

142 FERC ¶ 61,127  
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. CP12-40-001

ORDER DENYING REHEARING AND DENYING CLARIFICATION

(Issued February 21, 2013)

1. On July 19, 2012, the Commission issued an order granting Questar Pipeline Company (Questar) authorization to construct and modify natural gas facilities in Duchesne and Uintah Counties, Utah (the Liquids Project).<sup>1</sup> On August 17, 2012, QEP Field Services (QEP) and EOG Resources, Inc. (EOG) (collectively, the petitioners) filed a request for rehearing of the July 19 Order.<sup>2</sup> The petitioners also seek clarification on the Liquids Project's operational pressure at the Fidlar Compressor Station. As discussed below, this order denies the request for rehearing and clarification.

**I. Background**

2. The July 19 Order approved Questar's proposal to reconfigure its pipeline system to allow shippers to transport higher BTU<sup>3</sup> gas on its Mainline (ML) 40 from the Uinta Basin production areas to an interconnect at the Fidlar Compressor Station, where gas can be processed at a third party straddle plant, the Chipeta Plant Complex (Chipeta Plant). After processing, the gas can return west on Questar's ML104, which loops ML40, or take numerous alternative transportation paths to the north and east via Questar interconnections with other pipelines.

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<sup>1</sup> *Questar Pipeline Company*, 140 FERC ¶ 61,040 (2012) (July 19 Order).

<sup>2</sup> QEP is a provider of natural gas gathering, processing and treating services. EOG is a firm shipper on Questar that holds gathering and processing agreements with QEP.

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

3. QEP delivers gas for its shippers holding capacity on Questar's system into Questar's ML40 at the MAP 370 receipt point. Prior to implementation of the modifications authorized by the July 19 Order, gas from QEP was received into Questar on the discharge side of the Fiddler Compressor Station and immediately flowed west on ML40 to downstream markets. However, upon implementation of the Liquids Project, gas received at MAP 370 will instead initially flow eastward and through the Fiddler Compressor Station, before flowing westward on ML104. Both QEP and EOG filed protests to Questar's proposal, which the Commission denied.

## **II. Request for Rehearing and Clarification**

4. On rehearing, the petitioners assert that the Commission erred in: (1) determining there was no evidence in the record that the Liquids Project will have an adverse impact on Questar's existing firm customers, specifically EOG; (2) determining that there was no evidence in the record that the Liquids Project will have an adverse impact on QEP; (3) failing to determine whether Questar made efforts to eliminate or minimize any adverse effects the project might have on existing customers and other pipelines; (4) determining there was no support for QEP's allegation that Questar failed to disclose the full scope of its ML104 Extension Project and that Questar overbuilt ML104; and (5) determining that Questar complied with the Commission's Exhibit G regulations.

5. The petitioners also seek clarification on the Liquids Project's operational pressure of the inlet pipeline connecting MAP 370 to the Fiddler Compressor Station. Questar filed an answer in opposition to the petitioners' request for clarification.

### **A. Certificate Policy Statement**

6. The petitioners assert that the Liquids Project should have been rejected under the Certificate Policy Statement because the project will have adverse impacts on Questar's existing customers and on other pipelines and their customers.

7. The threshold requirement under the Certificate Policy Statement is that the project must be able to proceed without subsidies from existing shippers.<sup>4</sup> After making a finding of no subsidization, the Commission next determines whether the applicant has made efforts to eliminate or minimize any potential adverse impacts to the three major protected economic interests: the applicant's existing customers, existing pipelines in the market and their captive customers, and landowners and communities. If residual adverse economic effects on these interest groups are identified after efforts have been

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<sup>4</sup> *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).

made to minimize them, the Commission will evaluate the project by balancing the evidence of public benefits to be achieved against the residual adverse economic effects.

8. Here, the July 19 Order concluded that the Liquids Project would have no adverse effects on either Questar's existing customers or on other existing pipelines and their captive customers.<sup>5</sup> However, the petitioners argue that the Commission failed to consider certain adverse impacts that they assert the project will have on EOG, a firm shipper on Questar. They allege that having EOG's gas physically pathed through the Fidlar Compressor Station constitutes a degradation of service of EOG's current service, which does not involve transportation through the compressor station, because the compressor units will experience an approximate five percent annual downtime due to scheduled and unscheduled maintenance.<sup>6</sup> Specifically, they argue, during compressor downtime the volume of gas that EOG can ship through Questar's ML104 will be decreased which in turn will decrease the volume of gas that EOG can produce. The petitioners contend this will result in additional costs imposed on EOG due to its minimum volume commitments with QEP. The petitioners also allege that the project will decrease EOG's ability to use its flexible receipt points.

