and Agreement (Settlement) pursuant to Rule 602 of the Commission's Rules of Practice and Procedure.<sup>4</sup> The major provisions of the Settlement include:

- a. The Settlement resolves all issues in Docket No. PR08-30-000.
- b. Effective September 30, 2008, the maximum fair and equitable base rates that Enterprise Texas is authorized to charge on the Sherman Extension for NGPA section 311 transportation service shall be: a \$8.2642 per MMBtu maximum monthly reservation rate for firm service, a \$0.0183 per MMBtu maximum usage charge for firm service, and a \$0.2900 per MMBtu maximum interruptible rate.<sup>5</sup>
- c. Enterprise Texas will establish two rate zones on its system, one rate zone for the Sherman Extension and the other rate zone for the remainder of the system.
- d. Enterprise Texas will keep separate books and records for the revenues and costs attributable to each of the two zones. This accounting will include the following by zone: the actual billing units, actual rates charged and revenues, operating, maintenance, administrative and general expenses,

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<sup>4</sup> 18 C.F.R. § 385.602 (2009).

<sup>5</sup> Also, as stated on the rate sheet of the transportation SOC, the daily demand rate per MMBtu is \$0.2717 (monthly demand rate of \$8.2642 times 12 divided by 365) and the maximum overrun rate for firm service is \$0.2900 per MMBtu. This overrun rate is comprised of the demand rate per unit of \$0.2717 plus the commodity rate \$0.0183.

taxes, plant in service, and other information that may be required for allocation of any items not directly assignable.

- e. Enterprise Texas will file, no later than 15 days following the effective date, a revised SOC implementing two separate rate zones.
  - f. Enterprise Texas agrees to refund to its customers as determined in accordance with 18 C.F.R. § 154.501, amounts, if any, it has collected in excess of the settlement rates specified above. All such refunds shall be completed by Enterprise Texas within 30 days from the date of the issuance of a Commission order approving without modification all of the terms of this Settlement.
  - g. On or before April 9, 2010, Enterprise Texas agrees to file a new petition for rate approval pursuant to 18 C.F.R. § 284.123(b)(2) to justify its current rate or to propose a new rate applicable to NGPA section 311 service for its mainline and Sherman Extension.
  - h. The SOC issues are reserved for resolution on the merits by the Commission.
  - i. The provisions of the Settlement shall not become effective unless and until the Commission issues an order accepting and approving all terms and conditions of the Settlement without modification or condition, and such order becomes final and no longer subject to further proceeding before the Commission.
16. The Settlement was noticed on November 24, 2009, with comments due on December 3, 2009, and reply comments due on December 14, 2009. No protests or adverse comments were filed.

#### **E. Discussion**

17. The settlement resolves all issues with regard to the rate petition filed by Enterprise Texas on September 30, 2008, pursuant to section 284.123(b)(2) of the Commission's regulations.<sup>6</sup> As described above, the Settlement reduces Enterprise Texas' proposed rates for the Sherman Extension. In addition, the Settlement clarifies that Enterprise Texas will have two rate zones, the Sherman Extension and the rest of the system, and that Enterprise Texas will maintain separate books and records for each zone. The Settlement is uncontested. Accordingly, the Commission finds that the uncontested

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<sup>6</sup> 18 C.F.R. § 284.123(b)(2) (2009).

settlement is fair and reasonable and in the public interest,<sup>7</sup> and therefore, the Settlement is approved. This order does not relieve Enterprise Texas of its obligation to file the required reports under Part 284 of the Commission's regulations. The approval of this Settlement does not constitute approval of, or precedent regarding, any principle or issue in this proceeding.

### **III. Docket No. PR07-12-003**

#### **A. Initial Filing**

18. On June 23, 2008, Enterprise Texas filed with the Commission revisions to its SOC for transportation service. Enterprise Texas proposes the following provisions: (1) a definition of transportation, (2) new language in section 6.1 to clarify that a potential shipper may obtain services from transporter on a firm or interruptible basis, including extensions of existing services, (3) new language in section 6.4 to clarify that transporter is not obligated to perform transportation in specific instances where there will be a negative impact on the pipeline, its customers or the environment, (4) a new section 6.5 that states that the pipeline may waive certain informational requirements on a not unduly discriminatory basis, (5) new language to section 14.1 to revise pipeline gas quality specifications, as discussed below, and (6) changes to section 14.1.7 to specify the maximum oxygen content, as discussed below.

