

3. On April 21, 2006, the Commission issued an order³ denying Norstar's complaint, finding that section 25.5(e) of the General Terms and Conditions (GT&C) of Columbia's tariff permits Columbia to impose additional gas quality specifications, including the four percent nitrogen limit. The Commission also found, pursuant to NGA section 5, however, that tariff section 25.5(e) gave Columbia too much discretion to change its gas quality standards and was thus unjust and unreasonable. In addition, the Commission initiated an NGA section 5 proceeding to determine a just and reasonable tariff provision to replace section 25.5(e). The Commission stated that section 25.5(e) would remain in effect until Columbia filed a new section that the Commission found to be just and reasonable.

4. On May 22, 2006, Columbia filed a revised tariff sheet in Docket No. RP06-231-002 to comply with the Commission's NGA section 5 finding in the April 21 Order. That tariff sheet was limited to revising section 25.5(e). Also, on May 22, 2006, Columbia filed, in Docket No. RP06-365-000, revised tariff sheets and supporting data pursuant to NGA section 4 incorporating into its tariff most of the gas quality specifications found in its MSAs.

5. On June 21, 2006, the Commission issued an order⁴ accepting and suspending the tariff sheets tendered in Columbia's section 4 filing and establishing a technical conference to consider the issues. The Commission deferred consideration of the compliance filing in Docket No. RP06-231-002 subject to the outcome of the technical conference. On July 25, 2006, a technical conference was held to discuss the issues raised by Columbia's proposed gas quality specifications and to address revised section 25.5(e) of Columbia's GT&C.

6. Subsequent to the July 25 technical conference, Columbia held several meetings with its customers and other interested parties and on October 6, 2006, Columbia filed a status report on the post-technical conference meetings. The report stated that Columbia intended to propose various modifications to its May 22 filing and that, other than the specified modifications, its May 22, 2006 filing remained as proposed. Columbia also stated in the status report that it would defer placing the suspended tariff sheets into effect at the end of the suspension period for a period of 90 days, i.e. until February 20, 2007.

³*Columbia Gas Transmission Corporation*, 115 FERC ¶ 61,094 (2006) (April 21 Order).

⁴*Columbia Gas Transmission Corporation*, 115 FERC ¶ 61,352 (2006).

7. The March 16 Order approved the following of Columbia's proposed gas quality specifications: (1) a Wobbe Index Range of 1,350 plus or minus 4 percent,⁵ subject to a maximum of 1,400 and a maximum British Thermal Unit (Btu) limit of 1,110 Btu/standard cubic feet (scf); (2) a 4 percent total inerts limit; (3) a 1.25 percent carbon dioxide limit; (4) a .02 percent oxygen limit; (5) a 2 grain/100 scf sulfur limit; (6) a 120° Fahrenheit (F) maximum flowing gas temperature; (7) a limit of seven pounds of water vapor per million cubic feet of gas at standard conditions; (8) section 25.10, which addresses the procedures under which Columbia will grant, suspend or revoke a waiver of its proposed gas quality standards; (9) a 25° cricondentherm hydrocarbon dew point (CHDP) limit; and (10) immediate exercise of its waiver authority under section 25.10 to waive both the 4 percent total inerts limit and the 1.25 percent carbon dioxide limit at existing receipt points, where receipts have exceeded those limits.

8. The March 16 Order required Columbia to modify the following of its gas quality proposals.

9. Appalachian Exception - Columbia proposed an exception to the Wobbe Index and maximum heating value limits for Appalachian Basin Gas that falls outside of these limits. Columbia proposed to define the "Appalachian Basin Gas" that would qualify for this exception as "natural gas produced in the states of Ohio, Kentucky, West Virginia, Virginia, Tennessee, Maryland, Pennsylvania and New York."⁶ The Commission directed Columbia to narrowly tailor its Appalachian exception to indicate the specific portions of the system upstream of certain receipt points where the Wobbe Index and heating value limits would not apply. The Commission stated that if Columbia is not able to perform an analysis for other parts of the system as it did for the portion upstream of Kenova, then Columbia should provide support showing why the Wobbe Index and heating value exception must apply to all states identified in the proposed exception.

10. Delivery Standard Provision – The Commission rejected Columbia's proposed delivery standard provision as unsupported and unjust and unreasonable. The Commission directed Columbia to retain the existing provisions of section 25.5 relating to gas delivered by the pipeline, except for the sulfur limit, and to make the existing merchantability language applicable to the delivery standards. Columbia was also

⁵The Wobbe Index, which is based on the heating value and specific gravity of natural gas, measures the interchangeability of fuel gas for traditional end-use equipment. It is related to the thermal input to a burner with a fixed gas supply pressure and a constant metering orifice.

⁶See Proposed Section 25.5(h)(ii) on Pro Forma Sheet 407, attached to Columbia's December 7, 2006 Supplemental Response.

directed to replace the existing 20 gr/100 scf tariff sulfur limit with the MSA 2 gr/100 scf sulfur limit.

11. Section 25.5(e) – The Commission accepted Columbia’s proposed revision of section 25.5(e) subject to four modifications. First, Columbia was directed to renumber the section so that it fits in a reasonable manner with the other gas quality sections the Commission accepted in the March 16 Order. Second, Columbia was directed to either remove or revise the proposed provision reserving the right to impose revised or further gas quality specifications. If Columbia chose to revise the provision, it was directed to do so by including language in the tariff provision stating that the right the pipeline is reserving is the right to impose other quality specifications by filing proposed specifications with the Commission under section 4 of the NGA. Third, the Commission found that the provision in revised section 25.5(e), giving Columbia discretion to accept gas that does not conform to its gas quality specifications, must reference and be subject to, the waiver provisions in proposed section 25.10. Fourth, in revised section 25.5(e), Columbia was directed to set out the specifications to which that section applies. The Commission directed Columbia to modify section 25.5(e) by including the following language (with additions in underline and deletions in strikeout):

Should the gas received by Transporter from any source ever fail to meet the above specifications in sections [provide sections] then Transporter may elect to either continue to receive gas pursuant to the waiver procedures of section 25.10 or refuse to take all or any portion of such gas until the gas is brought into conformity with these specifications in sections [provide sections].

