

140 FERC ¶ 61,040
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
Cheryl A. LaFleur, and Tony T. Clark.

Questar Pipeline Company

Docket No. CP12-40-000

ORDER ISSUING CERTIFICATE

(Issued July 19, 2012)

1. On January 4, 2012, Questar Pipeline Company (Questar) filed a request under section 7 of the Natural Gas Act (NGA)¹ and section 157.7 of the Commission's regulations² for authorization to construct new, and modify existing, natural gas pipeline facilities in Duchesne and Uintah Counties, Utah to make it possible for shippers to transport higher BTU³ gas produced in the Uinta Basin to a third party straddle processing plant for liquids removal (the Uinta Basin Liquids Project (Liquids Project)).⁴ Questar also requests a predetermination that it may roll the costs of the Liquids Project into its existing rates in a future NGA section 4 rate case. Questar further proposes to modify its chricondentherm hydrocarbon dew point (CHDP) Zone Map in its tariff. As discussed below, we will authorize the Liquids Project, grant Questar's request for a

¹ 15 U.S.C. § 717f(c) (2006).

² 18 C.F.R. § 157.7 (2011).

³ BTU or British Thermal Unit is a measure of the heat content of the natural gas.

⁴ Questar states that, absent a provision in its tariff requiring it to file a certificate application whenever it reserves capacity for a project (as it did for the Liquids Project), all the facilities proposed in its application could be installed automatically either as auxiliary installations under 18 C.F.R. § 2.55(a) or under the automatic provisions of its Part 157 blanket construction certification. *See* section 31(a) of Questar's tariff.

predetermination of rolled-in rate treatment, and approve the proposed tariff changes, with appropriate conditions.

I. Background and Proposal

2. Questar is a corporation organized and existing under the laws of the state of Utah. Questar is a natural gas company engaged in the transportation of natural gas in interstate commerce subject to the Commission's jurisdiction. Questar provides open-access transportation service in Colorado, Utah, and Wyoming and operates open-access storage facilities in Utah and Wyoming.

3. Questar states that drilling for oil and natural gas liquids in the Uinta Basin has resulted in increased production of associated high BTU natural gas, a trend that Questar expects to continue for the foreseeable future. Because the Uinta Basin producers have limited access to cryogenic processing for their higher BTU gas, Questar states, it is proposing its Liquids Project to provide transportation for this gas to an existing straddle processing plant, the Chipeta Plant Complex (Chipeta Plant), for removal of heavier hydrocarbons. The Chipeta Plant is located in the vicinity of Questar's existing Fidlar Compressor Station in Uintah County, Utah. Chipeta Processing, LLC (Chipeta) will independently construct facilities to receive the higher BTU gas from Questar, for processing at the Chipeta Plant. Specifically, Chipeta will construct a 400-foot Plant Receipt Line to connect the block valve that Questar will construct at the discharge side of its Fidlar Compressor Station to the Chipeta Plant. Chipeta will also construct a Residue Gas Delivery Line, extending from the header system at the tailgate of the Chipeta Plant to an interconnect with Questar's Main Line (ML) 104 on the discharge side of the Fidlar Compressor Station, to deliver processed gas directly into Questar's ML104 for delivery to downstream markets.⁵

4. Questar states its proposed Liquids Project will allow its shippers to transport higher BTU gas from Uinta Basin production areas southward on Questar's Jurisdictional Laterals 46 and 47 (JL46 and JL47) to an interconnection on Questar's ML40 at its Pete's Wash Facility (Pete's Wash). From there, the higher BTU gas will move in an easterly direction on ML40 to the interconnection with Chipeta's Plant Receipt Line where Questar will deliver the higher BTU gas to Chipeta processing. After processing, the gas can return west on Questar's ML104, which loops ML40, or take numerous alternative transportation paths away from the Fidlar area both north and east via other Questar

⁵ Concurrent with this order, the Commission is issuing a declaratory order in Docket No. CP12-47-000 determining the jurisdictional status of certain facilities at the Chipeta Plant.

interconnections. To make this possible, Questar proposes to modify three facilities on its southern transmission system: Pete's Wash, the Fidler Compressor Station, and the River Bend Facility (River Bend).

5. Specifically, Questar proposes to physically sever ML40 at Pete's Wash, creating east and west segments. The east segment of ML40 will transport higher BTU gas to the Chipeta Plant for processing. The west segment of ML40 will transport gas to downstream markets. Questar proposes to install a 60 million cubic feet (MMcf) per day measuring and regulating (M&R) facility at Pete's Wash to measure gas that would flow from JL47 into the ML40 west segment. The M&R facility will include an 8-inch diameter orifice meter run, a control valve, piping, electronic flow measurement (EFM), telemetry and appurtenances. Questar also proposes to install a control valve and 50 feet of 12-inch diameter crossover pipe between ML40 and ML104. Finally, Questar proposes to install two pig launchers (including appurtenances), one for the ML40 west segment and one for the ML40 east segment.

6. The Fidler Compressor Station is located approximately 33.5 miles east of Pete's Wash and is a point of intersection of Questar's ML40, ML104, ML103, and ML80. Questar proposes to install a new 200 MMcf per day delivery point, a 300 MMcf per day receipt, and various appurtenant facilities at its Fidler Compressor Station. The higher BTU gas will be delivered to Chipeta at the delivery point and processed gas from the Chipeta Plant will be received back into Questar's system at the receipt point.

7. Finally, at the River Bend site located midway between Pete's Wash and the Fidler Compressor Station, Questar proposes to remove the existing pig launcher and receiver and replace them with approximately 100 feet of 20-inch diameter pipe.

8. Questar held an open season for the Liquids Project from January 20 through February 18, 2011. Berry Petroleum Company (Berry Petroleum) and Gasco Production Company (Gasco Production) responded during the open season; BP Energy Company (BP Energy) requested capacity after the open season. Additionally, Ute Energy Upstream Holdings, LLC (Ute Energy) purchased capacity independent of the open season via the routine sales procedures for Questar's unsold capacity. Berry Petroleum, BP Energy, and Gasco Production have signed precedent agreements and Ute Energy has signed a transportation service agreement. The primary terms for the agreements range from three to ten years with evergreen provisions. The total volume for all agreements committed to the Liquids Project for the first three years of operation ranges from 74,359 dekatherms (Dth) per day for the first year of operation to 77,459 Dth per day for the second and third years of operation. Questar estimates the cost of the project to be \$5,803,901.

9. Questar states that the revenues from the project will exceed the cost associated with the project and requests a predetermination that it may roll the costs associated with

the Liquids Project into its system rates in a future NGA section 4 rate case. Questar also proposes to revise the chricondentherm hydrocarbon dew point (CHDP) Zone Map in its tariff.

II. Procedural Matters

A. Notice, Interventions, Comments, and Protest

10. Notice of Questar's application was published in the *Federal Register* on January 19, 2012 (Fed. Reg. 77 FR 2716). Timely, unopposed motions to intervene were filed by Anadarko Petroleum Corporation (Anadarko Petroleum), Berry Petroleum, Chipeta, ConocoPhillips Company, EOG Resources, Inc. (EOG), and QEP Field Services Company (QEP).⁶ BP Energy, Gasco Energy, Inc. (Gasco), and Ute Energy filed late motions to intervene.⁷ We will grant their late interventions. Anadarko Petroleum, Berry Petroleum, Chipeta, Gasco Energy, and Ute Energy filed statements in support of Questar's proposal.

11. QEP, a provider of natural gas gathering, processing and treating services, and EOG, a firm shipper on Questar that holds gathering and processing agreements with QEP, filed protests to Questar's application.⁸ Questar filed a motion for leave to answer and an answer in opposition to the protests to which QEP filed an answer. Questar filed a request for expedited action to which QEP filed an answer. Questar filed answers to QEP's protest supplements, to which QEP filed an answer on June 19, 2012. BP Energy filed an answer in support of Questar's application to which QEP filed an answer. Anadarko Petroleum, Berry Petroleum, Chipeta, Ute Energy, and Gasco, jointly, filed supplemental comments on May 30, 2012, to which QEP answered. Although the Commission's Rules of Practice and Procedure do not permit answers to protests or answers,⁹ our rules do provide that we may, for good cause, waive this provision.¹⁰ We

⁶ Timely, unopposed motions to intervene are automatically granted by operation of Rule 214(c) of the Commission's Rules of Practice and Procedure. 18 C.F.R. § 385.214(c) (2012).

⁷ 18 C.F.R. § 385.214(d) (2012).

⁸ See Motion to intervene and protest of QEP (filed Jan. 31, 2012, and supplemented on Feb. 1, 2012, Feb. 7, 2012, and June 4, 2012) and motion to intervene and protest of EOG (filed Feb. 1, 2012). EOG adopted the issues raised in QEP's protest. When we refer to QEP's protest later in this order, we will incorporate by reference the protest of EOG unless otherwise stated.

⁹ 18 C.F.R. § 385.213(a)(2) (2012).

will accept all the responsive pleadings filed in this proceeding because they have provided information that assisted us in our decision-making process.

