

134 FERC ¶ 61,251
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Transcontinental Gas Pipe Line Company, LLC

Docket No. CP11-45-000

ORDER APPROVING PARTIAL ABANDONMENT OF STORAGE
DELIVERABILITY

(Issued March 30, 2011)

1. On December 6, 2010, Transcontinental Gas Pipe Line Company, LLC (Transco) filed an application under section 7(b) of the Natural Gas Act (NGA) requesting authorization to partially abandon storage deliverability at its Washington Storage Field located in St. Landry Parish, Louisiana. Transco states that, subsequent to Commission approval of the proposed abandonment, Transco and its Rate Schedule WSS-Open Access (WSS-OA) customers will execute amendments to the applicable service agreements to reflect revised Storage Demand Quantities. As discussed below, the requested authorization is permitted by the public convenience and necessity and is granted herein.

Background and Proposal

2. The Washington Storage Field was originally certificated by the Commission in 1975. The field has a total storage capacity of 120 Bcf consisting of a working gas volume of 75 Bcf, a base gas volume of 45 Bcf, and maximum deliverability of 913,237 Dekatherm per day(Dth/d).¹

3. The Washington Storage Field's working gas storage capacity is fully subscribed by thirty-one customers under Rate Schedule WSS-OA. A customer's maximum daily withdrawal quantity (Storage Demand Quantity) is subject to specified withdrawal ratchets that provide for a step-down of a customer's daily deliverability entitlement as

¹ *Transcontinental Gas Pipe Line Corp.*, 53 F.P.C. 628 (1975). Amendments to that certificate authorization were subsequently approved by the Commission in the following orders: 56 F.P.C. 1351 (1976); 58 F.P.C. 1960 (1977); 1 FERC ¶ 61,172 (1977); 4 FERC ¶ 61,271 (1978); 6 FERC ¶ 61,232 (1979); 11 FERC ¶ 62,003 (1980); 12 FERC ¶ 62,287 (1980); 16 FERC ¶ 62,212 (1981); 69 FERC ¶ 62,196 (1994).

that customer's working gas storage inventory declines to specified levels. The withdrawal ratchets are set forth in Section 7.2 of Rate Schedule WSS-OA.

4. Transco states that it has experienced a decline in deliverability due to a combination of aging of the wells and damage to the reservoir rock caused by fluid invasions, organic residues, loose sand, and salt precipitations. Transco states that four of the forty-four storage wells have ceased to function and that many of the remaining forty wells in service have experienced lost flow capacity.² Therefore, Transco requests authorization to partially abandon storage deliverability at the Washington Storage Field. Specifically, Transco requests authorization to reduce the maximum storage deliverability for its Rate Schedule WSS-OA customers from 913,237 Dth/d to 817,104 Dth/d. Additionally, Transco proposes to establish new withdrawal ratchets, as set forth on the *pro forma* tariff section attached as Exhibit X to Transco's application. Transco proposes to reduce the daily withdrawal entitlements *pro rata* by 10.5 percent, the same percentage as the percentage reduction in the total deliverability of the field. Transco does not propose any changes to the capacity of the Washington Storage Field.

5. Transco asserts that it has discussed the issue of declining deliverability at the Washington Storage Field with its Rate Schedule WSS-OA customers and has provided them with cost estimates for restoring the lost deliverability. Transco offered the Rate Schedule WSS-OA customers the option to have the deliverability restored, and pay a higher rate under Rate Schedule WSS-OA to recover the associated costs, or to have Transco seek the necessary authorizations to reduce the certificated maximum daily deliverability at the Washington Storage Field. All of the WSS-OA customers informed Transco that they did not want Transco to spend the necessary capital to restore the deliverability at the Washington Storage Field and agreed to the reduction in deliverability.

6. Accordingly, Transco states that subsequent to Commission approval, Transco and its Rate Schedule WSS-AS customers intend to execute amendments to the applicable service agreements and to any then-effective service agreements applicable to released Rate Schedule WSS-OA capacity, as necessary, to reflect the resulting revised Storage Demand Quantities proposed in Transco's application.

