

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Trailblazer Pipeline Company LLC

)

Docket No. RP13-1031-000

**INITIAL COMMENTS OF THE WYOMING PIPELINE AUTHORITY
FOLLOWING TECHNICAL CONFERENCE**

Pursuant to the schedule agreed upon at the Technical Conference held on September 10, 2013, the Wyoming Pipeline Authority (“WPA”) hereby submits its Initial Comments following the Technical Conference.

I. COMMENTS

A. TOTAL INERTS STANDARD

The WPA’s primary concern regarding the non-rate tariff proposals of Trailblazer Pipeline Company LLC (“Trailblazer”) pertain to the proposal to adopt a limit on “total inerts.” The WPA believes that such a limitation would not be compatible with the gas quality standards of interconnecting pipelines, would not satisfy the Interchangeability Guidelines endorsed by the Commission, and have not been justified by the filings of Trailblazer.

At the Technical Conference, Trailblazer indicated that it was prepared to modify its proposal to a 4% total inerts standard. Except as noted below, the WPA has less concern about a 4% standard than the 3% originally proposed by Trailblazer.

Notwithstanding the fact that a 4% total inerts standard raises fewer and less substantial concerns than Trailblazer’s original proposal, the WPA does not believe that Trailblazer has satisfied the threshold criteria applied by the Commission for approving revisions to pipeline gas quality specifications. In this regard the WPA favors the adage, “If it ain’t broke, don’t fix it.”

Thus, Trailblazer has failed to demonstrate either that there is a need to adopt a total inerts standard in order to address a current operational problem on the system, or that the proposal is justified to avoid creating operational problems in the future. Moreover, Trailblazer

has failed to follow the procedural guidance set forth in the Commission's *Gas Quality Policy Statement*.¹

1. Trailblazer's Proposed Total Inerts Specification Lacks Sound Technical Engineering Support

In the *Gas Quality Policy Statement*, the Commission made clear that it “expects that specifications for natural gas quality and interchangeability will be based upon sound technical, engineering and scientific considerations.”² With respect to the proposed total inerts specification, Trailblazer has provided no such evidence.

Unlike H₂S and sulfur, inerts present no risk of physical damage to the pipe or potential threats to human health. Therefore, unlike the argument Trailblazer makes in support of its proposed substantial reductions in its H₂S specification (from 1 grain/Ccf to 0.25 grain/Ccf), and in its total sulfur specification (from 20 grain/Ccf to 5 grain/Ccf), the adoption of a new “total inerts” specification cannot be justified as a prophylactic mechanism to anticipate and prevent an issue before a real problem arises. That argument simply has no bearing on the total inerts issue.

In *Northern*,³ Northern Natural Gas Company (“NNG”) proposed revisions to its CO₂ gas quality specification. The Commission recognized the application of basic tariff burden-of-proof issues to proposals to modify tariff gas quality specifications.⁴ The Commission also recognized its “statutory obligation to ensure consumers ‘access to an adequate supply of gas at reasonable prices.’”⁵ In addition to the pipeline’s burden of proof, the Commission acknowledged its statutory obligation to “ensure that proposals that are intended to address system integrity do not

¹ *Policy Statement On Provisions Governing Natural Gas Quality And Interchangeability In Interstate Natural Gas Pipeline Company Tariffs*, 115 FERC ¶ 61,325 (2006) (“*Gas Quality Policy Statement*”).

² *Gas Quality Policy Statement*, 115 FERC ¶ 61,325 at P 31.

³ *Northern Natural Gas Co.*, 108 FERC ¶ 61,083 (2004) (“*Northern*”).

⁴ *Id.* at P 8 (“A pipeline has the burden under NGA section 4 to show that its proposed tariff changes are just and reasonable.”).

