

132 FERC ¶ 61,227
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
John R. Norris, and Cheryl A. LaFleur.

Texas Gas Transmission, LLC

Docket No. CP10-255-000

ORDER AMENDING CERTIFICATES

(Issued September 16, 2010)

1. On April 29, 2010, Texas Gas Transmission, LLC (Texas Gas) filed an application under section 7 of the Natural Gas Act (NGA) to amend certificates for eight of its nine natural gas storage fields located in Kentucky and Indiana to reflect current operational characteristics of those fields.¹ As discussed below, this order grants the requested certificate amendments, subject to conditions.

I. Background

2. Texas Gas is a natural gas company subject to the Commission's jurisdiction and transports and stores natural gas in interstate commerce on behalf of various customers. As is relevant here, Texas Gas operates nine storage fields in Kentucky and Indiana.

3. Texas Gas states that a key asset of its system is its market-area storage complex, which consists of its storage fields in Kentucky and Indiana. Texas Gas states that its storage complex supports its firm no-notice services (NNS, SGT, SNS, NNL, SGL, and WNS) and its firm and interruptible storage services (FSS, FSS-M, ISS, and ISS-M).² Texas Gas states that its storage service acts as a surrogate for pipeline capacity upstream

¹ Texas Gas operates the nine storage fields associated with its market-area storage on an integrated basis. The fields are: Alford, Dixie, Graham Lake, Hanson, Leesville, Midland, Oaktown, West Greenville, and Wilfred.

² Currently, no Texas Gas customer uses NNL, SGL, or WNS services. Further, market-based services under Rate Schedules FSS-M and ISS-M are provided solely from the Midland Storage Field.

of the storage complex, thus allowing upstream pipeline facilities to be generally designed on an average daily basis, while facilities downstream of storage are designed on a peak-day basis.

4. Texas Gas states that it recently conducted a comprehensive review of its market-area storage operations and determined that at eight of its storage fields, actual operating characteristics differ from the operating parameters approved by the Commission during Texas Gas' restructuring proceeding or in subsequent certificate cases. Texas Gas asserts that some fields are capable of storing and delivering more gas than their historic operating levels, while others are no longer capable of operating at their historic operating levels or need certain adjustments. Texas Gas proposes to amend the certificates associated with those fields so that they are consistent with each field's operating characteristics.

5. Texas Gas states that the operational changes requested herein will allow it to offer an additional 4.14 Bcf of working gas capacity and an additional 46,800 Mcf/d peak-day design deliverability under existing storage and no-notice services at cost-based rates. Texas Gas states that it will post and offer this capacity for bid pursuant to its Request for Service process or offer the capacity pursuant to an open season.

II. Proposal

A. Basis of Proposal

6. Texas Gas states that prior to restructuring in 1993, it held a total of 86.5 Bcf of working gas capacity in ten storage fields.³ Texas Gas asserts that during restructuring, it retained ownership of the cushion gas and working gas associated with its storage services, but shifted control of its working gas capacity associated with no-notice services to its customers subscribing for no-notice services under Rate Schedules NNS and SGT.⁴ Additionally, Texas Gas determined that the peak-day deliverability of its fields was significantly less than the daily equivalent of working gas levels of its storage complex. Therefore, as a part of its restructuring proceeding in Docket No. RS92-24-000, Texas

³ See *Texas Gas Transmission Corp.*, 64 FERC ¶ 61,083 (1993). Texas Gas further states that it has since abandoned its White River storage field that held approximately 300,000 Mcf of working gas capacity. *Texas Gas Transmission Corp.*, 88 FERC ¶ 62,187 (1999).

⁴ The certificated storage capacity for a storage field is comprised of: (1) working gas capacity, the volume of gas available for customer use; and (2) cushion gas capacity, the volume of gas required to operationally support storage-related services.

Gas proposed to modify its existing storage field certificates to reduce working gas capacity for no-notice service and system operational purposes from approximately 86.5 Bcf to 55 Bcf. It did so in order to align the required peak-day deliverability of the storage complex with the seasonal withdrawal and injection capabilities of the storage complex at interconnecting pipeline facilities. As a result, Texas Gas proposed to reclassify 31.5 Bcf of working gas to cushion gas.

