

139 FERC ¶ 61,025
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

April 9, 2012

In Reply Refer To:
Equitrans, L.P.
Docket No. RP12-213-000

Equitrans, L.P.
625 Liberty Avenue, Suite 1700
Pittsburgh, PA 15222-3111

Attention: Paul W. Diehl
Senior Counsel-Midstream

Reference: Letter Order on Notice of Operational Flow Order

Dear Mr. Diehl:

1. On December 1, 2011, Equitrans, L.P. (Equitrans) filed pursuant to section 6.11(9) of the General Terms and Conditions of its FERC Gas Tariff, a notice with the Commission of an Operational Flow Order (OFO) that it issued on November 23, 2011. Equitrans gave notice to shippers and producers of its intent to temporarily reduce gas gathered on certain parts of its system where lost and unaccounted for gas (LAUF) is high. The purpose of the OFO was so that Equitrans could better understand the incurrence of LAUF on its gathering system and to maintain safe operations and system integrity. As discussed below, the Commission finds that Equitrans' use of its limited-term OFO is consistent with its tariff.

2. Equitrans explains that on three segments of its gathering system that experience high LAUF, the OFO notice required interruptible gathering customers to stop delivering production at specified inlet meters for a limited period, beginning December 1, 2011. However, Equitrans states that inlet meters with their own-installed operating pressure regulation were allowed to continue flowing gas into the system at a reduced pressure of 5 psig. Further, Equitrans states that the OFO will expire no later than February 1, 2012. As required by its tariff, Equitrans explains that notice of the OFO was given to shippers who purchase gathering services for the inlet meters identified in the specified segments under interruptible Rate Schedule AGS agreements. Equitrans states that it anticipates

that the outcome of the test will inform whether LAUF is caused by discrete centralized leaks that are capable of repair or replacement or whether operation at lower operating pressures is a more efficient means to mitigate LAUF for Equitrans and its customers.

3. Public notice of the filing was issued on December 2, 2011, with interventions, comments and protests due as provided under section 154.210 of the Commission's regulations.¹ Pursuant to Rule 214,² all timely filed motions to intervene and any unopposed motions to intervene out-of-time filed before the issuance date of this order are granted. Granting late interventions at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. Hope Gas, Inc. d/b/a Dominion Hope (Dominion Hope) filed a protest and Independent Oil & Gas Association of West Virginia, Inc. (IOGA) filed adverse comments. On December 20, 2011, Equitrans filed an answer. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure prohibits answers to protests or answers unless otherwise permitted by the decisional authority.³ We will accept Equitrans' answer because it provides information that will assist us in our decision-making process. The arguments of the parties and the Commission's decision are discussed below.

Contentions of the Parties

4. In their respective protest and comments, Dominion Hope and IOGA raise similar concerns about the need for the OFO and its effect. Dominion Hope states that a number of its retail customers lost service as a result of the OFO and urge the Commission to investigate the circumstances of its issuance.⁴ However, neither IOGA nor Dominion Hope request that the Commission require Equitrans to rescind the OFO.

5. Equitrans disagrees with the parties arguments about the need for the OFO and explains why the OFO was needed. Specifically, Equitrans states that, due to the age of its gathering system and the number of customers served off of it, high levels of LAUF has been a longstanding problem on its gathering system. Equitrans argues that these high levels of LAUF have led to operational and economic inefficiencies, which can also lead to potential reliability and other issues. Equitrans decided that the next best course of action was to test the system under conditions of lower operating flows and pressures and that an OFO would be the best operational tool at its disposal to implement the data gathering exercise it needed to undertake. Equitrans states that its OFO tariff is designed

¹ 18 C.F.R. § 154.210 (2011).

² 18 C.F.R. § 385.214 (2011).

³ 18 C.F.R. § 385.213(a)(2) (2011).

⁴ Dominion Hope Protest at 5-6.

to permit management of system operations to protect system reliability and integrity and other situations where compliance with the directive is critical to its success. Equitrans states that an OFO lasting for no more than two months and designed to obtain data that might explain and lead to a reduction of LAUF is consistent with Commission policy and precedent⁵ and reflects prudent operations.

6. Equitrans states that it recognizes that the testing procedure may affect its customers and therefore it works with its customers and other affected entities to minimize the impact of any test and to ensure continued gas service. For example, Equitrans points out that it immediately took action to work with producers to restore service to Dominion Hope's 22 customers that lost service. Equitrans explains that, in response to the loss of service to those 22 customers, Equitrans conducted a detailed field test to determine the cause of the loss of service and discovered a restriction in a six inch pipe that reduced the pipeline capacity to 2 inches upstream of the Dominion Hope customers that lost service. Equitrans states that it plans to remove the restriction and replace the affected section of the pipeline with a new six inch pipe. Equitrans also plans to relocate two wells to adjacent pipeline systems and abandon over 1.8 miles of gathering pipeline. Equitrans believes that these system improvements will improve reliability and reduce LAUF. Moreover, Equitrans provides assurance to the Commission that, as testing proceeds, Equitrans will keep the parties informed and will provide information to the Commission, as required under section 6.11 of the tariff.