II. The April 16 Compliance Filing

12. In its April 16, 2007 filing to comply with the March 16 Order, Columbia proposes in section 25.5(h) that gas tendered for delivery at receipt points shall not have a hydrocarbon dew point (HDP) of greater than 25°F, which, Columbia states, is the dew point Columbia was directed to include in its tariff by paragraph 37 of the March 16 Order. Columbia states that it made one minor revision in its compliance filing, replacing the term "at any operating pressure" with the more exact term "cricondentherm." Columbia asserts that it will consider waivers of the 25°F fixed CHDP specification consistent with section 25.9, when operationally feasible. Columbia states that it plans to grant a waiver of the 25°F CHDP specification for gas received in the Appalachian Basin as long as it does not unduly contribute to safety or liquids problems and that it may waive the 25°F CHDP specification for gas received on its system upstream of processing plants.

13. Columbia proposes, in section 25.5(i) that gas shall have a flowing temperature of no greater than 120°F.

14. Columbia proposes in new section 25.5(k)(i) that gas shall have a Wobbe Index Range of 1,350 plus or minus four percent, subject to a maximum Wobbe Index of 1,400 and a maximum heating value of 1,110 Btu/scf. The language in section 25.5(k)(i) is identical to Columbia's December 7 pro forma tariff language on interchangeability, with one exception. Columbia has replaced "saturated" in the definition of the Wobbe Index with "dry, real basis." Columbia states that this error was addressed by Columbia in its January 12, 2007 response to comments on its data responses.

15. Columbia's revised Appalachian exception is contained in section 25.5(k)(ii). Columbia states in response to the Commission's concern that the Appalachian exception is too broad, that it has geographically narrowed the parts of the respective states where the exception applies. Columbia now proposes that "Appalachian Basin Gas" refers to natural gas produced in Ohio, eastern Kentucky, West Virginia, southwestern Virginia, western Maryland, Pennsylvania and southern New York. Columbia included a map depicting this area as Attachment I to the April 16 filing.⁷ The Appalachian Basin as shown on this map is that defined by the Energy Information Administration ("EIA"). Columbia also included additional counties along the border of the EIA defined region in Ohio where it presently receives Appalachian Basin gas. Columbia states that, because there are over 130 counties, it is impractical to list all of the counties in its tariff. Columbia states that it considered identifying the discrete pipelines where gas subject to the Appalachian Basin exception might be received into its system, as it did for Kenova. However, due to the reticulated nature of its system in the Appalachian area, Columbia estimated that there are hundreds of discrete pipelines that would require identification. Columbia argues that it is infeasible to include all these pipelines in its tariff and that the dynamic nature of new supplies being added to (or subtracted from) its system will result in new pipelines often becoming subject (or no longer subject) to the exception. Columbia contends that this could lead to an almost constant need to revise its tariff. Therefore, Columbia believes that the most reasonable way to implement the Appalachian exception is to describe generally those geographic portions of its system where such gas may be received that is consistent with its historical supply.

16. Columbia states that, in accordance with the March 16 Order, it has included its existing merchantability language in section 25.6 that requires gas delivered by Columbia to be commercially free from objectionable particulates or other solid or liquid matter that might interfere with its merchantability or cause injury or interference with proper operation of lines, regulators, meters and other gas handling equipment through which it flows. Columbia further states that it added new language to section 25.6 stating that it will apply its receipt specifications on hydrogen sulfide and total sulfur to deliveries,

⁷Columbia contends that it is impractical to include the map in its tariff because it creates formatting and electronic filing difficulties.

thereby including the same delivery specifications in its proposed tariff as are included in its existing tariff. Columbia states that current sections 25.5(e) and (f), both of which give Columbia authority to impose restrictions or specifications on gas quality that are not contained in Columbia's tariff, can no longer apply to gas delivered by Columbia because the March 16 Order required Columbia to effectively eliminate these specifications. Columbia maintains that its revised proposal fully complies with the March 16 Order.

17. Columbia states that it is proposing a new re-named section 25.8 governing acceptance of non-conforming gas, which completely replaces existing sections 25.5(e) and (f) in Columbia's tariff (sections 25.8(a) and (b) in its tariff filing). Columbia states that the new section also completely replaces the alternative language for section 25.5(e) submitted in its compliance filing. As required by the Commission, Columbia now proposes that "if gas received by Transporter ever fails to meet the specifications in Section 25.5, then Transporter may elect to either continue to accept such gas pursuant to the waiver provisions of section 25.9, or refuse to take all or a portion of such gas until that gas is brought into conformity with the specifications in Section 25.5."

18. In accordance with the March 16 Order, Columbia states it has eliminated the language in its compliance filing giving it authority to impose further gas quality restrictions or specifications. Columbia stated that it deleted existing section 25.5(f)⁸ from its tariff for the same reason. Columbia states that, because it won't be able to impose further gas quality specifications, it has added a new sentence clarifying its right to issue an Operational Flow Order ("OFO") to impose further gas quality restrictions consistent with its OFO authority, if necessary to provide for the safe and reliable operation of its system.

19. Columbia states that it proposes to adopt as section 25.9(a) the language regarding waivers included in its tariff filing. Columbia further proposes to adopt as sections 25.9(b)-(d) the additional waiver provisions included in its December 7 pro forma tariff language. Columbia states that the March 16 Order approved all of these provisions.