19. Section 14.1 of Enterprise Texas' SOC currently requires that gas tendered to Enterprise Texas at its receipt points must satisfy a number of specific requirements. For example, section 14.1.2 requires that such "[g]as must have a total Gross Heating Value of not less than ... 950 Btus per cubic foot of gas calculated on a saturated basis,"<sup>8</sup> and section 14.1.3 requires that such "[g]as must not exceed a hydrocarbon dew point of 40 degrees F[ahrenheit]."<sup>9</sup> Section 14.2 permits Enterprise Texas to refuse to accept gas which does not satisfy these requirements, but it also permits Enterprise Texas nevertheless to accept such gas. Section 14.4 also provides that Enterprise Texas may designate gas quality specifications in a service agreement at a particular receipt point which vary from the otherwise applicable specifications, provided such gas blends with the pipeline's system gas to meet the standard specifications in section 14.1.

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<sup>7</sup> See 18 C.F.R. § 385.602(g)(3) of the Commission's settlement rules, governing the approval of uncontested settlements.

<sup>8</sup> Enterprise Texas' SOC for Transportation Service, section 14.1.2.

<sup>9</sup> Enterprise Texas' SOC for Transportation Service, section 14.1.3.

20. Enterprise Texas proposes to revise section 6.4.5 to provide that it may reject any request for a service agreement which would require it to deliver unprocessed gas to a point other than a processing plant. It also proposes a corresponding revision to section 14.1, as well as certain other revisions. First, it proposes to add the underlined language below:

Gas tendered for delivery by Shipper to Transporter hereunder must meet Transporter's quality specifications designated in this section. Such gas must also meet the quality specifications of the interconnected pipeline facilities that receive Gas from Transporter and deliver Gas to Transporter. However, Transporter may establish on a not unduly discriminatory basis, the quality specifications of [g]as tendered for delivery to a processing facility on Transporter's Pipeline System shall be as the quality specifications designated by the such processing facility, provided that (i) the gas is actually being processed or otherwise treated at the facility and (ii) such quality specifications are acceptable to Transporter and do not compromise the integrity of Transporter's Pipeline System. Transporter will not be obligated to provide any Transportation which results in the delivery of unprocessed gas to a point other than a processing plant.

Second, Enterprise Texas proposes to revise section 14.1.7 as follows: “[g]as must not contain more than ~~two tenths (.2) percent~~ 10 parts per million by volume of oxygen.” In its January 14, 2009 response to staff's data request, Enterprise Texas states that downstream pipelines connected to its system have oxygen quality specifications that are consistent with the revised standard of 10 parts per million by volume of oxygen.

## **B. Gas Quality Standards**

### **1. WTG Comments**

21. WTG's protest is limited to Enterprise Texas' revised SOC language in sections 6.4.5 and 14.1 that permits Enterprise Texas to refuse to deliver unprocessed gas to a point other than a processing plant. WTG states that it purchases natural gas from producers and markets at various pooling points and that it uses transportation services from Enterprise Texas to serve various city gates in Texas for ultimate distribution to residential and commercial customers. WTG also states that at some of its contract delivery points, Enterprise Texas is the only source of capacity adequate to meet the need of WTG and its customers. WTG contends that receiving gas at the outlet of a processing plant is not an option in that it can serve numerous residential and city gate customers only through a portion of the Enterprise Texas system where the gas stream has not been processed. Further, WTG contends that there are no possible transportation arrangements that it can make with other pipelines from the outlet of Enterprise Texas' plant to enable

it to serve its city gate customers. WTG asserts that the addition to section 14.1 of the subject provision amounts to a unilateral denial of service option.