⁵ *Id.* at P 24, quoting *Tejas Power Corp. v. FERC*, 908 F.2d 998, 1003 (D.C. Cir. 1990).

unnecessarily discourage new sources of supply or impose unreasonable costs on shippers and consumers.”⁶ Accordingly, the Commission rejected NNG’s proposal, *inter alia*, because NNG “failed to justify that its proposed tolerance levels for carbon dioxide . . . would resolve the particular corrosion problems it is experiencing.”⁷

Unlike here, in *Northern* NNG made at least some (albeit an inadequate) showing of a problem that would allegedly be remedied by the proposed change in tariff gas quality specifications. In this case, Trailblazer has made no showing whatsoever that the pipeline faces a current (or even future) problem warranting the proposed modification of tariff gas quality specifications. Under these circumstances, the proposed tariff revision should be rejected.

Similarly, in *Gulf South*,⁸ the pipeline proposed numerous changes to its gas quality specifications, including a 4% total inerts limitation, notwithstanding the fact that the pipeline conceded that the “proposed tariff changes are not designed to specifically address engineering or operational problems associated with gas quality issues on either its system or the systems of its on-system customers.”⁹ Although no party protested the proposed 4% limit on total inerts, the Commission rejected the proposed tariff revision, stating:

37. The Commission also finds that Gulf South has failed to provide sufficient evidence to support its proposed . . . total inerts provisions. Although those provisions were not challenged, Gulf South has not supported their justness and reasonableness. . . . Gulf South’s support for its total inerts proposal of a maximum of four percent by volume is historical delivery data showing an average total inerts content of approximately two percent. Again, that data does not support the establishment of a total inerts standard of not more than four percent by volume.

38. Accordingly, the Commission finds that Gulf South has provided insufficient data to support its proposed gas quality

⁶ *Id.*

⁷ *Id.* at P 30.

⁸ *Gulf South Pipeline Co.*, 120 FERC ¶61,076 (2007) (“*Gulf South*”).

⁹ *Id.* at P 3.

standards. Moreover, it has submitted no data to demonstrate that the quality of its gas will change in the near future to warrant the requested change to its gas quality standards . . .¹⁰

The same conclusions can be made with respect to the failure of Trailblazer to support its proposed 4% total inerts standard. As in *Gulf South*, the proposed tariff revision should be rejected.

In *Gulf South*, the Commission also responded to the contention that the pipeline's proposed revisions in gas quality specifications were supported by the scientific evidence that the interconnecting downstream pipelines submitted in support of their own gas quality standards.

Thus, in *Gulf South*, the Commission explained:

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 *Gulf South*'s system. The issue here is not whether the downstream interconnecting pipeline's standards are just and reasonable but whether *Gulf South* has demonstrated that its proposed tariff changes are necessary for *Gulf South* to make deliveries to those interconnects. As explained above, it has not.¹¹

That response is equally applicable to Trailblazer's reliance on the consistency of its proposed gas quality specifications with those of interconnecting pipelines. In this case Trailblazer's reliance on the consistency of its proposals with those of downstream interconnecting pipelines has no relevance to the justness and reasonable of the proposed standards **to the Trailblazer system**.

2. Trailblazer Has Not Complied With The Commission-Prescribed Procedure For Consideration Of proposed Changes In Gas Quality Specifications.

The Commission's policy on gas quality and interchangeability embodies five principles, the third of which is that pipelines should develop gas quality and interchangeability

¹⁰ *Id.* at PP 37-38.

¹¹ *Id.* at P 39.

specifications in consultation with their customers.¹² Trailblazer has failed to make even a good faith effort at satisfying this principle. Trailblazer's proposed gas quality specifications were filed with the Commission as part of a larger rate filing, to WPA's knowledge without any substantive consultation by Trailblazer with any substantial Wyoming natural gas producers or other suppliers of gas to the Trailblazer system.