III. Public Notice, Interventions, Comments, Protests and Response

20. Public notice of Columbia's April 16 filing was issued on April 19, 2007. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2007)). Pursuant to Rule 214 (18 C.F.R. § 385.214

⁸Section 25.5(f) states that Columbia may impose restrictions on the flowing gas temperature and/or on the utilization factor of the gas it receives if it determines that the restrictions are necessary to insure the merchantability of the gas, or to prevent injury to or interference with the proper operation of its equipment.

(2007)), all timely filed motions to intervene and any motions to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties.

21. On April 16, 2007, Honeywell International Inc. (Honeywell), The Keyspan Delivery Companies (Keyspan), The Ohio Oil and Gas Association (OOGA), Washington Gas Light Company (WGL), The Cities of Charlottesville and Richmond, Virginia and the Easton Utilities Commission (Cities), PSEG Energy Resources and Trade LLC (PSEG), Consolidated Edison Company of New York, Inc. (Con Edison) and Orange and Rockland Utilities, Inc. (O&R) and the Indicated Shippers⁹ filed timely requests for rehearing and clarification of the March 16 Order.

22. Between April 26 and April 30, Honeywell and Con Ed and Orange and Rockland filed protests to Columbia's April 16 compliance filing, and CNX Gas Company, LLC (CNX), filed comments. On May 10, 2007, Columbia filed a response to the comments and protests.

23. Under Rule 213(a) (2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a) (2) (2007), answers to protests and replies to answers are not accepted unless otherwise ordered by the decisional authority. The Commission will accept Columbia's response because it provided information that assisted us in our decision-making process.

IV. Discussion

24. For the reasons discussed below, the Commission denies the requests for rehearing of the March 16 Order. The Commission also requires Columbia to make certain changes to its compliance filing.

A. Appalachian Exception

25. OOGA asserts on rehearing that the Commission erred by failing to adopt what it considers a "broad, categorical exception" from the gas quality standards for the Appalachian Gas delivered into Columbia's system. It argues that the exception must be broad enough to include "all constituents that ... have flowed into the Columbia Gas

⁹Indicated Shippers for the purposes of the rehearing request are BP Energy Company, BP America Production Company, ConocoPhillips Company, Coral Energy Resources, L.P., and ExxonMobil Gas & Power Marketing Company, a Division of Exxon Mobil Corporation.

system, not just Wobbe and Btu content.”¹⁰ OOGA further asserts that gas that was historically blended with other gas on Columbia’s system should be allowed to continue to flow unless it is demonstrated that the commingling is having a harmful impact on downstream customers. According to OOGA, such an exception is necessary to prevent against a loss of needed natural gas supplies.

26. Con Edison and O&R protest Columbia’s revised Appalachian exception. Con Edison and O&R assert that the March 16 Order stated that “Columbia’s proposed language does not define the gas eligible for the exception with sufficient specificity” and required Columbia “to narrowly tailor its Appalachian exception to indicate the portions of the system upstream of certain receipt points where the Wobbe and heating value limits would not apply.” They contend the March 16 Order further stated “If Columbia is not able to perform an analysis for other parts of the system as it did for the portion upstream of Kenova, then Columbia should provide support showing why the Wobbe and heating value exception must apply to all states identified in the proposed exception.” Con Edison and O&R argue that Columbia’s revised geographic description of the Appalachian exception in proposed section 25.5(k)(ii) does not comply with the March 16 Order’s requirement to provide either a receipt point upstream analysis or support its position that the exception must apply to all of the identified states.

27. Con Edison and O&R state that proposed section 25.5(k) limits the exception to Appalachian gas “as long as it does not unduly contribute to safety and utilization problems.” Con Edison and O&R argue that proposed section 25.5(k)(ii) doesn’t state whether the “safety and utilization problems” are those related to the Wobbe Index and heating value limits contained in section 25.5(k)(i). Con Edison and O&R assert that the exception should be limited to permit Columbia Gas to accept Appalachian gas only if such gas will not result in the gas delivered by Columbia Gas exceeding the Wobbe Index and heating value limits found in section 25.5(k)(i). They state that the sole exception to this should be delivery points, like the service territory upstream of the Kenova processing plant, for which Columbia Gas has evidence demonstrating that gas not meeting the section 25.5(k) (i) standards may be utilized without problem. Con Edison and O&R also would not object if Columbia Gas proposes tariff language allowing the customers behind individual delivery points to waive the Wobbe Index and heating value limits found in section 25.5(k)(i).

28. Columbia urges the Commission to reject Con Edison and O&R’s protest with respect to the Appalachian exception. Columbia states that Con Edison and O&R do not have an interest in the Appalachian exception because any gas subject to the Appalachian exception will not be received into Columbia’s system near its delivery points to Con Edison and O&R. Columbia notes that none of the customers in the area covered by the

¹⁰Request for Rehearing of OOGA at 3.

Appalachian exception has raised any concerns with Columbia's proposal and, as the Commission found, its proposal permits Columbia to continue to accept historic gas supply consistent with Columbia's practice and the Interim Guidelines.¹¹ Columbia asserts that, to the extent Con Edison and O&R are questioning the concept of the Appalachian exception, the argument is a collateral attack on the March 16 Order. Columbia argues that Con Edison and O&R did not seek rehearing of the Commission's approval of the Appalachian exception and urges the Commission to reject any belated attempt to do so now.

29. Columbia asserts that Con Edison and O&R's conclusion that Columbia has not complied with the March 16 Order because it did not narrowly tailor its Appalachian exception to indicate the portions of the system upstream of certain points where the Wobbe Index and heating value limits would not apply, is incorrect. Columbia states that the March 16 Order gave it two choices, either specify all the receipt points on its system that might receive gas subject to the Appalachian exception or provide support showing why that is not possible. Columbia argues that it explained in detail in its compliance filing why it was unable to specify all the receipt points on its system that might receive gas subject to the Appalachian exception. Columbia states that it narrowed the portions of the states subject to the Appalachian exception and argues that Con Edison and O&R do not take issue with Columbia's explanation. Columbia further argues that, instead, Con Edison and O&R ignore Columbia's explanation by incorrectly assuming that the Commission's order did not allow for such an explanation. Columbia therefore requests that the Commission reject ConEd's protest as without merit and approve section 25.5(k)(ii) as filed.

