136 FERC ¶ 61,105
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Tennessee Gas Pipeline Company — Docket Nos. CP11-44-000
RP11-1597-000

Kinetica Partners, LLC — Docket No. CP11-47-000

ORDER APPROVING, IN PART, AND DENYING IN PART, ABANDONMENT, DETERMINING JURISDICTIONAL STATUS OF FACILITIES, AND DISMISSING OFFER OF SETTLEMENT

(Issued November 3, 2011)

1. On December 3, 2010, in Docket No. CP11-44-000, Tennessee Gas Pipeline Company (Tennessee) filed an application under section 7(b) of the Natural Gas Act (NGA) for authority to abandon, by sale to Kinetica Partners, LLC (Kinetica), certain onshore and offshore facilities located in the Gulf of Mexico and Louisiana. In the same filing, in Docket No. RP11-1597-000, Tennessee requests that the Commission approve a settlement agreement Tennessee negotiated with certain of its shippers regarding the proposed rate treatment and rate relief pertaining to the proposed sale of the facilities.

2. On December 10, 2010, in Docket No. CP11-47-000, Kinetica filed a petition requesting that the Commission determine that the facilities it seeks to acquire from Tennessee will perform a gathering function under NGA section 1(b) and will be exempt from the Commission's jurisdiction after the proposed abandonment by Tennessee. Kinetica also requests, if the Commission determines that all but a small portion of the facilities perform a gathering function, that the Commission issue Kenetica a certificate of limited jurisdiction under NGA section 7 to transport gas on the facilities found to be jurisdictional with waivers of certain Commission regulatory requirements.

3. As discussed below, the Commission applied the primary function test to the subject facilities and has determined that some of the facilities perform a gathering function exempt from the Commission's jurisdiction under NGA section 1(b) and grants abandonment authorization for those facilities. The Commission has also determined, however, that some of the subject pipelines' primary function is jurisdictional

transmission and that issuance of a certificate of limited jurisdiction and waivers for Kinetica to operate these facilities is not in the public interest. Therefore, the Commission is denying Tennessee's proposal to abandon these particular facilities by transfer to Kinetica.

4. In view of this order's denial of abandonment authority with respect to some of the subject facilities, the Commission is rejecting the settlement agreement that Tennessee negotiated with certain of its shippers regarding the accounting treatment proposed by Tennessee and the rate treatment it would seek to reflect its abandonment and sale of facilities.

I. BACKGROUND AND PROPOSAL

5. Tennessee, a corporation organized and existing under the laws of Delaware, is a natural gas company engaged in the business of transporting and storing natural gas in interstate commerce. Tennessee's mainline transmission system extends northeast from primary sources of supply in Texas, Louisiana, and the Gulf of Mexico.

6. Kinetica, a limited liability company registered in Texas, is a start-up midstream asset company that does not yet own any pipeline facilities. Upon completion of the purchase of the subject facilities, it intends to operate as an unregulated gathering company in offshore Texas and Louisiana and onshore Louisiana.

A. Facilities Proposed to be Abandoned

7. Tennessee proposes to sell approximately 800 miles of pipeline, three separation and dehydration facilities, and six offshore platforms to Kinetica. The facilities, located offshore and onshore in the Gulf of Mexico and Louisiana, are grouped into six separate systems: Sabine Pass System; Second Bayou System; Cameron System; South Marsh Island System; South Timbalier, Grand Isle, and Bay Marchand Systems; and South Pass System. Each system is discussed below.

B. Request for Gathering Determination

8. Kinetica requests that the Commission determine that after Tennessee's abandonment by sale to Kinetica, all of the facilities will perform a gathering function and be exempt from the jurisdiction of the Commission under NGA section 1(b).

C. Request for Limited-Jurisdiction Certificate

9. Kinetica requests that, if the Commission determines that all but a small portion of the facilities will be exempt from the Commission's jurisdiction as gathering facilities upon their acquisition and operation by Kinetica, the Commission issue Kinetica a limited-jurisdiction certificate to cover only such incidental interstate transportation as

Kinetica may perform on those facilities, ancillary to its principal business as a gathering company. It also requests that the Commission approve its proposed rates and terms and conditions, and grant its requested waiver of any applicable accounting standards and reporting requirements.

D. Offer of Settlement in Docket No. RP11-1597-000

10. Under the rate adjustment mechanism proposed in the Settlement filed with the abandonment application, Tennessee would establish a regulatory asset account for an amount equal to the difference between the net book values and the sales proceeds for the subject facilities to be amortized over a 20-year period and recoverable in Tennessee's jurisdictional rates for its Part 284 transportation services. The Settlement provides for Tennessee to make a limited filing under section 4 of the NGA to reduce its currently effective Part 284 transportation rates to reflect the removal of plant-related costs associated with the sale, plus $5 million of annual operating-cost savings.

11. The Settlement is contingent on Tennessee receiving a final non-appealable order approving its proposed abandonment in this proceeding. In addition, Tennessee states that the parties to this Settlement have agreed that its terms should govern the accounting and rate treatment to reflect Tennessee's abandonment of the subject facilities.

II. PROCEDURAL ISSUES

A. Notices, Interventions, Comments, and Answers

12. Notice of Tennessee's abandonment application filed in Docket No. CP11-44-000 and Kinetica's petition for a declaratory order filed in Docket No. CP11-47-000 was published in the *Federal Register* on December 21, 2010 (75 Fed. Reg. 80,045). Notice of Tennessee's Offer of Settlement filed in Docket No. RP11-1597-000 was published in the *Federal Register* on December 20, 2010 (75 Fed. Reg. 79,362).

13. Forty-six parties filed timely, unopposed motions to intervene.[1] These parties are identified in the Appendix to this order. The Northeast Customer Group's intervention included comments in support of Tennessee's abandonment proposal in Docket No. CP11-44-000 and the Settlement filed in Docket No. RP11-1597-000. The Tennessee Valley Authority intervention included comments in support of the Settlement in Docket No. RP11-1597-000.

[1] Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure. *See* 18 C.F.R. § 385.214 (2011).

14. High Island Offshore System, LLC (HIOS), the New York Public Service Commission (NYPSC), Sequent Energy Management, L.P., Mississippi Canyon Gas Pipeline, LLC (Mississippi Canyon), Discovery Gas Transmission LLC (Discovery), Crosstex Processing Services, LLC (Crosstex), and Targa Midstream Services Limited Partnership (Targa) filed motions to intervene out-of-time in Docket No. CP11-44-000 and in Docket No. CP11-47-000. These companies have demonstrated that they have an interest in this proceeding. Granting their motions to intervene at this stage of the proceeding will not cause delay, disruption, or otherwise unfairly prejudice any parties. Thus, for good cause shown, we will grant the untimely motions to intervene under Rule 214(d) of the Commission's regulations.[2]

15. Indicated Shippers,[3] Hilcorp Energy Company (Hilcorp), and Stingray Pipeline Company, LLC (Stingray) filed protests in all three dockets. Arena Energy, LP (Arena), the Independent Producers,[4] W&T Offshore, Inc., and Mississippi Canyon filed protests to Tennessee's abandonment proposal in Docket Nos. CP11-44-000 and to Kinetica's request for declaratory order in Docket No. CP11-47-000.[5] Tennessee and Kinetica filed motions for leave to file answers to the protests. Tennessee filed separately an answer to the protests filed in Docket No. RP11-1597-000 regarding the proposed Settlement and an answer to the protests to its abandonment proposal in Docket No. CP11-44-000 and to Kinetica's request for declaratory order in Docket No. CP11-47-000. Kinetica filed three answers in response to the protests filed in its docket. Stingray twice filed a motion for leave to file a reply and a reply to Kinetica's and Tennessee's answers.

16. Rule 213(a)(2) of the Commission's regulations prohibits answers to protests and answers to answers unless otherwise ordered by the decisional authority.[6] We will allow the filings because doing so will not cause undue delay and they may assist us in our decision-making process. The protests and responses are all addressed below.

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[2] The Appendix to this order contains a list of all intervenors.

[3] Indicated Shippers include: Anadarko Energy Services Co. (Anadarko); Apache Corp.; Chevron U.S.A. Inc.; ConocoPhillips Co. (ConocoPhillips); ExxonMobil Gas & Power Marketing Co.; Noble Energy, Inc.; Shell Energy North America (US), L.P.; and Shell Offshore Inc., all of which also filed separate individual motions to intervene.

[4] Independent Producers includes: Helis Oil & Gas Co., LLC; Superior Natural Gas Corp.; Tana Exploration Co., LLC; and Walter Oil & Gas Corp.

