

Hurricane Recovery

During the 2005 hurricane season, the Gulf of Mexico region endured two major hurricanes that caused major disruptions to the Nation's energy infrastructure. Energy production was shut-in, pipelines, power lines and other forms of energy transportation were seriously damaged, and important parts of the energy chain, such as natural gas processing plants, were closed. After Hurricanes Katrina and Rita, the Commission was, and continues to be, vigilant in taking whatever steps are necessary to expedite the regulatory process in order to aide the recovery of gas deliverability in the Gulf Coast region or in any other region that suffers such catastrophic impacts to its infrastructure.

Section 260.9 of the Commission's regulations requires companies to report service interruptions to firm customers lasting three or more hours. However, in the occurrence of a major event, such as Hurricanes Katrina and Rita, FERC requested all regulated companies, as well as the various industry associations (AGA, INGAA), to report all service interruptions and related infrastructure issues. In order to decrease the amount of phone calls that inevitably occur during a major event, FERC established a central e-mail address for easy reporting. The e-mail address to report all service outages is as follows: pipeline.service.interruptions@ferc.gov.

Prior to Hurricanes Katrina and Rita, the Commission already had the following provisions in place, which enabled the natural gas industry to take significant steps toward recovery as soon as physically possible after the storms had passed:

- Section 2.55 - Replacement of Facilities - Upon 30-day notification prior to commencement of construction, pipelines can replace physically deteriorated facilities as long as the new facilities will have a substantially equivalent design capacity and be located in the same right-of-way as the facilities being replaced. Advance notification is not required if the cost of the replacement project does not exceed the current cost for blanket certificate activity or the U.S. Department of Transportation safety regulations require that the replacement activity be performed immediately.
- Part 157 - Advance Notice of Emergency Reconstruction - In the case of sudden, unanticipated losses of gas supply or capacity that require immediate restoration of interrupted service, pipeline companies can construct otherwise ineligible facilities under their blanket construction certificate. Once an advance report is filed with the Commission, pipelines may proceed with their emergency reconstruction activity.
- Part 284, Subpart I - Emergency Natural Gas Sale, Transportation and Exchange Transactions - Persons who engage in emergency natural gas transactions, including the construction and operation of necessary facilities, are

exempt from the certificate requirements of the Natural Gas Act. The regulations impose a 120-day limit on these transactions.

The Commission has taken the following additional steps easing regulatory requirements:

Discovery Gas Transmission LLC and Discovery Producer Services LLC, 113 FERC ¶61,025 (2005). On October 11, 2005, the Commission issued an order granting emergency exemption and granting waivers that would expedite the transportation of up to 300 MMcf per day of offshore natural gas that was shut-in as a result of damage to a Dynegy Inc. processing plant in Venice, Louisiana. The Commission action granted Discovery Transmission LLC to construct and operate approximately \$3 million in interconnections without triggering Commission regulations that restrict emergency transactions to 120 days.

Order Temporarily Waiving Regulations to Raise Blanket Certificate Limits , 113 FERC ¶ 61,179 (2005). On November 18, 2005, the Commission issued an order waiving its regulations, on a temporary basis, to raise the limitations on the costs for projects that natural gas pipelines may construct without prior specific authorization under their Part 157, Subpart F blanket certificates. In order to expedite the construction of infrastructure which may serve to provide access to additional supplies of natural gas in the Gulf Coast region as a result of Hurricanes Katrina and Rita, the Commission increased the cost ceiling for projects that can be constructed under the automatic provisions of blanket certificates from \$8 million to \$16 million. The cost ceiling for projects that can be constructed under the prior notice provisions of blanket certificates was increased from \$22 million to \$50 million.

In addition, the definition of “eligible facilities” that qualify for the above treatment was expanded to include:

- mainline facilities;
- extensions of a mainline;
- facilities, including compression and looping, that alter the capacity of a mainline; and
- temporary compression that raises the capacity of a mainline.

The temporary waivers would apply to those projects constructed and placed into service by October 31, 2006.

Order Extending Deadline for Construction of Facilities Pursuant to Temporary Waiver of Regulations Raising Blanket Certificate Limits, 114 FERC ¶ 61,186 (2006). On February 22, 2006, the Commission issued an order extending the previously granted waivers of the limitations in blanket certificate regulations to those projects that would be

constructed and placed into service by February 28, 2007.

In addition, the Commission has granted standard of conduct waivers regarding posting and record keeping requirements and emergency waiver of tariff provisions, such as, waiver of penalties, fees or other charges incurred by customers as a direct result of Hurricane Katrina.