In the *Gas Quality Policy Statement*, the Commission admonished:

[T]he 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. This will facilitate mutually beneficial outcomes for all parties and should not have a detrimental impact on either current or prospective shippers.¹³

Trailblazer has ignored this admonition, assuring unnecessarily protracted proceedings before the Commission, and imposing unnecessary burdens on the Commission's valuable administrative resources.

3. The Proposed Total Inerts Specification Presents Real Practical Problems For Wyoming Gas Supplies.

The proposed specification for "total inerts" cannot be viewed in isolation. Given the existence of a 2% CO₂ specification in Trailblazer's tariff, nitrogen is the component most likely to be affected by any limitation on total inerts. Any proposed reduction in nitrogen content carries significant economic burdens, and risks significant reductions in gas volumes.

The interplay between (a) attainment of the CO₂ specification on Wyoming Interstate Gas Company ("WIC"), the single largest upstream supplier of gas to Trailblazer, recently negotiated in Docket No. RP12-796-000, and (b) the level of residual nitrogen are of critical importance to upstream suppliers of gas to the Trailblazer system, including producers in the Powder River Basin who deliver coal-bed methane gas into WIC's Medicine Bow Lateral. The impact of

¹² *Gas Quality Policy Statement*, 115 FERC ¶ 61,325 at P 31.

¹³ *Id.*

Trailblazer's proposed limit on total inerts on the State of Wyoming through its tax and royalty interest in Powder River Basin natural gas production would be significant.

In evaluating Trailblazer's proposal, the Commission should be cognizant of the changing pattern of gas flows in Wyoming. Historically, Powder River Basin coal-bed methane gas predominately flowed down WIC's Medicine Bow Lateral to the Cheyenne Hub and into Trailblazer. In the past, gas flowing west to east across Wyoming to the Cheyenne Hub was available for mixing with Powder River Basin gas prior to delivery to Trailblazer. For economic reasons, including stronger gas markets and lower transportation costs, greater volumes of Wyoming gas are increasingly flowing westward on WIC to Ruby Pipeline and Kern River for delivery to California and west-coast markets. This represents a change in the traditional pattern of flows on WIC and promises a decreasing supply of low nitrogen, low CO₂ gas with which gas on WIC's Medicine Bow Lateral can be blended prior to delivery to Trailblazer.

The current CO₂ specification on WIC was established in light of the fact that the major interconnecting pipelines, including Tallgrass Interstate Gas Transmission ("TIGT"), Colorado Interstate Gas ("CIG"), and Trailblazer, lacked a total inert specification, enabling upstream suppliers to operate their plants to meet minimum Btu specifications on the most efficient basis, taking into account the mix of residual non-methane hydrocarbons and nitrogen, while meeting a maximum 2% CO₂ content. Trailblazer's proposal would undermine the reasonable expectations of the parties to that settlement and impose new and unplanned-for restrictions on suppliers' abilities to meet WIC's gas quality standards.

The WPA is concerned that the proposed change to a 4% total inerts specification will impede the flow of gas out of the Powder River Basin and, via Trailblazer, to significant markets in the Midwest, including Chicago. Powder River Basin gas contains both CO₂ and nitrogen. Powder River Basin gas is treated to remove sufficient CO₂ to meet the existing 2% carbon

dioxide limit. However, recent data from the pipelines that move gas out of the Powder River Basin indicate that on occasion the Powder River Basin gas stream contains enough nitrogen that, when combined with the CO₂, the gas would exceed the 4% total inert specification proposed by Trailblazer. This phenomenon is likely to increase in the future because the WPA understands that the nitrogen content of the gas in some areas of the Powder River Basin has shown a tendency to rise over time.