[5] On August 11, 2011, HIOS withdrew its limited protest in the two proceedings.

[6] 18 C.F.R. § 385.213(a)(2) (2011).

B. Request for Settlement/Technical Conference

17. Indicated Shippers and Hilcorp request that the Commission convene a settlement or technical conference to allow the parties to explore the function of the facilities at issue and to allow parties to obtain information concerning the Settlement filed by Tennessee.[7] The Commission will deny the requests for a technical or settlement conference because it is rejecting the Settlement and is able to make its findings regarding the jurisdictional status of the subject facilities on the basis of the existing record in this proceeding.

III. DISCUSSION

A. Tennessee's Request for Abandonment Authority

18. Since the facilities Tennessee proposes to abandon are certificated facilities used to transport natural gas in interstate commerce subject to the jurisdiction of the Commission, the proposed abandonment is subject to the requirements of NGA section 7(b).[8]

19. Pursuant to section 7(b), a grant of abandonment authorization is appropriate when the Commission finds either that the supply of natural gas that can be accessed by the subject facilities has decreased to the extent that the continuance of service on the facilities is unwarranted or that other considerations support a finding that the abandonment of the facilities is permitted by the public convenience or necessity.[9] The applicant has the burden of providing evidence to support these findings.

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[7] While the Tennessee Customer Group (Customer Group) originally requested a settlement conference, on February 4, 2011, it filed an additional comment in which it stated that it had had subsequent discussion with Tennessee and now supports the settlement subject to certain qualifications. Customer Group includes: CenterPoint Energy Resources Corporation (CenterPoint); City of Clarksville Gas and Water Department, City of Clarksville; City of Corinth Public Utilities Commission; Delta Natural Gas Company, Inc.; Greater Dickson Gas Authority; Hardeman Fayette Utility District; Henderson Utility Department; Holly Springs Utility Department; Humphreys County Utility District; Town of Linden; Morehead Utility Plant Board; Portland Natural Gas System, City of Portland; Savannah Utilities; Springfield Gas System, City of Springfield; City of Waynesboro; and West Tennessee Public Utility District.

[8] 15 U.S.C. § 717f(b) (2006).

[9] *Id.*

20. When deciding whether a proposed abandonment is warranted, we consider all relevant factors, but the criteria vary as the circumstances of the abandonment proposal vary.[10] In making our determination, we weigh the claimed benefits of the abandonment against any detriments. While the Commission is sensitive to the economic realities faced by pipelines, there is a presumption in favor of continued certificated service.[11] Hence, continuity and stability of existing service are the primary considerations in assessing the public convenience or necessity of a permanent cessation of service under section 7(b) of the NGA.[12] As discussed below, we find that the circumstances present here do not permit Tennessee's abandonment of all of the facilities at this time.

21. Tennessee states that it has, like all interstate pipelines, experienced a shift in its traditional role from that of a merchant to one of a transporter. Tennessee also states that recent and dramatic changes in supply patterns and flows across its system have caused it to realign its pipeline assets and to seek abandonment, via sale, of certain offshore facilities. Tennessee explains that supplies in the Gulf of Mexico are depleted such that utilization levels on the subject facilities indicate that the facilities are no longer a vital part of Tennessee's system, are no longer needed to support its existing service obligations, and are not essential to Tennessee's interstate transportation services.[13] Tennessee also asserts that it has less need of its offshore facilities as the result of the

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[10] *Northern Natural Gas Co.*, 135 FERC ¶ 61,048 (2011).

[11] *See Transcontinental Gas Pipe Line Corp. v. FPC*, 488 F.2d 1325, 1330 (D.C. Cir. 1973).

[12] *See Southern Natural Gas Co.*, 126 FERC ¶ 61,246 (2009).

[13] Based on system capacities provided in Tennessee's January 20, 2011 answer at 9 and throughput data provided in Exhibit 2.A of applicants' June 7, 2011 Data Response, utilization rates for each of the systems proposed for abandonment are estimated below in the primary function test section of this order. In summary, the aggregate of average day throughput for all six systems proposed for abandonment totaled 456,558 thousand cubic feet per day (Mcfd), with an overall utilization rate of approximately 14 percent, for the year of May 2010 through April 2011. The throughput and utilization rates for each system during the same period are as follows: Sabine Pass System, 66,365 Mcfd (14 percent); Second Bayou System, 47,201 Mcfd (47 percent); Cameron System, 103,138 Mcfd (8 percent); South Marsh Island System 6,652 Mcfd (6 percent); South Timbalier, Grand Isle, and Bay Marchand Systems, 71,896 Mcfd (9 percent); and South Pass System, 161,306 Mcfd (22 percent).

significant growth in onshore supplies driven by increased production of shale gas.[14] Tennessee concludes that its proposed abandonment of the mostly offshore facilities included in its application will enable it to move away from its historic role as an aggregator of supplies to focus its resources on its remaining facilities and optimizing the economic and operational efficiency of its system.[15]

22. Tennessee argues that the long-term needs of both its existing and its future customers can be better served through the proposed divestiture of the Gulf of Mexico production area facilities.[16] In support, Tennessee states that the proposed abandonment will allow it to eliminate the need for future capital expenditures for repairs and/or replacement, reduce its overall hurricane risk exposure,[17] lower future abandonment liability, and reduce operation and maintenance expenditures.[18]

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[14] Tennessee states that three of the shale regions that are forecast to be the most prolific – the Marcellus in Pennsylvania, the Haynesville in northeast Louisiana, and the Eagle Ford in south Texas – are located in close proximity to Tennessee's existing interstate pipeline system.

[15] Tennessee states that it has announced three expansion projects with capital requirements in excess of $1 billion to move new onshore supply sources to markets, with the first project expected to be in service on November 1, 2011.

[16] Tennessee solicited bids for the proposed sale of facilities during the fall of 2009. Tennessee states that, after consulting with most of its northeast firm local distribution company customers, Tennessee and Kinetica entered into a Purchase and Sale Agreement dated October 26, 2010.

[17] Tennessee states that it has spent more than $500 million in response to damages caused by four major hurricanes in recent years. The Commission notes, however, that Tennessee does not claim that the entire $500 million in hurricane damage costs was attributable to the subject facilities and that these facilities represent only a fraction of Tennessee's facilities at risk of hurricane damage.

[18] Tennessee's Offer of Settlement provides for accelerated rate relief to remaining customers following the closing of the sale in that Tennessee has committed to soon thereafter filing to adjust its currently-effective rates to reflect removal of depreciation, return and related income taxes, and $5 million of annual operating costs associated with the subject facilities. Tennessee states that implementation of the proposed abandonment, as well as its customers' support thereof, is contingent upon Commission approval of the Offer of Settlement.

23. Tennessee avers that the proposed abandonment by sale will not harm any of its existing customers. As evidence, Tennessee states that it will not terminate any firm transportation agreements following the sale. Tennessee also explains that over ninety-nine percent of firm transportation nominations for gas sourced on the subject facilities occurs at pooling points and will not be affected by the sale. Further, Tennessee states it is working with customers with receipt points on the subject production area facilities to amend their service agreements to remove those receipt points and add either new interconnection points between Tennessee's system and the facilities sold to Kinetica or appropriate pooling points.[19] Since Tennessee's interruptible transportation contracts provide for comprehensive receipt point flexibility, it states that those service agreements will not need to be amended. Tennessee also states that Kinetica will endeavor to meet with affected producers and shippers to reach mutual agreement on terms of service. Finally, Tennessee states that Kinetica, as a company that views production area gathering as its core business, will provide operational flexibility, attract new supplies, and increase throughput on the acquired systems.

24. When a pipeline wants to divest facilities that are certificated under section 7(c) of the NGA, it must first obtain abandonment authority from the Commission, regardless whether the facilities are gathering facilities.[20] However, the Commission has acknowledged that when it finds that the facilities at issue are currently performing a gathering function – thus are excluded by NGA section 1(b) from the Commission's jurisdiction – it has no choice but to grant the abandonment.[21] Hence, the facilities

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[19] Tennessee states that only three shippers – Anadarko, ConocoPhillips, and CenterPoint – have firm transportation agreements with receipt points and meters on the subject facilities, with reserved capacity in the following amounts: Anadarko, 15,000 Dth per day; ConocoPhillips, 18,468 Dth per day; and CenterPoint, 1,498 Dth per day. We note that Anadarko and ConocoPhillips are part of Indicated Shippers, which have filed a protest to Tennessee's abandonment application. In addition, CenterPoint withdrew its individually filed protest after consultation with Tennessee.