30. The Commission denies OOGA's request for rehearing. In the March 16 Order the Commission specifically determined Columbia's proposed Appalachian exception from the revised Wobbe Index and maximum heating value limits to be consistent with the provision of the Interchangeability Report's Interim Guidelines concerning exceptions to the interchangeability standards for service territories with demonstrated experience with gas supply exceeding those standards. In requesting a broader exemption from Columbia's proposed gas quality standards, the OOGA asserts that small producers that have historically delivered supplies to Columbia Gas without "processing and incident" should be able to continue to do so. However, if those volumes have historically met Columbia's previously existing standards as OOGA asserts, then there should be no need for the broad exemption for every constituent requested by OOGA. The only standards for which Appalachian Gas should need an exemption are the revised

¹¹See March 16 Order at P 63. See also the Interim Guidelines for Gas Interchangeability (Interim Guidelines) in the *White Paper on Natural Gas Interchangeability and Non-Combustion Use* (Interchangeability Report) at 24-31.

Wobbe Index and new Btu limits, which Columbia has proposed to add to its tariff for the first time in this proceeding.¹² The Appalachian exemption clearly applies to those new standards. Moreover, sections 25.8 and 25.9 of Columbia's tariff provide added protection to the shippers OOGA seeks to safeguard by allowing Columbia to accept non-conforming gas (as it has likely done historically) under certain conditions.

31. The Commission does find, however, that Columbia has not complied with the March 16 Order's directive to either narrowly tailor its Appalachian exception to indicate the portions of the system upstream of certain receipt points where the Wobbe Index and heating value limits would not apply or, if Columbia is not able to perform an analysis for other parts of the system as it did for the portion upstream of Kenova, then it should provide support showing why the Wobbe Index and heating value exception must apply to all states identified in the proposed exception. The Commission finds that Columbia's explanation of its revised proposal is insufficient and that Columbia's revised proposal still does not identify the areas to which the Appalachian exception will apply with adequate specificity. First, although Columbia narrowed the geographic area to which the Appalachian exception applies, it has not explained why the narrowed exception must apply to all of the states, or portions thereof, in its revised proposal. Second, Columbia states that, due to the reticulated nature of its system, it would be infeasible to include in its tariff all of the hundreds of pipelines to which the exception would apply; however it has not explained why, under such an approach, it could not identify in its tariff the specific points, upstream of which the exception would apply. Because the exception would apply to all pipelines upstream of those points, presumably there would be fewer points to identify in its tariff than upstream pipelines. Furthermore, because the exception would apply to all of the gas received upstream of those points, it would not be necessary for Columbia to revise its tariff if it adds or subtracts supplies or pipelines upstream of these points. The Commission also notes that Columbia may consider other pertinent factors in devising an exemption, such as seasonality.¹³

32. Columbia's explanation lacks any indication of an objective quantifiable method for defining the scope of the exception. Columbia should further refine its definition of the area to which the Appalachian exception applies in a manner that is testable and not subject to Columbia's discretion. Therefore the Commission redirects Columbia to comply with the March 16 Order's directives with respect to this issue.

¹²Columbia's MSAs have a different Wobbe Index than proposed here, and no heating value limit. March 16 Order at P 42.

¹³*See e.g., Indicated Shippers v. Tennessee Gas Pipeline Co.*, 121 FERC ¶ 61,151 at P 71-93 (2007).

B. Waivers

33. Several parties sought clarification/rehearing of the Commission's approval of Columbia's proposed waiver language. Honeywell challenges that the Commission should have required Columbia to provide notice of potential waivers of gas quality specifications for customers to comment on and to consider the protection of a shipper's existing facilities when granting waivers. Con Ed and O&R seek clarification that Columbia could not grant a waiver that would "cause its average gas quality to be inconsistent with the specific receipt or delivery point limits found in its tariff."¹⁴ WGL likewise asserts that the Commission's waiver approval erroneously fails to hold Columbia accountable for the protection of downstream entities' facilities when granting a waiver. WGL argues that by relying heavily on Columbia's ability to continue to flow gas at historical levels in approving the waiver language, the Commission failed to appropriately address the future anticipated change in natural gas composition due to the introduction of increased LNG volumes. The Indicated Shippers challenge the Commission's approval of Columbia's proposal to immediately waive the four percent inerts and 1.25 percent CO₂ limits to allow non-conforming gas to continue to flow at existing receipt points (the "grandfathering" proposal).

34. The Commission denies the requests for rehearing related to the approval of Columbia's waiver provision. In the March 16 Order the Commission evaluated and rejected the same essential arguments, i.e., that Columbia should be required to consider additional factors, such as downstream facilities, when granting waivers. The Commission concluded that the tariff language appropriately provides Columbia the "flexibility to transport gas that is out of specification when it is consistent with safe and reliable operations."¹⁵ The opposing parties have raised no new arguments that would compel the Commission to reconsider its previous decision.

35. The Commission likewise rejects Indicated Shipper's arguments concerning the so-called grandfathering waiver. The Commission found several reasons supporting the proposed waiver, including that Columbia demonstrated that the existing points had not caused any significant operational or safety problems, the lack of potential for discrimination between existing and new shippers, Columbia's attempts to honor its existing commitments by allowing gas to flow at historical volumes and composition, and the fact that the initial waiver will be posted on its Electronic Bulletin Board.¹⁶ Thus, contrary to Indicated Shippers' assertions, the Commission's decision to approve the

¹⁴Con Ed rehearing request at 5.

¹⁵March 16 Order at P 147.

