

receives severance and ad valorem taxes on production of natural gas in Wyoming. According to the Energy Information Administration, based on marketed production, Wyoming is now the second largest natural gas producing state with two of the top ten largest gas fields in the U.S. Over ninety percent of the natural gas produced in Wyoming is exported from Wyoming for the benefit of consumers elsewhere in the United States. Consequently, the State of Wyoming has a substantial economic interest in disposition of the natural gas produced in and exported from Wyoming.

The WPA is charged by the State of Wyoming with facilitating the development of pipeline infrastructure inside and outside the State of Wyoming to enhance natural gas development within Wyoming and to develop and maintain access to markets for the abundant natural gas resources of the state. Promoting increased interstate pipeline take-away capacity for Wyoming gas is a core element of the WPA's mandate.

III. BACKGROUND

On January 28, 2010, Wyoming Interstate Gas Co. ("WIC") filed an application under Section 4 of the Natural Gas Act to revise WIC's Tariff to address issues related to rejection by downstream pipelines of deliveries of natural gas from WIC based upon the failure of the tendered gas to meet the downstream pipeline's CO₂ and/or BTU gas quality specification.

IV. MOTION TO INTERVENE

Pursuant to Rule 214, 18 C.F.R. § 385.214 (2009), the WPA moves to intervene in this proceeding. In the pursuit of its obligation to develop and maintain access to markets for the abundant natural gas resources in the State of Wyoming, the WPA has a significant interest in WIC's proposal. The WPA has a direct interest in the outcome of this proceeding that no other party can represent. WPA's participation is in the public interest.

V. PROTEST

WIC's proposal should be rejected by the Commission on multiple grounds.

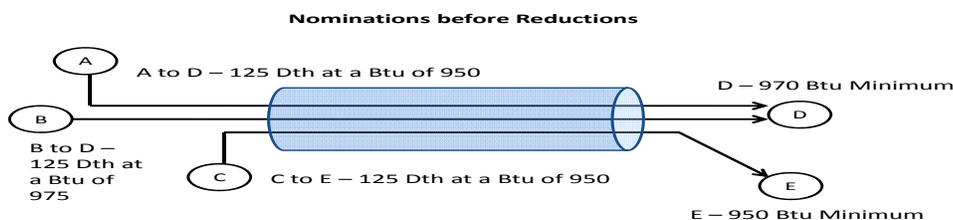
A. WIC'S PROPOSAL WILL IMPLEMENT A *DE FACTO* LOWEST COMMON DENOMINATOR GAS QUALITY STANDARD CONTRARY TO COMMISSION POLICY.

WIC's proposal violates the Commission's policy rejecting a "lowest common denominator" approach to gas quality specifications. *Gulf South Pipeline Co.*, 120 FERC ¶ 61,076, at P 41 (2007). WIC's proposed curtailment procedure would allow the downstream pipeline with the narrowest gas quality specification effectively to dictate, without any market discipline, upstream pipelines' gas quality specifications. The "ripple" or "domino" effect of pushing back upstream, the most restrictive gas quality specification of any downstream pipeline, is extraordinarily costly and inefficient. Yet that is the effect of WIC's proposal; WIC's proposal would apply not only to shippers nominating gas to the restrictive downstream pipeline, but to *all* shippers at *all* Receipt Points on the WIC system *regardless of the nominated destination of the Shipper's gas*.

WIC has provided an illustration of how its proposal would operate. WIC App. at 6-7. The illustrated example included in WIC's filing grossly oversimplifies WIC's own system and bears no relationship to WIC's actual operating structure. The illustrated example in WIC's Application posits multiple supply sources from three separate Receipt Points (Points A, B and C) to the WIC system. The gas from these three Receipt Points is commingled in the WIC pipeline in a path to a single Delivery Point (Point D). WIC's example describes how WIC's proposed tariff language would apply to control curtailment when gas is rejected at the Delivery Point because the commingled gas stream does not meet the Btu specification of the downstream pipeline connected to the WIC system at Delivery Point D.¹

¹ The same procedures would apply based on rejection attributable to CO₂ in excess of the downstream

The fallacies in WIC’s proposal become immediately apparent when a slightly more realistic model is utilized. As the appendix to WIC’s filing indicates, WIC delivers gas to many pipelines, and as a result, the WIC system is a more complicated than the illustration in WIC’s Application would suggest. The addition of just a single additional Delivery Point to the example relied upon by WIC demonstrates the complexity of the gas quality issue and the unjust and unreasonable results produced by WIC’s proposed curtailment methodology.²



The example illustrated above uses the same Receipt Points (A, B and C) and the same quality and quantity of gas from each Receipt Point as WIC used in its illustration. However, unlike the overly simplistic example offered in WIC’s Application, the above illustration adds a new Delivery Point (“E”) to the single Delivery Point (“D”) in WIC’s example. Under the above illustration, 125 Dth of 950 Btu gas from Receipt Point C is nominated to Delivery Point E, rather than to Delivery Point D as was the case in WIC’s example.