Notice, Interventions and Comment

7. Notice of Transco's application was published in the *Federal Register* on December 17, 2010 (75 Fed. Reg. 81,264). Timely, unopposed motions to intervene

² Well #10 was converted to a water disposal well, Well #24 was converted to an observation well, Well #37 was plugged and abandoned, and Well #34 is temporarily plugged awaiting final disposition.

were filed by National Grid Gas Delivery Companies (National Grid),³ Consolidated Edison Company of New York, Inc. and Philadelphia Gas Works, the New York State Public Service Commission, PSEG Energy Resources & Trade LLC, Public Service Company of North Carolina, National Fuel Gas Distribution Corporation, PECO Energy Company, Patriots Energy Group with The Municipal Gas Authority of Georgia and the Transco Municipal Group (Jointly), SCANA Energy Marketing, Atmos Energy Corporation, Piedmont Natural Gas Company, Inc., and UGI Central Penn Gas, Inc.⁴ In its intervention, National Grid requests permission to challenge the prudence of any actions or omissions by Transco that may have contributed to the decline of deliverability under Rate Schedule WSS-OA in Transco's next rate case.⁵ Further, National Grid requests that the Commission, as a condition to the requested abandonment, require Transco to file annual reports with the Commission discussing, among other things, maintenance activities at all of Transco's storage facilities. On January 21, 2011, Transco filed a response to National Grid's comments.⁶

Discussion

8. Since the storage service that Transco seeks to partially abandon is in interstate commerce subject to the jurisdiction of the Commission, Transco's abandonment of storage deliverability at the Washington Storage Field requires Commission authorization under NGA section 7(b). In order to approve the requested abandonment, the Commission must determine that the proposal is permitted by the public convenience or necessity.

9. The Commission requires companies to operate and maintain their certificated jurisdictional storage facilities in such a manner as to maintain the integrity of the storage

³ The National Grid Gas Delivery Companies are: The Brooklyn Union Gas Company d/b/a National Grid; Boston Gas Company and Colonial Gas Company, collectively d/b/a National Grid; EnergyNorth Natural Gas, Inc., d/b/a National Grid NH; Niagra Mohawk Power Corporation d/b/a National Grid; and The Narragansett Electric Company d/b/a National Grid, all subsidiaries of National Grid USA, Inc.

⁴ Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure.

⁵ Under the settlement approved by the Commission in Docket No. RP01-569-004, *et al.*, Transco must file a general NGA section 4 rate case no later than August 31, 2012. *Transcontinental Gas Pipe Line Corp.*, 122 FERC ¶ 61,213, at P 9 (2008).

⁶ The Commission waives 18 C.F.R. § 385.213 (2011) to allow consideration of Transco's answer because it assists in the Commission's analysis and provides a more complete record.

fields and their ability to provide and maintain certificated services to their customers. In this proceeding, as discussed below, Transco has shown that it has made significant efforts to maintain the deliverability of the Washington Storage Field and has only decided to abandon a portion of the certificated deliverability based on deteriorating operational conditions and the unwillingness of its Rate Schedule WSS-OA customers to incur additional costs to restore the full certificated deliverability of the storage facility.

10. In its February 17, 2011 and February 24, 2011 responses to staff's February 10, 2011 data request, Transco demonstrated that it has made significant efforts to maintain the certificated deliverability of the Washington Storage Field. Specifically, Transco has conducted an aggressive maintenance and repair program, where one-third of the wells are worked on every year. As part of this program, Transco performs production water testing for iron, chlorides and manganese on every injection and withdrawal well in the field, Christmas tree⁷ maintenance, valve greasing and repair, and casing fluid maintenance. In addition, Transco has performed well deliverability tests, bottom hole pressure surveys, down-hole video surveys, re-perforations, and acid treatments to recomplete or stimulate wells in the Washington Storage Field. Finally, Transco has drilled several replacement wells in attempts to maintain certificated deliverability. In its data responses, Transco provided a detailed list of the remedial actions, including costs, it would need to restore the deliverability of the Washington Storage Field. These include: drilling four new wells, sidetracking four existing wells, coiled tubing cleaning, re-perforations, and well stimulation treatments, all of which is estimated to cost \$36.062 million.