12. On March 20, 2012, as supplemented on March 30, 2012, Questar filed a response to Commission staff's March 15, 2012 data request. On May 11, 2012, Questar filed a response to Commission staff's May 8, 2012 additional information request.

B. Request for Formal Hearing

13. QEP requests that the Commission hold a formal hearing so that a complete record can be developed concerning the Liquids Project. The Commission has substantial discretion in deciding whether to hold a trial-type evidentiary hearing and requires such hearings only where there are material issues of fact that cannot be resolved on the basis of the written record.¹¹

14. The issues raised by QEP have been adequately argued, and a determination can be made on the basis of the existing record in this proceeding. All interested parties have been afforded a full and complete opportunity to present their views to the Commission through numerous written submissions. We find that there is no material issue of fact that we cannot resolve on the basis of the written record in the proceeding. Therefore, we will deny the request for a hearing.

III. Discussion

15. Since the proposed facilities herein will be used to transport natural gas in interstate commerce, they are subject to sections 7(c) and (e) of the NGA and to the Commission's regulations.¹²

¹⁰ 18 C.F.R. § 385.101(e) (2012).

¹¹ *See., e.g., Southern Union Gas Co. v. FERC*, 840 F.2d 964, 970 (D.C. Cir. 1988); *Cerro Wire & Cable Co. v. FERC*, 677 F.2d 124, 128-129 (D.C. Cir. 1982); *Citizens for Allegan County, Inc. v. FPC*, 414 F.2d 1125, 1128 (D.C. Cir. 1969).

¹² 15 U.S.C. § 717f (2006).

A. Certificate Policy Statement

16. The Certificate Policy Statement provides guidance as to how we will evaluate proposals for new construction.¹³ The Certificate Policy Statement established criteria for determining whether there is a need for a proposed project and whether the proposed project will serve the public interest. The Certificate Policy Statement explains that in deciding whether to authorize the construction of major new pipeline facilities, we balance the public benefits against the potential adverse consequences. The Commission's goal is to give appropriate consideration to the enhancement of competitive transportation alternatives, the possibility of overbuilding, subsidization by existing customers, the applicant's responsibility for unsubscribed capacity, the avoidance of unnecessary disruptions to the environment, and the avoidance of the unnecessary exercises of eminent domain.

17. Under the Certificate Policy Statement, the threshold requirement for pipelines proposing new projects is that the pipeline must be prepared to financially support the project without relying on subsidization from existing customers. The next step is to determine whether the applicant has made efforts to eliminate or minimize any adverse effects the project might have on the applicant's existing customers, existing pipelines in the market and their captive customers, or landowners and communities affected by the route of the new pipeline. If residual adverse effects on these interest groups are identified after efforts have been made to minimize them, we will evaluate the project by balancing the evidence of public benefits to be achieved against the residual adverse effects. This is essentially an economic test. Only when the benefits outweigh the adverse effects on economic interests will we proceed to complete the environmental analysis where other interests are considered.

1. Subsidization

18. As noted above, the threshold requirement is that the pipeline must be prepared to financially support the project without relying on subsidization from its existing customers. Questar has entered into three precedent agreements and a Rate Schedule T-1 service agreement for the capacity created by the Liquids Project. While QEP argues in its protest that existing shippers will subsidize the project, we find, as discussed in detail below, that the cost and revenue comparison in Exhibit N of Questar's application correctly estimates that Questar will receive annual revenues that will far exceed the

¹³ *Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227 (1999), *order on clarification*, 90 FERC ¶ 61,128, *order on clarification*, 92 FERC ¶ 61,094 (2000) (Certificate Policy Statement).

project's cost of service.¹⁴ Therefore, notwithstanding the arguments of QEP, the Commission finds that Questar's proposal will not result in subsidization by existing customers and therefore meets that requirement of the Certificate Policy Statement.

2. Impact on Other Interests

19. QEP delivers gas for its shippers holding capacity on Questar's system into Questar's ML40 at the MAP 370 receipt point, on the west (discharge) side of the Fidlar Compressor Station. Currently, gas flows west from that interconnect, directly to downstream markets. Upon implementation of the Liquids Project, the gas received at MAP 370 will initially flow eastward instead, through the Fidlar Compressor Station, before flowing westward on ML104. QEP contends that having their gas physically pathed through the Fidlar Compressor Station will constitute a degradation of service for existing Questar firm shippers, including EOG,¹⁵ whose gas is delivered from QEP's gathering system to Questar's MAP 370 receipt point on ML40.¹⁶

20. Specifically, QEP questions Questar's ability, on both Winter and Summer Design Days, to meet all nominations for contracted firm primary receipt capacity from MAP 370 through the Fidlar Compressor Station.¹⁷ QEP also asserts that the compressor units at the Fidlar Compressor Station will experience at a minimum of approximately five percent annual downtime due to maintenance which it believes will have a negative impact on its ability to move gas¹⁸ and will restrict the volumes of gas that are made available to the marketplace.

21. QEP also predicts that it will experience a reduction in throughput and associated revenues to the extent shippers reroute their gas off QEP's gathering system to avoid having their gas flow through the Fidlar Compressor Station.¹⁹

¹⁴ Questar Application at Exhibit N.

¹⁵ MAP 370 is the primary and secondary receipt point on Questar for EOG's gas.

¹⁶ QEP January 31, 2012 Protest at 19.

¹⁷ QEP March 1, 2012 Answer at 5.

¹⁸ QEP January 31, 2012 Protest at 7.

¹⁹ QEP March 1, 2012 Answer at 10.

22. In response, Questar provided winter and summer flow diagrams and hydraulic studies that show Questar's capability of meeting winter and summer peak and contractual obligations.²⁰ Questar explains it will be able to continue to meet all of its existing firm contractual obligations at shippers' primary firm receipt point entitlements.²¹ As of February 1, 2012, Questar's firm contracts were 232,593 Dth per day and the total design capacity at the receipt point MAP 370 is approximately 330,000 Dth per day.²² Questar states that the excess capacity of 97,407 Dth per day could be used on an "as available" basis as flex capacity.²³

23. Questar confirms that mechanical devices such as compressor units require planned and unplanned maintenance. Questar states that it will attempt to schedule maintenance activities during periods of reduced flow.²⁴ Questar also believes that it is speculative to predict harm to a shipper based on data showing routine downtime for compressors.²⁵

24. Questar also points out that EOG already depends on compression at the Fidler Compressor Station to meet its primary deliveries to the pipelines in the White River Hub and Kanda areas.²⁶ As such, Questar maintains the risk EOG is exposed to regarding the potential downtime for maintenance or possible outage due to mechanical failure will not change as a result of Questar's proposed Liquids Project.

Commission Finding

25. We find no basis for QEP's suggestion that transportation of gas being delivered from its system into Questar at MAP 370 will be somehow less reliable as a result of the proposed Liquids Project because the gas would flow through the Fidler Compressor

²⁰ Questar March 20, 2012 Supplement to Data Request Response at No. 3.

²¹ Questar February 15, 2012 Answer at 25.

²² *Id.* at 26.

²³ Questar March 30, 2012 Supplement to Data Request Response at No. 4; Questar February 15, 2012 Answer at 26.

²⁴ Questar February 15, 2012 Answer at 26.

²⁵ *Id.*

²⁶ *Id.* at 27.

Station. The Fidlar Compressor Station is an existing, integral component of Questar's pipeline system, which is already subject to planned and unplanned maintenance. Although gas from MAP 370 does not currently flow through the Fidlar Compressor Station, delivery of that gas to downstream markets is nevertheless reliant to the compression provided by the Fidlar Compressor Station to the gas stream as a whole. QEP has pointed to no circumstances specific to the Liquids Project that would lead to increased maintenance of the facilities to the point that service would be negatively impacted.

26. Further, our analysis of Questar's hydraulic studies verifies that its system, after the Liquids Project facilities are in-place, will be capable of meeting both its winter and summer contractual obligations associated with its firm shippers' primary receipt point entitlements. Accordingly, we find that Questar's existing customers should not experience any difficulty utilizing their full entitlements at their primary receipt points, nor should any existing Questar customers moving gas from QEP experience problems moving their gas to markets as a result of the Liquids Project.

27. QEP predicts that it will be adversely impacted to the extent shippers reroute their gas off QEP's gathering system to avoid having their gas flow through the Fidlar Compressor Station, but has provided no explanation as to why a QEP shipper would object to having its gas compressed by Questar (there is, for example, no additional charge associated with the revised transportation route). No other pipeline system has filed any comments on the proposal.

28. With the construction of only minor facility modifications, the Liquids Project will provide additional transportation of higher BTU natural gas to processing facilities which can recover heavier hydrocarbons. Questar has executed several agreements for Liquids Project service, showing there is a need for such additional service at the Fidlar hub area in the Uinta Basin. There is no evidence in the record that the Liquids Project will have any adverse impact on Questar's existing customers or on other pipelines and their customers.