Because the gas from all three Receipt Points will be commingled before delivery to either Delivery Point D or E, the gas quality after commingling in the WIC system will be 963 Btu gas as calculated in footnote 12 of WIC’s Application. In this expanded example, the suppliers at Delivery Points A, B and C have each tendered gas that meets the gas quality

pipeline’s specification.

² The results are even more disturbing when the full panoply of the multiple Delivery Points on the WIC system is taken into account.

specifications of WIC (greater than or equal to 950 Btu), and also meets the gas quality specification of the respective pipeline downstream of WIC *to which each shipper has nominated its gas for redelivery*. Yet, under this example, as under WIC's example, the 963 Btu commingled gas stream fails to meet the minimum 970 Btu specification of the pipeline downstream from Delivery Point D.

Applying WIC's proposal to the above illustrated example, WIC would still curtail receipts of gas from both Receipt Points A (entirely) **and C** (partially) *even though the gas nominated at Receipt Point C complies with the gas quality specification in WIC's tariff and the commingled stream meets the gas quality specification of the pipeline downstream from Delivery Point E*. No rational basis exists for curtailing receipts at Receipt Point C. Nor is that result supported by either the FERC Orders relied upon by WIC or the provisions in other interstate pipeline tariffs cited by WIC.³

B. WIC'S PROPOSED TARIFF LANGUAGE IS OVERLY BROAD AND VAGUE.

The tariff revisions proposed by WIC are prefaced by the following introductory phrase:

In the event that a downstream pipeline refuses to accept delivery of gas from Transporter *for reasons related to CO2 or Btu ...*

Introduction to Proposed Tariff Section 10.8 (emphasis added). This introductory phrase renders all that follows impermissibly vague. What precisely does it mean "for reasons related to CO2 or Btu"? We know *one* of the hypothetical situations that WIC has described in its Application where this language would apply. But Section 10.8 is not expressly so limited.

At a minimum, the introductory language of Section 10.8 should have written more

³ If WIC contends that its Application does not address the situation presented by the illustrated example presented here, the actions that WIC would take under its proposed tariff mechanism are unknown and unpredictable, and, therefore, the tariff revisions sought by WIC are impermissibly vague and must be rejected.

precisely to limit the application of the Section as follows:

In the event that a downstream pipeline notifies WIC that the quality of gas tendered by WIC to that pipeline is not in compliance with the Btu content and/or CO₂ gas quality specifications contained in the tariff of the receiving pipeline . . .

This change would provide shippers with an understanding of gas quality requirements that would be far more explicit than “for reasons related to CO₂ or Btu.” Although likely unintended, as written the reference to “reasons related to CO₂ or Btu” could quite literally encompass reasons unrelated to whether the gas met the specific CO₂ or BTU gas quality specifications of the downstream pipeline. What those might be is difficult to say. What is clear is that the possibility should be foreclosed by narrower and more precise tariff language. WIC has not supported the use of “for reasons related to CO₂ or Btu” in lieu of an explicit reference to the respective tariffs of the pipelines downstream of WIC. WIC’s overly broad and vague language should not be approved.

The narrowing language proposed above would **not** be sufficient, however, to cure the more fundamental deficiencies in WIC’s proposal. Proposed Section 10.8 does not provide shippers with adequate advance notice of the ultimate gas quality specification that will be “enforced” by WIC. In the *Natural Gas Interchangeability Policy Statement* the Commission stated that “only natural gas quality and interchangeability specifications contained in a Commission-approved gas tariff” can be enforced. *Natural Gas Interchangeability Policy Statement*, 115 FERC ¶ 61,235, at P 30. WIC’s proposal would effectively allow WIC to impose after-the-fact gas quality standards different from those set forth in WIC’s Tariff. This is because, even if narrowed, the tariff mechanism proposed by WIC *is not limited* to situations where the gas quality specifications of the downstream pipeline *to which the shippers’ gas is nominated* would justify WIC in rejecting receipt of the Shipper’s gas. As demonstrated in the example illustrated in this Protest, WIC could apply its revised tariff procedures where (i) a

downstream pipeline *other than the pipeline to which the shipper's gas has been nominated* seeks to enforce its gas quality specifications on gas delivered by WIC, even though (ii) the commingled gas stream meets the gas quality specification of the downstream pipeline *to which the shipper's gas has actually been nominated*.