22. WTG argues that while Enterprise Texas proposes to refuse to *deliver* unprocessed gas, it nonetheless willingly *receives* unprocessed gas at many points on its system. WTG contends that if this were a safety or operational issue, Enterprise Texas would reject this gas at the receipt points into its system, which Enterprise Texas freely acknowledges it is not proposing.<sup>10</sup> WTG asserts that this is an economic issue, that Enterprise Texas' affiliates own and operate gas processing plants on the system – in many, if not all cases, the only processing plants on the system, and that the proposed change to the SOC means that shippers must make arrangements with an Enterprise Texas processing affiliate under whatever terms it dictates in order to receive transportation service. Thus, according to WTG, the real basis for forcing shippers to take gas at the outlet of affiliated processing plants is because Enterprise Texas wishes to capture the value of plant operations on behalf of its affiliates. Further, WTG argues that Enterprise Texas has been delivering and WTG has been accepting unprocessed gas at these points for more than 30 years without any apparent safety, reliability, or environmental issues on its pipeline, the WTG system, or any downstream distribution system associated with these deliveries, and denial of service at these points means termination of service to city gate and commercial customers served off of WTG's intrastate pipeline system with no alternative source of supply.

23. WTG argues that the changes to Enterprise Texas' SOC are unsupported, unjust, unreasonable, inequitable, and unfair. WTG contends that the impact of this change in the SOC is to increase the effective Commission approved transportation rate; it is a rate increase masquerading as an operational change and it should be rejected.<sup>11</sup>

## 2. Answers

24. Enterprise Texas answers WTG's protest by stating that the additional section 14.1 language does not eliminate Enterprise Texas' obligation to accept unprocessed gas into its system which Enterprise Texas states it receives at many points on its system. Enterprise Texas states that the additional language only formalizes a reasonable limitation that Enterprise Texas will not be obligated to deliver unprocessed gas to end users or local distribution companies that require safe and reliable supplies of natural gas.

25. Enterprise Texas states that WTG's request is contrary to Commission policy and that Commission policy "allows pipelines to establish reasonable operating limits to

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<sup>10</sup> WTG cites Enterprise Texas' October 27, 2008 Answer at 6.

<sup>11</sup> WTG's October 17, 2008 Protest at 3-5.

protect service reliability and safety, while maximizing the introduction of new supply into the grid.”<sup>12</sup> Enterprise Texas argues that the Commission’s goal of assuring reliable and safe pipeline operations would also be seriously undermined if shippers such as WTG were able to force Enterprise Texas to forgo its quality specifications and accept and deliver all shipments of non-conforming gas. Also, Enterprise Texas states that the Commission has recognized that it is not appropriate to require pipelines to receive and deliver non-conforming gas, because of potential safety and environmental issues. Further, according to Enterprise Texas, non-conforming gas could subject the pipeline to considerable exposure to liability from the potential damage that could occur to persons and facilities to which it is delivered.<sup>13</sup>

26. Enterprise Texas argues that the change will also ensure that the economic interests of all of its shippers are protected. Enterprise Texas states that the nature of WTG service has changed operationally in a manner that could impact the economic interests of other shippers. Enterprise Texas asserts that previously, WTG nominated gas that was sourced and delivered to limited markets upstream of processing; however, WTG now purchases gas downstream of processing and requests that Enterprise Texas deliver the gas upstream of processing, by displacement. Enterprise Texas states that it must divert gas received from third party shippers which may hold the processing rights to their supplies. Enterprise Texas concludes that delivery of these volumes for the account of WTG could potentially deprive third party shippers of their economic rights.<sup>14</sup> Enterprise Texas also asserts that it is uncertain that the gas WTG receives from Enterprise Texas is used solely for the service territory it claims it seeks to protect, that, in fact, one could reasonably conclude that a significant amount of the gas WTG receives from Enterprise Texas is transported and delivered to Mexico.<sup>15</sup>

27. WTG’s November 3, 2008, answer states that Enterprise Texas ignores key facts, such as: (1) WTG owns the pipeline facilities at the delivery point(s), requested delivery at these point(s), and does not believe there are any safety, reliability, or environmental issues in accepting gas into its system at these point(s); (2) Enterprise Texas has been delivering unprocessed gas at these points for more than 30 years, without any apparent safety, reliability, or environmental issues on its pipeline, the WTG system, or any

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<sup>12</sup> Citing *Natural Gas Interchangeability, Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Company Tariffs*, 115 FERC ¶ 61,325 (2006) (*Policy Statement*).