Because nitrogen removal is considerably more expensive than carbon dioxide removal, if a limit on total inerts along a pathway for Powder River Basin gas becomes an issue, additional CO₂ removal will likely be required in order to achieve a combination of CO₂ and nitrogen that is below the constraining limit on total inerts. Alternately, gas from the Powder River Basin would have to flow out of the Rockies via pipelines, other than Trailblazer, on which the inert specification is not an issue, either due to blending opportunities or less stringent gas quality specifications. For example, according to data from informational postings on WIC's website, WIC delivered an average of 470,000 MMBtu per day of gas to Trailblazer during September of 2013. The gas provided by WIC to Trailblazer at the Cheyenne Hub is predominately gas from coal-bed methane sources in the Powder River Basin. As discussed previously, coal-bed methane gas produced in the Powder River Basin contains both carbon dioxide and nitrogen that are the primary inert gases at issue in this proceeding.

If Trailblazer rejects the gas from the Powder River Basin due to a failure to comply with a Trailblazer limit on total inerts, a likely alternative disposition for the gas from WIC would be into Cheyenne Plains Pipeline Company ("Cheyenne Plains"). Like Trailblazer, Cheyenne Plains originates at the Cheyenne Hub and can also deliver gas to NNG and NGPL. In contrast to Trailblazer, Cheyenne Plains has no limit on total inerts.

Redirecting gas to Cheyenne Plains will come at a cost, however. Cheyenne Plains' transportation tariff rates are higher than those of Trailblazer. The currently effective 100% load factor rate for firm service on Cheyenne Plains is \$0.3525 per MMBtu. Trailblazer's equivalent 100% load factor rate for firm service proposed in this case is \$0.0948 per MMBtu. Depending on the resolution of rate matters in this case, the rate on Cheyenne Plains will be at least \$0.2577 per MMBtu higher than the rate proposed in this case by Trailblazer.

The impact of this increased cost of transportation will reduce the value of gas produced in the Powder River Basin. A reduced value of Powder River Basin gas will in turn reduce royalty revenues to the United States, tax and royalty revenues to the State of Wyoming and tax revenues to counties in Wyoming. In particular, the royalty on gas produced from federal leases in the Powder River Basin is 12.5%. The federal government remits 48% of this royalty revenue to the State of Wyoming and retains 52%. The royalty to the State of Wyoming for gas produced from Wyoming State lands is 16.6%. For all gas produced net of these royalty burdens, the State of Wyoming assesses a 6.00% severance tax on the value of the gas produced. In addition, counties in Wyoming assess an *ad valorem* tax on production that for the various counties in which the Powder River Basin is located, averages 6.26% on the value of the gas produced. According to data from the Wyoming Oil and Gas Conservation Commission, 69% of the coal-bed methane production in the Powder River Basin is from leases on federal lands, 23% from leases on private lands, and 8% from leases on State lands.

When these production, royalty and tax rates are applied to the 470,000 MMBtu per day received by Trailblazer in September 2013, and the additional \$0.2577 per MMBtu burden to use Cheyenne Plains in lieu of Trailblazer is taken into account as a reduction in net-back value of Powder River Basin gas, the impact in September 2013 would have been a loss of \$5,440 per day to the United States Government, a loss of \$13,186 per day to the State of Wyoming and a

loss of \$6,835 per day to counties in Wyoming. Annualized, these losses would be approximately \$2,000,000 from the United States, \$4,800,000 from the State of Wyoming, and \$2,500,000 from counties in Wyoming.

Higher costs to treat Powder River Basin gas may also render existing production uneconomic, or reduce the rate of future drilling and production. For every 50,000 MMBtu per day of production (roughly ten percent of the recent WIC-to-Trailblazer flows) rendered uneconomic by increased treating or transportation expense, at a \$3.00/MMBtu wellhead price, the annual lost revenues would be approximately \$2,455,000 from the United States Government, \$5,950,000 from the State of Wyoming, and \$3,000,000 from counties in Wyoming.

In any event, Powder River Basin gas will become less competitive as a consequence of higher CO₂ removal costs or higher costs associated with transportation on other pipelines. Either of these outcomes is detrimental to Powder River Basin coal-bed methane production. Unnecessarily imposing additional treating and/or transportation costs on Powder River Basin natural gas production will hasten a decline in this resource, reduce overall natural gas supplies to the country and reduce both state and federal tax and royalty collections.