[20] *See*, *e.g.*, *Columbia Gas Transmission Corp.*, 86 FERC ¶ 61,214, at 61,762 (1999). In addition, the Commission requires that a pipeline abandoning gathering facilities make a filing under section 4 of the NGA to terminate any services, including interruptible services, that utilize the facilities. The section 4 filing must be made at least 30 days prior to the effective date of the abandonment of facilities. *Id*.

[21] *Southern Natural Gas Co.*, 126 FERC ¶ 61,246, at P 38 (2009). In *Williams Gas Processing-Gulf Coast Co., L.P. v. FERC* (*Williams*), 331 F.3d 1011 (D.C. Cir. 2003), the D. C. Circuit Court found that the Commission does not have discretion to examine whether an interstate pipeline's abandonment of certificated

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determined to be gathering in this order are excluded from the analysis below of whether the public convenience or necessity permits Tennessee's abandonment of those facilities.

25. We recognize that Tennessee likely would avoid future capital expenditures for repairs and replacement, reduce its exposure to impacts from hurricanes, and reduce its ongoing operation and maintenance expenses if we approved its abandonment application in its entirety. Further, we do not take lightly Tennessee's assertion that the available supply of natural gas in the area served by the facilities may be depleted to the extent that Tennessee's abandonment of some of its facilities, including some facilities which currently function primarily as jurisdictional transmission facilities, might be warranted. Yet, while our detailed review below identifies some facilities with very low or even zero throughput,[22] the aggregate of average day throughput for all six systems is substantial, totaling 456,558 Mcfd for the year of May 2010 through April 2011. Also, the fact that throughput over a jurisdictional facility has declined significantly over the years as offshore reserves have been depleted does not necessarily mean that the revenues from the remaining services still using such facility are insufficient to cover Tennessee's costs associated with the continued operation of the facility, and Tennessee has not made such a claim.

26. Moreover, we are mindful of the protestors' concerns about losing the benefits of the Commission's rate protection and open-access policies for services that rely on any of the facilities for which abandonment authority is granted. Specifically, Indicated Shippers emphasize that Tennessee's sale of facilities to Kinetica would result in stacked rates and the need for multiple transactions and service agreements. This result, they argue, would increase these shippers' overhead costs and disadvantage them relative to shippers whose supplies do not have to be transported by a non-jurisdictional gathering company before reaching jurisdictional facilities regulated by the Commission. Indicated

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facilities that are gathering facilities is in the public interest. *Id*. at 1022. However, the *Williams* court acknowledged that the Fifth Circuit court suggested that the Commission does have some amount of discretion to examine whether an interstate pipeline's abandonment of gathering facilities and services is in the public interest. *Id*. (citing *Pacific Gas & Electric Co. v. FERC*, 106 F.3d 1190, 1197 (5th Cir. 1997)).

[22] Of the six systems, the South Marsh Island System has the lowest average day throughput at 6,652 Mcfd for the year of May 2010 through April 2011. For specific line segments that make up each system, the available data indicate that some line segments currently have minimal or no throughput (e.g., the 21.3-mile long, 20-inch diameter Line 507C-100 in the Cameron System and the 19.7-mile long, 8-inch diameter Line 523D-100 in the South Timbalier, Grand Isle, and Bay Marchand System).

Shippers also argue that paying to have Kinetica transport their gas to Tennessee's onshore pooling points will raise commodity prices at the pooling areas and cause shut-in of Gulf of Mexico gas production. They further state that this will hinder access to a major supply area and thwart the Commission's policy of promoting open-access transportation services, including pooling service. Lastly, several protestors argue that although it is unknown what rates and terms and conditions of service Kinetica intends to offer, it can be assumed that the sum of Kinetica's and Tennessee's rates and terms and conditions of service will not be as favorable as for Tennessee's current service between the same points.

27. The Commission has stated that in determining whether a pipeline's proposed abandonment of jurisdictional facilities is in the public convenience or necessity it will consider the potential that shippers will be charged higher rates for the same services they are currently receiving.[23] If Tennessee's abandonment of the jurisdictional facilities at issue here were authorized, current shippers would have to pay an additional, separate rate for part of the service they currently receive from Tennessee.[24]

28. Despite the showing of admittedly very low utilization rates for some of the subject facilities, we cannot find, based on the instant application and record, that Tennessee's proposed abandonment of any *jurisdictional* facilities is permitted by the public convenience or necessity. Tennessee has requested authority to abandon the subject facilities by sale to Kinetica, but Kinetica has not requested a certificate of public convenience or necessity to acquire and operate jurisdictional facilities, as required by

[23] *Transcontinental Gas Pipe Line Corp.*, 110 FERC ¶ 61,337, at P 44 (2005).

[24] Tennessee emphasizes that the Commission has found that a pipeline's proposal to abandon facilities may be permitted even when customers would have to pay a gathering charge in addition to the downstream interstate pipeline's rates. Tennessee cites *Trunkline Gas Co*., 81 FERC ¶ 61,351, at 62,640-41 (1997); *Williams Natural Gas Co.*, 74 FERC ¶ 61,103 (1996); *Williams Natural Gas Co.*, 71 FERC ¶ 61,115 (1995), *reh'g denied*, 75 FERC ¶ 61,036 (1996); and *Panhandle Eastern Pipe Line Co.*, 71 FERC ¶ 61,201 (1995). Yet, the cases cited by Tennessee with respect to the charging of separate rates on abandoned facilities are mostly inapplicable here, because in those cases the Commission found that the facilities at issue were performing a gathering function at the time the applications were filed and thus were excluded by NGA section 1(b) from Commission jurisdiction. The issue before us here is the proposed abandonment of facilities that we find are currently performing a jurisdictional transmission function. The protestors' concerns with respect to rate impacts which would result from such an abandonment are thus a significant consideration in our decision-making process.

section 7(c)(1)(A) of the NGA.[25] Our denial of authority for Tennessee to abandon the jurisdictional facilities is without prejudice to Kinetica or another company seeking to acquire and operate the facilities as fully jurisdictional, open-access facilities under the NGA.[26]

B. The Primary Function Test

29. Under section 1(b) of the NGA, the Commission's jurisdiction does not extend to facilities used for "the production or gathering of natural gas." The NGA, however, does not define the term "gathering." As a result, the Commission has developed a legal test, known as the "primary function test,"[27] to determine which facilities are non-jurisdictional gathering facilities and which facilities are jurisdictional transmission facilities.

30. The "primary function test" includes consideration of several physical and geographic factors, including: (1) the lengths and diameters of the pipelines at issue; (2) the extension of the subject facilities beyond the central point in the field; (3) the facilities' geographic configuration; (4) the location of compressors and processing plants; (5) the location of wells along all or part of the facilities; and (6) the operating pressure of the lines. The Commission also considers the purpose, location, and operation of the facilities; the general business activity of the owner of the facilities; and whether the jurisdictional determination is consistent with the NGA and the Natural Gas Policy Act of 1978.[28] The Commission does not consider any one factor to be determinative and recognizes that all factors do not necessarily apply to all situations.[29]

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[25] 15 U.S.C. § 717(f). *See also Northwest Pipeline Corp.*, 121 FERC ¶ 61,158, at n.7 (2007).

[26] As discussed herein, there are three 3,400 horsepower compressor units at the EC 49 platform, and Kinetica asserts that Tennessee no longer needs the units and only runs them as often as necessary to keep them operable. Our denial of abandonment authority for Tennessee to abandon jurisdictional facilities based on the proposal before us is also without prejudice to Tennessee seeking to abandon the compressor units because it no longer needs them to provide its jurisdictional services.

[27] *See Amerada Hess Corp.*, 52 FERC ¶ 61,268 (1990) and *Farmland Industries, Inc.*, 23 FERC ¶ 61,063 (1983).

[28] 15 U.S.C. §§ 3301-3432 (2006).

[29] *Columbia Gas Transmission Corp.*, 93 FERC ¶ 61,278, at 61,913 (2000).

31. In *Sea Robin Pipeline Co. (Sea Robin)*,[30] the Commission adopted an additional factor – a central aggregation point criterion – to assist in the analysis of where gathering ends and transportation begins with respect to offshore facilities. In applying its central aggregation point criterion, the Commission looks at whether there is a given point on an offshore system where gas is received from multiple upstream areas and at which there is a marked change in physical attributes, e.g., significantly larger diameter pipe downstream of that point, the presence of a production platform, or high horsepower (hp) compression facilities.