<sup>13</sup> See generally *Tennessee Gas Pipeline Company*, 108 FERC ¶ 61,097 (2004).

<sup>14</sup> Enterprise Texas’ October 27, 2008 Answer at 5-7.

<sup>15</sup> Enterprise Texas’ May 14, 2009 Reply Comments at 8.

downstream distribution system associated with these deliveries; and (3) denial of service at these points means termination of service to city gate and commercial customers served off of WTG's intrastate pipeline system with no alternative source of supply. Further, WTG argues that the SOC modification to restrict the point of delivery of gas is blatantly discriminatory and preferential, in clear violation of sections 284.7(b) and 284.9(b) of the Commission's regulations, and there is no legitimate operational justification for it. Also, WTG states that forcing shippers to make gas processing arrangements with its affiliates may also violate the rate provisions of section 284.123(b) of the regulations.<sup>16</sup>

28. Enterprise Texas' December 18, 2008 answer reiterates its prior arguments and states that it has no intention to curtail deliveries to WTG and is working with WTG to develop a long-term solution to its concerns. Enterprise Texas states that if it might seek to terminate such service, any such service that it has provided pursuant to authority granted under Texas law may only be discontinued following a grant of authority by the Texas Railroad Commission.<sup>17</sup>

### **3. Discussion**

29. For the reasons discussed below, the Commission finds that Enterprise Texas has failed to present sufficient evidence demonstrating that its proposal in its entirety is fair and equitable. Therefore, the Commission accepts, subject to the conditions described below, Enterprise Texas' proposal to change its gas quality provisions in its tariff.

30. Enterprise Texas operates a system in which parts of the system are designed to handle unprocessed gas and parts are designed to transport processed gas. The part that transports unprocessed gas has both receipt and delivery points. Enterprise Texas' proposal would give it unfettered discretion to refuse to make deliveries from parts of the system that transport unprocessed gas, unless the delivery is to a processing plant. Enterprise Texas has not shown a need for such a broad authorization to refuse to make deliveries of unprocessed gas. It has made deliveries of such gas for over 30 years at points other than processing plants, and it states that it does not need the provision for its own safe operation.<sup>18</sup> Rather, its sole stated concern is that unprocessed gas might damage downstream facilities. But Enterprise Texas does not dispute WTG's assertion that WTG has accepted unprocessed gas onto its downstream facilities for over 30 years without causing problems.

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<sup>16</sup> WTG's November 3, 2008 Answer at 4-7.

<sup>17</sup> Enterprise Texas' December 18, 2008 Answer at 3-6.

<sup>18</sup> Enterprise Texas' May 14, 2009 Reply Comments at 10.

31. The Commission's *Policy Statement* on gas quality and interchangeability<sup>19</sup> encouraged pipelines to use the interim interchangeability guidelines proposed by the NGC+ Interchangeability Work Group.<sup>20</sup> Those interim guidelines recognize a need for exceptions from general interchangeability standards for service territories that have historically handled nonconforming gas,<sup>21</sup> and the Commission has approved such exceptions.<sup>22</sup> In addition, the *Policy Statement* requires all gas quality and interchangeability standards to be scientifically supported.<sup>23</sup> Enterprise Texas has not provided any technical, engineering, or scientific analysis to show why, after more than thirty years of service to WTG's delivery points, it must now process gas going to WTG's delivery points. It appears that Enterprise Texas could resolve its concern regarding liability exposure with a proposal to require customers taking such unprocessed gas to indemnify it for all damages.