¹⁶March 16 Order at P 151.

waiver was the result of reasoned decision/making based on review of substantial record evidence. Indicated Shippers provide no compelling arguments to change that determination.

36. The Commission will, however, grant partial clarification of the request by Con Edison and O&R regarding Columbia's ability to grant receipt point waivers that would allow Columbia to deliver gas that does not meet its delivery point standards. Columbia Gas' proposed waiver section 25.9 requires that Columbia may accept non-conforming gas only if accepting such gas will not affect Columbia's ability to provide service to its customers consistent with the applicable rate schedule and its tariff and if it does not adversely affect Transporter's ability to deliver gas at its delivery points. Accordingly, in order to grant a receipt point waiver, Columbia would have to determine that by allowing the non-conforming gas on its system it would not affect its ability to deliver gas in accordance with the delivery standards in its tariff. As discussed below, the Commission in this order is requiring Columbia to fully comply with the March 16 Order with regard to its deliverability standard, and to place its delivery point standards in its tariff. Thus the Commission agrees with Con Edison and O&R that while Columbia may grant waivers of the receipt point standards of section 25.5, the language in the waiver provision approved in this order does not allow Columbia to grant a waiver that would result in Columbia not meeting the delivery standards of section 25.5 of its tariff.

C. Consideration of Future Gas Supplies

37. Several parties seek rehearing on the basis that the Commission should have considered the effects of potential new supply sources and anticipated increased Btu and nitrogen levels in analyzing and approving Columbia's gas quality specifications. Before Columbia's section 4 filing in this case, it had no upper limit on the Btu content of gas received on its system in either its tariff or its MSAs. Columbia's MSAs included a 4.0 percent limit on total inerts, including nitrogen, but no separate limit on nitrogen. In this case, Columbia proposed to establish, for the first time, a maximum Btu level of 1,110 Btu, and proposed to include in its tariff the same 4.0 percent limit previously included in its MSAs.¹⁷ The Commission approved both these proposals.

38. Honeywell requests rehearing of the Commission's rejection of its proposal for a lower maximum Btu level of 1,065 Btu/scf (or delivery point maximum of 1,050 Btu/scf), arguing in part that the Commission failed to consider and evaluate the future Btu level of gas on Columbia's system. KeySpan seeks rehearing of the Commission's

¹⁷As described above, Columbia also proposed to include in its tariff a Wobbe Index standard already included in its MSAs. The rehearing requests do not contest the Commission's acceptance of that proposal.

rejection of its proposal for a separate 2.0 percent limit on nitrogen. KeySpan contends that the Commission failed to meaningfully assess the impact of future additional volumes of LNG on the Columbia system when it adopted the gas quality standards approved by the March 16 Order. KeySpan also asserts that the Commission erroneously failed to consider the impact of Columbia's gas quality standards on KeySpan's peak shaving LNG facilities and that the Commission placed too much reliance on the Policy Statement in deciding on Columbia's proposed provisions.

39. WGL also asserts that the Commission erred by failing to determine the impact of potential new supplies on existing shippers' facilities and by failing to consider the possibility of requiring a tariff minimum for heavy hydrocarbon constituents. WGL asserts that the Commission erred by accepting tariff provisions that fail to address the "imminent" change in the source of natural gas, from domestic sources to increased amounts of imported LNG. It contends that it has come to rely on deliveries of gas with heavy hydro-carbons and that quality of gas has become part of the service that Columbia provides to WGL. WGL claims that until studies regarding interchangeability are completed, the Commission should not allow Columbia to change the quality of the gas it has been delivering historically without remedies or protections for shippers who receive new supplies.

40. The Commission denies rehearing on these issues. All three of these rehearing applicants seek to have the Commission impose more stringent gas quality standards on Columbia than those contained either in its existing tariff and MSAs or in its instant section 4 tariff proposal. Therefore, the Commission would have to act under NGA section 5 in order to require Columbia to adopt any of the rehearing applicants' proposed standards. The concerns presented by the requesters are premature, vague, and speculative, and therefore do not provide the basis for section 5 action at this time.

41. As state in the March 16 Order, the existing standards and conditions on Columbia's system have caused no identifiable gas quality problems. Moreover, the Commission approved Columbia's maximum heating value of 1,110 Btu/scf and 4.0 percent inerts limit on the basis that they were properly supported by five years of historical data and consistent with the Policy Statement and Interim Guidelines. None of the rehearing applicants contest the March 16 Order's finding that they are able to use the gas Columbia currently delivers to them under its existing standards without any operational problems. The requesters, however, would have the Commission act now under NGA section 5 in order to require Columbia to adopt more stringent standards on the basis that in the future the potential for "anticipated" increased volumes of LNG that

may flow on Columbia's system could have a detrimental impact. The requestors, however, provide no details as to the scope or magnitude of the alleged impact.¹⁸

42. The requestors provide no data on the purported impact of new sources of gas beyond broad statements about the anticipated change in gas composition that they assert will occur as a result of "imminent" LNG supplies on Columbia. While they assert that increased volumes of LNG are likely to come onto Columbia's system from the Cove Point LNG Expansion Project¹⁹ in Maryland and the Crown Landing LNG terminal project²⁰ in southern New Jersey, they admit that neither project is yet in service. Moreover, as discussed in more detail below, they provide no basis for the Commission to make findings at this time that any new LNG supplies that flow on Columbia's system as a result of those projects will adversely affect any of the rehearing applicants, absent a further tightening of Columbia's gas quality standards.