7. Texas Gas states that the Commission rejected its proposal to reclassify the 31.5 Bcf of working gas to cushion gas, but determined that if Texas Gas were to file engineering studies detailing its storage operations after one year of operating experience under Order No. 636, the Commission would re-examine the issue.⁵ Accordingly, the Commission required Texas Gas to file a report after one year of operational experience reflecting the use of the proposed 55 Bcf of working gas to support no-notice service and load balancing. On January 27, 1995, Texas Gas filed its first year operational report. On August 2, 1995, the Commission accepted the first year operational report, thereby approving the use of 55 Bcf of working gas and the reclassification of 31.5 Bcf of working gas to cushion gas.⁶

8. Since the reclassification, Texas Gas states that it has undertaken a number of storage expansion projects at its storage complex.⁷ Specifically, Texas Gas expanded the working gas capacity of the Midland storage field by 25,420,477 Mcf. In addition, the White River storage field has been abandoned. Currently, Texas Gas has 80,114,468 Mcf of working gas capacity at nine storage fields.

9. Texas Gas states that since 1995, it has operated its nine storage fields on an integrated basis.⁸ Texas Gas asserts that, at times of high system utilization, it has

⁵ *Texas Gas Transmission Corp.*, 64 FERC ¶ 61,083.

⁶ Texas Gas' application shows that working gas capacity decreased after the Order No. 636 reclassification in its Alford, Graham Lake, Hanson, Midland, Oaktown, West Greenville, and Wilfred storage fields, and remained unchanged at its Dixie, Leesville, and White River storage fields. Texas Gas, Application, Table 1 at 8.

⁷ *Texas Gas Transmission, LLC*, 110 FERC ¶ 61,132 (2005); *Texas Gas Transmission, LLC*, 117 FERC ¶ 61,261 (2006); *Texas Gas Transmission, LLC*, 122 FERC ¶ 61,190, *order denying rehearing and granting clarification*, 123 FERC ¶ 61,198, *order on compliance filing*, 125 FERC ¶ 61,189 (2008).

⁸ Texas Gas operates the storage complex as a whole and does not assign individual customer-specific contractual storage rights to a particular field under its cost-based rate schedules. However, under Texas Gas' market-based storage rate schedules

(continued...)

operated individual fields in manners that that may have exceeded the fields' certificated levels, such as injections over the working gas capacity or withdrawals of cushion gas volumes. It further asserts that it has only done so when previous operations have indicated the field could sustain such use, the ongoing monitoring of the field assured operational integrity of the field, and when the total integrated capacity of its storage complex was not exceeded. Texas Gas states that this operational system knowledge, plus additional operational tests conducted on certain fields (operational history) has allowed it to determine that eight of its nine storage fields have actual operating parameters that differ from the operating parameters approved by the Commission during Texas Gas' restructuring or certificated thereafter. Texas Gas states that its operational history demonstrates that the fields are capable of safely and reliably operating at new levels as discussed below.

10. Texas Gas requests Commission approval of: 1) the individual certificate amendments to be consistent with the actual capabilities of each storage field; and 2) Texas Gas' continued integrated operations of these fields as a storage complex. The requested authorizations would allow Texas Gas to provide an additional 4.14 Bcf of additional working gas capacity to the marketplace. The requested amendments would also result in an increase of the total certificated capacity of the storage complex of 495,100 Mcf. Further, Texas Gas would be able to provide an additional 93,600 Mcf/d deliverability, of which 46,800 Mcf/d would be available for customers' use.⁹

11. Texas Gas asserts that the operational history of its storage complex demonstrates that the storage fields can be safely and reliably operated within the parameters it proposes. Texas Gas further contends that operational history has enabled Texas Gas to demonstrate that at certain fields, cushion gas can be reclassified as working gas to enable increases in total storage capacity. Those reclassifications would allow Texas Gas to make available an additional 4,140,611 Mcf of working gas capacity available to its customers.

12. Appendix A to this order sets forth Texas Gas' current and proposed certificated capacity, peak-day deliverability, and cushion and working gas capacities and the resultant increase/decrease for each storage field.

FSS-M and ISS-M, customers use capacity solely provided by market-based facilities at its Midland Storage Field.