32. Enterprise Texas also makes vague assertions that WTG may be purchasing processed gas downstream of the processing plant but receiving deliveries of unprocessed gas upstream through displacement. Enterprise Texas suggests that this may require it to divert to WTG unprocessed gas received from third party shippers upstream of WTG who may hold the processing rights to their supplies, and this could potentially deprive third party shippers of their economic rights. However, Enterprise Texas has not presented any actual evidence that this scenario has ever occurred or that any third party shipper has complained about the loss of such rights. Further, to the extent there may be a problem, Enterprise Texas has not shown that a blanket prohibition of all deliveries of unprocessed gas to non-processing plant point is a necessary solution. Enterprise Texas could propose, for example, a provision that narrowly addressed the displacement transactions as opposed to adding language that allows it to refuse to deliver any or all unprocessed gas. Accordingly, we reject the proposed revisions to section 6.4.5 and the corresponding language in section 14.1 that states "Transporter will not be obligated to

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<sup>19</sup> *Policy Statement* at P 37. The *Policy Statement* applies to statements of operating conditions filed by entities which provide interstate transportation services pursuant to section 311 of the NGPA. *Id.* at P 44.

<sup>20</sup> *Report on Natural Gas Interchangeability and Non-Combustion End Use* (February 28, 2005).

<sup>21</sup> *Id.* at 27.

<sup>22</sup> See *Norstar Operating, LLC v. Columbia Gas Transmission Corp., and Columbia Gas Transmission Corp.*, 118 FERC ¶ 61,221, at P 63 (2007) (*Columbia Gas*), *order on reh'g*, 122 FERC ¶ 61,163 at P 30 (2008).

<sup>23</sup> *Policy Statement*, 115 FERC ¶ 61,325 at P 31 (2006).

provide any Transportation which results in the delivery of unprocessed gas to a point other than a processing plant.”

33. In addition, we find that section 14.1 of the SOC is unclear in defining when Enterprise Texas applies the gas quality standards found in section 14.1.1 through 14.1.11. Section 14.1 provides that gas tendered for delivery by Shipper to Transporter must meet the specific standards listed in sections 14.1.1 through 14.1.11. However it does not appear that all of those standards are appropriate for unprocessed gas; nor does it appear likely that unprocessed gas will meet those standards. Thus, it appears unlikely that Enterprise Texas actually applies those standards to receipts onto the part of its system designed to handle unprocessed gas. However, the only exception to these standards provided in section 14.1 is for gas delivered to processing plants, but as previously discussed Enterprise Texas delivers unprocessed gas to places other than processing plants. In addition, nothing in section 14.1 or elsewhere in Enterprise Texas’ SOC identifies what parts of Enterprise Texas’ system are designed to handle unprocessed gas, and therefore it is not clear on what parts of Enterprise Texas’ system the sections 14.1.1 through 14.1.11 standards apply and on what parts of the system less stringent gas quality specifications apply. In *Columbia Gas*, we found that the Appalachian Basin Gas exception to interchangeability standards was generally acceptable but it needed to be narrowly tailored and the parts of the system where it applied needed to be defined with specificity.<sup>24</sup> Similarly, here, Enterprise Texas must define with specificity standards that apply to receipt of unprocessed gas and where on its systems it will apply these standards.

34. We accept the proposed changes to section 14.1.7 relating to oxygen content, since no party opposes that change.

35. We direct Enterprise Texas, within 30 days of the issuance of this order, to file a revised SOC for transportation in accord with the discussion above.

### **C. Interruptible Service Issue**

#### **1. Agave’s Comments**

36. Agave is concerned about the potential impact of the Sherman Extension transportation service on the availability of capacity on Enterprise Texas’ southern mainline which runs from Waha, Texas to Katy, Texas. Agave questions the priority and

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<sup>24</sup> *Columbia Gas*, 118 FERC ¶ 61,221 at P 63–64, *order on reh’g*, 122 FERC ¶ 61,163 at P 31, *order on reh’g*, 124 FERC ¶ 61,035 at P 39-40.