7. Dominion Hope raises concerns about whether Equitrans gave appropriate notice of the OFO notice. Equitrans responds that it fully complied with the OFO notice requirements in its tariff. Equitrans states that section 6.11 of its tariff (a) requires that it provide actual notice to affected customers by telephone, e-mail, and fax; and (b) sets forth the information that must be included in the notice. Equitrans asserts that it provided notice to all shippers and producers that either purchased or operated wellheads identified and impacted by the OFO. Equitrans explains that one party, Hope Gas, was not directly notified because it was not a shipper at any of the inlet meters listed in the OFO. Equitrans states that it has adjusted its procedures to include Hope Gas on all

⁵ Equitrans points out that section 6.11 of its tariff authorizes it to issue an OFO to alleviate conditions and to, *inter alia*, "maintain operations required to provide efficient and reliable firm service" and "to accommodate required maintenance, either scheduled or unscheduled." Despite the Commission decisions cited by Dominion Hope suggesting that OFOs should not be used for "routine maintenance," Equitrans argues that the significant and continued LAUF problem on its system and the resulting test prescribed in the OFO are far from routine. Equitrans points out that protecting safe operations and system integrity is only one reason, among others, listed in the general provision of section 6.11 for issuing an OFO.

curtailments and OFOs on Equitrans' gathering system in the future. Finally, Equitrans states that, even though the gathering service subject to the OFO is an interruptible service, it anticipates it will post notices changing the OFO conditions to allow customers to nominate, schedule and flow gas on certain segments and during periods that will not interfere with the collection of meaningful data.

8. IOGA requests that the Commission require Equitrans to share the findings of its system test.⁶ Dominion Hope requests that Equitrans be required to submit a report at the conclusion of the OFO, setting forth information on affected services and customers, the LAUF testing activities and findings, and plans for further testing.⁷ IOGA acknowledges that dialogue with Equitrans regarding its LAUF problem has been ongoing for years,⁸ to which Equitrans responds that it expects this dialogue will continue as it seeks to resolve the LAUF issues on its system. Moreover, Equitrans states that, as required by section 6.11(9) of its OFO tariff, it will submit a written report to the Commission providing information regarding the OFO.⁹

9. To the extent that the Commission deems it necessary, Equitrans requests authority to waive the penalty provisions of section 6.11 of its tariff on a non-discriminatory basis in order to allow interruptible shippers to flow gas on the gathering system intermittently during the OFO period to address particular concerns behind delivery points during the winter months and when such waivers will not adversely affect testing of the system.¹⁰ At the same time, however, Equitrans states that it reserves the right to exercise the authority in its tariff to impose penalties on customers who refuse to comply with the OFO for reasons that are unrelated to addressing specific operational or service concerns. Equitrans submits that good cause for such waiver authority exists so that Equitrans can work with its interruptible gathering customers to migrate the effects of the OFO.

⁶ IOGA Comments at 4.

⁷ Dominion Hope Protest at 9.

⁸ IOGA Comments at 3.

⁹ On January 24, 2012, Equitrans filed an OFO update stating that effective February 1, 2012, unless it otherwise notifies its shippers, Equitrans will lift the OFO that it originally issued on November 23, 2011.

¹⁰ Equitrans states that the Commission waived the penalty provisions in pipeline tariffs where warranted in other cases. *See El Paso Natural Gas Co.*, 136 FERC ¶ 61,219 (2011); *Columbia Gulf Transmission Co.*, 130 FERC ¶ 61,098 (2010).

Commission Decision

10. The Commission finds that, in accordance with section 6.11 of Equitrans' tariff, Equitrans properly issued the OFO to conduct tests in order to attempt to determine how and where gas is being lost on its system. We find that Equitrans has also complied with the OFO notice requirements in its tariff and, in addition, has agreed to include Hope Gas on all curtailments and future OFO notices on Equitrans' gathering system. Further, we note that Equitrans will be submitting a written report to the Commission providing information regarding the OFO, as required by section 6.11(9) of its tariff, which requires Equitrans to detail the cause of the OFO, the customers affected, the action required, the actual or expected duration of the OFO, and such other information necessary to justify issuance of the OFO.

11. To the extent that it is necessary, we grant Equitrans authority to waive the penalty provisions of section 6.11 of its tariff on a non-discriminatory basis in order to allow interruptible shippers to flow gas on the gathering system intermittently during the OFO period. Finally, we note that, as required by its tariff, Equitrans filed an update to the OFO advising the Commission that effective February 1, 2012, unless it otherwise notifies its shippers, it would lift the OFO that it originally issued on November 23, 2011.

12. Accordingly, we reject the protest and comments filed in this proceeding, and find that Equitrans' limited-term OFO is consistent with Commission policy and is approved because it reflects an appropriate use of Equitrans' tariff as a tool to investigate and resolve the long-standing problem of LAUF on its gathering system.

By direction of the Commission.

Kimberly D. Bose,
Secretary.