29. All of the facility modifications will occur within existing rights-of-way. No landowner has commented on the project. Thus, we find there will be no adverse economic impact on landowners or communities.

30. Therefore, we find, consistent with the criteria discussed in the Certificate Policy Statement and section 7(c) of the NGA, that the public convenience and necessity requires approval of Questar's Liquids Project.

B. Rates**1. Proposal**

31. Questar will charge its existing Rate Schedule T-1 reservation rate at the initial recourse rate for its proposed Liquids Project service.²⁷ Questar seeks a predetermination that it can roll the costs of the Liquids Project into its existing rates in a future NGA section 4 rate case. Questar states that revenue associated with the Liquids Project will exceed the Liquids Project's cost-of-service over the life of the contracts. Questar provides, in Exhibit N, a three year statement of revenues, expenses and income, as well as a three-year cost-of-service analysis for the Liquids Project.

32. Based on the three precedent agreements and the Rate Schedule T-1 service agreement, Questar projects revenue for the first year of the Liquids Project to be \$2,934,966 with a first year cost of service of \$395,200.²⁸ Questar also projects the total revenue for the first three years of the project to be \$9,204,362, compared with a total cost of service for the first three years of the project of \$1,153,706.²⁹ Thus, projected revenues would exceed the projected cost of service for the first year and first three years of the Liquids Project by \$2,539,766 and \$8,050,656, respectively.

2. Protest

33. QEP alleges that, under Questar's proposal, existing customers will subsidize the Liquids Project.³⁰ QEP contends that Questar's proposal will isolate JL46, JL47, and the east segment of ML40 from the rest of Questar's system and that existing shippers will no longer have access to those facilities under existing contracts. Therefore, QEP argues, Questar should have included the remaining costs of these facilities (their net book value)

²⁷ Questar March 20, 2012 Data Request Response. The current Rate Schedule T-1 maximum monthly reservation charge is \$5.28804.

²⁸ Questar Application at Exhibit N.

²⁹ *Id.*

³⁰ QEP January 31, 2012 Protest at 24.

in its calculation of the cost of service for the Liquids Project³¹ instead of including only the incremental cost of isolating JL46, JL47 and the east segment of ML40.³²

34. In addition, QEP states that when Questar calculated the incremental revenue it would receive from the Liquids Project, it may have used reservation quantities and associated revenues that were already accounted for in a contract entered into prior to the Liquids Project. QEP notes that under BP Energy's precedent agreement for firm transportation service, BP Energy and Questar will enter into a new service agreement and amend an existing agreement. QEP notes that the new BP Energy agreement is for shipment of 30,000 Dth per day to the suction side of the Chipeta Plant for a term of five years at a rate of \$1.825 Dth per month. However, QEP maintains that the amended agreement only provides the quantity of the contract (30,000 Dth per day) and fails to provide a rate or term making it impossible to tell whether Questar shortened the term of the existing BP Energy agreement or lowered its rate. Thus, QEP argues, Questar may have exaggerated the incremental revenue it will receive from BP Energy.³³

35. Finally, QEP states that Questar assumed a 100 percent load factor for deriving its Usage Revenues and argues that Questar is unlikely to experience a 100 percent load factor on the project facilities and such over-estimates should be rejected.³⁴

36. Questar responds that QEP has provided no authority to support its argument that the Liquids Project costs should include the net book value of JL46, JL47 and a portion of ML40, which would effectively require the Commission to reallocate Questar's pipeline system costs in this proceeding.³⁵ Questar states that any adjustment made to rate base can only be made in a general rate case and argues that QEP should not be allowed to use this certificate proceeding to re-establish Questar's rates.³⁶

37. Questar asserts that it has not lowered the rate or shortened the term of the amended BP Energy agreement. Questar states that the amended version of the

³¹ *Id.* at 25.

³² *Id.*

³³ *Id.* at 25-26.

³⁴ *Id.* at 26.

³⁵ Questar February 15, 2012 Answer at 23-24.

³⁶ *Id.*

agreement shows only the amended terms of the existing contract and the blank fields reflect that those terms of the contract have not changed. Therefore, the rate and volume remain the same but the total contracted volume of 30,000 Dth per day has been moved to a new, not-yet-named receipt point that will be located on the discharge side of the Chipeta Plant.³⁷

Commission Finding

38. The revenues associated with the Liquids Project are projected to significantly exceed the project's projected costs. Therefore, we grant Questar's request for a predetermination that it may roll the costs associated with the Liquids Project into its system rates in a future NGA section 4 rate case, absent a significant change in circumstances. We will also approve Questar's proposal to use its existing maximum T-1 Rate Schedule reservation rate as the initial rate for transportation service over the new capacity.

39. We reject QEP's argument that Questar should include the net book value of JL46, JL47, and the east segment of ML40 in the Liquids Project's costs in determining whether to approve rolled-in rate treatment. For the purposes of determining whether to approve rolled-in rate treatment it is longstanding Commission policy to include only the costs of the facilities being constructed in the roll-in analysis,³⁸ notwithstanding the fact that the provision of the new or expanded services may also rely upon existing facilities. The costs of those facilities are already reflected in the pipeline's existing rates. Moreover, Questar is a reticulated pipeline with a postage stamp rate structure; a shipper's rate per volume shipped is the same regardless of which of Questar's facilities are actually used. In addition, no customers with primary receipt point delivery rights on JL46 and JL47 has objected to the changed proposed by Questar.

40. We further find that Questar has not exaggerated its projections of the incremental revenue it will receive from BP Energy. The precedent agreements clearly state that BP Energy will amend an existing contract to revise the receipt point for the contract while also entering into two new agreements for a total of 36,000 Dth per day of service on the expansion. The revenues from these agreements are properly accounted for in Exhibit N. We note, however, that if it is shown in a future rate case that the revenues from the Liquids Project are lower than projected or do not exceed the costs associated with the

³⁷ *Id.* at 22-23.

³⁸ *Certificate Policy Statement*, 88 FERC ¶ 61,227, *order on clarification*, 90 FERC ¶ 61,128, *order on clarification*, 92 FERC ¶ 61,094.

project, that would constitute a change in circumstance which could override the presumption favoring rolled-in rate treatment.

41. In addition, while we agree that using a 100 percent load factor for estimating Usage Revenues may be overly aggressive, Usage Revenues make up less than three percent of the project's total revenues. Therefore, removing or reducing the Usage Revenues from the analysis would not alter the Commission's rolled-in rate determination.

C. Tariff

1. Revised CHDP Zone Map Proposal

42. In Exhibit P, Questar submitted a *pro forma* tariff record containing its revised CHDP Zone Map,³⁹ where it has divided Zone 8 into two CHDP zones and created a new Zone 11. Questar states that the proposed revisions are necessary because there has been a significant change in the production received into ML40 and ML104 in Zone 8. Questar states that much of the Uinta Basin gas that is being received into its system in this portion of Zone 8 is first gathered by third parties and delivered to large processing plant complexes where it is processed before being redelivered into ML104 near the Fidlar Compressor Station. This being the case, Questar proposes to divide Zone 8 into two CHDP zones, creating a new Zone 11 comprising that portion of ML40 from the Fidlar Compressor Station to just west of the JL47 intersection with ML40 and including JL46 and JL47. Questar will reconfigure the remaining portion of Zone 8 as a "dry zone" with a 35-degree Fahrenheit CHDP Limit. Questar also proposes to maintain a 35-degree Fahrenheit CHDP Limit in the new Zone 11. However, pursuant to section 13.2(b) of its tariff, Questar proposes to set a higher CHDP Operating Limit in Zone 11 to allow higher BTU gas to be received into Questar's facilities with little or no prior hydrocarbon dew point processing.⁴⁰

³⁹ CHDP or Cricondenthem Hydrocarbon Dew Point is the highest temperature, at any pressure, at which hydrocarbon components of a hydrocarbon-rich gas stream will start to condense and change from the gas phase to the liquid phase and "drop out" as liquid in the pipeline. These heavier hydrocarbons are typically removed from the gas stream for their economic value through the use of processing plants, in this case the cryogenic facilities located at the Chipeta Plant.

⁴⁰ Section 13.2(b) states, "Questar may, from time to time, as operationally feasible, establish and post on its internet web site a CHDP Operating Limit that is higher than the CHDP Limit for natural gas received into its system on specified CHDP Zones."