32. If there is such a central point of aggregation, the Commission still reviews the traditional factors of the primary function test – i.e., the overall geographic configuration of the system, the physical dimensions of the facilities, and the locations of compression facilities and connections with supply laterals, wells, and productions platforms – in deciding whether the identified central point of aggregation is where non-jurisdictional gathering ends and jurisdictional transmission begins.[31] While the courts have sanctioned giving some weight to non-physical factors, e.g., the original purpose of the subject facilities or the general business activities of the owner, and have agreed that they may be relevant considerations in determining the demarcation point between transmission and gathering facilities, such non-physical factors must be secondary to the physical factors. Thus, non-physical factors "generally only come into play if application of the physical factors results in a close call."[32]

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[30] *Sea Robin Pipeline Co., order on remand*, 87 FERC ¶ 61,384 (1999) (*Sea Robin*).

[31] *Id.* at 62,430-31.

[32] *Transcontinental Gas Pipe Line Corp.* (*Jupiter*), 121 FERC ¶ 61,157, at P 11 (2007). In *Jupiter*, the Commission found on remand that its previous orders had placed too much significance on the identification of a central point of aggregation as the basis for finding that offshore facilities owned and operated by Jupiter Energy Corporation were jurisdictional. The Commission's order on remand acknowledged that in the *Sea Robin* proceeding announcing the central aggregation point as an additional criterion when addressing offshore facilities, the Commission indicated that the weight given to any identified central aggregation point would depend, in part, on the extent to which there was a "*marked change* in the physical attributes and geographic configuration" at that point. After analyzing Jupiter's facilities in light of the court's discussion that other physical and non-physical factors should be given appropriate weight, the Commission found that Jupiter's pipeline facilities would be non-jurisdictional gathering facilities upon transfer to Jupiter's parent, Unocal, which sought to integrate the facilities into its

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33. As stated, the subject facilities, which Tennessee proposes to abandon by sale to Kinetica, include approximately 800 miles of pipeline, three separation and dehydration facilities, and six offshore platforms. The facilities, located offshore in the Gulf of Mexico and onshore in Louisiana, cover a large area and include most of Tennessee's remaining offshore facilities. They are grouped into six separate systems, as described below.[33] In cases such as this, where the proposed abandonment of facilities is protested and it is not clear that the present owner no longer needs the facilities to provide its jurisdictional services, in determining the jurisdictional function of the facilities the Commission must first analyze them as they currently exist and operate.[34]

1. Sabine Pass System

34. The Sabine Pass System consists of approximately 49.9 miles of 10-inch to 30-inch diameter pipeline. Roughly 40 miles of pipeline are located in federal waters offshore of Texas and Louisiana in the High Island Area, Sabine Pass Area, and West Cameron Area. The system comes onshore in Cameron Parish, Louisiana, where the two phase liquid/gas stream is dehydrated and separated at the Johnson Bayou Separation and Dehydration Plant (Johnson Bayou Plant) and then cryogenically processed at the nearby Sabine Pass Gas Processing Plant, owned and operated by Crosstex. There is no compression on the system other than the compression provided by the processing plant's operator to restore line pressure at the plant discharge to the pressure at which the gas was received into the plant. The system includes 1.4 miles of 30-inch diameter pipeline extending from the processing plant to an interconnection with the Transcontinental Gas Pipeline Corporation (Transco) system's Southwest Lateral, in which Tennessee owns

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own gathering and production system. *Id.* at P 12-17 (citing *Sea Robin*, 87 FERC at 62,430).

[33] Indicated Shippers, Independent Producers, Hilcorp, and Arena generally argue in their protests that the lengths, operating pressures, and diameters of the pipelines in all of these systems indicate that each system primarily functions as a jurisdictional transmission system. As we examine each of the systems separately, we will examine the facilities in light of these protests.

[34] *Transcontinental Gas Pipe Line Co., LLC*, 129 FERC ¶ 61,255, at P 38 (2009) (citing *Southern Natural Gas Co.*, 126 FERC ¶ 61,246, at P 43 (2009)). Kinetica proposes that upon acquisition it would divert volumes received from Stingray and block receipts from HIOS and Mississippi Canyon, all jurisdictional natural gas pipeline companies. Kinetica also suggests that it would be able to increase the utilization of the facilities due to its operation of the facilities as a gathering company.

capacity. The capacity of the Sabine Pass System is 481,750 dekatherms (Dth) per day,[35] and the average daily throughput for the year May 2010 through April 2011 was 66,365 Mcfd for a utilization rate of approximately 14 percent.[36]

35. The Sabine Pass System consists of pipeline segments ranging from approximately one mile to 22 miles in length and 10 inches to 30 inches in diameter. None of the pipeline segments' length or diameter is necessarily inconsistent with a gathering function.[37] Nor is the system's operating pressure of 800 to 900 psig, which is supported by pressures at the wellhead.[38] As the Commission has previously stated, "[w]e adhere to no bright line test regarding size and operating pressure of offshore facilities. Facilities as large as typical transmission lines may nevertheless be found to be gathering when other primary function factors demonstrate characteristics consistent with gathering."[39] The lack of compression on the system is also not inconsistent with a gathering function,

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[35] Tennessee's January 20, 2011, answer at page 9.

[36] Exhibit 2.A in applicants' June 7, 2011 Data Response provides volumes in Mcfd. For the purpose of determining system utilization here, and in our discussions of the other systems, we are assuming a rough thermal equivalency of one Dth per Mcf. For example, comparing the throughput for October 2010 in Mcfd, provided in Exhibit 2.A of the June 7, 2011 Data Response (71,162 Mcfd), to the thermal equivalent provided in Tennessee's January 20, 2011 answer (76,800 Dth per day), indicates a conversion factor of 1.079 Dth per Mcf for the Sabine Pass System, which would result in a utilization factor for the year ending April 2011 of 14.9 percent rather than 13.8 percent.

[37] The system's largest line, 821E-100, which is a 22-mile long, 30-inch diameter line, is as large as many offshore pipelines in shallow waters found to be jurisdictional transmission facilities. *See, e.g.*, *Sea Robin Pipeline Company*, 71 FERC ¶ 61,351, at 62,396-99 (1995), *reh'g denied*, 75 FERC ¶ 61,332 (1996) (stating 20-inch and larger diameter pipes, in the absence of countervailing factors, are generally indicative of a transportation function). However, offshore pipelines in shallow waters that were longer than 22 miles and 30 inches in diameter also have been found to be gathering facilities. *See, e.g., Transcontinental Gas Pipe Line Corp.*, 97 FERC ¶ 61,296, at 32,385-86 (2001) (finding that facilities consisting of over 41 miles of 30-inch pipeline as gathering).

[38] *See, e.g., Tennessee Gas Pipeline Co.*, 124 FERC ¶ 61,128, at P 15 (2008) (stating an "operating range of 800 to 1,200 psig is consistent with the higher operating pressure of offshore gathering facilities . . . .").

[39] *See Trunkline Gas Co.*, 95 FERC ¶ 61,337, at 62,238 (2001).

and the location onshore of a processing plant is not dispositive in determining the function of offshore facilities.[40]

36. On the other hand, the system has the configuration of an inverted "Y" with a platform located in Sabine Pass Block 18 in Texas (SX 18). At the SX 18 platform, 12-inch diameter and 24-inch diameter upstream lines feed into a 30-inch diameter line (821E-100) that extends approximately 22 miles to the onshore processing facilities.

37. Kinetica argues that the platform's current primary role is that of a pigging platform, not as a point of central of aggregation for upstream production. Further, while Kinetica acknowledges that the SX 18 platform originally functioned as a central aggregation point, Kinetica claims that there have been no new connections to access production upstream of the platform since 1989; rather, all new connections have been made downstream of the platform on the 30-inch diameter 821E-100 line. On June 7, 2011, Kinetica and Tennessee further clarified that while there have been no new connections upstream of the SX 18 platform since 1989, there has been new upstream production added via the existing connections upstream of the platform.[41]

38. We are not persuaded that a shift in the proportion of throughput received into the system downstream of the SX 18 platform negates its function as a central point of aggregation.[42] Production receipts into the system downstream of the SX 18 platform

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[40] *Id.* at 62,237 (stating "the fact that Trunkline's offshore facilities, along with almost all other offshore facilities, are upstream of gas processing plants provides little insight into the facilities' primary function.") (citing *Sea Robin*, 87 FERC ¶ 61,384 (1999), *reh'g denied*, 92 FERC ¶ 61,072 (2000)).