When asked at the Technical Conference whether Trailblazer intended to install nitrogen rejection facilities on its pipeline, Trailblazer emphatically rejected the notion. Obviously, Trailblazer (and perhaps some of its downstream customers) would prefer for the producer or processor community to bear the costs of removing nitrogen from the gas stream. At today's gas price levels, however, that is not a realistic expectation.

Although Trailblazer has presented no real operational justification for reducing nitrogen content in the gas, if there were any such justification all shippers, not merely the upstream suppliers, should bear the cost of the facilities required to achieve the levels that sound

engineering evidence demonstrates to be required. But **if those customers and the pipeline are unwilling to pay the costs of achieving those levels, in the absence of evidence that the current level of total inerts threatens to impose operational problems for the pipeline, the pipeline and its downstream customers should not be permitted to shift the economic burden of a purported “benefit” shared by all customers onto the upstream suppliers alone.**¹⁴

Finally, Trailblazer’s proposal is inconsistent with the Commission’s policy of “minimizing any unnecessary restrictions on the supplies available to the national gas market.”¹⁵ Under such circumstances, an unsubstantiated gas quality specification imposing a limit on total inerts cannot be justified under the criteria currently applied by the Commission.

B. Waiver Of Gas Quality Specifications

Trailblazer proposes the following waiver language:

Waiver of Quality Specifications. 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 quality specifications set forth in this section, if Transporter determines that such acceptance will not interfere with Transporter's ability to: (1) maintain prudent and safe operation of part or all of Transporter’s pipeline system, (2) ensure that such gas does not adversely affect Transporter’s ability to provide service to others, and (3) ensure that such gas does not adversely affect Transporter’s ability to tender gas for delivery to a downstream pipeline or end-user.

WPA believes the proposed waiver standard gives too much discretion to the pipeline.

The shippers and upstream gas suppliers seeking a waiver must make three substantive showings in support of the requested waiver:

- (1) that the gas will not interfere with prudent and safe operation of part or all of

¹⁴ A better solution is for all shippers to pay for the cost of such nitrogen rejection facilities through the pipeline’s transportation rates.

¹⁵ *Gas Quality Policy Statement*, 115 FERC ¶ 61,325 at P 41.

the pipeline system,

(2) that the gas will not adversely affect the pipeline's ability to provide service to others, and

(3) that the gas will not adversely affect the pipeline's ability to tender gas for delivery to a downstream pipeline or end-user.

Having met those objective standards, the pipeline should not be able to reject the waiver request on the trumped-up contention that the pipeline has not yet made (and may never make) the required "determinations" ("if Transporter determines that"). The express requirement for the pipeline to make such a determination is an unnecessary procedural hurdle that accomplishes nothing unless it is applied to justify inaction by the pipeline. Instead, if the requisite showings have been made, the pipeline should be required to grant the waiver ("may" vs. "shall") in a timely manner.

Accordingly, WPA suggests the following revisions to the waiver language are appropriate (delete struck-through text and insert underscored text):

Waiver of Quality Specifications. Transporter, in its reasonable discretion and judgment, ~~may~~shall waive, on a non-discriminatory basis, the gas quality specifications at any Receipt Point to accept gas that does not conform to the quality specifications set forth in this section, if ~~Transporter determines that~~ such acceptance will not interfere with Transporter's ability to: (1) maintain prudent and safe operation of part or all of Transporter's pipeline system, (2) ensure that such gas does not adversely affect Transporter's ability to provide service to others, and (3) ensure that such gas does not adversely affect Transporter's ability to tender gas for delivery to a downstream pipeline or end-user.

