

132 FERC ¶ 61,059  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

Columbia Gulf Transmission Company

Docket No. RP10-315-001

ORDER GRANTING CLARIFICATION IN PART AND DENYING REHEARING

(Issued July 22, 2010)

1. On February 11, 2010, the Commission issued a letter order in this proceeding accepting Columbia Gulf Transmission Company's (Columbia Gulf) proposed tariff revisions to permit it to waive its gas quality specifications and to clarify that the gas quality specifications set forth in the General Terms and Conditions (GT&C) of its tariff will not affect its ability to issue operational flow orders (OFO).<sup>1</sup> On March 15, 2010, the Lafayette Utilities System (Lafayette) filed a request for reconsideration or in the alternative rehearing of the February 11 Letter Order. For the reasons discussed below, we grant clarification in part and deny Lafayette's request for rehearing.

**Background**

2. On January 15, 2010, Columbia Gulf filed to revise sections 25.3 and 25.4 of the GT&C of its tariff in order to permit Columbia Gulf to waive the gas quality specifications of its tariff and to clarify that the gas quality specifications in section 25.1 of its GT&C would not affect Columbia Gulf's ability to issue OFOs. In support of its filing Columbia Gulf stated that it currently has the authority to waive its Cricondentherm Hydrocarbon Dewpoint (CHDP) specification and sought the flexibility to do so for its other gas quality specifications consistent with Commission policy that pipeline tariff provisions on gas quality and interchangeability need to be flexible enough to allow pipelines to accept out of specification gas if doing so will not jeopardize system

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<sup>1</sup> *Columbia Gulf Transmission Co.*, 130 FERC ¶ 61,101 (2010) (February 11 Letter Order).

operations.<sup>2</sup> Columbia Gulf noted that its proposed tariff revisions would provide Columbia Gulf with the needed flexibility discussed in the Policy Statement but only if a waiver would not adversely affect Columbia Gulf's operations or ability of gas to be accepted for delivery at interconnects with interstate or intrastate pipelines, end-users and local distribution companies (LDC). Columbia Gulf also stated that any waivers would be open and transparent as it proposed to post all waivers of its gas quality specifications on its website.

3. Lafayette and the Tennessee Valley Authority (TVA) protested Columbia Gulf's proposed tariff modifications. Columbia Gulf filed an answer to the protests and we accepted Columbia Gulf's answer. The protests claimed generally that Columbia Gulf had not provided a factual basis for the requested waiver authority, that is, Columbia Gulf did not indicate whether it had experienced gas quality problems that required the flexibility requested. Lafayette also argued that variable gas quality could affect Lafayette's electric generation facilities and air permits, as the generation facilities have been tuned to Columbia Gulf's historical gas quality and that posting the waiver may not be sufficient to prevent reduction in its electric generation output. The protesters also claimed that the Commission should impose stricter rules and parameters on when Columbia Gulf could waive its standards so that it did not have "carte blanche" to do so.

4. In its answer, Columbia Gulf argued that the Commission had approved similar waiver language for several pipelines and that such waiver authority is consistent with the Policy Statement. Columbia Gulf also stated that the Commission had granted it the authority to waive its CHDP standard and that the protesters had not provided any justification as to why the pipeline's ability to waive its other gas quality specifications should be more limited. Columbia Gulf also claimed that Lafayette's speculative claims of harm should be rejected because Columbia Gulf's authority to waive its gas quality specifications is conditioned on the waiver not affecting the pipeline's ability to deliver gas at its interconnects and to end users or LDCs.

5. We accepted the proposed tariff revisions in the February 11 Letter Order, finding that they were just and reasonable and consistent with the Policy Statement's principle of minimizing unnecessary restrictions on a pipeline accepting natural gas supplies. We also found Columbia Gulf's proposed provisions did not provide it unfettered discretion to waive its gas quality standards but were appropriately conditioned on not affecting its system operations or its deliveries, consistent with provisions that the Commission has approved for other pipelines.