C. THE CASES CITED BY WIC DO NOT SUPPORT WIC'S PROPOSAL

In *Gulf South Pipeline Co.*, 120 FERC ¶ 61,076 (2007) ("*Gulf South*"), Gulf South proposed revisions to the gas quality provisions of its tariff that were designed to provide Gulf South the flexibility to meet delivery specifications of downstream pipelines. Although Gulf South's actual proposal differs from WIC's, both proposals were designed to achieve the same goal, preventing downstream pipelines from rejecting a nomination due to gas quality. While the Commission recognized that pipelines need "tariff flexibility," the Commission nevertheless rejected Gulf South's proposal because Gulf South "failed to provide record evidence to demonstrate that gas on its system has been, or would be, rejected by its downstream interconnecting pipelines." *Id.* at P 33 & 41. Similarly, nowhere in WIC's application does it demonstrate that gas on its system has been or will be rejected by downstream interconnecting pipeline; thus, under the *Gulf South* standard, WIC's proposal must be rejected.

Black Marlin Pipeline Co., 88 FERC ¶ 61,174 (1999), involved acceptance of a tariff revision proposed by Black Marlin Pipeline Company (Black Marlin) to allow Black Marlin to accept on a non-discriminatory basis gas that did not meet the minimum gas quality specifications in the Black Marlin tariff. Black Marlin had indicated that under certain operating conditions, Black Marlin would be able to blend non-conforming gas with conforming gas to achieve an acceptable mixture. Black Marlin stated that in the event quality specifications at all delivery points are not met Black Marlin will shut in gas at the receipt point(s) *most out of compliance with Black Marlin's stated gas quality specifications* until the blended stream meets

Black Marlin's stated gas quality specifications. WIC relies on this last provision to support its proposal to reduce natural gas receipts, which are most out of compliance *with the downstream pipeline's gas quality specifications*, until downstream gas quality issues are resolved. WIC's Application at 4. WIC's proposal is fundamentally different from Black Marlin's. Shippers on Black Marlin are shut-in because they do not meet *Black Marlin's* approved gas quality specifications. WIC on the other hand is proposing to shut-in shippers *which meet WIC's gas quality specifications* because they do not meet downstream pipelines' gas quality specifications. As the Commission noted in *Gulf South*, to "the extent the Commission approved gas quality standards for downstream pipelines, those determinations were based on findings that the relevant standards were just and reasonable for those specific pipelines, and have no applicability" to the upstream pipeline's system. *Gulf South* at P 39. WIC cannot reject gas based on gas quality specifications that the Commission has not found to be just and reasonable for WIC's system, including the tighter gas quality specifications of downstream pipelines. Contrary to WIC's assertion, Black Marlin's proposal was not at all similar to WIC's proposal, and does not provide precedential support for WIC's proposal.

White River Hub, LLC, 116 FERC ¶ 61,132 (2008), undermines rather than supports WIC's proposed filing. In *White River Hub*, the Commission stated:

Tariff provisions that give the pipeline too much discretion to change its gas quality standards with inadequate notice or explanation to customers, however, undermines the certainty regarding a pipeline's gas quality standards that the Commission seeks to achieve. We find that as originally proposed section 13.8 is *too broad, too vague, and give White River too much discretion* to impose quality restrictions on its shippers. White River's proposed revision, however, remedies this problem. Thus, the Commission finds modified section 13.8 is acceptable subject to White River's moving it to a more appropriate section of its tariff.

Id. at P 35 (emphasis added and footnotes deleted). Section 13.8 of the White River tariff reads in its entirety:

White River will not be required to schedule delivery of gas into its system at any receipt point if a downstream pipeline or any third party refuses to *confirm the nomination* because the gas fails to satisfy the downstream pipeline's gas quality standards.

White River Hub, LLC FERC Gas Tariff Original Vol. No. 1, Original Sheet No. 125 (emphasis added).

Under the White River Hub Tariff, if a shipper nominates gas to a downstream pipeline that, based upon the downstream pipeline's own gas quality specifications, will not accept receipt of gas from the White River system, *the particular shipper's nomination to the downstream pipeline* will not be confirmed. This provision does not provide White River the authority to reject the gas of a shipper who has **not** nominated gas to the particular downstream pipeline that is objecting to the quality of the commingled gas stream in the White River system.