2. QEP's Tariff Amendment Arguments

43. QEP argues that Questar's proposed amendment to its CHDP zones violates Questar's tariff and Commission Policy. QEP notes that Questar's tariff defines a CHDP Operating Limit as "the CHDP temperature that is at or above the CHDP limit that Questar is willing to accept on a temporary basis...." However, QEP states that Questar's Liquids Project is predicated on shippers having the ability to provide gas that exceeds the Zone 11 CHDP Limit on a continuous basis. QEP states that since Questar plans to maintain a permanent higher CHDP Operating Limit in Zone 11, rather than making temporary allowances, it will violate its tariff.⁴¹

44. Further, QEP argues that Questar's proposed tariff amendment is not in accordance with Commission Policy as established in the *Natural Gas Interchangeability Policy Statement*.⁴² QEP notes that the Commission has stated that it:

expects that specifications for natural gas quality and interchangeability will be based upon sound technical, engineering and scientific considerations. In addition, the Commission encourages pipelines and their customers to resolve gas quality and interchangeability issues on their own, either prior to or outside of formal Commission proceedings. [...] [I]n negotiating technically based solutions, pipelines and their customers are strongly encouraged to use the NGC + interim guidelines as a common scientific reference point for resolving gas quality and interchangeability issues.⁴³

45. QEP notes that, although Questar followed these procedures when it initially established its zonal CHDP system,⁴⁴ it has not followed them for this proposed tariff amendment. QEP maintains that Questar has not engaged its customers or based its new CHDP zone on "technical, engineering, and scientific considerations."⁴⁵ Instead, QEP

⁴¹ QEP February, 1, 2012, Protest, at 27-28.

⁴² *Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Company Tariffs (Natural Gas Interchangeability Policy Statement)*, 115 FERC ¶ 61,325 (2006).

⁴³ *Natural Gas Interchangeability Policy Statement*, 115 FERC ¶ 61,325 at PP 31-32.

⁴⁴ *Questar Pipeline Co.*, 120 FERC ¶ 61,137 (2007).

⁴⁵ *Id.*

states, Questar unilaterally proposes a new CHDP zone without customer input or technical support with the sole purpose of allowing Questar to provide producers with transportation capacity to deliver high BTU gas to the Fidler Compressor Station.

46. Questar responds that QEP incorrectly asserts that the project and associated CHDP zone revision violates Questar's tariff by seeking a permanent change to the CHDP provisions set forth in its tariff. Questar states that it proposes identical CHDP standards that exist in Zone 8 for the new Zone 11⁴⁶ and nothing in its proposal changes existing CHDP tariff limits or modifies its existing authority to post higher CHDP operational limits.⁴⁷

47. Questar states that section 13.2(a) of the General Terms and Conditions (GTC) of its tariff creates a safe harbor by providing that in Zone 8 Questar will accept all deliveries at a CHDP equal to or less than 35-degrees Fahrenheit, provided that such gas satisfies all other applicable provisions of Questar's tariff. Questar states that the same language will apply to the new Zone 11. With regard to QEP's statement that the entire project is predicated on the permanent setting of a higher CHDP Operating Limit, Questar notes that its ability to set a higher CHDP Operating Limit reflects what Questar's tariff already provides it the authority to do. Specifically, section 13.2(b) allows Questar "from time to time, as operationally feasible" to "establish and post on its internet web site a CHDP Operating Limit that is higher than the CHDP Limit for natural gas received into its system on specified CHDP Zones." Questar states that its pipeline system was designed to accept gas of varying CHDP levels and the tariff language approved in Questar's gas quality proceeding was expressly intended to allow Questar to continue accepting high CHDP gas into its system.⁴⁸

48. Questar states that the zone change is completely consistent with its tariff and its obligations to deliver to interconnecting pipelines with lower CHDP limits and to delivery points along JL78, which serves several local distribution companies. Questar states that while it is true that if the project is certificated it is more likely that operations within Zone 11 will accommodate supplies with higher CHDP values, Questar did not seek a permanent change or otherwise guarantee its project customers that it would accept such supplies. Further, Questar notes its proposed sub-division of Zone 8 maintains the flexibility of the existing system to accept liquids-rich supplies while

⁴⁶ Zone 11 will be classified as a "wet zone," while Zone 8 will be classified as a "dry zone."

⁴⁷ Questar February 15, 2012 Answer at 42.

⁴⁸ *Id.* at 42-43.

preserving Questar's ability to restrict receipts within a zone to ensure delivery markets are not negatively affected.⁴⁹

49. Questar also maintains that its proposal does not violate the *Natural Gas Interchangeability* Policy Statement. Questar states that it does not propose to modify gas quality specifications in its tariff, nor is it seeking to change existing CHDP limits or the discretion it has to post higher CHDP operating limits. Therefore, Questar argues it was not necessary to enter into the process envisioned by the *Natural Gas Interchangeability* Policy Statement. Although Questar does propose to change its CHDP zone map, it states, the change does not impact existing tariff specifications and, in fact, applies the identical gas quality standards and tariff language in place today for Zone 8 to the new Zone 11.⁵⁰

Commission Finding

50. We approve Questar's revised CHDP Zone Map and direct Questar to file an actual tariff record between 30 and 60 days prior to placing the facilities into service. Questar is proposing to use the identical CHDP standards that exist in Zone 8 for the new Zone 11 and is not proposing any revisions to the gas quality provisions that exist within section 13 of its tariff, including its existing CHDP tariff limits or its existing authority to post higher CHDP operational limits. With regard to QEP's statement that the entire project is predicated on the permanent setting of a higher CHDP operating limit, we note that as demonstrated by Questar, its tariff currently provides it the ability to set a higher CHDP operating limit, to the extent it is operationally feasible. Therefore, doing so would not be a violation of its tariff. In addition, Questar states that it has not sought a permanent change to its CHDP limit or provided a guarantee to its project customers that it would accept such higher limit supplies; therefore, the acceptance of such supplies will be subject to Questar's operational conditions.

51. Finally, we find that Questar has not violated the Commission's *Natural Gas Interchangeability* Policy Statement in proposing to revise its CHDP zone map. Questar is proposing to use the identical CHDP standards for Zone 11 that currently exist for Zone 8 and does not propose to revise the gas quality specifications of its tariff or the discretion it has to post higher CHDP operating limits. For these types of changes it is not necessary to use the collaborative process envisioned by the *Natural Gas Interchangeability* Policy Statement.

⁴⁹ *Id.* at 44-45.

⁵⁰ *Id.* at 46-47.

D. QEP's Remaining Protest Issues

52. QEP argues variously that Questar breached its contractual obligations to QEP, that Questar should have filed to abandon JL46 and JL47, and that Questar overbuilt ML104.

1. Breach of Contract Claims

53. QEP asserts that implementation of the Liquids Project will result in Questar's breach of a 2003 Facilities Agreement (2003 Agreement) with QEP. In the alternative, QEP contends that Questar will breach an implied-in-fact contract. According to QEP, the 2003 Agreement enabled QEP-delivered gas received at the Red Wash Master Meter (MAP 121) to flow on a jumper line constructed to allow the gas to bypass the Fidlar Compressor Station, which was at the time limited by a lack of compressor capacity, and flow directly into ML40 downstream of the compressor station.⁵¹ QEP states that between September 2005 and May 2006, it entered into three additional agreements to facilitate deliveries of gas from QEP into ML40 downstream of Fidlar and to replace the MAP 121 receipt point with a new MAP 370 receipt point.

54. In reliance on the 2003 Agreement, QEP states, it has spent approximately \$182 million for compressor units, meters, pipe, and processing plants to deliver gas to Questar at the quality specifications required for deliveries into ML40.⁵² QEP states that the change in configuration contemplated by the Liquids Project will require the gas from its system to flow through the Fidlar Compressor Station then into ML104. QEP alleges that this will breach the 2003 Agreement to enhance Questar's competitive position and strand \$32 million in QEP infrastructure it built in reliance on the agreements between QEP and Questar.⁵³

55. QEP asks the Commission to find that Questar is precluded from implementing the Liquids Project due to its ongoing contractual obligations to QEP.⁵⁴ QEP cites Utah state law to support its arguments.⁵⁵

⁵¹ QEP January 31, 2012 Protest at 39.

⁵² *Id.* at 40.

⁵³ QEP March 1, 2012 Answer at 3 and 10.

⁵⁴ QEP January 31, 2012 Protest at 46; QEP March 1, 2012 Answer at 11.

⁵⁵ QEP January 31, 2012 Protest at 39, 40, 42, and 43.

56. QEP further argues that the Commission should assert primary jurisdiction over the agreements and interpret them because the commitments described in those agreements are intertwined with QEP's assertion that the Liquids Project is not a product of fair competition consistent with the Certificate Policy Statement.⁵⁶ QEP states that the Commission, rather than a court of general jurisdiction, should interpret the agreements, because the Commission has the expertise and knowledge concerning the implications of shippers entering into federally regulated firm transportation contracts.⁵⁷ QEP states that deferring the contract interpretation to a Utah state court could interfere with the Commission's regulatory responsibilities and lead to lack of uniformity in the application of Certificate Policy Statement's "fair competition" standard.⁵⁸

57. Questar responds that the contract dispute over the 2003 Agreement centers on determining the intent of contractual language and analyzing subsequent actions and agreements between QEP and Questar, which would require the Commission to engage in contract interpretation and analysis under Utah law.⁵⁹ Questar argues that the proper forum for resolving this contract dispute is the Utah state court system. Furthermore, Questar states, the 2003 Agreement has been fulfilled and superseded by the 2010 Interconnect Agreement (2010 Agreement) between QEP and Questar.⁶⁰ Questar asserts that the 2010 Agreement governs the rights and obligations of Questar and QEP at MAP 370 and contains language indicating that this particular agreement supersedes all previous agreements between the parties.⁶¹ QEP responds that the 2010 Agreement does not supersede the 2003 Agreement because the 2010 Agreement concerns only the interconnect at issue and any prior agreement relative to the interconnect.⁶² Questar contends that its agreements with QEP do not guarantee QEP or its shippers a specific flow path on Questar's system.⁶³

⁵⁶ QEP March 1, 2012 Answer at 11.