43. The Commission has held that the Policy Statement recognizes "potential adverse impacts and mitigation should be addressed in proceedings for applications for authorization to construct facilities to store LNG and to transport regasified LNG."²¹ The potential adverse effects that WGL raises here concerning heavy hydrocarbons were examined and addressed in the section 7(c) proceedings approving the Cove Point facilities. The Commission need not revisit those arguments based on the vague concerns raised in this proceeding.²²

44. In seeking a separate 2.0 percent nitrogen limit, KeySpan asserts that the operation of its LNG peak shaving facilities could be harmed if it receives gas with a nitrogen content in excess of 2.0 percent. However, KeySpan has not shown that Columbia must limit the maximum nitrogen content of all gas received onto its system to 2.0 percent in

¹⁸WGL even goes so far as to state that the "science is simply too new and the results of actual experience in remediating the problem caused by the receipt of regasified LNG are just coming in; thus [WGL] cannot make a specific tariff proposal at this time." WGL Rehearing Request at 6.

¹⁹*Dominion Cove Point LNG, LP*, 115 FERC ¶ 61,337 (2006).

²⁰*Crown Landing, LLC*, 115 FERC ¶ 61,348 (2006).

²¹*Dominion Cove Point LNG, LP*, 115 FERC ¶ 61,337 (2006) at P 54.

²²WGL references certain Environ Studies that it filed in the Cove Point proceeding that it claims lead to leaks on system. After extensive evidential proceedings, the Commission determined that the evidence did not support WGL's conclusions. *Id.* at P 70.

order to assure that deliveries to KeySpan will have a nitrogen content of less than 2.0 percent. As the Commission explained in the March 16 Order, Columbia's existing and proposed 4.0 percent limit on total inerts represents the maximum percentage of inerts that Columbia will accept at any receipt point on its system. Most gas that Columbia currently receives on its system has a total inert content of significantly less than 4.0 percent and nitrogen content of significantly less than 2.0 percent. This is shown by the fact that the system average level of inerts is only about 1.55 percent and of nitrogen is only about 0.8 percent. Thus, gas currently flowing on Columbia's system under the existing standard has less than half the level of nitrogen that KeySpan asserts could cause operational problems at its LNG peak shaving facilities. KeySpan does not dispute these findings.

45. However, Keyspan asserts that, if increased volumes of LNG are accepted onto Columbia's system, KeySpan could receive gas with a nitrogen content in excess of 2 percent at its LNG peak shaving facilities. Among other things, it points out that Statoil Natural Gas, LLC, suggested it might inject LNG with a nitrogen content of 5 percent into the expanded Cove Point LNG terminal. However, even if this is true, that does not mean that the gas Columbia receives from the Dominion Cove Point pipeline will have a nitrogen content in excess of 2 percent, let alone that the receipt of that gas onto Columbia's system would cause Columbia's downstream deliveries to the interstate pipelines that serve KeySpan to have a nitrogen content of 2.0 percent. As Columbia explains, the nitrogen content of LNG varies depending upon the source of the LNG in question. Thus, "LNG with higher nitrogen levels might also be blended with other LNG that requires little to no nitrogen injection, e.g. Trinidad-sourced LNG, and the resulting output through the Dominion Cove Point pipeline will have considerably lower overall nitrogen levels."²³ In fact, the regasified LNG that Columbia currently receives from Dominion Cove Point is well below 2.0 percent.²⁴ KeySpan has presented no specific evidence to suggest that Cove Point's blending of LNG supplies from different sources will not continue to result in its LNG supplies having a nitrogen content of less than 2 percent.

46. In any event, any increased LNG volumes Columbia may receive in the future from Dominion Cove Point at interconnections on its system in Maryland or Virginia or from Crown Point at an "anticipated"²⁵ interconnection in southern New Jersey will be blended with other supplies flowing on Columbia's system. The two LNG peak shaving

²³Columbia reply comments at 16, n.38.

²⁴*Id.* In its rehearing request (at 5), KeySpan concedes that the nitrogen content of LNG currently received from Cove Point is "negligible."

²⁵KeySpan rehearing request at 5, n.10

facilities about which KeySpan is concerned are located in Brooklyn, New York and on Long Island.²⁶ KeySpan does not receive gas directly from Columbia, but from eight other interstate pipelines that it asserts have interconnections with Columbia upstream of the points at which they deliver gas to KeySpan. Ultimately, the physical characteristics of the gas that KeySpan receives will be subject to the gas quality and interchangeability provisions of these pipelines that directly serve KeySpan. The Commission concludes that KeySpan has not shown a need, at this time, to limit the gas supplies Columbia may transport on its system in the manner requested by KeySpan.

47. In the March 16 Order, the Commission similarly rejected Honeywell's proposal to limit the maximum heating value from 1,110 Btu/scf to 1,050 Btu/scf because Honeywell failed to provide any explanation of why the initial establishment of a maximum heating value limit, where none existed before, would cause the Btu level of gas on Columbia's system to increase.²⁷ On rehearing, Honeywell makes only general assertions concerning the fact that there are new LNG projects that are attached or proposed to be attached to Columbia's system that will purportedly raise the Btu level of the gas on Columbia's system. It provides no specifics, however, that would compel the Commission to modify its previous ruling. The Commission has, as it must, made the determinations in this proceeding based on current factual information. The Commission will not alter those decisions based on speculation as to what may occur in the future.

48. The requesters' arguments that the Commission and Columbia must account for potential new future sources of gas supplies are simply speculative, premature or have been addressed elsewhere by the Commission. The Commission approved Columbia's Btu tariff provisions based on the evidence on the record before it. As the Commission has held previously with regard to gas quality provisions, the appropriate gas quality standard for a particular system may change over time as the constituents in the gas stream change. If such changes occur, the pipeline may file revised gas quality standards under section 4 of the NGA or a customer may file a complaint under section 5 of the NGA.²⁸

²⁶KeySpan rehearing request at 12.

²⁷The Commission also noted that data provided by Columbia showed that the average historical heating value of gas flowing on Columbia's system was 1,036 Btu/scf, which is nearly identical to the 1,035 Btu/scf level at which Honeywell claimed its equipment operates most efficiently. March 16 Order at P 7.

²⁸See March 16 Order at P 38 (*citing ANR Pipeline Company*, 116 FERC ¶ 61,002 (2006) at P 93).