Referring to the illustration set forth in this Protest, if White River's tariff provisions were applied to the circumstances laid out in the illustrated example, the shipper tendering gas at Receipt Point C and nominating the gas for delivery at Delivery Point E would not experience any curtailment. However, under the tariff revision proposed by WIC, the shipper tendering gas at Receipt Point C would be curtailed, even though the shipper had not nominated gas for delivery at Delivery Point D, the location of the interconnect with the objecting downstream pipeline. Consequently, WIC's reliance on *White River Hub* and the White River Hub Tariff do not support the tariff revisions proposed by WIC.

Perhaps most puzzlingly is WIC's reliance on *Rockies Express Pipeline LLC*, 116 FERC ¶ 61,272 (2006) and 119 FERC ¶ 61,069 (2007)(collectively "*REX*"). In *REX*, Rockies Express proposed to treat original shippers' nominations of gas, which does not otherwise meet, on a stand-alone or on a blended basis, the Rockies Express' gas quality standards, preferentially by agreeing to consider on a first-through-the-meter-basis the feasibility of accepting the non-conforming gas. WIC's proposal is distinguishable from Rockies Express' proposal. Rockies

Express' proposal addresses the willingness of Rockies Express to not apply *its own* gas quality standards, in contrast to WIC's proposal to apply *a downstream pipelines' gas quality specifications* as the basis for rejecting receipts into the WIC system of gas which (a) meets the gas quality specifications set forth in WIC's Tariff and (b) is not even nominated for delivery to the downstream pipeline which is threatening to reject gas from WIC.⁴

Even if WIC has inadvertently cited to the wrong order and is intending to rely on Section 3.1(C) of Rockies Express' Tariff, WIC's reliance on Section 3.1(C) is unavailing. Section 3.1(C) is the equivalent of section 13.8 in White River's tariff and for the reasons discussed above does not support WIC's proposal.

D. THE TARIFF EXAMPLES WIC RELIES ON IN ITS NARRATIVE DO NOT SUPPORT WIC'S PROPOSED TARIFF LANGUAGE.

In no case do the tariffs of the pipelines cited by WIC provide any of the pipelines an unfettered right to reject gas that otherwise conforms to the gas quality specifications set forth in the pipeline's tariff. Indeed the provisions regarding non conforming gas are strikingly similar:

- **Rockies Express Pipeline LLC**, FERC Gas Tariff, General Terms and Conditions,

Section 20.4:

“Transporter, in its reasonable discretion and judgment, may *waive*, on a non-discriminatory basis, the Gas quality specifications at any receipt point to accept *Gas that does not conform to the gas quality specifications set forth in this section . . .*” (Emphasis added.)

- **Gulf South Pipeline Company LP**, FERC Gas Tariff, General Terms and Conditions,

Section 2.4:

“If at any time the receipt gas tendered *fails to conform to any of the applicable quality specifications set forth herein* (‘Quality Incident’), Gulf South may, at its option, shut-in gas pending correction of the deficiency by Customer or the point operator (‘Shut-in’).” (Emphasis added.)

⁴ Notably, the Commission rejected Rockies Express' proposal as discriminatory.

- **Kern River Transmission Company**, FERC Gas Tariff, General Terms and Conditions, Section 4.5:

“If the Gas offered for Transportation by Shipper will fail at any time *to conform to any of the specifications set forth in Section 4.2*, then Transporter will have the right upon written (including by telecopy) or oral notice to Shipper to immediately refuse all or any portion of such Gas.” (Emphasis added.)

- **White River Hub, LLC**, FERC Gas Tariff, General Terms and Conditions, Section 13.7:

“Acceptance of *gas that does not conform to these specifications* is at the election of White River, and acceptance of the gas does not constitute any waiver of White River’s right to refuse to accept similarly nonconforming gas.” (Emphasis added.)

- **Black Marlin Pipeline Company LLC**, FERC Gas Tariff, General Terms and Conditions, Section 2.2(c):

“Transporter shall have the right to require Shipper to have remedied any *deficiency of the gas in quality* and, in the event such deficiency is not remedied, the right, in addition to all other remedies available to it by law, to *refuse to accept such deficient gas* from Shipper until such deficiency is remedied.” (Emphasis added.)