9. We disagree. Petitioners are essentially arguing that pipeline transportation service pathed upstream of a compressor station is inherently less reliable than service that physically bypasses compression. This simplistic view overlooks the fact that compression is an integral component of the pipeline system of which it is a part. When any part of the system is down, for maintenance or otherwise, service on the system is affected generally, whether pathed through that particular component of the system or not. Pipeline operations are designed to compensate for such factors.

10. As we explained in the July 19 Order, the Fidlar Compressor Station is an existing component of Questar's pipeline system, which is already subject to planned and unplanned maintenance. Thus, EOG's existing service is subject to potential impacts. The petitioners' concerns about negative impacts of the Liquids Project to EOG's service are premised on their prediction that Questar's system, and specifically the Fidlar Compressor Station, will experience operational failures. However, there is nothing in the record that suggests either that the Fidlar Compressor Station is currently unreliable or that the Liquids Project will have any effect on its reliability. Accordingly, we affirm our finding that the Liquids Project will have no adverse impacts on EOG.

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<sup>5</sup> July 19 Order, 140 FERC ¶ 61,040 at P 28.

<sup>6</sup> Request for Rehearing at 14.

11. Moreover, the specifics of Questar's service obligations to individual customers are set forth in their service agreements and in the company's tariff. The July 19 Order's authorization of the Liquid's Project did nothing to modify those obligations. Therefore, should there be a problem on Questar's system which in turn affects Questar's service to EOG, procedures to address such problems are already in place.

12. The petitioners also question whether EOG will be able to use flexible receipt points under its existing contracts with Questar. They claim that after the Liquids Project is implemented, EOG will likely be unable to use the MAP 370 receipt point as a secondary receipt point.<sup>7</sup>

13. As stated in the July 19 Order, after implementation of the Liquids Project, Questar's existing customers should not experience any difficulty continuing to utilize their existing firm contractual entitlements at their primary firm receipt points.<sup>8</sup> Flexible secondary rights are only provided on an "as available" basis. Currently, Questar can provide approximately 330,000 dekatherms (Dth) per day of primary firm receipt capacity at MAP 370, of which 232,593 Dth was subscribed as of February 1, 2012. With only 232,593 of the 330,000 Dth per day of firm primary receipt point capacity at MAP 370 under contract, the excess capacity would continue to be on an "as available" basis as flex capacity. It is not anticipated that the receipt point availability will change on most days.

14. The petitioners request that Questar make "a commitment to provide compression at Fidlar to shippers such as EOG at no additional cost for the duration of such shippers' current firm commitments."<sup>9</sup> As stated in the July 19 Order, there is no additional charge associated with the revised transportation route.<sup>10</sup> We decline to speculate about Questar's future operations. In the future, if Questar files a rate case to add a surcharge for compression at the Fidlar Compressor Station, the petitioners can raise their issues at that time.

15. Besides their allegations of adverse impacts on EOG, petitioners also argue that the Commission erred in failing to consider the adverse impact that the Liquids Project would have on QEP.<sup>11</sup> The petitioners reiterate their protest argument that, prior to the

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<sup>7</sup> *Id.* at 17.

<sup>8</sup> July 19 Order, 140 FERC ¶ 61,040 at P 26.

<sup>9</sup> Request for Rehearing at 16.

<sup>10</sup> July 19 Order, 140 FERC ¶ 61,040 at P 27.

<sup>11</sup> Request for Rehearing at 17.

Liquids Project, QEP installed and constructed facilities so that its firm shippers relied solely on QEP provided compression, rather than Questar compression at the Fidlar Compressor Station.<sup>12</sup> QEP believes that due to the Liquids Project it will be burdened with stranded costs and redundant facilities that it built in reliance on agreements it made with Questar.<sup>13</sup> The petitioners allege that these stranded costs are adverse impacts under the Certificate Policy Statement.

16. We believe it to be speculative that having QEP's shippers' gas pathed through the Fidlar Compressor Station will necessarily result in stranded costs for QEP. The petitioners claim that the Liquids Project may render some portion of QEP's facilities unnecessary or at least redundant. However, QEP will still use its facilities to deliver its shippers' gas onto Questar's pipeline system at MAP 370. QEP must deliver gas to MAP 370 at pressures up to the applicable maximum allowable operating pressure (MAOP) of Questar's pipeline. Consequently, QEP's compression facilities could be utilized in order to meet Questar's operating pressures at MAP 370.

17. Furthermore, the potential for "stranded costs," as described by QEP, would not be considered an adverse impact under the Certificate Policy Statement. QEP has failed to show how its concerns involve anything more than a contract dispute. QEP puts forth the same arguments considered by the Commission in its July 19 Order about having built facilities in reliance on agreements made with Questar, and Questar violating those agreements by reconfiguring its pipeline system. As stated in the July 19 Order, while the Commission does have an obligation to ensure fair competition, it does not protect pipeline competitors from the effects of competition.<sup>14</sup> There is no evidence of unfair competition with the Liquids Project.<sup>15</sup> Questar made a business decision to expand its

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<sup>12</sup> *Id.* at 14.