D. Hydrocarbon Dew Point

49. WGL, the Cities and PSE&G seek rehearing of the Commission's approval of a 25°F CHDP standard. Those parties argue in general that the Commission should not have approved a 25°F CHDP limit for Columbia because Columbia had not submitted sufficient technical and engineering data to support that or any CHDP standard. Given the lack of data to support a CHDP standard, these parties argue that the Commission should not have approved the 25°F CHDP standard but required Columbia to come back with more detailed information.

50. The Commission denies rehearing on this issue. Contrary to the rehearing requests, the Commission's actions were not arbitrary and capricious. The Commission required Columbia to place in its tariff a term and condition of service that Columbia had been applying to its customers and which the Commission found, on the basis of historical evidence and other record evidence in this proceeding, was just and reasonable.

51. As noted in the March 16 Order, according to Columbia it does not collect or retain the data necessary to establish a scientifically supported CHDP level under the methodology set forth in Appendix B to the White Paper on Liquid Hydrocarbon Drop Out in Natural Gas Infrastructure (HDP Report).²⁹ Thus, the Commission rejected Columbia's proposed 15° F safe harbor provision. The Commission then looked to historical record evidence, which showed that Columbia has been able to successfully operate and manage liquids fallout on its system with its MSA CHDP limit of 25°F, and that no parties had complained of or provided evidence of any past problems resulting from that standard. The Commission further noted that no party had supported an alternative standard. The Commission also found that imposing the 15°F safe harbor would potentially require shippers to tender gas to Columbia of a materially different quality or risk having it rejected. In addition, under the existing MSA 25°F CHDP limit, combined with the waiver authority under section 25.10 (previously 25.9) of the tariff, Columbia could accept gas that did not meet the CHDP maximum, among other standards, if it did not affect Columbia's ability to provide service to its customers, thus preventing the unnecessary restriction of supplies.

52. The Commission then determined that the 25°F MSA CHDP limit is a term and condition of service that Columbia had been applying to its customers but that was not included in its tariff. Based on the historical evidence described above that showed that there had been no CHDP operational problems since the limit had been imposed, the Commission also found that condition was just and reasonable, and as such must be made available to all open access shippers on a non-discriminatory basis and not unduly preferential basis. Accordingly, in accordance with Commission precedent and the

²⁹March 16 Order at P 33.

Policy Statement, the Commission directed Columbia to put the term and condition in its tariff.

E. Surcharge for Reimbursement to LDC's for required changes to facilities

53. In its rehearing request WGL contends that the Commission erred by failing to approve Baltimore Gas & Electric's (BG&E) request for a surcharge to compensate for potential future changes to its facilities or for damages incurred as a result of "poor LNG."³⁰ WGL argues that the Commission was wrong to reject the request as speculative because according to WGL, increasing amounts of LNG entering the nation's gas supply is not speculative. It further asserts that the Commission's finding that the request was unsupported is inconsistent with the Dominion Cove Point proceeding, where WGL contends LNG was one of the factors that lead to increased level of leaks on its system. WGL also re-asserts arguments it made in the Cove Point proceeding regarding cost recovery for system modifications to accept LNG.

54. The Commission denies rehearing. In the Dominion Cove Point proceeding to which WGL refers, the Commission found that factors other than the introduction of LNG were the primary cause of leaks on WGL's system.³¹ Moreover, since the issuance of the March 16 Order the Commission has established a policy regarding the recovery of costs related to the introduction of LNG into an interstate pipeline system and the establishment of a mechanism for such recovery. In Opinion Nos. 495 and 495-A,³² the Commission determined that in cases where a pipeline has proposed to change its gas quality standards, once the Commission has considered any protests to the pipeline's proposal, including that they would place excessive burdens on existing customers, and approved just and reasonable gas quality and interchangeability standards, the Commission will not act further to provide for the recovery of any mitigation costs incurred by non-jurisdictional downstream gas users. As noted in those opinions, the primary reason for this determination is that the Commission lacks jurisdiction with regard to such matters.³³

³⁰Only WGL sought rehearing on this issue. BG&E did not.

³¹*Dominion Cove Point LNG, LP*, 115 FERC ¶ 61, 337 (2006) at P 56.

³²*AES Ocean Express LLC v. Florida Gas Transmission, et al.*, 119 FERC ¶ 61,075; *order on reh'g*, 121 FERC ¶ 61,267 (2007).

³³*See* 119 FERC ¶ 61,095 at P 261; 121 FERC ¶ 61,267 at P 93-97.

55. In the instant proceeding, the Commission carefully considered the evidence and arguments presented by all interested parties regarding the proposed standards. On the basis of that analysis, the Commission approved what it found to be just and reasonable gas quality and interchangeability standards for Columbia's system. As a part of that examination, the Commission found that based on the record and current state of Columbia's system, the standards approved would not have a detrimental effect on Columbia's downstream customers. Accordingly, rehearing on that issue is denied.³⁴

F. Applicability of Section 25.8

56. In its comments, CNX notes that proposed section 25.8 of Columbia's tariff provides that: "If gas received by Transporter ever fails to meet the specifications in Section 25.5, then transporter may elect to either continue to receive the gas pursuant to the waiver procedures of Section 25.9 or refuse to take all or any portion of such gas until that gas is brought into conformity with the specifications of 25.5." CNX states that section 25.5 pertains only to the limit on the maximum Btu content of the gas in section 25.5(k)(i), while section 25.4 pertains to the minimum Btu content of the gas. CNX asserts that, if the references to section 25.5 were replaced with a reference to "section 25," then section 25.8 would apply to both the lower and upper Btu content.