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ Questar February 15, 2012 Answer at 36.

⁶⁰ *Id.* at 33-34.

⁶¹ *Id.* at 35.

⁶² QEP January 31, 2012 Protest at 42.

⁶³ Questar February 15, 2012 Answer at 33.

58. Questar also argues that the breach of contract claim is premature because a breach of contract, as described by QEP, would only occur once the Liquids Project has been implemented.⁶⁴ Questar states that there is no need for uniformity of interpretation because the resolution of the claim will establish no precedent of value to the natural gas industry at large.⁶⁵ Questar states that resolution of the contract breach claim does not involve the Commission's regulatory obligations because the issue is strictly a contract dispute.⁶⁶

Commission Finding

59. In *Arkansas Louisiana Gas Company v. Hall (Arkla v. Hall)*,⁶⁷ the Commission established a three-part test for determining when it should assert primary jurisdiction over a contract dispute that could otherwise be subject to the jurisdiction of another forum: (1) whether the Commission possesses some special expertise which makes the case peculiarly appropriate for Commission decision; (2) whether there is a need for uniformity of interpretation of the type of question raised in the dispute; and (3) whether the case is important in relation to the regulatory responsibilities of the Commission.⁶⁸ In cases of contract interpretation, the Commission has concurrent jurisdiction with the courts.⁶⁹ Whether to exercise primary jurisdiction is a matter solely within the Commission's discretion.⁷⁰

60. The Commission finds that under this test, it should not take jurisdiction of this contract dispute. The Commission does not possess special expertise beyond that of a Utah court in this matter. Construing the contracts' provisions and inquiring into the parties' intent is a straightforward matter of contract interpretation that is better left to the

⁶⁴ *Id.* at 36.

⁶⁵ *Id.*

⁶⁶ *Id.*

⁶⁷ 7 FERC ¶ 61,175, *reh'g denied*, 8 FERC ¶ 61,031 (1979).

⁶⁸ *Arkla v. Hall*, 7 FERC at 61,322.

⁶⁹ *See, e.g., Kentucky Utilities Co.*, 109 FERC ¶ 61,033, at PP 14-16 (2004), *reh'g denied*, 110 FERC ¶ 61,285 (2005); *Portland General Elec. Co.*, 72 FERC ¶ 61,009, at 61,021 (1995) (*Portland*).

⁷⁰ *Portland*, 72 FERC at 61,021-22.

state court. There is no need for uniformity of interpretation since the agreements are unique contracts between Questar and QEP and the interpretation of those agreements will only affect the parties to these agreements. Furthermore, while this is a matter of significance to the parties, the resolution of QEP's breach of contract claim is not sufficiently important in relation to the Commission's regulatory responsibilities to require exercising primary jurisdiction over the contracts at issue.

61. As described above, pursuant to and in reliance upon a 2003 Agreement with Questar, QEP has constructed significant facilities of its own which have enabled it to, among other things, deliver its customers' gas into Questar for transportation to downstream markets notwithstanding the fact that at the time the agreement was entered into, there may have been insufficient capacity at the Questar's Fidler Compressor Station to enable Questar to otherwise effectuate the downstream deliveries. Now, a number of years later, Questar has proposed its Liquids Project which may render some portion of the facilities previously constructed by QEP unnecessary or at least redundant, and of perhaps lesser value to QEP's potential customers. QEP argues that such a result constitutes a breach by Questar of its agreements with QEP and, consequently, would not constitute fair competition as contemplated by the Commission under the Certificate Policy Statement.⁷¹

62. QEP misunderstands what the Commission considers unfair competition.⁷² Absent some evidence of unfair competition, e.g., a price squeeze or undue discrimination, the Commission will not interfere and will allow freely negotiated

⁷¹ QEP March 1, 2012 Answer at 10.

⁷² The Commission explained what constitutes unfair competition in cases involving an interstate pipeline's proposal to bypass a local distribution company (LDC), over the LDC's objection, to directly serve the LDC's customer. (*See, e.g., Panhandle Eastern Pipe Line Co.*, 64 FERC ¶ 61,211, at 61,612 (1993) (approving a bypass proposal because: there was no evidence of unfair competition such as price squeeze or undue discrimination; Commission policy to encourage access between willing parties for natural gas in the context of fair competition does not protect any natural gas market segment from competition; and the Commission is disposed to allow freely negotiated transactions to go forward even where an LDC is bypassed) (citing *William Natural Gas Co.*, 47 FERC at 61,225).

transactions to go forward.⁷³ There is no evidence of such behavior here. The Commission does not protect pipeline competitors from the effects of fair competition.⁷⁴

63. The contract issues presented by QEP involve a narrow, fact specific determination concerning the rights and/or obligations between QEP and Questar with respect to use of facilities. QEP's breach of contract argument does not implicate unfair competition under the Certificate Policy Statement. Contrary to QEP's assertion, there is no need for uniformity here. The interpretation of these agreements will not have an industry-wide impact and will only affect the parties to the agreements.⁷⁵

64. That said, we have no opinion on whether QEP may be entitled to some compensation from Questar under the terms of their agreements. In its protest QEP cites Utah state law to support its claims of material breach of contract, breach of an implied-in-fact contract, and validity of the merger clause in the 2010 Agreement. We agree that this dispute should be settled in accordance with Utah state law. Therefore, the appropriate forum to resolve such contract claims is the Utah state court system.

2. Facility Abandonment

65. QEP contends that the Liquids Project would effectively result in the conversion of JL46 and JL47 and a portion of ML40 into non-jurisdictional gathering facilities, and that Questar failed to request or receive the required abandonment authorization from the Commission to undertake this conversion.⁷⁶ Because the NGA does not define the term "gathering," QEP therefore requests that the Commission apply the modified "primary function test" to determine whether the facilities would become non-jurisdictional gathering facilities.⁷⁷

66. Questar responds that it has always operated as a "wet gas" pipeline and has always accepted high BTU gas for delivery into its system and managed such "wet gas" through blending and running pigs to remove liquids, as well as maintaining proprietary

⁷³ *Id.*

⁷⁴ Certificate Policy Statement, 88 FERC, at 61,748.

⁷⁵ *E.g., BG Energy Merchants, LLC*, 136 FERC ¶ 61,098, at P 39 (2011).

⁷⁶ QEP January 31, 2012 Protest at 10.

⁷⁷ *See Farmland Industries, Inc.*, 23 FERC ¶ 61,063 (1983), *as modified by Amerada Hess Corp.*, 52 FERC ¶ 61,268 (1990).

processing plants on its system.⁷⁸ Questar also connects to other independent processing facilities across its system.

67. Questar explains that once the Liquids Project is complete some of the liquids-rich gas transported to the vicinity of the Fidlar Compressor Station will be processed through the Chipeta Plant and redelivered to Questar for further transportation. Thus, once the Liquids Project is completed, the Chipeta Plant will function as a classic “straddle plant” and the Questar facilities in question would retain their jurisdictional status.⁷⁹

Commission Finding

68. Many fields in the Uinta Basin contain natural gas that is high in natural gas liquids (NGLs), which gas processing plants can recover for the economic benefit of the producers. A number of producing fields in the western area of the Uinta Basin have wells that deliver gas to Questar’s JL46 and JL47, which deliver gas to a point on ML40 at Pete’s Wash located downstream of Fidlar Compressor Station and the Chipeta Plant. Other fields have wells that deliver gas directly into the segment of ML40 between Pete’s Wash and the Fidlar Compressor Station. Questar asserts that, because these producers currently lack access to efficient gas processing services, the higher value of the unrecovered NGL components of the gas stream is lost to them. As part of the Liquids Project, Questar plans to reconfigure ML40 to give producers access to the Chipeta processing plant. A new block valve will be constructed on the discharge side of the Fidlar Compressor Station. Questar’s reconfiguration will enable it to operate ML40 as a high-CHDP line capable of delivering hydrocarbon-rich gas east to a new delivery point at the Chipeta Plant.⁸⁰

69. The Commission has evaluated the hydraulic studies that Questar conducted on its southern system in support of the Liquids Project application, as well as data submitted as part of Chipeta’s petition for a declaratory order under CP12-47-000. The Commission concurs with Questar’s contention that Chipeta will, upon implementation of the Liquids Project, function as a classic integrated processing plant or “straddle plant” along Questar’s system in the Uinta Basin production area.

⁷⁸ Questar February 15, 2012 Answer at 31.

⁷⁹ *Id.* at 32.