- **Northwest Pipeline GP**, FERC Gas Tariff, Fourth Revised Volume No. 1, General Terms and Conditions, Section 3.5:

“To the extent Transporter can accept gas that does not meet quality specifications without jeopardizing Transporter’s ability to meet its obligations to deliver gas to downstream interconnecting pipelines or markets, it will do so on a non-discriminatory basis to all similarly situated Shippers.”

For each pipeline tariff cited by WIC, failure to meet explicit gas quality specifications has consequences. However, none of the referenced tariffs provide a mechanism to *reject* gas that conforms to the respective gas quality specifications of the individual pipeline, particularly *regardless of the nominated destination of the conforming gas*.

E. THE TARIFF EXAMPLES WIC RELIES ON IN TAB A DO NOT SUPPORT WIC'S PROPOSED TARIFF LANGUAGE.

- **Rockies Express Section 3.1(C):** Section 3.1(C) of Rockies Express' Tariff is narrowly applied. Rockies Express may only decline to schedule a shipper's nomination if the nomination is not accepted by the downstream pipeline to which the shipper nominated redelivery of its gas. In other words, the shipper is only at risk of that its nomination on Rockies Express will not be confirmed based on failure of the downstream pipeline, to which the shipper has nominated its gas for redelivery by Rockies Express, to confirm receipt of the shipper's nominated gas supplies based on that downstream pipeline's gas quality specifications. By contrast, under WIC's proposal, a shipper would be subject to the gas quality specifications of all interconnecting pipelines regardless of whether the shipper plans to ship on those lines.
- **Questar Overthrust Pipeline Company Section 14.12:** This provision exempts Questar Overthrust from responsibility for ensuring that a shipper's gas is accepted at the downstream receipt point. The disclaimer does not, however, give Questar Overthrust the right to reject a shipper's gas because Questar Overthrust's commingled gas stream does not meet the gas quality specifications of a downstream pipeline. Disclaiming responsibility for the non-deliverability of gas is fundamentally different from shutting-in a shipper's gas because it does not meet the most restrictive gas quality specifications of all downstream pipelines, regardless of whether the shipper plans to ship on that pipeline.
- **TransColorado Gas Transmission Company Section 11.10:** In contrast to WIC's proposal, the provision of TransColorado's Tariff discusses the application of TransColorado's gas quality specifications, not the application of a downstream pipeline's gas quality specification. TransColorado's tariff provision only allows TransColorado to reject gas that does not meet TransColorado's gas quality

specifications. This provision does not even address the actions TransColorado might take if a shipper's gas meets TransColorado's gas quality specifications but TransColorado's commingled gas stream does not meet the gas quality specification of a particular downstream pipeline.

- **Questar Pipeline Company Section 13.8, Cheyenne Plains Gas Pipeline Company, L.L.C. Section 5.2, and Colorado Interstate Gas Company Section 9.1:** These three tariff provisions are materially the same. All provide that transporter is not required to accept gas which "is of a quality inferior to that required by shipper or a third party at any delivery point." This authority is implicitly nomination based and does not authorize the kind of blanket rejection which WIC proposes.

F. REQUEST FOR TECHNICAL CONFERENCE

The WPA supports WIC's ongoing efforts to address the consequences of disparate gas quality specifications prevailing on the national pipeline grid. The minor change in WIC's illustration discussed in this Protest demonstrates however the complexity of the issue that WIC is trying to address. As a means to move forward, the WPA supports a Technical Conference in this docket to enable all parties to understand the current and future modes of operation of the WIC system. A Technical Conference would allow all participants to understand what alternate solutions may be available and what constraints may impede those alternative solutions.

VI. CONCLUSION

The WPA respectfully requests the Commission grant the WPA's Motion to Intervene and designate the WPA as a party to this proceeding with all the rights appurtenant thereto. The WPA urges the Commission to reject WIC's proposed tariff revisions. WIC's proposed tariff revisions would impose a lowest common denominator quality standard in contravention of Commission policy. WIC's proposal would permit WIC to enforce unknown and unknowable

de facto quality standards for Btu content and CO₂ that are more stringent than the specifications set forth in WIC's Tariff in contravention of the Commission's *Natural Gas Interchangeability Policy Statement*. The fundamental problem with WIC's proposed curtailment policy is that WIC has divorced its proposed policy from the nomination and confirmation process, leading to far reaching adverse consequences for all shippers, regardless of the downstream pipeline to which the shipper has nominated its gas.

Respectfully submitted,

THE WYOMING PIPELINE AUTHORITY

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in these proceedings.

Dated at Washington, D.C., this 10th day of February 2010.

Nancilee Holland

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