11. Based upon the historical maintenance data provided by Transco, as well as the detailed plan it developed to restore the deliverability of the field, we find that Transco made reasonable efforts to operate and maintain the Washington Storage Field. The deterioration of the deliverability of the Washington Storage Field has reached a point where shippers utilizing the field are unwilling to incur the additional costs necessary to maintain the deliverability at certificated levels. Therefore, we will grant Transco's request to reduce the maximum certificated deliverability of the Washington Storage Field from 913,237 Dth/d to 817,104 Dth/d. Further, we find that it is appropriate to adjust its customers' withdrawal ratchets to account for this reduction, as set forth in the *pro forma* tariff sheets provided in Exhibit X to the application.⁸

⁷ A "Christmas tree" is an assembly of valves, spools, pressure gauges and chokes fitted to the wellhead of a completed well to control production.

⁸ All other storage parameters including the working and base gas capacities will remain as certificated.

12. Although National Grid does not oppose the partial abandonment of Transco's storage service, it requests the Commission to confirm that Transco bears the burden of proving that any revised Rate Schedule WSS-OA rates based upon the reduced Rate Schedule WSS-OA deliverability determinants are just and reasonable. It further requests that the parties be permitted to examine the prudence of Transco's efforts to maintain Rate Schedule WSS-OA deliverability in any future proceeding in which Transco proposes to establish revised Rate Schedule WSS-OA rates based on the reduced deliverability determinants. In its response, Transco states that nothing in its application purports to prejudge the outcome of the issue of the appropriate rates for Rate Schedule WSS-OA service, and participants in any future NGA section 4 rate case will be entitled to support any position they wish to take concerning that issue. We confirm that Transco will bear the burden of justifying any proposal that it makes to adjust the Rate Schedule WSS-OA rates in a NGA section 4 rate proceeding.

13. National Grid also requests that the Commission require Transco to file an annual report detailing its efforts to maintain its certificated storage facilities. National Grid argues that the annual reporting requirement would enhance the ability of the Commission and Transco's customers to monitor the pipeline's efforts to preserve its ability to meet its certificated and contractual service obligations. Transco opposes National Grid's request and argues that it is outside the scope of this proceeding. Further, Transco asserts that it had previously provided such information relating to the deliverability shortfall at the Washington Storage Field to National Grid and the other Rate Schedule WSS-OA customers. Transco notes that National Grid is free to seek maintenance information about all of its storage operations in a rate case proceeding.

14. We will not require Transco to make an annual report regarding maintenance activities at its storage facilities. There is nothing in this proceeding to show that Transco has not made significant efforts to maintain the Washington Storage Field, or that there are any system issues that warrant requiring an annual report on storage field maintenance. Moreover, the future status of maintenance operations at Transco's storage facilities are outside the scope of this proceeding. However, Transco should ensure that its maintenance records are available should any party seek such information in a future NGA section 4 rate case.

Environmental Analysis

15. Environmental review of the proposal under section 380 of the Commission's regulations confirms that the proposed partial abandonment of storage deliverability would have no environmental impact.

Conclusion

16. The Commission, on its own motion, received and made a part of the record all evidence, including the application and exhibits thereto, submitted in support of the authorizations sought herein. Upon consideration of the record,

The Commission orders:

(A) Transco is granted permission and approval under NGA section 7(b) to partially abandon storage deliverability to its Rate Schedule WSS–OA customers at the Washington Storage Field, as described in this order and as more fully described in the application.

(B) Transco shall file tariff sheets implementing the revised Storage Demand Quantities and ratchets as set forth in Exhibit X to Transco’s application, within 30 days of the date of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.