⁸⁰ In addition to the new delivery point at the Fidlar Compressor Station, Questar will also install a new block valve on the discharge side of the Fidlar Compressor Station to prevent the flow of high-CHDP gas eastward to points upstream of Fidlar Compressor Station under normal operating conditions.

70. The Commission finds that the current jurisdictional status of JL46, JL47 and ML40 will not be affected by the proposed project. JL46 is located downstream of and receives gas from El Paso's Altamont Processing Plant and will, after project completion, continue to be used to transport gas to ML40 and the Town of Altamont, Utah. In addition, Questar will, after the Liquids Project is complete, still maintain transportation contracts with receipt points on JL46 at Altamont and on JL47 in the vicinity of Monument Buttes, and with delivery points north of the Fidlar Compressor Station. JL46, JL47, and ML40 will continue to function as jurisdictional facilities for the transportation of natural gas in interstate commerce and subject to Commission jurisdiction under the NGA. Further analysis of the jurisdictional status of these facilities is not necessary.

71. The installation of the proposed crossover facility at the ML40 and JL47 junction will provide Questar the operational flexibility of flowing gas from JL47 into the ML40 west segment when operationally necessary to meet downstream and retail distribution needs. However, the purpose of the Liquids Project is to allow liquids-rich, associated natural gas from the Uinta Basin's oil production area to flow south on JL47 and then east on ML40 to the Chipeta Plant for processing and, if desired, return west on ML104. With the bifurcation of ML40 line, and improved hydraulics on ML104, the facilities will operate more efficiently and provide increased transportation capacity for both unprocessed and processed gas. The facilities associated with this project are thus still fully integrated with the rest of Questar's system.

3. Mainline 104 Extension Project

72. On November 10, 2010, Questar filed an application requesting authorization for its ML104 Extension Project which consisted of a 24.6-mile extension of Questar's ML104 from its Green River Block Valve to the Fidlar Compressor Station in Uintah County, Utah. The extension was to add approximately 160,000 Dth per day of capacity to the 144,000 Dth per day of existing capacity on ML104. The Commission issued an order approving Questar's proposal on May 4, 2011.⁸¹

a. Questar Failed to Disclose the Full Scope of the ML104 Extension Project

73. QEP alleges that Questar failed to disclose the full scope of the ML104 Extension Project in its 2010 application, contending that the ML104 extension was the first step required for Questar to undertake the Liquids Project.

⁸¹ *Questar Pipeline Co.*, 135 FERC ¶ 61,114 (2011).

74. In response, Questar asserts that the ML104 extension was fully justified on a stand-alone basis and that Questar did not anticipate or rely on the proposed Liquids Project in planning the ML104 Extension Project. Questar states that it intended the ML104 extension to attract customers who had been shipping coal bed methane gas produced from the Ferron Fairway southwest of the Uinta Basin. Shippers with capacity on Questar's transmission system expressed interest in moving receipt points east to the vicinity of the Fidler Compressor Station. In response to this interest, Questar held an open season in December 2009 for capacity using the ML104 extension. It subsequently entered into one new transportation service agreement and four renegotiated service agreements for a total of 144,000 Dth per day of firm transportation capacity out of the 160,000 Dth per day of capacity created by the extension and filed its application for the ML104 Extension Project.

75. Questar points out that the current Liquids Project application also is supported by its own set of contracts. Questar notes that the ML104 Extension Project was certificated in May 2011 but it was not until September 30, 2011, that Questar had any executed contracts for the Liquids Project.⁸²

Commission Finding

76. We find no support for QEP's allegation that Questar failed to disclose the full scope of the ML104 Extension Project. Over the past decade, Questar has implemented numerous expansions and improvements, including the ML104 Extension Project and the currently proposed Liquids Project, all of which have been supported by shippers entering into contractual agreements showing need for each discreet project.⁸³

b. Questar Overbuilt the ML104 Extension

77. QEP believes that Questar built more capacity on the ML104 extension than it was authorized by the Commission to construct.⁸⁴ QEP makes two separate arguments to support its position. First, QEP estimates that Questar will be able to transport approximately 850,000 Dth per day on ML104 which, QEP concludes, indicates that Questar overbuilt the ML104 extension by approximately 560,000 Dth per day.⁸⁵ QEP

⁸² Questar February 15, 2012 Answer at 39.

⁸³ *Questar Pipeline Co.*, 135 FERC ¶ 61,114 at P 5.

⁸⁴ QEP January 31, 2012 Protest at 20.

⁸⁵ QEP April 6, 2012 Supplemental Protest at 6.

arrived at this estimate by using a maximum allowable operating pressure (MAOP) of 1,300 psig at the discharge of the Fidlar Compressor Station and an MAOP of 1,400 psig for the remainder of the ML104 pipeline in its analysis.⁸⁶

78. Second, QEP notes that the Liquids Project will shift 208,000 Dth per day to ML104 and that the Commission authorized only an incremental 160,000 Dth per day for the ML104 Extension Project to provide a total of 290,000 Dth per day of capacity on ML104. Therefore, QEP asserts, Questar must have overbuilt the ML104 extension to be able to provide 352,000 Dth per day of capacity, 144,000 Dth per day under contract for the Liquids Project plus the shifted 208,000 Dth per day.⁸⁷

79. Questar disputes QEP's use of a 1,300 psig discharge pressure from the Fidlar Compressor Station. First, Questar states, the station's existing piping has a MAOP of 1,120 psig and cannot discharge at 1,300 psig without station piping upgrades.⁸⁸ Second, the station cannot physically deliver 850,000 Dth per day without adding significant amounts of additional compression.⁸⁹ Lastly, Questar contends, QEP analyzed the capacity of ML104 without regard to interconnecting facilities, the capability of downstream facilities, or the transported gas's ultimate delivery point.⁹⁰

80. To test QEP's analysis, Questar conducted hydraulic studies of its southern system using QEP's assumption of a 1,300 psig MAOP at the Fidlar Compressor Station in lieu of the design discharge pressures of 990 psig and 1,010 psig. When Questar used a discharge pressure of 1,300 psig at the Fidlar Compressor Station and discharge pressures of 1,400 psig at the remaining downstream compressor stations, it was able to increase the capacity of ML104 by 480,000 Dth per day, for a total capacity of 850,000 Dth per day, but only after considerable additional facilities were installed. Questar calculates it would need to install three new compressor stations and add significant compression to its existing stations to increase its capacity to 850,000 Dth per day. Specifically, Questar calculates it would have to operate over 220,000 horsepower of compression that would

⁸⁶ *Id.* and Exhibit QEP-21 at 8.

⁸⁷ QEP April 6, 2012 Supplemental Protest at 5-6.

⁸⁸ Questar April 13, 2012 Answer at 11.

⁸⁹ *Id.*

⁹⁰ *Id.*

require about 45,000 Dth per day of fuel. Questar estimates the cost of a compression project of this magnitude would approach nearly \$440,000,000.⁹¹

81. In response to QEP's second argument, Questar explains that the capacity on ML104 will increase from 290,000 Dth per day to 442,000 Dth per day due to operational efficiencies relating to ML104 being isolated to transport processed gas from the Fidlar Compressor Station as part of the Liquids Project.⁹² Questar explains the increased capacity is a direct result of the Liquids Project's facility modifications and is not evidence that Questar overbuilt the ML104 extension.

Commission Finding

82. QEP's assertion that the ML104 extension was overbuilt is not supported by the facts. After analysis of the flow diagrams Questar submitted in the ML104 extension proceeding, and the flow diagrams and hydraulic computer models it submitted as part of this proceeding, the Commission finds that the proposed facilities in those flow diagrams are consistent with Winter Day Design assumptions and existing design capacity for the ML104 Extension Project facilities.

83. QEP fails to account for the change in hydraulics that will occur under the reconfiguration with the Liquids Project and the optimized operation of the existing facilities such as the Blind Canyon Compressor Station.⁹³ Questar shows in the Winter and Summer Design Day flow diagrams that after the proposed isolation of JL47 and ML40, the pressure at Blind Canyon Compressor station will increase, which will allow Questar to transport greater volumes of gas supplies.⁹⁴ The two segments will allow for the transportation of greater volumes; the east segment moving higher BTU gas to the new delivery point to the Chipeta Plant and the west segment transporting gas to downstream markets through Blind Canyon.

84. QEP did not provide the minimum detail necessary for the Commission to evaluate the capacity calculations which are the basis for QEP's first argument. Based upon QEP's lack of supporting data, assumptions, and calculations to support its claims,

⁹¹ *Id.* at Conti Aff. ¶¶ 6-7, ln. 124-128

⁹² *Id.* at 8.

⁹³ Questar February 15, 2012 Answer at 41.

⁹⁴ *See* Questar March 30, 2012 Supplement to Data Request Response at Nos.1, 2, and 4.

we can only conclude that QEP calculated the capacity of ML104 in isolation without considering the pipeline and compressor facilities both upstream (Fidlar Compressor Station) and downstream (Blind Canyon and Thistle Compressor Stations). More specifically, it is evident that QEP conducted simple hydraulic studies of ML104 without regard to the operating requirements and limitations that both Fidlar and Blind Canyon Compressor Stations have on the throughput capacity of ML104. Further, QEP assumed that no additional compression facilities and piping upgrades at existing or new stations would be required to move this enormous increase in gas volumes through the 24-inch diameter ML104.