[41] Applicants' June 7, 2011, Data Response, Information Request No. 10.

[42] The Commission's decision to require the unbundling of interstate pipelines' services also triggered interstate pipelines' filing of applications to transfer their gathering facilities to non-jurisdictional gathering affiliates or other gatherers. Regardless whether particular facilities presented in these applications have always served a gathering function, they were constructed under certificate authorizations requested by the pipelines and granted by the Commission. Consequently, the Commission concluded that "[e]xisting interstate pipelines and gathering facilities would retain their status barring some change in circumstances . . . ." *Transcontinental Gas Pipe Line Corp.*, 76 FERC ¶ 61,317, at 62,543 (1996), *quoting* the Commission's policy statement on *Gas Pipeline Facilities and Services on the Outer Continental Shelf–Issues Related to the Commission's Jurisdiction Under the Natural Gas Act and the Outer Continental Shelf Lands Act*, 74 FERC ¶ 61,222, at 61,757-59 (1996). While declining

(continued…)

averaged 35,997 Mcfd from May 2010 through April 2011, and total system throughput averaged 66,365 Mcfd for the same period.[43] Further, from the information provided by Tennessee and Kinetica, it appears there are only two active points where production is received into the system downstream of the SX 18 platform.[44]

39. As with the system at issue in the *Sea Robin* proceeding, the SX 18 platform is the location where there is a physical change in the system with markedly smaller pipelines feeding into a larger mainline trunk designed to transport the gathered volumes to shore.[45] This mainline trunk may also receive volumes through a small number of production receipt points along its way to shore, but that does not change the primary function of the trunkline going to shore or the other facilities downstream of the SX 18 platform.[46] Therefore, we find that the SX 18 platform, which does not contain compression facilities and is owned by Tennessee, and all upstream facilities primarily perform a gathering function, while the primary function of the facilities downstream from the platform is jurisdictional transmission.[47]

40. While the U. S. District Court for the Fifth Circuit held in *Sea Robin* that non-physical factors are "secondary to the physical factors,"[48] that court later stated in *Jupiter*

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utilization of facilities due to declining production is a change in circumstances, it does not, by itself, demonstrate a change in the facilities primary function.

[43] Applicants' June 7, 2011, Data Response Exhibit 8.A and 2.A.

[44] Exhibit 8.A in applicants' June 7, 2011, Data Response indicates the downstream receipt points. Conversely, Exhibit E of Kinetica's application lists six active receipt points upstream of SX 18, with three on the upstream western leg and three on the eastern leg.

[45] *Sea Robin*, 87 FERC ¶ 61,384, at 62,431 (1999).

[46] *Id.* (stating the introduction of gas from only a few producing locations downstream of a centralized collection point does not change the primary function of a downstream mainline trunk).

[47] Line 821E-1200, which is 1.2-miles long and 10 inches in diameter, feeds into the 22-mile long Line 821E-100 trunkline about five miles from shore. This simply configured supply lateral has only one active receipt point and is ancillary to the transmission function of Line 821E-100. Thus, its primary function also is jurisdictional transmission.

[48] *Sea Robin Pipeline Co. v. FERC*, 127 F.3d 365, 371 (5th Cir. 1997).

that non-physical factors cannot be ignored when they are relevant in determining whether facilities are gathering facilities.[49] Thus, the Commission continues to apply its primary function test in a manner that makes non-physical factors secondary to the physical factors and generally will only rely on non-physical factors if application of the physical factors results in a close call.[50] Since *Jupiter*, we identify, on a case-by-case basis, any non-physical factors which, under the circumstances of the case before us, should be given weight in determining the jurisdictional status of the facilities at issue. However, in this proceeding, unlike the case in *Jupiter*, we are not dealing with a situation where the applicant is requesting authorization to abandon all of its facilities to its only remaining shipper, which also happens to be its parent company whose only other facilities are non-jurisdictional gathering and production facilities. Nor have we identified any other non-physical factors that we find relevant in our primary function analysis of Tennessee's Sabine Pass System facilities or the other systems that Tennessee seeks to abandon in this proceeding.

2. Second Bayou System

41. Tennessee's Second Bayou System is located entirely onshore paralleling the coastline in Cameron Parish, Louisiana. The system consists primarily of a 32.6-mile long, 16-inch diameter pipeline (Line 507A-1600) oriented in an east-west direction between the separation/dehydration and processing facilities at Johnson Bayou (Johnson Bayou Plant) to the west and the Grand Chenier processing plant to the east. A 1.6-mile long, 8-inch diameter pipeline (Line 821E-700) extends from near the western end of Line 507A-1600 to an interconnection with the Sabine Pass System Line 821E-100 at the Johnson Bayou Plant, from which Transco's nearby Southwest Lateral can be accessed. Line 507A-1600 interconnects at its eastern end with the 12-inch diameter Line 507A-100, on which the gas can flow either about 10 miles eastward as part of the Cameron System toward the Grand Chenier processing plant or northward on the portion of Tennessee's Line 507A-100 that Tennessee would retain. The capacity of the Second Bayou System is 101,040 Dth per day,[51] and the average day throughput for the year May 2010 through April 2011 was 47,201 Mcfd[52] for a utilization rate of approximately 47 percent.

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[49] *Jupiter Energy Corp. v. FERC*, 482 F.3d 293, 298 (2007).

[50] *See High Island Offshore System, L.L.C.*, 128 FERC ¶ 61,292, at P 11 (2009).

[51] Tennessee's January 20, 2011, answer at page 9.

[52] Applicants' June 7, 2011, Data Response 2.A.

42. The above-described lengths and diameters of the pipeline segments that are part of the Second Bayou System, the system's average operating pressure of 750 psig, and the lack of any compression on this system all could be consistent with a gathering function. However, the system transports gas received from an interconnection with Stingray's jurisdictional offshore pipeline system. The interconnection with Stingray's system is on Line 507A-1600 about four miles from the Johnson Bayou Plant on the western end of the system. Stingray's gas is processed to pipeline quality onshore at Targa's dehydration and separation and processing plants before it is delivered into the nearby Second Bayou System. The normal flow of gas on the system is eastward. The location of the Second Bayou System downstream from Targa's processing plant is strongly indicative of a transmission function.[53]

43. Kinetica states that upon acquisition of the Second Bayou System, it intends[54] to reroute receipts from Stingray westward to the Johnson Bayou Plant through the 8-inch diameter Line 821E-700. It intends to receive other unprocessed volumes into the remaining eastern portion of the system from wells located along its route for delivery eastward to the Grand Chenier processing plant on the Cameron System.[55] Kinetica argues that the Second Bayou System's approximately 4-mile long pipeline segment downstream of Targa's processing plant to the Johnson Bayou Plant and Transco's Southwest Lateral would qualify as a non-jurisdictional stub line. Stingray objects to Kinetica's plans, in part, over concerns that the capacity of the 8-inch line would be inadequate for its needs.

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[53] The Commission generally finds that facilities that are located onshore beyond a processing plant are jurisdictional transmission facilities. *Northwest Pipeline GP*, 127 FERC ¶ 61,261, at P 23 (2009).

[54] As we stated earlier, our primary function test analysis applies to the facilities as they are currently operated by Tennessee. Nevertheless, for purposes of clarity, we address Kinetica's stated intention for operating the project.

[55] Kinetica, in its application, states that it would receive production from four connections along Line 507A-1600. However, neither Exhibit E of Kinetica's application, nor applicants' Exhibit 8.A in the June 7, 2011, Data Response, lists any active points where production is currently received into the Second Bayou System east of the Stingray interconnect. Although Exhibit E of the application lists one active receipt point located west of the Stingray interconnect, Exhibit 8.A does not list that meter as an active receipt point. In the June 7, 2011, Data Response, applicants clarify that the discrepancy is likely due to the fact that Exhibit E in Kinetica's application refers to active receipt points where gas flowed in the month of October 2010, while the active points listed in Exhibit 8.A are based on data from May 2010 through April 2011.