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<sup>2</sup> Columbia Gulf March 15, 2010 tariff filing at 1-2 and n2 (*quoting Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Company Tariffs*, 115 FERC ¶61,325, at P 30 (2006) (Policy Statement)).

### **Request for Reconsideration or Rehearing**

6. In its rehearing request, Lafayette makes many of the same arguments that it made in its original protest. It asserts that allowing Columbia Gulf to waive its gas quality specifications, particularly its sulfur and heat content standards, could reduce electric generation in the Acadian Load Pocket (ALP)<sup>3</sup> and increase the risk of electrical system emergencies in the ALP. Lafayette states that there is a lack of sufficient generation in the ALP and that transmission construction is underway to alleviate constraints. Lafayette further contends that because of the reliability concerns in the area, Lafayette's concerns of electric emergencies in the area are not speculative.

7. Lafayette requests clarification of the condition that Columbia Gulf may not accept non-conforming gas if doing so would adversely affect Columbia Gulf's systems or its deliveries to other pipelines and end-users, asserting that Columbia Gulf does not explain in its filing, nor does the Commission explain in the February 11 Letter Order, what constitutes an "adverse effect."<sup>4</sup> Lafayette claims that it and electric customers in the ALP are particularly vulnerable to gas quality issues and that the tariff language is not clear as to whether it applies to customers generally or the "most vulnerable" customers.<sup>5</sup> Lafayette contends that the Commission should clarify that reduction of Lafayette's generation capability and/or threats to its air permits that are caused in whole or in part by Columbia Gulf's acceptance of non-conforming gas are adverse effects, and thus, in such circumstances, Columbia Gulf may not waive its gas quality standards.

8. Lafayette further requests that, in the event the Commission does not provide the requested clarification, the Commission grant rehearing of the February 11 Letter Order. Lafayette claims that in the February 11 Letter Order the Commission elevated its flexibility policy with regard to gas quality and interchangeability over the policy that gas quality standards should be based upon sound technical engineering and scientific considerations. Lafayette asserts that the February 11 Letter Order is not supported by substantial evidence supporting the need for flexibility and that the evidence it presented supports the conclusion that it is inappropriate to waive gas quality standards given the electric reliability concerns of the ALP. Lafayette argues that Columbia Gulf did not

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<sup>3</sup> Lafayette attached to its pleading an unsigned February 8, 2010 letter to Mr. Patrick Cleary of the Commission from the Southwest Power Pool (SPP) Vice President of Operations. Lafayette asserts that the letter shows that the ALP is subject to controlled outages due to increasing electric demand and the need for additional infrastructure.

<sup>4</sup> Rehearing Request at 11.

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

present evidence of the need for the flexibility that it seeks in this proceeding and contends that the record is bare of any facts to suggest that Columbia Gulf needs flexibility. It claims that the Policy Statement provides two reasons that a pipeline may need flexibility, namely that it is asked to transport out-of-specification gas or the added flexibility will allow the pipeline to balance safety and reliability concerns with the importance of maximizing supply. Lafayette asserts that Columbia Gulf has not stated that it has had requests to transport non-conforming gas nor has it provided any evidence of supply concerns. Lafayette states that it has presented evidence that its generators and air permits are “optimized” to run on, or are based on deliveries of, historic heat content, and any change to that content may reduce its generation capacity. Thus, concludes Lafayette, it would be unjust and unreasonable to grant Columbia Gulf waiver authority and allegedly increase the risk of “electric emergencies” in the ALP.

### **Discussion**

9. As we noted in the February 11 Letter Order and other orders approving tariff waiver provisions, a pipeline’s discretion to waive its tariff gas quality and interchangeability standards is not unfettered. Columbia Gulf’s waiver provision contains language that it may not issue a waiver if to do so would adversely affect its system or its ability to make deliveries to interconnects with other pipelines, end-users and LDCs. The Commission has previously interpreted such language to mean that a pipeline could only issue a waiver to accept non-conforming gas if it could still meet its delivery point specifications<sup>6</sup> or satisfy any merchantability clause. A review of Columbia Gulf’s tariff indicates that it does not contain any gas quality or interchangeability delivery point specifications or a merchantability clause applicable to deliveries.