85. The Commission evaluated Questar's additional hydraulic studies of its southern system which it included as a new Exhibit G in this proceeding. In these studies Questar incorporated QEP's use of a MAOP of 1,300 psig at Fidlar Compressor Station and a MAOP of 1,400 psig for the remainder of the ML104 pipeline. The Commission's analysis verifies Questar's results that a major expansion of Questar's compression facilities would be required to increase the capacity of ML104 by 480,000 Dth per day for a total capacity of 850,000 Dth per day. This replication of QEP's assumption of using a MAOP of 1,300 psig at Fidlar Compressor Station and a MAOP of 1,400 psig for the remainder of the ML104 pipeline verifies that QEP evaluated Questar's ML104 in isolation, disregarding the other facilities connected to Questar's ML104. The Commission concludes that QEP's claim that Questar has "over-designed" ML104 is without merit and not based upon the actual design and operating conditions of Questar's ML104.

86. QEP's second allegation that Questar constructed 352,000 Dth per day of capacity, or 120 percent more capacity than the Commission authorized for the ML104 Extension Project, is also unsupported and without merit. As shown in the Exhibit G flow diagrams for both proceedings, the capacity of ML104 has remained unchanged at 290,000 Dth per day based upon an outlet pressure of 950 psig from the Fidlar Compressor Station.⁹⁵

87. As part of the Liquids Project, Questar proposes to increase the discharge pressure into ML104 at the Fidlar Compressor Station from 950 psig to 1,010 psig. The Commission's analysis shows that the increase to 1,010 psig discharge pressure will have the effect of increasing the capacity of ML104 from 290,000 Dth per day to 442,000 Dth per day, or an increase of 152,000 Dth per day. Since no other design assumptions have changed from the existing to the proposed operating scenario, the Commission agrees with Questar that the increase in capacity on ML104 is due solely to the increase in discharge pressure at the Fidlar Compressor Station and its facilities reconfiguration. The

⁹⁵ Questar April 13 Answer at 9.

Commission notes that this increase in capacity is necessary to provide transportation capacity for the additional gas volumes associated with the Liquids Project. As a result, the Commission finds that Questar's increase in discharge pressure from 950 psig to 1,010 psig is required to provide the proposed firm transportation for the Liquids Project and is therefore properly designed.

4. Operating Conditions at the Fidler Compressor Station

88. QEP argues that Questar failed to support its proposal in this proceeding to raise the discharge pressure from 950 psig to 1,010 psig at the Fidler Compressor Station to deliver gas into the ML104 extension. QEP contends that Questar, at a minimum, should have used a pressure of 1,120 psig, which is the MAOP of the existing compressor station piping, to calculate the capacity of the ML104 extension pipeline. As a result, QEP claims the Commission does not have facts to accurately calculate the capacity of the pipeline, as required by the Commission's regulations. QEP states Questar used discharge pressures at the Fidler Compressor Station of 1,010 psig in the winter and 990 psig in the summer for the ML104 Extension. QEP claims that these discharge pressures "were too far below the (1,400 psig) MAOP of ML104 to depict the line's maximum deliveries."⁹⁶

89. Questar points out that QEP did not question the same assumptions that Questar has used since 2001 in other certificated applications.⁹⁷ Further, Questar notes, the Commission did not question or raise concerns regarding these same assumptions even when, in this proceeding, Commission staff issued a data request that specifically asked Questar to revise the existing and proposed flow diagrams.⁹⁸

90. In its May 11, 2012 response to staff's data request, Questar explains that the Fidler Compressor Station, which is located at the junction of four large diameter pipelines, has been designed to operate under various configurations to provide its

⁹⁶ QEP Supplemental Protest at 5.

⁹⁷ Questar maintains that the Commission's acceptance of Questar's prior certificate applications regarding its South System "demonstrate the prudence of Questar's assumptions and that they comply with Commission's regulations and serve to promote reliable service." Questar contends that using untested new design assumptions like those used by QEP in this proceeding, could lead to reliability and safety issues. Questar April 13 Answer 6-7.

⁹⁸ *Id.* at 7.

shippers with multiple delivery point flexibility to allow access to multiple markets.⁹⁹ This flexibility for shippers is a direct result of operating the station and the rest of Questar's pipeline system in an "efficient and prudent manner" which must allow for operating safety margins for the purpose of determining system capacity. Operating the Fidlar Compressor Station within the efficient region of the compressor units' operating envelopes allows Questar to ensure reliable service while simultaneously providing its shippers with maximum operating flexibility. Questar argues that operating the units outside of the operating envelopes, such as discharging at the 1,120 psig MAOP of its station piping, would compromise this high level of flexibility.

91. As configured for this project, Questar states that it has designed the Fidlar Compressor Station to accommodate two different inlet pressures, 750 psig and 850 psig. Questar explains this configuration will allow it to maximize operational flexibility while meeting contractual obligations of the Liquids Project. This configuration also allows for efficient use of the available compressor units which in turn provides shippers with the flexibility to nominate gas volumes to alternate receipt points on Questar's pipeline system. While using this compressor configuration, Questar is able to use three of the four compressor units all with discharge pressures equal to 1,010 psig, the required pressure to meet its contractual obligations. The fourth compressor, Unit 2, is only rated to 1,000 psig and can only be used when the discharge pressures fall below 1,000 psig.

92. QEP claims Questar's explanations regarding the design pressure at the Fidlar Compressor Station are unsupported. First, QEP asserts, Questar has not provided the technical data regarding the compressor engines and performance operating envelopes for the compressor units. Second, QEP states, Questar has presented no evidence that increasing the operating pressure would substantially impact the life of the compressor units. Without this information, QEP contends, it is impossible to determine if the increase in suction pressure at the Fidlar Compressor Station would allow a discharge pressure of 1,120 psig.

93. Questar provided compressor performance maps for each of the compressor units located at the Fidlar Compressor Station with discharge pressures at both 1,010 psig and the 1,120 psig MAOP. Questar explains the performance maps show each compressor unit operating within its performance curve and below the upper bound of the units' operating envelope at MAOP. However, Questar explains if it were to use a discharge pressure of 1,120 psig, which is the MAOP, it would have insufficient compression available at the Fidlar Compressor Station to compress the 92 MMcf per day of gas that it

⁹⁹ The Fidlar Compressor Station is connected to ML80 and ML103 on the inlet side of the station and ML40 and ML104 on the discharge side of the station.

is required to take from ML80 and ML103 to meet Questar's contractual obligations. This, Questar explains, clearly demonstrates its inability to maintain a discharge pressure equal to the MAOP while operating at the compressor units maximum horsepower.

94. Depending upon customer nominations, Questar states that it may be required to accommodate increased volumes upstream of the Fidlar Compressor Station to meet market demand thereby increasing the throughput of the Fidlar Compressor Station. Under this scenario, Questar states that it would operate the station under one common inlet pressure of 750 psig and a discharge pressure of 1,010 psig. Questar states that its models show that the compressor units are operating within their performance curves. However, Questar stated, when the discharge pressure is increased to the station piping MAOP of 1,120 psig, its models show that there is insufficient compression at the Fidlar Compressor Station to meet its contractual requirements.

Commission Finding

95. As part of the hydraulic analysis of Questar's Liquids Project, the Commission evaluated the operating capability and capacity of the compressor units at the Fidlar Compressor Station based upon Questar's design inlet pressures (750 psig and 850 psig) and outlet pressure (1,010 psig). Our analysis confirms that Questar has designed the Fidlar Compressor to provide receipt point flexibility to its shippers, by utilizing both 750 psig and 850 psig inlet pressures, while meeting all contractual obligations without violating MAOP constraints at the Fidlar Compressor Station. The compressor unit's performance curves provided by Questar clearly demonstrate that these units are operating within their design limits with some operating flexibility available to meet a change in customer nominations which may result in increased flow through the station. Based upon these results, the Commission finds that Questar has properly designed the operating configuration of the Fidlar Compressor Station to maximize operating flexibility while meeting its contractual requirements for both its existing shippers and Liquids Project shippers.

96. The Commission also evaluated Questar's need to maintain discharge pressures from the Fidlar Compressor Station at 1,010 psig rather than 1,120 psig, which is the MAOP of the compressor station piping. Our analysis confirms that, if required to operate the Fidlar Compressor Station at 1,120 psig, Questar would not be capable of pressurizing and transporting its contractual commitments without upgrading its facilities. Thus, the Commission concludes that Questar's discharge pressure is properly designed to maintain its contractual obligations for the Liquids Project while providing the maximum capabilities of Questar's Fidlar Compressor Station which will also dictate the maximum capability of the downstream facilities.