44. We reject Kinetica's suggestion that the 4-mile long pipeline segment of the system extending westward from the interconnection with Stingray near Targa's processing plant would be a non-jurisdictional stub line. Our stub line policy is intended to allow gathering treatment to be accorded to a pipeline downstream of a processing plant when the pipeline can be considered incidental to a gatherer's system and operations because the pipeline is less than five miles in length and relatively small when compared to more extensive gathering facilities owned by the same company upstream of the processing plant. While Kinetica's planned operational change would indeed result in Kinetica transporting pipeline quality gas for only four miles after receiving it from Stingray's processing plant, the pipeline facilities upstream of the processing plant still would not be gathering facilities also owned by Kinetica.[56]

45. In any event, all or nearly all of the gas transported on the Second Bayou System is gas that has already been processed, is pipeline quality, and is received from Stingray. Thus, we find that these facilities currently have a primary function of transmission.[57] In fact, regardless of the presence of the upstream processing plant, we would find that the Second Bayou System's pipeline facilities are jurisdictional even if the pipeline facilities upstream of the plant were non-jurisdictional facilities because the system does not have the physical characteristics necessary to find they are gathering.

3. Cameron System

46. The Cameron System includes 306 miles of pipeline having diameters from four to 26 inches and operating at pressures in the 850 to 900 psig range with no compression utilized. The facilities include 210 miles of pipeline located in federal and state waters offshore of Louisiana and 96 miles of pipeline located onshore in Cameron and

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[56] *See, e.g., Colorado Interstate Gas Co.*, 128 FERC ¶ 61,122, at P 32 (citing *Superior Offshore Pipeline Co.*, 67 FERC ¶ 61,253, at 61,834-35 (1994)). In addition, the Commission has in some instances granted certificates of limited jurisdiction to otherwise NGA-exempt gathering companies to operate lines downstream of processing plants that did not qualify as stub lines and granted waivers of open-access and other regulatory requirements. In those cases, the entities that owned the downstream lines at issue also gathered and owned all of the gas transported by the lines and the upstream gathering facilities. *See Collbran Valley Gas Gathering, LLC*, 128 FERC ¶ 61,186, at P 9 (2009).

[57] *ANR Pipeline Co.*, 77 FERC ¶ 61,230, at 61,936-37 (1996) (finding that a 15.1-mile long, 20-inch diameter pipeline located downstream of a processing plant and with multiple wells attached functioned primarily as a jurisdictional transmission facility).

Vermilion Parishes, Louisiana. The Cameron System is a two-phase system that delivers all gas to separation/dehydration and processing facilities (the Grand Chenier processing plant) onshore in Cameron Parish, Louisiana. The capacity of the Cameron System is 1,230,000 Dth per day and the average day throughput for the year from May 2010 through April 2011 was 103,138 Mcfd[58] for a utilization rate of approximately eight percent.

47. For the purpose of applying the primary function test, we have divided the Cameron System facilities into four groups representing three subsets of facilities located primarily offshore along with an onshore subset of facilities: (a) WC 68 Associated Facilities; (b) EC 49; WC 192; HIOS Lateral Associated Facilities; (c) EC 33 Associated Facilities; and (d) Onshore Associated Facilities.

a. WC 68 Associated Facilities

48. In the offshore western portion of the Cameron System, facilities referred to here as the WC 68 Associated Facilities include the 13.2-mile long, 20-inch diameter Line 507A-2300 that extends from an offshore piping platform owned by Tennessee in West Cameron Block (WC) 68 delivering gas to the onshore Grand Chenier processing plant. The WC 68 platform originally had multiple small Tennessee lines feeding into it. Currently, all lines have been abandoned except for the 5.2-mile long, 16-inch diameter Line 507A-3400 that extends upstream to another production platform in WC 66 to collect gas from several shorter pipe segments that are 0.3 to 3.9 miles in length and six to 12 inches in diameter and which have production inputs at several points along their paths. Line 507A-3400 receives no other supplies along its length between the two platforms. In addition to receiving the volumes delivered to the WC 68 platform by Line 507A-3400, Line 507A-2300 also receives gas delivered to the WC 68 platform through other producer owned facilities.

49. Downstream of the WC 68 platform, Line 507A-2300 receives gas from one active production receipt point offshore on its way to the Grand Chenier onshore processing plant. Onshore, Tennessee has other short pipeline supply segments ranging in diameter from six to 10 inches directly connecting to Line 507A-2300 and the Grand Chenier Processing Plant. Altogether, these short pipeline segments connect to only one active production receipt point. Production entering the system downstream of the

[58] Applicants' June 7, 2011, Data Response Exhibit 2.A. We note that while applicants indicate that this system has a throughput of 103,138 Mcfd as a whole, the aggregated throughput listed in the below subsets totals 95,336 Mcfd.

WC 68 platform for the year from May 2010 through April 2011 averaged 3,976 Mcfd, while total production collected by all of the WC 68 Associated Facilities was 15,895 Mcfd.[59]

50. Thus, as described above, the WC 68 Associated Facilities consist of pipeline segments ranging from approximately 0.3 miles to 13.2 miles in length and six inches to 20 inches in diameter. Such lengths and diameters are not inconsistent with a gathering function, although the 13.2-mile, 20-inch Line 507A-2300, in particular, is also not inconsistent with a transmission function. The operating pressure of 850 psig to 900 psig and the lack of compression are also consistent with a gathering function.

51. From the configuration of the facilities, it is evident that the WC 68 platform originally served, and still serves, as a central aggregation point collecting gas received from producer owned facilities as well as Tennessee-owned smaller diameter lines, some now abandoned in place, for transportation on a larger diameter mainline to shore. Further, the amount of production received from supply laterals downstream of the WC 68 platform is small when compared to the production received at and upstream of the platform. On balance, the characteristics of these facilities strongly suggest that the WC 68 platform is the demarcation point indicating a gathering function for facilities located upstream and a transmission function for those downstream. Hence, we find that the WC 68 platform and associated upstream facilities primarily perform a gathering function, while the facilities downstream from the platform primarily perform a transmission function.

b. EC 49; WC 192; HIOS Lateral Associated Facilities

52. Proceeding eastward, the next subset of the Cameron System consists of extensive offshore facilities and is referred to as EC 49; WC 192; HIOS Lateral Associated Facilities. This subset includes two 26-inch diameter lines delivering gas to the Grand Chenier processing plant from platforms in West Cameron Area Block (WC) 192 and East Cameron Area Block (EC) 49.[60] The line to shore from the WC 192 platform is the 31.4-mile long Line 507K-100. The line coming from the EC 49 platform is the 25.3-mile long Line 507F-100. The two platforms are connected by a 10.5-mile long, 20-inch diameter line that can serve as a jumper line moving gas from the WC 192

[59] Applicants' June 7, 2011, Data Response Exhibits 8.A and 2.A.

[60] Our references here to the EC 49 platform include all the platform facilities as there are actually two platforms at this location: EC 49A and 49B. Line 507F-100 is connected to platform EC 49A, while platform EC 49B supports compression facilities, as further discussed below.

platform to the EC 49 platform. The 26-inch diameter Line 507K-100 running from the WC 192 platform to shore also collects gas from a 26.7-mile long, 20-inch diameter line (referred to here as the HIOS Lateral) that extends from HIOS's platform in WC 167. The 31.4-mile long Line 507K-100 going to shore interconnects with the HIOS Lateral at a point less than five miles downstream of the WC 192 platform in WC 177.

53. For the year May 2010 through April 2011, production entering receipt points located on Line 507F-100 downstream of the EC 49 platform averaged 457 Mcfd; production entering receipt points located on Line 507K-100 downstream of the WC 192 platform averaged 1,225 Mcfd; and the HIOS Lateral delivered 19,274 Mcfd into Line 507K-100, of which about 10,000 Mcfd was received from HIOS with the rest being production entering at receipt points located on the HIOS Lateral. Therefore, total volumes entering the trunklines to shore downstream of the platforms averaged 20,956 Mcfd for the year May 2010 through April 2011. Volumes arriving further upstream of the EC 49 and WC 192 platforms averaged 39,655 Mcfd over the same twelve months. Thus, for the entire EC 49; WC 192; HIOS Lateral Associated Facilities, throughput averaged 60,611 Mcfd for the same period.[61]

54. Kinetica states that, upon acquisition of the subject facilities from Tennessee, it intends to disconnect HIOS, a jurisdictional system, from the HIOS Lateral to prevent any HIOS volumes from entering the Cameron System.[62] HIOS does not protest Kinetica's proposal.[63]

55. The EC 49; WC 192; HIOS Lateral Associated Facilities consist of pipeline segments ranging from approximately 1.1 miles to 31.4 miles in length and from four inches to 26 inches in diameter. The operating pressure is 850 psig to 900 psig without

[61] Applicants' June 7, 2011, Data Response Exhibits 8.A and 2.A.