scheduling of interruptible service as addressed in section 7.2<sup>25</sup> of Enterprise Texas' SOC for transportation. Agave states that section 7.2 is worded in such a way that when there is not enough capacity to accommodate all interruptible service nominations on the Enterprise Texas system, the scheduling of interruptible service will be determined by price. Agave questions if Enterprise Texas would schedule gas transported into Waha on the Sherman Extension ahead of gas entering the system at Waha from Transwestern, because the combined rate for shipments on the Sherman Extension and Enterprise Texas mainline would be higher than the rate paid by the shipper utilizing only the Enterprise Texas mainline. Agave seeks confirmation that its concerns are unwarranted.<sup>26</sup>

## 2. Answers

37. Enterprise Texas answers Agave's concerns by stating that as set forth in section 7.2 of its SOC, and consistent with the Commission's policy concerning the scheduling of interruptible capacity, Enterprise Texas plans to schedule shippers based upon the total price paid for Rate Schedule ITS service on its system.<sup>27</sup> Enterprise Texas argues that the section 7.2 language will ensure that the interruptible capacity will be awarded to the shipper that places the highest value upon it. Further, Enterprise Texas states that this is no different from the situation where an interruptible shipper moving gas across multiple rate zones at a discount obtains scheduling priority over a maximum rate shipper within a single rate zone, and is consistent with Commission policy that permits scheduling of interruptible capacity on the basis of greatest potential revenue to the pipeline.<sup>28</sup> Finally, Enterprise Texas argues that a remedy for Agave is to subscribe to firm capacity.<sup>29</sup>

38. Agave's November 5, 2008 Answer, states that Enterprise Texas has failed to demonstrate why interruptible service on the Sherman Extension and interruptible service on its mainline should not be viewed as separate and distinct services which should be

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<sup>25</sup> Section 7.2 states "[t]ransporter may, but is not obligated, to schedule transportation at a discounted rate, and shall give priority from least discount to greatest discount."

<sup>26</sup> Agave's October 17, 2008 Protest at 3-4.

<sup>27</sup> See, e.g., *Enogex Inc.*, 109 FERC ¶ 61,344 at P 4 (2004) (*Enogex*); *Sea Robin Pipeline Company*, 81 FERC ¶ 61,041 (1997); *Northern Natural Gas Company*, 62 FERC ¶ 61,075 (1993).

<sup>28</sup> *Trunkline Gas Co.*, 64 FERC ¶ 61,141 (1993), *reh'g*, 65 FERC ¶ 61,355 (1993); see also *PG&E Gas Transmission, Northwest Corp.*, 104 FERC ¶ 61,025 at P 30 (2003).

<sup>29</sup> Enterprise Texas' October 27, 2008 Answer at 7-9.

scheduled individually on the basis of the rate paid in order to ensure that the quality of service on the Enterprise Texas mainline is not diminished. Agave wants the Commission to clarify that a shipper that wants to take service on the Sherman Extension will be required to enter into a service agreement for that purpose under the appropriate incremental rate schedule and also enter into a separate service agreement for transportation on the mainline. Also, Agave argues that Enterprise Texas' reliance on *Enogex* is misplaced because the Commission directed Enogex to revise its SOC to delete the provisions which afforded a scheduling and curtailment preference to interruptible shippers that had dedicated their entire output to be transported by Enogex. Also, Agave argues that Enterprise Texas' proposal involves two services and this was absent in *Enogex*.<sup>30</sup>

39. Agave argues that Enterprise Texas should not be permitted to use section 7.2 to force a shipper to buy firm service that it does not need on either the existing mainline or the Sherman Extension. Also, Agave argues that this is a tying arrangement which the Commission should reject.<sup>31</sup>

40. Enterprise Texas' December 18, 2008 answer reiterates its prior arguments.

41. Agave's January 6, 2009 answer states that Enterprise Texas failed to provide a convincing justification for filing its December 18, 2008 answer beyond the 15 day time limit provided in Rule 213 of the Commission's Rules of Practice and Procedure and that the Commission should reject it. Agave reiterates its prior arguments if the Commission accepts Enterprise Texas' December 18, 2008 answer.

### **3. Discussion**

42. As stated in the Settlement, Enterprise Texas will have a two-rate zone on its system, one rate zone for the Sherman Extension and the other rate zone for the remainder of the system. Agave's concern is that its ability to schedule interruptible capacity on Enterprise Texas' existing facilities will be reduced, because requests to schedule interruptible service on both the existing system and the Sherman Extension are likely to contain a higher rate.