10. The gas quality receipt point specifications for Columbia Gulf were developed to protect the safe and reliable operation of the pipeline in a manner that would maximize supply. According to the record evidence, and Lafayette’s own assertions, those standards have worked to accomplish those goals as there is no indication that Columbia Gulf has encountered gas quality problems on its system. Thus, to ensure that Columbia Gulf’s waiver authority is not unlimited, we interpret the waiver language in this instance, where there are no applicable delivery standards or merchantability language, to mean that Columbia Gulf may not issue a waiver to accept non-conforming gas if doing so would result in deliveries to interconnects with other pipelines, end-users and LDCs

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<sup>6</sup> See e.g., *Norstar Operating LLC v. Columbia Gas Transmission Corp., and Columbia Gas Transmission Corp.*, 124 FERC ¶ 61,035 at P 36 (2008).

that do not meet its receipt point specifications.<sup>7</sup> This qualification on Columbia Gulf's waiver authority should alleviate Lafayette's concerns.

11. Accordingly, we deny Lafayette's request that we specifically characterize a potential reduction in generation capacity or a threat to its air permits as an "adverse affect" that would prevent the pipeline from issuing a waiver. The Commission does not interpret such language to require that the pipeline must carve out specific "adverse effects" for each individual customer. Such language, pursuant to our policy, must apply evenly to all customers and not only, or in a special manner, to the "most vulnerable customers."<sup>8</sup> Such application of the waiver standard would be discriminatory. Likewise it would be discriminatory for the Commission to create a specific definition of "adversely affected" to apply to a single shipper.

12. We also deny rehearing of Lafayette's other issues. Contrary to Lafayette's assertions, the February 11 Letter Order did not "elevate" flexibility as a policy over the other policy considerations in the Policy Statement. The Commission has made clear in the Policy Statement and various orders that flexibility in gas quality specifications is a positive tool for maximizing supply on natural gas pipeline systems, and we have stated that it is just and reasonable for pipelines to accept non-conforming gas under certain circumstances. That does not mean that we have abandoned our other policy considerations. Lafayette's assertions that gas quality standards are to be based "sound technical, engineering, and scientific considerations," and that Columbia Gulf made no such showing in its request for a waiver provision, is misplaced.<sup>9</sup> Columbia Gulf has existing gas quality specifications that were developed and approved based on such considerations. As noted above, in the Policy Statement we encouraged flexible gas

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<sup>7</sup> Columbia Gulf is free, of course, to file for gas quality and interchangeability delivery point tariff specifications. If and when such standards are approved, then Columbia Gulf's waiver authority would be contingent upon meeting those delivery specifications.

<sup>8</sup> Rehearing Request at 11.

<sup>9</sup> Lafayette's arguments that Columbia Gulf has not demonstrated that it has received a request to transport non-conforming gas nor referred to any supply concerns cut both ways. To the extent that Columbia Gulf is not asked to flow non-conforming gas, then Lafayette should have no concerns of potential effects on its system. The policy behind flexible standards, however, is forward looking in that "pipelines operate in dynamic environments that frequently require quick responses to rapidly changing situations". So should Columbia Gulf be confronted with a request to transport out-of-specification gas, and it can do so without jeopardizing system operations, it should be allowed to do so.

quality specifications in order to maximize supply, provided that pipeline safety and reliability are preserved. As clarified by this order, Columbia Gulf's waiver provision provides such protections.

The Commission orders:

Lafayette's request for clarification is granted in part and rehearing is denied as discussed in the body of this order.

By the Commission. Commissioner LaFleur is not participating.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.