[62] The functional and thus jurisdictional status of a portion of HIOS' system was the subject of applications for rehearing pending in Docket No. CP09-91-001, but those requests for rehearing have been withdrawn and the proceeding terminated. The HIOS facilities to which the HIOS Lateral connects, including the platform in WC 167 and the approximately 66-mile long, 42-inch diameter upstream pipeline, remain jurisdictional transmission facilities. *See High Island Offshore System, L.L.C.*, 128 FERC ¶ 61,292, at P 26 (2009).

[63] On August 11, 2011, HIOS withdrew its limited protest in these proceedings.

any utilized compression.[64] Such characteristics are not necessarily inconsistent with a gathering function.[65] However, the longer, larger diameter lines, in particular Line 507F-100 (25.3 miles of 26-inch pipe), 507K-100 (31.4 miles of 26-inch pipe), and the HIOS Lateral (26.7 miles of 20-inch pipe) are more typical of transmission facilities.

56. As discussed above, Lines 507F-100 and 507K-100 are two 26-inch diameter mainlines that each extend to shore from piping platforms located in EC 49 and WC 192, respectively, and to which multiple upstream smaller diameter lines (primarily of 12 and 16 inches) connect. In all, the WC 192 platform is connected to four smaller diameter upstream lines and the EC 49 platform is connected to five smaller diameter upstream lines. In addition, a 20-inch diameter jumper line connects the two platforms. From the configuration of the facilities, the platforms represent two central points of aggregation collecting gas into two mainlines for delivery to the same terminus onshore. There are three 3,400 horsepower compressors located on the EC 49B platform. The Applicants state the compressors have not been used for three years and that Kinetica intends to remove them if it acquires the facilities. However, the compression facilities, which were installed in 1979, historically performed a transmission function by boosting the pressure of volumes coming to the platform, including volumes brought to the EC 49 platform by the jumper line from the WC 192 platform.[66] Under the circumstances, the present idled status of the compressor units is not the same as an absence of compression facilities that might be indicative of a gathering function.

57. Besides the large mainlines, this subset also contains the 20-inch diameter HIOS Lateral which, as described above, extends eastward from HIOS's platform in WC 167 to an interconnection with the 26-inch diameter Line 507K-100 that extends to shore from Tennessee's platform in WC 192. The HIOS Lateral includes the 17.8-mile long, 20-inch

[64] Applicants' explain in their June 7, 2011, Data Response 4 that there are three 3,400 hp compressors located on the EC 49B platform. They state that the compressors are currently run (one at a time) only as needed to keep them operable.

[65] When gas flows through a pipeline solely as the result of wellhead pressures or producer-owner compression facilities that "push" the gas, it is an indication that the pipeline may perform a gathering function. *See, e.g.*, *Quicksilver Resources, Inc*., 122 FERC ¶ 61,115, at P 16 (2008) (citing *Transcontinental Gas Pipeline Corp*., 97 FERC ¶ 61,298, at 62,400 (2001)). On the other hand, a transmission function is usually being provided by compression facilities along a pipeline or on a platform where there is a convergence of pipelines but no wells. *See, e.g.*, *High Island*, 128 FERC ¶ 61,292 at P 26.

[66] *See* Kinetica's application at pages 20-21.

diameter Line 507K-2400 western segment and the 8.9-mile long, 20-inch diameter Line 507K-200 eastern segment. There are no receipt points other than the upstream HIOS interconnection on the Line 507K-2400 segment of the HIOS Lateral. However, there are two points on the HIOS Lateral's Line 507K-200 segment where production is received: one near the tie-in with the Line 507K-2400 segment and one about two miles from the interconnection with Line 507K-100 going to shore.[67] As noted above, throughput on the HIOS Lateral totals about 19,000 Mcfd of which about 10,000 Mcfd is received from HIOS.

58. We find, on balance, that the EC 49 and WC 192 platforms demarcate the end of gathering and the beginning of transmission service.[68] Thus, we find that gathering is the primary function of jumper line 507F-100 located between the EC 49 and WC 192 platforms and all facilities upstream of the platforms, and that jurisdictional transmission is the primary function of the platforms, the non-utilized compression facilities, and all facilities downstream of the platforms.

59. As described above, the jurisdictional facilities downstream of the platforms include Tennessee's HIOS Lateral. While HIOS has withdrawn its protest, its acquiescence to being disconnected from the Cameron System would not change our finding. If the interconnection with HIOS's upstream jurisdictional system was to be closed off, the 17.8-mile long Line 507K-2400 constituting the western segment of the HIOS Lateral would serve no function unless and until it starts receiving gas from some other source. The record includes no information regarding how this segment of the HIOS Lateral might access other supplies or change in operation in a manner that would support a finding that the facility's primary function had become gathering. Aside from the interconnection with HIOS, the 26.7-mile long HIOS Lateral only has two other points where supplies are received along its length, and those receipt points are nine miles and two miles, respectively, from where the HIOS Lateral interconnects with Line 507K-100 going to shore. These characteristics do not support a gathering determination for the HIOS Lateral. Further, there are no other lines that deliver gas to Line 507K-100 at or near the same point that the HIOS Lateral interconnects with Line 507K-100. Thus, the HIOS Lateral does not move gas to a central point of aggregation that might denote the beginning of jurisdictional transmission; jurisdictional transmission began at the upstream end of Line 507K-100 at the central point of aggregation at the WC 192 platform. Finally, the HIOS Lateral only moves

[67] Applicants' June 7, 2011, Data Response Exhibit 8A.

[68] *See Transcontinental Gas Pipe Line Corp.*, 124 FERC ¶ 61,040, at P 30 (2008) (stating that a central point of aggregation occurs "where there is a meaningful distinction between the upstream and downstream facilities.").

approximately 19,000 Mcfd – including the supplies received from HIOS – to Line 507K-100, which moves a total of approximately 31,000 Mcfd[69] to shore. Therefore, we view the HIOS Lateral as a supply lateral ancillary to Line 507K-100 primarily performing a transmission function.

60. Included in the facilities we have determined to be gathering is the upstream line that collects and brings gas from Vermilion Block 46 to the EC 49 platform. This 33-mile long pipeline includes the 13.33-mile long, 16-inch diameter Line 507F-300 and the 19.71-mile long, 12-inch diameter Line 507F-1600. The Indicated Shippers assert we should retain jurisdiction over this pipeline because its upstream end is less than a mile from the West Leg of Tennessee's Blue Water system, which extends much further offshore and which Tennessee has not proposed to abandon. However, as the Indicated Shippers acknowledge, under the primary function test proximity to jurisdictional facilities does not indicate that another facility is jurisdictional. We agree that the test need not take such proximity into consideration in order for us to reach our determination here. Although the line is relatively large, application of the primary function test nevertheless shows that its primary function is gathering. In particular, the line is upstream of the EC 49 platform that we found to be a central point of aggregation. In addition, the line relies solely on wellhead pressures to move the gas it collects to the platform, and at the platform the line feeds into a larger pipeline that transports the gas, along with the other gas supplies aggregated at the platform, to shore for processing.

c. EC 33 Associated Facilities

61. Further to the east, Tennessee's facilities, described as EC 33 Associated Facilities, include approximately 22.2 miles of 12-inch diameter pipe. Specifically, the 12-inch diameter pipe is composed of the 6.2-mile long Line 507A-5200 that is located upstream and connected to the downstream 16-mile long Line 507A-1000. Together, these two line segments collect gas from a non-Tennessee-owned offshore platform at EC 33 for delivery at an interconnection with an onshore 12-inch diameter line that is part of the Onshore Associated Facilities discussed further below. Upstream of the EC 33 platform are three segments of Tennessee-owned pipeline that are 1.2, 1.3, and 2.4 miles long and eight, eight, and six inches in diameter, respectively. These three line segments are connected to the 12-inch downstream Line 507A-5200 at the EC 33 platform by two short segments of 12-inch diameter pipeline that are one mile and 0.2 miles in length.

62. For the year May 2010 through April 2011, production entering the 22.2-mile long, 12-inch line downstream of the EC 33 platform was received at the one active

[69] Applicants' June 7, 2011, Data Response Exhibit 2.A.

receipt point on the line located about three miles downstream of the platform and averaged 3,638 Mcfd. The total production entering the EC 33 Associated Facilities, through the three active receipt points, averaged 7,692 Mcfd for the same period.[70]

63. The diameters and lengths of the lines, the operating pressure of 850 to 900 psig, and the lack of compression are not inconsistent with a gathering functions. However, the EC 33 platform has the characteristics of a central point of aggregation. The platform is the origin of the 22.2-mile long, 12-inch mainline trunk to shore. Upstream of the platform, two short segments of 12-inch diameter pipe extend to three other smaller diameter upstream lines. Although the mainline trunk to shore currently receives almost half of the total EC 33 Associated Facilities volumes at the single active production receipt point downstream of the EC 33 platform, the 22.2-mile long trunkline to shore nevertheless is downstream of a central point of aggregation at the EC 33 platform where smaller diameter upstream pipes converge. Hence, we find the trunkline's receipt of additional production downstream of the platform insufficient to find that the primary function of the mainline trunk is gathering.