⁹ Texas Gas is seeking an increase of 93,600 Mcf/d of peak-day deliverability for the overall storage complex, but will retain 46,800 Mcf/d for storage operations and to continue to provide its existing customers' firm services with the historical flexibility they have been offered.

13. Texas Gas states that as a result of reclassifying cushion gas to working gas, the maximum and minimum bottom hole pressures (BHP) of certain storage fields will change. The following table lists those proposed changes.

Storage Field	Current		Proposed	
	Maximum BHP (psia)	Minimum BHP (psia)	Maximum BHP (psia)	Minimum BHP (psia)
Alford	500	295	500	295
Dixie	475	325	475	298
Graham Lake	850	550	754	444
Hanson	1,018	692	1,018	529
Leesville	410	250	365	220
Midland	934	460	942	460
Oaktown	305	135	305	135
West Greenville	733	415	795	397
Wilfred	885	825	900	805

B. Rate and Commercial Impacts

14. Texas Gas states the amendments will have no effect on its existing agreements, existing services, rates or its FERC Gas Tariff. Texas Gas avers that any rate impacts that may be warranted from the proposed amendments will be addressed in its next rate case.

15. Texas Gas states that upon approval of its application, it will post and offer the additional capacity for bid under its firm no-notice services (NNS, WNS, or NNL) or its firm storage service (FSS) pursuant to Texas Gas' Request for Service process or pursuant to the terms of an open season. Texas Gas states that potential customers will be provided at least seven days' notice of when the capacity will be made available to ensure that all customers have a reasonable opportunity to participate in the process. Texas Gas further states that the notice will provide the details of the open season or direct customers to the tariff procedures that will be used to award the capacity.

16. Texas Gas states that in order to accommodate its customers' working gas volumes, it will have to sell the equivalent amount of gas in place to make room for its customers' gas. Texas Gas states that if its customers request services under Rate Schedules WNS, NNL, or FSS, which require customers to provide working gas volumes, Texas Gas will offer to sell such customers any excess working gas volumes which it might have.¹⁰ Texas Gas asserts that it will make such gas available through a non-discriminatory auction. Texas Gas states that if a customer elects to purchase gas from Texas Gas during such auction, the customer will not be charged for transportation charges, storage injection charges or fuel associated with the transfer of title "in place." Texas Gas states that it will retain the proceeds from such a sale of excess working gas volumes.¹¹

III. Procedural Matters

17. Notice of Texas Gas' application was published in the *Federal Register* on May 14, 2010 (75 Fed. Reg. 27,333). Several parties filed timely, unopposed motions to intervene.¹² The timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's regulations.¹³ No protests or adverse comments were filed.

IV. Discussion

18. Since Texas Gas' proposal involves the transportation of natural gas in interstate commerce, it is subject to the jurisdiction of the Commission under sections 7(c) and (e) of the NGA.

A. Public Convenience and Necessity

19. 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

¹⁰ Pursuant to its restructuring proceeding in Docket No. RS92-24-000, Texas Gas retains ownership of cushion and working gas underlying certain storage services provided pursuant to Rate Schedules NNS.

¹¹ See, e.g., *Natural Gas Pipeline Co. of America*, 101 FERC ¶ 61,125, at P 41-43 (2002).

¹² A list of the intervenors is in Appendix B to this order.

¹³ 18 C.F.R. § 385.214(c) (2010).

interest.¹⁴ The Certificate Policy Statement explains that in deciding whether to authorize the expansion of natural gas facilities, the Commission balances the public benefits against the potential adverse consequences. Under this policy, 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 its existing customers.

20. Texas Gas proposes to offer the additional storage capacity associated with its proposal under its existing rate schedules at its existing rates in a manner which will provide all interested customers the opportunity to obtain the new capacity. Additionally, Texas Gas proposes no new facilities, and no costs are associated with the proposed amendments. Therefore, existing customers will not subsidize Texas Gas' proposal.

21. No new facilities are needed to enable Texas Gas' proposed modifications to the operational parameters of its storage facilities. Further, approval of this application will bring Texas Gas' certificated storage amounts into conformance with its current operations.