<sup>13</sup> *Id.* at 17.

<sup>14</sup> July 19 Order, 140 FERC ¶ 61,040 at P 62 (citing the Certificate Policy Statement, 88 FERC ¶ 61,748).

<sup>15</sup> 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

(continued...)

operations to respond to the growing demand in the Uinta Basin area. If QEP believes that Questar violated a contractual obligation to QEP by implementing the Liquids Project, then QEP should pursue such contract claims in an appropriate forum.

18. The petitioners also state that the Commission has put QEP in an “untenable position where it will not be able to predict the pressure requirements of its deliveries at MAP 370 going forward,” potentially imposing additional costs on QEP for facility upgrades to meet a higher MAOP.<sup>16</sup> However, QEP has always had the responsibility to meet the MAOP pressure of Questar’s pipeline. In Questar’s existing tariff, section 11.9(b) in Questar’s General Terms and Conditions states that “(s)hippers shall deliver gas to Questar’s receipt points at pressures up to the applicable MAOP of Questar’s pipeline.” QEP bears the responsibility of meeting Questar’s operating pressures at MAP 370 up to and including the MAOP of 1,120 psig, or the existing MAOP resulting from potential facility upgrades as part of the Liquids Project. The petitioners also state that gathering companies, like QEP, need to have certainty regarding the pressure requirements. At this time, it is not possible to predict what operating conditions will be necessary in order to meet future contractual obligations based upon changes in customer nominations, but this uncertainty does not constitute an adverse impact on QEP.

19. Finally, the petitioners contend that the Commission should have required Questar to eliminate or minimize any adverse effect the project might have on existing customers and other pipelines in the market. However, as noted above, we do not find that the Liquids Project will have any adverse impacts on existing customers or pipeline competitors.

20. Accordingly, and for all of the reasons set forth in the July 19 Order, we affirm our finding that the Liquids Project is consistent with the criteria discussed in the Certificate Policy Statement, and that 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.

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transactions to go forward even where an LDC is bypassed) (citing *William Natural Gas Co.*, 47 FERC ¶ 61,080, at 61,225 (1989)).

<sup>16</sup> Request for Rehearing at 18.

**B. Mainline 104 Extension Project**

21. The petitioners contend that the Commission erred in finding no support for QEP's allegation that Questar failed to disclose the full scope of its ML104 Extension Project which the Commission approved in an order issued on May 4, 2011.<sup>17</sup> The petitioners also continue to argue that Questar built more capacity than otherwise necessary on ML104, as the necessary first step before Questar could undertake the Liquids Project.<sup>18</sup>

22. These issues were fully addressed in the July 19 Order, and we find no cause to revisit them in great detail. The ML104 Extension Project and the Liquids Project were independently analyzed using Questar's submitted hydraulic studies and accompanying flow diagrams. The Commission determined that the projects were properly designed to provide the proposed services. Each project has been supported by shippers entering into contractual agreements with Questar, showing a need for each discrete project.

23. We also reject the petitioners' assertion that the ML104 extension was overbuilt. In its protest, QEP did not provide the minimum detail necessary for the Commission to evaluate the capacity calculations which were the basis for QEP's argument. And in its request for rehearing the petitioners provide no support for their continued allegations that Questar built excess capacity in the ML104 Extension Project.

24. We found in the July 19 Order, that "based upon QEP's lack of supporting data, assumptions, and calculations to support its claims, 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)."<sup>19</sup> On rehearing, the petitioners continue to ignore the operating requirements and limitations that both Fidlar and Blind Canyon Compressor Stations have on the throughput capacity of ML104. The Commission's analysis shows the increase in capacity through ML104 is directly related to the increase in discharge pressure and not due to overbuilding the ML104 Extension Project.

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<sup>17</sup> *Questar Pipeline Co.*, 135 FERC ¶ 61,114 (2011).

<sup>18</sup> Request for Rehearing at 21.

<sup>19</sup> July 19 Order, 140 FERC ¶ 61,040 at P 84.

### **C. The Exhibit G Regulations**

25. The petitioners also challenge the Commission's determination in the July 19 Order that Questar complied with the Commission's Exhibit G regulations.<sup>20</sup> The petitioners allege that the Exhibit G flow diagrams Questar filed in this proceeding and in the ML104 Extension proceeding did not disclose the full extent of underutilized capacity as required by the regulations.