Under the revised proposed waiver language, if the pipeline disagrees with the shipper's showing, the shipper is free to file a complaint with the Commission unencumbered by the contention that, apart from the merits of the shipper's showing, the pipeline's failure to make the required determination is *ipso facto* conclusive against the shipper's complaint, *i.e.*, because the

pipeline has not made the required “determination.” If the required showing has been made, the shipper should be entitled to the requested waiver as a matter of right (shall), rather than the waiver remaining a matter of beneficence conferred at the discretion (may) of the pipeline. The proposed revision is required in order to assure that the waiver provision is applied on a nondiscriminatory basis as required under the Commission’s *Gas Quality Policy Statement*.¹⁶

C. GENERIC WAIVER AUTHORITY

Trailblazer proposes a new GT&C Section 39 pursuant to which Trailblazer would be authorized to waive, on a non-discriminatory basis, “Transporter rights or shipper obligations under the Tariff.” In WPA’s knowledge, such sweeping waiver authority is unprecedented and should not be conferred lightly as it holds the potential for the pipeline to vitiate its tariff, so long as it does so “on a non-discriminatory basis.”

The requirements of the NGA go beyond the non-discrimination standard, however, requiring that tariff provisions must also be “just and reasonable.” Trailblazer’s proposal elevates the non-discrimination element of the NGA tariff standard above the fundamental just and reasonable standard of the Act. Trailblazer’s proposal fails to distinguish between tariff provisions that are required to be included in the tariff to satisfy the just and reasonable standard of the Act, and tariff provisions which are not so mandated. Trailblazer’s proposal would authorize the pipeline, without Commission approval, to waive rights and obligations required to be included in the tariff in order for the tariff to be deemed just and reasonable. Adjustment of the operation of such tariff provisions should not be left to the largely unfettered discretion of the pipeline, even if implemented on a non-discriminatory manner.

WPA believes that **under such circumstances a waiver may not be sanctioned merely because it is applied on a non-discriminatory basis. More is required, viz. a showing that**

¹⁶ See *Gas Quality Policy Statement*, 115 FERC ¶ 61,325 at PP 40-41.

the application of the tariff remains “just and reasonable” where a right or obligation essential to the justness and reasonableness of the tariff as a whole has been waived (even if waived on a non-discriminatory basis). **Only the Commission can make such determinations on a case-by-case basis.** Accordingly, the proposed sweeping waiver authority must be rejected.

C. POSTING OF WAIVERS

At the Technical Conference, Trailblazer indicated that it did not propose to post either waivers of the pipeline’s gas quality specifications or other waivers granted under the overly broad general waiver authority sought by the pipeline. Trailblazer acknowledged that any waiver must be provided on a non-discriminatory basis. **Posting of the grant of waivers is the only means, however, by which shippers, and ultimately the Commission, can evaluate whether a denial of a particular waiver was unduly discriminatory, or whether a grant of a waiver to a third party may be unduly preferential, both in violation of the NGA.**

Trailblazer initially proposed to post only waivers granted to affiliates. Posting of waivers granted to “affiliates” is not a solution to the problem. Posting of all waivers is essential to assuring compliance with the non-discrimination requirements of the NGA.

In its post-Technical Conference informational filing submitted on September 27, 2013, Trailblazer conceded the issue with respect to posting of waivers of gas quality specifications, proposing a modification of Section 21.4(b) to require posting on the Pipeline’s EBB of waivers of gas quality specifications.

While the WPA supports this revision, it does not go far enough. Trailblazer has not provided for posting of any waivers of other tariff requirements that might be granted by the pipeline under the proposed generic waiver authority of Section 39. The failure to require posting of such waivers is a further reason for rejecting the proposed, over-broad waiver

authority.

D. CHDP STANDARD

Trailblazer's tariff currently provides that gas "shall not contain any hydrocarbon fractions which might condense to free liquids in the line **under normal pipeline conditions**" (emphasis added). Trailblazer views this standard as not sufficiently "objective."