5. **Questar Failed to Comply with the Commission's Exhibit G Regulations**

97. QEP claims that the Exhibit G diagrams Questar filed in this proceeding and in the ML104 Extension proceeding do not comply with the Commission's regulations because the information provided did not reflect the system's maximum capabilities.¹⁰⁰ Because of this, QEP claims, the Commission cannot confirm either the design day capacity or the maximum capacity of the ML104 Extension Project or the proposed Liquids Project.¹⁰¹ Instead, QEP alleges, Questar provided Exhibit G flow diagrams which reflect "firm contractual obligation" on a certain day.¹⁰² QEP claims Questar was required to provide an Exhibit G flow diagram reflecting the capacity of its system under most favorable operating conditions with the utilization of all of its facilities.¹⁰³ QEP also alleges a discrepancy in Questar's flow diagrams for existing and proposed facilities in Exhibit G for the Liquids Project because the exhibit shows an existing system as of December 31, 2011 and a proposed system as of July 1, 2012.¹⁰⁴

98. Questar responds that the Exhibit G flow diagrams in both the ML104 Extension Project and the Liquids Project applications were in full compliance with the Commission's regulations.¹⁰⁵ Questar states that the flow diagrams it submitted with the Liquids Project application are based on peak Winter Day Design assumptions and show existing design capacity for the ML104 extension facilities consistent with the as-built flow diagrams submitted in its ML104 Extension Project application.¹⁰⁶ Questar states the Exhibit G flow diagram for the Liquids Project contained not only firm transportation

¹⁰⁰ QEP April 6, 2012 Supplemental Protest at 4.

¹⁰¹ *Id.* at 5.

¹⁰² *Id.* at 4.

¹⁰³ *Id.*

¹⁰⁴ *Id.* at n.16 and Exhibit No. QEP-22 at p. 3.

¹⁰⁵ Questar understands "most favorable operating conditions" to mean operating conditions that allow the facilities to ensure service to firm transportation customers. Questar April 13, 2012 Answer at 3-4 and Conti Aff. ¶ 2.

¹⁰⁶ Questar February 15, 2012 Answer at 41.

obligations as of the specified date but also the unsold capacity as of that date.¹⁰⁷ Questar explains this is not a discrepancy; this is due to the fact the proposed facilities are not constructed and in-service.¹⁰⁸ Further, Questar states it would be incorrect to use existing contracts for flow conditions that will occur in the future.¹⁰⁹

Commission Finding

99. As part of its application, Questar provided Winter Design Day Flow Diagrams reflecting maximum flow conditions consistent with its shippers' firm contractual agreements. Both the existing and proposed cases reflect Questar's shippers' maximum volumes specified in their firm transportation service agreements for December 31, 2011 and July 1, 2012, respectively. Based upon this information, the Commission agrees that Questar has provided the appropriate information in its flow diagrams to allow Commission staff to evaluate Questar's system operating under flow conditions shown in both flow diagrams. Questar's use of the firm transportation obligations as of July 1, 2012, is appropriate to reflect changes to the firm transportation obligations that will occur when the Liquids Project is in operation. To use outdated firm transportation obligations would not correctly show how the pipeline hydraulics will change as a result of the new facilities and operating conditions. A pipeline must show that the proposed facility modifications are capable of providing the proposed new service while maintaining existing contractual obligations.

100. QEP's argument that Questar's Exhibit G flow diagrams did not reflect the maximum capabilities of its system is without merit. Each of the flow diagrams clearly show that Questar's compressor stations, Blind Canyon and Thistle, which are located immediately downstream of the Fidler Compressor Station, are using nearly all of the available horsepower of compression (in excess of 95 percent). In several instances all of the available horsepower of compression is used. These compressor stations cannot compress any additional gas volumes. More specifically, the compressor stations are incapable of increasing the throughput capacity by hundreds of million cubic feet of gas as claimed by QEP. Therefore, the Commission concludes that these flow diagrams clearly reflect the maximum capabilities of the system while transporting shippers' firm transportation obligations as designed by Questar.

¹⁰⁷ Questar explains it uses these conditions and designs its system to meet year-round service that includes meeting peak day operations whether in the summer or the winter season. Questar April 13, 2012 Answer at Conti Aff. ¶ 2.

¹⁰⁸ Questar April 13, 2012 Answer at n. 4.

¹⁰⁹ *Id.*

6. Design Temperature of Questar's Pipeline

101. QEP contends that Questar should be using a design temperature of 26.4 degrees Fahrenheit as this is the average temperature for Vernal, Utah, located in Uintah County.¹¹⁰ QEP argues if Questar used this lower temperature rather than the 40 degrees Fahrenheit Questar used, the maximum capacity of ML104 would have been higher.¹¹¹

102. Questar maintains that QEP fails to recognize that Questar's system covers not only the Vernal, Utah area but also extends west to Goshen, Utah and east to the White River Hub in Colorado.¹¹² Therefore, Questar's system encounters various distinct locales with varying average temperatures. Based upon its extensive operating history, Questar says weather patterns can trap very cold air in one area of its system while, at the same time, produce unseasonably warm temperatures in another area of the system. As a prudent operator, Questar asserts, it needs to evaluate its entire system, not just a small, discrete area, when establishing a valid design temperature. Further, the ambient temperature assumptions for the Exhibit G flow diagrams must be reflective of the actual temperature and weather conditions its system has experienced.¹¹³ This, Questar states, is why it has used the same design temperature in its certificate applications since the original construction of ML104 certificated in Docket No. CP00-68-000 on June 14, 2001.¹¹⁴

Commission Finding

103. The Commission disagrees with QEP that Questar should use a temperature which averages 26.4 degrees Fahrenheit. That area represents a relatively small discrete portion of Questar's Southern System which stretches over 200 miles from the White River Hub in Colorado westward to Questar's interconnection with Kern River at Goshen in Utah. To use an average temperature that does not incorporate the much broader area covered by Questar's Southern System is not prudent for any pipeline operator. Establishing an ambient temperature of 40 degrees Fahrenheit, which is more representative of the entire Southern System, allows Questar the ability to account for variations in temperatures

¹¹⁰ QEP April 6, 2012 Supplemental Protest at 5.

¹¹¹ *Id.*

¹¹² Questar April 13, 2012 Answer at 5.

¹¹³ *Id.*

¹¹⁴ *Id.*

experienced by its system particularly when weather systems hit only portion of its system. Therefore, Questar's use of an ambient temperature of 40 degrees Fahrenheit is appropriate.

E. Environmental Review

104. Commission staff's environmental review of the Liquids Project proposal confirmed that this action qualifies as a categorical exclusion under Section 380.4(a)(24).¹¹⁵ All construction will occur within Questar's existing permanent right-of-way within land owned by the Utah State Institutional Trust Lands Administration, Ute Indian Tribe, and the Bureau of Land Management. In total, the project would disturb 1.39 acres of existing right-of-way. Questar possesses a Memorandum of Agreement with the U.S. Fish and Wildlife Service stating that construction within the existing right-of-way is not likely to adversely affect threatened or endangered species. Questar also possess a Memorandum of Understanding with the Utah State Historic Preservation Office stating that its proposed construction work for the Liquids Project would have no effect on cultural resources. The Liquids Project will have minimal environmental impact.

IV. Conclusion

105. For the reasons set forth herein, and subject to the conditions set forth below, we find that Questar's Liquids Project is required by the public convenience and necessity under section 7(c) of the NGA. Thus, we will grant the requested authorizations.

106. The Commission on its own motion received and made a part of the record in this proceeding all evidence, including the application(s), as supplemented, and exhibits thereto, submitted in support of the authorizations sought herein, and upon consideration of the record,

The Commission orders:

(A) A certificate of public convenience and necessity is issued to Questar authorizing the Liquids Project, as described in this order and more fully in the application.

¹¹⁵ 18 C.F.R. § 384(a)(24) (2012). Because the project qualifies for a categorical exclusion, there is no need for an environmental assessment or an environmental impact statement. *See*, FERC Environmental Assessment Report, Docket No. CP12-40-000 (issued Jan. 4, 2012).

(B) Questar's proposal to charge its existing Rate Schedule T-1 reservation rate as the initial recourse rate for its proposed Liquids Project service is approved.

(C) Questar's request for a predetermination for rolled-in rate treatment for the costs of the project in its next general NGA section 4 rate proceeding is granted, barring a significant change in circumstances, as discussed in the body of this order.

(D) Questar is directed to file an actual tariff record implementing the modification to its CHDP Zone Map between 30 and 60 days prior to placing the facilities into service.

(E) Untimely motions to intervene are granted as discussed in the body of this order.

(F) QEP and EOG's protests are denied as discussed in the body of this order.

(G) QEP and EOG's request for a formal hearing is denied as discussed in the body of this order.

(H) Questar must execute contracts equal to the level of service and in accordance with the terms of service represented in its precedent agreements prior to commencing construction.

(I) Questar shall file its negotiated rate agreements or a tariff record describing the essential elements of the agreements no less than 30 days, and not more than 60 days, prior to the commencement of service.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.