26. It is unclear which facilities the petitioners believe are underutilized because they do not specify that information in their request for rehearing. Without further evidence to the contrary, we affirm our finding in the July 19 Order that Questar's flow diagrams clearly reflect the maximum capabilities of the system while transporting shippers' firm transportation obligations as designed by Questar.<sup>21</sup> The Exhibit Gs in both the ML104 Extension Project application and the Liquids Project application were in full compliance with the Commission's regulations. The petitioners' allegation that Questar did not comply with the Commission's Exhibit G regulations as to underutilized facilities is without merit.

### **D. MAOP at the Fidler Compressor Station**

27. The petitioners request clarification regarding the exact pressure at which Questar is permitted to operate the inlet pipeline, connecting the MAP 370 receipt point to the Fidler Compressor Station, and the discharge pipeline connecting the Fidler Compressor Station to the rest of Questar's system. The petitioners contend that Questar may not operate the Fidler Compressor Station at an inlet pressure higher than 850 psig and a discharge pressure higher than 1,010 psig, even though the MAOP of the pipeline is 1,120 psig, absent further Commission authorization or action by Questar under its blanket certificate authority.<sup>22</sup> The petitioners assert that these pressures were part of flow diagrams submitted by Questar as part of a data response to the Commission.<sup>23</sup> The petitioners state that the clarification is necessary so that QEP will know its obligation to meet pressure requirements of deliveries at MAP 370.

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<sup>20</sup> Request for Rehearing at 22-23.

<sup>21</sup> July 19 Order, 140 FERC ¶ 61,040 at P 100.

<sup>22</sup> Request for Rehearing at 12.

<sup>23</sup> *Id.*

28. Questar responds to the petitioners' request for clarification, stating that the Office of Pipeline Safety within the U.S. Department of Transportation's (DOT) Pipeline and Hazardous Materials Safety Administration (PHMSA), not the Commission, regulates the design, materials and the MAOP of interstate natural gas pipeline safety standards issued by PHMSA. Questar states the 850 psig inlet pressure at MAP 370 used in the flow diagrams reflects the current circumstances under which it provides service to its customers. Questar asserts that current circumstances may change and that it is not possible to predict what operating conditions will be necessary to meet future contractual obligations based upon changes in customer nominations.

29. The July 19 Order does not impose specific pressure parameters on Questar's operation of the Fidlar Compressor Station. The July 19 Order specifically addressed the operational flexibility afforded by Questar operating at the design inlet pressures of 750 psig and 850 psig and outlet pressure of 1,010 psig at the Fidlar Compressor Station and how these proposed operating conditions at the Fidlar Compressor Station would maximize Questar's operational flexibility under the new load requirements for the Liquids Project.<sup>24</sup> However, imposing a future restriction on design operating pressures could result in limiting Questar's ability to react to new customer needs and/or changing market requirements for existing shippers. The only restriction that currently impacts Questar's operations of the Fidlar Compressor Station is the MAOP of the discharge piping as set by DOT regulations in 49 CFR § 192 based upon the physical design characteristics of the pipe.<sup>25</sup> Currently, that MAOP is 1,120 psig.

30. As we stated in the July 19 Order, the Commission recognizes that if Questar is required to operate the Fidlar Compressor Station at the current MAOP of 1,120 psig rather than 1,010 psig, Questar would not be capable of pressurizing and transporting its contractual commitments without upgrading its facilities.<sup>26</sup> However, this conclusion does not preclude Questar from reconfiguring its operations at the Fidlar Compressor Station to accommodate future changes in market demand to increase receipt pressures up to 1,120 psig.

31. Finally, we note that Questar's tariff provides the guidance QEP seeks with regard to its obligation to meet the pressure requirements of deliveries at MAP 370 going forward under the July 19 Order. Section 11.9(b) in the General Terms and Conditions of Questar's tariff provides that "(s)hippers shall deliver gas to Questar's receipt points at

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<sup>24</sup> July 19 Order, 140 FERC ¶ 61,040 at P 95.

<sup>25</sup> Pipeline safety standards promulgated by PHMSA are found in Title 49 of the Code of Federal Regulations.

<sup>26</sup> July 19 Order, 140 FERC ¶ 61,040 at P 96.

pressures up to the applicable MAOP of Questar's pipeline." The Liquids Project does not change the pressure obligations of Questar's shippers as expressed in Questar's existing tariff. Accordingly, the clarification that QEP seeks regarding limiting Questar's operating pressures at the Fidler Compressor Station is denied.

The Commission orders:

(A) The petitioners' request for rehearing of the July 19, 2012 order is denied as discussed in the body of this order.

(B) The petitioners' request for clarification of the July 19, 2012 order is denied as discussed in the body of this order.

By the Commission.

Nathaniel J. Davis, Sr.,  
Deputy Secretary.