In point of fact, however, the existing standard is every bit as "objective" as a new and arbitrary CHDP standard coupled with the broad discretionary waiver authority that Trailblazer originally proposed. Indeed, the current standard provides a degree of practical certainty to shippers that is not dependent upon Trailblazer's beneficence (which the pipeline may withdraw as easily as it dispenses).

Based upon operating condition information posted by the pipeline on a near real-time basis, upstream gas suppliers with access to processing facilities can make required adjustments to the composition of the gas they deliver to assure that their gas supplies meet the current specification. The reality, moreover, is that the vast majority of the gas delivered into Trailblazer comes from four interconnected interstate pipelines delivering commingled, pipeline quality gas to Trailblazer. Under such circumstances there is no need for the proposed CHDP standard.

Shippers know and understand that under current pipeline operating conditions and those likely "normally" to be encountered in the future on Trailblazer, **condensation of hydrocarbon fractions to free liquids is simply not a problem.** Trailblazer conceded as much at the Technical Conference. Under the criteria adopted by the Commission in its *Gas Quality Policy Statement*, and the precedents for applying those criteria established by the Commission in *Northern* and *Gulf South*, that should be the end of the matter and the proposed tariff modification should be rejected.

Trailblazer's characterization of the originally proposed 15°F CHDP standard as a "safe

harbor . . . consistent with NGPL’s tariff’ was seriously misleading. Under questioning, Trailblazer conceded that the originally proposed 15°F CHDP standard was not a “safe harbor” at all. In its post-Technical Conference supplemental filing dated September 27, 2013, Trailblazer proposed a true CHDP “safe harbor” mechanism. Trailblazer’s September 27, 2013 filing lacks any justification whatsoever for the proposed safe harbor, however. In addition to failing to demonstrate that the safe harbor is needed, Trailblazer has provided no engineering or technical support for its proposal to set the safe harbor level at 15° F.

Thus, Trailblazer’s “clarification” of its proposal respecting CHDP as a safe harbor mechanism does not overcome the fundamental deficiencies facing Trailblazer’s proposal, *i.e.*, that the pipeline has not demonstrated a technical or operational justification for any requirement pertaining to CHDP, let alone the specifics of the proposed 15° F. safe harbor, and, in any event, has not followed the consultative process outlined in the *Gas Quality Policy Statement* designed to produce consensus-based gas quality specifications.

If a new CHDP safe harbor is to be adopted as part of Trailblazer’s tariff, Trailblazer should be required to provide sound engineering and technical support for the level of the proposed 15° F safe harbor, as well as required to develop the safe harbor in consultation with its shippers, as required by the Commission’s *Gas Quality Policy Statement*, rather than seeking to slip an entirely new safe harbor proposal past the Commission as part of a “supplemental filing” within a much larger Section 4 rate case proceeding.

E. RESERVATION OF CAPACITY FOR PIPELINE EXPANSIONS

At the Technical Conference Trailblazer stated that it will accept a 12-month limit for reserving capacity for expansions. Trailblazer proposed additional tariff language implementing the limitation in its September 27, 2013 post-Technical Conference filing. The WPA supports this modification of Trailblazer’s proposal as consistent with, and required by, Commission

precedent.

F. RESERVATION CHARGE CREDITING

At the Technical Conference Trailblazer stated that it will accept granting reservation charge credits on “the greater of” the “quantity not scheduled” or “the quantity not delivered.” Trailblazer proposed additional tariff language implementing the clarification in its September 27, 2013 post-Technical Conference filing. Regrettably, the WPA believes that the revised language does not work as contemplated and does not achieve the desired objective.

The originally proposed crediting mechanism contemplated elimination of Reservation Charges for (paraphrasing) “the quantity of Gas . . . nominated . . . but not scheduled.” The comments of shippers proposed that reservation charge credits to be applied to the “the greater of the nominated quantity not scheduled or the nominated quantity not delivered.”