43. Section 7 of the SOC for transportation defines Priority of Service and Scheduling. Section 7.1, Priority of Firm Service, states that firm service shall have the highest priority. Section 7.2 of the SOC for transportation further provides for the scheduling of interruptible service:

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<sup>30</sup> Agave's November 5, 2008 Answer at 3-5.

<sup>31</sup> Agave's November 5, 2008 Answer at 5.

Interruptible transportation shall be scheduled when, and to the extent that, in Transporter's sole opinion, capacity is available in Transporter's existing facilities after first recognizing all Pipeline System operating requirements. Transporter shall then schedule Interruptible transportation, recognizing qualities of service and giving priority to the Shippers(s) paying the maximum rate. Transporter may, but is not obligated, to schedule, transportation at a discounted rate, and shall give priority from least discount to greatest discount. If two or more Shippers are paying the same rate for Interruptible transportation service and there is insufficient capacity to serve all Shippers paying such rate, Transporter shall schedule service pro rata based on the quantities that would otherwise be scheduled.

44. The Commission finds that section 7 of Enterprise Texas' SOC is consistent with Commission policy. The Commission permits interruptible service to be scheduled based on price.<sup>32</sup>

45. Further, the Commission agrees with Enterprise Texas that the priority of service and scheduling should be by overall rate. If a discounted rate for two zones exceeds a discounted rate for one zone, then it is consistent with Commission policy for the two-zone transaction to be scheduled because the two-zone shipper will be paying a higher rate. In *PG&E Gas Transmission, Northwest Corporation*,<sup>33</sup> the Commission considered the same issues as Agave has raised in this proceeding, and found that giving higher-priced long-haul interruptible transactions priority over lower-priced short-haul transaction is consistent with the goals of allocative efficiency and awarding capacity to those who value it the most. In addition, pro rata allocation in the case of ties is acceptable.

46. Finally, the Commission accepts as filed Enterprise Texas' additions to sections 1.34, 6.1, 6.5 and 6.4, with the exception of 6.4.5.

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<sup>32</sup> See *Windy Hill Gas Storage*, 119 FERC ¶ 61,291, at P 80 (2007) (finding insufficient justification to depart from Commission's policy of scheduling interruptible service by price); *Enogex, Inc.*, 103 FERC ¶ 61,161, at P 20 (2003), *reh'g denied*, 106 FERC ¶ 61,093 (2004) (allocation based on price is consistent with Commission policy (citing *Sea Robin Pipeline Co.*, 81 FERC ¶ 61,041 (1997)); *Northern Natural Gas Co.*, 62 FERC ¶ 61,075 (1993)).

<sup>33</sup> 104 FERC ¶ 61,025 at P 23-37.

**IV. Docket No. PR07-12-004**

**A. Initial Filing**

47. On July 31, 2009, Enterprise Texas filed with the Commission revisions to its SOC for gas storage service. Enterprise Texas proposes the following provisions: (1) a definition of transportation, (2) new language to section 4.4 to clarify that transporter is not obligated to perform transportation in specific instances where there will be a negative impact on the pipeline, its customers or the environment, and (3) a new section 4.5 that states that the pipeline may waive certain informational requirements on a not unduly discriminatory basis. Also, the SOC contains clerical and format revisions.

**B. Discussion**

48. The Commission accepts, as filed, the Enterprise Texas' revisions to the SOC for gas storage services.

The Commission orders:

(A) The Settlement is hereby approved effective September 30, 2008, as discussed in the body of this order.

(B) Enterprise Texas' SOC for transportation service is hereby accepted, subject to conditions, as discussed in the body of this order, effective June 23, 2008.

(C) Enterprise Texas' SOC for gas storage service is hereby accepted, as stated in the body of this order, effective July 31, 2008.

(D) Enterprise Texas is hereby directed to submit a compliance filing within 30 days of the date of this order, as discussed in the body of this order.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.