22. For these reasons the Commission finds, consistent with NGA section 7, that the public convenience and necessity requires approval of Texas Gas' proposal to amend the individual certificates of each storage field as proposed, such that the total capacity of its integrated storage complex is increased by 495,100 Mcf, working gas capacity is increased by 4.14 Bcf, and peak-day design deliverability is increased by of 93,600 Mcf, of which 46,800 Mcf/d will be made available to Texas Gas' customers, for no-notice services at existing cost-based rates.

B. Engineering Analysis

23. In the exhibits submitted as part of application, Texas Gas provided engineering, geological and operational data supporting its proposed modifications. Specifically, Exhibit Z shows historic inventory levels, cushion gas levels, and the proposed total certificated capacity of each field. This information shows that the historic inventories for each field generally operate at capacities below the total proposed certificated capacity and that cushion gas has not been withdrawn. The proposed levels of total storage capacity, working gas capacity, and cushion gas volume result in new maximum and minimum field pressures for the fields that are affected. Exhibit Z-1 shows these proposed pressures and the formula used to calculate the pressures. Exhibit Z-2 shows

¹⁴ *Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227, at 61,748 (1999), *order on clarification*, 90 FERC ¶ 61,128 (2000), *order on clarification*, 92 FERC ¶ 61,094 (2000) (Certificate Policy Statement).

the Maximum Storage Deliverabilities vs. Inventory, as well as Deliverability Curves for the affected fields. Staff analyzed this data and information and concludes that the methods Texas Gas used to determine the operational parameters of each field are technically sound and, therefore, confirm that Texas Gas' proposed amended capacities and parameters are scientifically supported. Thus we find that the certificate authority for each field should be amended so that the certificates will properly reflect the operational characteristics of each field.

24. The maximum inventory of natural gas (including remaining native gas-in-place) stored in each field, the maximum shut-in reservoir pressure (as measured at the bottomhole), and the peak-day deliverability shall not exceed the limits in the following table without prior Commission authorization:

Field	Total Capacity, MMcf	Working Gas Capacity, MMcf	Cushion Gas Capacity, MMcf	Maximum Reservoir Pressure, psia	Peak Day Deliverability, MMcf/d
Alford	2,519	919	1,600	500	16.9
Dixie	7,687	3,005	4,682	475	40.4
Graham Lake	3,800	1,300	2,500	754	23
Hanson	12,087	5,587	6,500	1,018	156
Leesville	3,800	1,793	2,007	365	17.5
Midland	136,324	65,183	71,141	942	1,030
Oaktown	1,052	302	750	305	6
West Greenville	8,300	4,184	4,116	795	85
Wilfred	4,788	1,982	2,806	900	40

C. Rate Issues

25. Texas Gas' proposal to offer the new capacity under its existing rate schedules at current cost-based rates is appropriate. Further, Texas Gas' proposal to sell excess working gas that it owns and to retain the proceeds is consistent with Commission policy which permits regulated companies to realize the gains, and requires that they absorb any losses, when selling a capital asset.¹⁵

¹⁵ *Trunkline Gas Co.*, 90 FERC ¶ 61,017 (2000); *East Tennessee Natural Gas Co.*,

(continued...)

V. Environmental Analysis

26. This proposal is categorically excluded under section 380.4(a)(27).¹⁶

27. At a hearing held on September 16, 2010, the Commission on its own motion received and made part of the record in this proceeding all evidence, including the application 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 Texas Gas to amend the certificated operational parameters for its individual storage fields and for its storage complex, as described more fully in the application and as approved and conditioned in the body of this order.

(B) The certificate authority issued in Ordering Paragraph (A) is conditioned on Texas Gas' compliance with all applicable Commission regulations under the NGA, particularly the general terms and conditions set forth in paragraphs (a), (e), and (f) of section 157.20 of the regulations.

(C) Texas Gas shall implement the operational changes authorized in Ordering Paragraph (A) above within one year of the date of this order in accordance with section 157.20(b) of the Commission's regulations.

(D) Each field shall be operated in such manner as to prevent/minimize gas loss or migration.

(E) Texas Gas shall submit annual inventory reports for each field.

(F) Texas Gas shall submit semiannual reports (to coincide with the termination of the injection and withdrawal cycles) containing the following information (volumes shall be stated at 14.73 psia and 60 degrees Fahrenheit and pressures shall be stated in psia):

(1) The daily volumes of natural gas injected into and withdrawn from each storage reservoir.