In response, Trailblazer proposes the following revised tariff language:

- (d) Reservation Charge Credit Quantities – Except as provided in Section 7.14(e) below, in the event Transporter fails to schedule or deliver Nominations on any Day under any firm contract, then the applicable Reservation Charges shall be eliminated as follows:
 - (1) where notice of an outage is not provided prior to the Timely Cycle deadline for the Day, the quantity of Gas, not to exceed the applicable MDQ, nominated at Shipper’s primary point(s) and the greater of the quantity not scheduled or not delivered; or . . .

Parsing the revised proposed language,

Reservation Charges shall be eliminated as follows: . . .

the quantity of Gas . . . nominated . . . and the greater of the quantity not scheduled or not delivered,

it appears that the revised language does not work as intended. A connector, between the “quantity . . . nominated” and “the greater of the quantity not scheduled or not delivered,” is missing.

Some numbers may help illustrate the problem. Assume: an MDQ of 10,000 Dth; a nominated quantity of 9,000 Dth; a scheduled quantity of 8,000 Dth; and a delivered quantity of 7,000 Dth. Thus, the nominated quantity is less than MDQ; both the scheduled quantity and the delivered quantity are less than the nominated quantity; and the amount “not delivered” ($9,000 - 7,000 = 2,000$) is greater than the amount “not scheduled” ($9,000 - 8,000 = 1,000$). Under these circumstances, the intent is for a reservation charge credit of 2,000. However, the crediting language as revised, quite literally provides for a Reservation Charge credit equal to the sum of “the quantity of Gas . . . nominated [9,000 Dth] . . . **and** *the greater of* the quantity not scheduled [1,000 Dth] or not delivered [2,000 Dth],” or a total credit of 9,000 Dth + 2,000 Dth = 11,000 Dth.

The problem can be eliminated by revising the language as follows (delete struck through text; insert underscored text):

- (d) Reservation Charge Credit Quantities – Except as provided in Section 7.14(e) below, in the event Transporter fails to schedule or deliver Nominations on any Day under any firm contract, then the applicable Reservation Charges shall be eliminated as follows:
 - (1) where notice of an outage is not provided prior to the Timely Cycle deadline for the Day, the quantity of Gas, not to exceed the applicable MDQ, nominated at Shipper’s primary point(s) ~~and the greater of the quantity that is not scheduled or not delivered, whichever is greater;~~ or . . .

An alternative formulation which achieves the same result is:

- (d) Reservation Charge Credit Quantities – Except as provided in Section 7.14(e) below, in the event Transporter fails to schedule or deliver Nominations on any Day under any

firm contract, then the applicable Reservation Charges shall be eliminated as follows:

- (1) where notice of an outage is not provided prior to the Timely Cycle deadline for the Day, the greater of the quantity of Gas, not to exceed the applicable MDQ, nominated at Shipper's primary point(s),¹⁷ ~~and the greater of the quantity that is~~ not scheduled or not delivered; or . . .

Either works. As corrected, the WPA supports the modification of Trailblazer's proposal as consistent with, and required by, Commission precedent.

II. CONCLUSION

The WPA requests the Commission to:

- (1) reject the proposed total inerts and CHDP standards;
- (2) adopt the revisions proposed by WPA to Trailblazer's proposed gas quality waiver language;
- (3) consistent with WPA's comments, reject or impose limitations on the general waiver language proposed by Trailblazer as new GT&C Section 39; and
- (4) adopt the revisions proposed by WPA to Trailblazer's proposed Reservation Charge crediting mechanism.

Respectfully submitted,

THE WYOMING PIPELINE AUTHORITY

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¹⁷ Note that the addition of the comma is essential to make the clause grammatically correct; "that is the greater of" then modifies "quantity of Gas" rather than "nominated . . .".

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 11th day of October 2013.

Anne Fazzini
Anne Fazzini