57. Columbia states in its response that it does not oppose revising section 25.8 to refer to section 25 rather than section 25.5, as suggested by CNX, so that it also permits waiver of the minimum Btu requirement contained in section 25.4. The Commission agrees that Columbia's tariff should permit waiver of the minimum Btu requirement, even though Columbia has not historically had to waive this requirement. The Commission therefore directs Columbia to revise section 25.8 to refer to section 25 as a whole rather than to just section 25.5.

G. Sulfur

58. As noted above, the Commission approved Columbia's proposal to replace its then existing tariff sulfur limit of 20 gr/100 scf with its MSA sulfur limit of 2 gr/100 scf. Honeywell seeks rehearing of that determination claiming that it was unreasonable for the Commission to set the sulfur limit so high without giving effect to the historical average of sulfur on Columbia's system of 0.22 gr/100 scf. Honeywell asserts that the fact that Columbia has not experienced sulfur problems since its MSAs have been in effect is not

³⁴WGL's reliance on *Columbia Gas Transmission Corp.*, 13 FERC ¶ 61,102 (1980) is of no avail. In Opinion Nos. 495 and 495-A, the Commission explained in detail how the circumstances of that case are distinguishable from proceedings taking place in the era of open access. 121 FERC ¶ 61, 267 at P 275 and 276.

sufficient basis to set the limit higher than the average level that has existed on the system for years, because “no one can totally predict the future with absolute certainty....”³⁵

59. The Commission denies rehearing. The Commission approved Columbia’s proposed sulfur limit based on several facts. First, the data showed that the average sulfur content for spot samples taken at various points on Columbia’s system is approximately 0.22 grain /100 scf, which is lower than the proposed limit. Second, the data indicated that historically Columbia had virtually no instances of gas failing to meet the 2 gr/100 scf limit.³⁶ Third, Columbia had not experienced operational problems since the 2 gr/100 scf standard went into effect in 1996. Fourth, the system average sulfur level was below the standards that other customers protesting the proposal said met their needs.

60. Honeywell argues that the Commission erred in setting sulfur limit at 2 gr /100 scf without giving effect to the historical average on the system. Yet the Commission did exactly that, and reasonably determined that neither Columbia nor its customers had any problems during the time Columbia’s system operated with a 2 grain/100 scf standard. Honeywell has provided no evidence whatsoever to indicate that the sulfur level on Columbia’s system will rise in the future or be any different than the historical levels. To the extent that Honeywell is proposing that another standard should be set, it has not met its NGA section 5 burden of showing that a different specific standard is just and reasonable.

H. Deliverability and Merchantability

61. The Commission finds that Columbia has not complied with the March 16 Order’s directive with regard to the delivery standard and merchantability. The Commission rejected Columbia’s proposed delivery standard (section 25.6) and directed Columbia to retain the existing provisions of section 25.5 relating to gas delivered by the pipeline. Thus, Columbia was to eliminate its proposed section 25.6 and retain the existing provisions of section 25.5 relating to gas delivered by the pipeline, with certain exceptions and directions.³⁷

³⁵Honeywell rehearing request at 13.

³⁶According to Columbia’s information the sulfur content of samples collected exceeded 2 gr/100 scf only twice in 7 years. March 16 Order at P 113.

³⁷Section 25.5, prior to Columbia’s proposed changes in its May 22, 2006 filing, stated, “The gas received and **delivered** by Transporter:” (emphasis added). See Marked Version of Sheet No. 406 attached to the May 22, 2006 filing.

62. Instead, in the April 16 filing, Columbia retained section 25.6 and added new language to that section, while deleting the language in section 25.5 that would make that section applicable to deliveries by the pipeline. Columbia is thus directed to fully comply with the March 16 Order by eliminating section 25.6 and reinstating the language that makes section 25.5 applicable to deliveries by the pipeline. As stated in the March 16 Order, this includes retaining the merchantability language in section 25.5(a).³⁸

63. Honeywell argues that, in order to remove any ambiguity, section 25.6, which states that the delivered gas is required to be commercially free of particulates and other matter, should include language referring to dust, gum, gum-forming constituents and paraffin. Honeywell states that proposed section 25.5(a) requires gas received by Columbia to be free of these substances. Honeywell asserts that footnote 142³⁹ of the March 16 Order mentions this issue but the March 16 Order did not act on it.

64. Columbia maintains that it is not necessary to revise section 25.6, as requested by Honeywell, to indicate that gas should be commercially free from dust, gum, gum-forming constituents and paraffin. Columbia states that it considers these substances to be objectionable particulates or other solid or liquid matter already covered by the language in section 25.6.

65. The compliance directive above, requiring that Columbia retain the existing provisions of section 25.5 relating to gas delivered by the pipeline, also resolves the issue raised by Honeywell and WGL that gas delivered by Columbia should be commercially free from dust, gum, gum-forming constituents and paraffin. Those substances are specifically identified in section 25.5(a), which Columbia has been ordered to make applicable to deliveries as well as receipts.

³⁸The March 16 Order required Columbia to retain the existing provisions of 25.5 with one exception, that being the sulfur standard approved by the Commission therein. Columbia has included that new sulfur standard in section 25.5(d) and thus changing the language to make section 25.5 applicable to deliveries will accomplish that obligation. Columbia also interpreted P 134 of the order to require it to include its receipt specifications on hydrogen sulfide in section 25.6. While P 134 does not mention hydrogen sulfide, the section 25.5(c) standard hydrogen sulfide standard should remain unchanged.

³⁹Footnote 142 of the March 16 Order provides that Columbia stated that its proposed language applies to dust, gum, gum-forming constituents, paraffin and other particulates.

The Commission orders:

(A) The requests for rehearing are denied and the requests for clarification are partially granted and partially denied as discussed above.

(B) The tariff sheets submitted on April 16, 2007 are accepted subject to the modifications discussed herein. Within 30 days of this order, Columbia is directed to make a compliance filing in Docket Nos. RP06-365 and RP06-231 consistent with the discussion above.

(C) Any issues raised by the parties that have not been addressed in this order are deemed denied.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.