75 FERC ¶ 61,110 (1996).

¹⁶ 18 C.F.R. § 380.4(a)(27) (2010).

- (2) The volume of natural gas in the reservoirs at the end of the reporting period.
- (3) The maximum daily injection and withdrawal rates experienced during the reporting period. Average working pressure on such maximum days taken at a central measuring point where the total volume injected or withdrawn is measured.
- (4) Results of any tracer program by which the leakage of injected gas may be determined. If leakage of gas exists, the report should show the estimated total volume of gas leakage, the volume of recycled gas, and the estimated remaining inventory of gas in the reservoir at the end of the reporting period.
- (5) Any surveys of pressures in gas wells, and the results of back-pressure tests conducted during the reporting period.
- (6) The latest revised structural and isopach maps showing the locations of the wells and the location of the gas-water contact. These maps need not be filed if there is no material change from the maps previously filed.
- (7) For the reporting period, a summary of wells drilled, worked over, or recompleted with subsea depth of formation and casing settings. Summaries of any new core analyses, back-pressure tests, or well log analyses.
- (8) Discussion of current operating problems and conclusions.
- (9) Such other data or reports which may aid the Commission in the evaluation of the storage project.
- (10) Reports shall be filed semiannually until the storage inventory volume and pressure have reached or closely approximate the maximum permitted in the Commission's Order. Thereafter, the reports shall continue on a semiannual basis for a period of one year.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary

Appendix A

Texas Gas Transmission, LLC: Proposed Storage Capacities (Mcf)

Storage Field	Current				Proposed				Proposed Increase/(Decrease)			
	Storage Capacity	Cushion	Working Gas	Peak-Day Design	Storage Capacity	Cushion	Working Gas	Peak-Day Design	Storage Capacity	Cushion	Working Gas	Peak-Day Design
<i>Alford</i>	2,518,753	1,600,000	918,753	30,000	2,518,753	1,600,000	918,753	16,900	0	0	0	(13,100)
<i>Dixie</i>	7,687,000	5,111,942	2,575,058	60,000	7,687,000	4,681,925	3,005,075	40,400	0	(430,017)	430,017	(19,600)
<i>Graham Lake</i>	4,284,114	3,100,000	1,184,114	15,000	3,800,000	2,500,000	1,300,000	23,000	(484,114)	(600,000)	115,886	8,000
<i>Hanson</i>	12,087,322	8,500,000	3,587,322	120,000	12,087,322	6,500,000	5,587,322	156,000	0	(2,000,000)	2,000,000	36,000
<i>Leesville</i>	4,775,000	2,244,060	2,530,940	23,000	3,800,000	2,006,924	1,793,076	17,500	(975,000)	(237,136)	(737,864)	(5,500)
<i>Midland</i>	135,107,078	71,140,853	63,966,225	952,200	136,323,530	71,140,853	65,182,677	1,030,000	1,216,452	0	1,216,452	77,800
<i>Oaktown</i>	1,051,852	750,000	301,852	6,000	1,051,852	750,000	301,852	6,000	0	0	0	0
<i>West Greenville</i>	7,650,204	4,300,000	3,350,204	80,000	8,300,000	4,115,559	4,184,441	85,000	649,796	(184,441)	834,237	5,000
<i>Wilfred</i>	4,700,000	3,000,000	1,700,000	35,000	4,787,966	2,806,083	1,981,883	40,000	87,966	(193,917)	281,883	5,000
Totals	179,861,323	99,746,855	80,114,468	1,321,200	180,356,423	96,101,344	84,255,079	1,414,800	495,100	(3,645,511)	4,140,611	93,600

Appendix B

Anadarko Energy Services Company

Atmos Energy Marketing LLC

Atmos Energy Corporation

Tennessee Valley Authority (TVA)

The Western Tennessee Municipal Group; Jackson Energy Authority; City of Jackson, Tennessee; and The Kentucky Cities (filing jointly as “Cities”),

National Grid Gas Delivery Companies

Louisville Gas and Electric Company

Proliance Energy, LLC

New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation,

Memphis Light, Gas & Water Division

PSEG Energy Resources & Trade LLC