64. On balance, we find that Lines 507A-5200 and 507A-1000, together forming the 22.2-mile long, 12-inch diameter mainline trunk to shore, primarily perform a transmission function and all of the pipeline facilities upstream of the connection of Line 507A-5200 with the non-Tennessee owned platform in EC 33 primarily perform a gathering function.

d. Onshore Associated Facilities

65. Finally, the subset of the Cameron System facilities located entirely onshore in Cameron and Vermilion Parishes, Louisiana, referred to here as Onshore Associated Facilities, include a roughly 42-mile long, 12-inch diameter line trending in an east-west direction from Tennessee's Blue Water Western Shore Line at the eastern terminus of this subset to an intersection with the Second Bayou System at the western terminus of this subset. All gas flows to the Grand Chenier processing plant located about 10 miles from the western terminus of the 42-mile long line. Production received at four active onshore receipt points on the Onshore Associated Facilities averaged approximately 3,600 Mcfd for the year May 2010 through April 2011, and the total facilities throughput, including receipts of offshore production, averaged 11,382 Mcfd for the same period.[71]

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[70] Applicants' June 7, 2011, Data Response Exhibits 8.A and 2.A.

[71] *Id*. The Onshore Associated Facilities' total throughput includes volumes received near their midpoint from an interconnection with the above-discussed EC 33 Associated Facilities.

66. The far eastern end of the 42-mile long east-west 12-inch line connects to a 1.7-mile long, 6-inch diameter Line 507A-3600. This 6-inch line is then separated by a 20-foot gap from the 4.2-mile long, 10-inch diameter Line 507A-3800, which is also included in the Onshore Associate Facilities but which has not flowed gas in over five years. Line 507A-3800 extends to the eastern terminus of the Onshore Associated Facilities where it connects to Tennessee's Blue Water Western Shore Line.[72] Because the most eastern segment Line 507A-3800 is not connected to Line 507A-3600, Tennessee's Blue Water Western Shore Line is isolated from the still utilized portion of the Onshore Associated Facilities.

67. Three very short gas supply lateral lines that are four to eight inches in diameter connect at points along the western third of the approximately 42-mile long, 12-inch diameter east-west line. In addition, a 21.3-mile long, 20-inch diameter Line 507C-100 extends northward from an interconnection with the east-west 12-inch line at a point roughly 20 miles east of the Grand Chenier processing plant and about 10 miles from the eastern terminus of the east-west line. In the past, Line 507C-100 flowed northward (not southward into the east-west 12-inch line) but it has not carried any gas in about 12 years. Applicants further state that Line 507C-100 no longer has an interconnection at its northern end through which to deliver gas into another pipeline.[73] Kinetica states that, upon acquisition, it would use Line 507C-100 to carry gas southward from new drilling areas in the Black Lake onshore production region near the line's north end.

68. The diameters and lengths of the lines, the operating pressure of 850 to 900 psig, and the lack of compression are not necessarily inconsistent with a gathering function. While these facilities are, in fact, upstream of a processing plant, this factor is not determinative here as these Onshore Associated Facilities are but a subsection of the larger Cameron System, which includes both offshore and onshore facilities.[74]

69. Although all of the gas moving on the Onshore Associated Facilities is transported to the Grand Chenier processing plant, the majority of the throughput on these facilities is offshore production received from the 22.2-mile long offshore trunkline discussed above

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[72] Because Line 507A-3600 is separated from Line 507A-3800, Tennessee's Blue Water Western Shore Line is isolated from the utilized portion of the Onshore Associated Facilities.

[73] Applicants' June 7, 2011, Data Response, Information Request No. 12.

[74] *See Sea Robin*, 87 FERC ¶ 61,384, at 62,425 (1999), *order denying reh'g*, 92 FERC ¶ 61,072 (2000) (stating "the 'behind-the-plant' factor is not necessarily determinative when the primary function test is applied to offshore facilities . . . .").

with the EC 33 Associated Facilities. We have determined that the 22-mile offshore line is a jurisdictional transmission facility as it is downstream of the EC 33 platform we have found to be a central point of aggregation denoting the end of the upstream gathering. We recognize that the Onshore Associated Facilities also collect onshore production from a very small number of receipt points, grouped primarily along the western portion of the Onshore Associated Facilities, located near the processing plant. However, these onshore receipt points are an insufficient basis to determine that the roughly 42 miles of east-west 12-inch diameter line primarily performs a gathering function.

70. In addition, while the record does not make clear whether there are any still active receipt points on all three of the very short lateral lines of four to eight inches of diameter that connect at points along the western third of the 42-mile long east-west line, these lines – and the 1.7-mile long, 6-inch diameter Line 507A-3600 at the far eastern end of the 42-mile line – simply function as supply laterals that transport, or have transported, gas to that mainline.

71. The 4.2-mile long, 10-inch diameter Line 507A-3800 at the eastern end of the Onshore Associated Facilities has not flowed gas in over five years and its western end is not connected to this group of Onshore Associated Facilities. The fact that this line has not has not flowed gas in over five years supports a finding that the public convenience or necessity permit Tennessee's abandonment of the line. However, the Applicants have provided no information regarding how this particular line might be used by Kinetica if Kinetica acquired it. Further, this line is still connected on its eastern end to Tennessee's Blue Water Western Shore Line, which Tennessee plans to retain and continue operating as a jurisdictional facility. In view of these considerations, we find no basis for making a finding that the line would have a primary function of gathering if placed back in operation by Kinetica.

72. On balance, we find that all of the Onshore Associated Facilities primarily perform a jurisdictional transmission function to the extent they are still are in use. With respect to the 21.3-mile long Line 507C-100 that has been idle for 12 years, we note that when it was still in service it transported gas received from the main east-west line which, as discussed above, functions as a jurisdictional transmission facility. Thus, the 21.3-mile interconnecting line would again be providing a jurisdictional transmission service if it starts receiving gas from the east-west line in the future. Further, while Kinetica states that it would use the 21.3-mile long, 20-inch diameter interconnecting line to flow gas south to the main east-west line from new production areas being developed in the north, it would still be a relatively long, large diameter pipeline and would only have one receipt point at its upstream end, indicating that it would function as a jurisdictional supply lateral.

4. South Marsh Island System

73. The South Marsh Island System has a total of 84.7 miles of pipe, with 59 miles located in federal offshore waters of Louisiana in the South Marsh Island and Vermilion Areas. The facilities consist of five pipeline segments ranging in length from 3.4 miles to 34 miles and in diameter from eight to 16 inches. There is no compression on the system, and Kinetica states that the normal operating pressure of 1,050 psig is the result of wellhead pressures in the field. The capacity of the South Marsh Island System is 103,525 Dth per day and the average day throughput for the year May 2010 through April 2011 was 6,652 Mcfd[75] for a utilization rate of approximately six percent.

74. The South Marsh Island System primarily consists of two long lines extending to shore from offshore platforms. Line 823X-1300 is a 32.6-mile long, 16-inch diameter line extending from a non-Tennessee owned platform in South Marsh Island Block (SMI) 243 through the Vermilion Area offshore of Louisiana to a terminus onshore at the Tennessee owned Pecan Island dehydration and separation plant (Pecan Island Plant) in Vermilion Parish, Louisiana. The other principal line, Line 823X-300, is a 34-mile long, 12-inch diameter pipeline originating offshore at a non-Tennessee owned platform in SMI 249 paralleling Line 823X-1300 for most of its length until it also terminates at the Pecan Island Plant.

75. Line 823X-600 – a 3.4-mile long, 10-inch diameter jumper line – begins just downstream of the SMI 249 platform and connects Line 823X-300 with the other trunkline to shore, Line 823X-1300, at the SMI 243 platform. Also, there are two upstream lines. First, a 4.5-mile long, 8-inch diameter line connects to Line 823X-300 at a subsea interconnection just downstream of the SMI 249 platform, but this 8-inch line has not flowed gas for the last three years.[76] Second, a 7-mile long, 8-inch diameter line connects to Line 823X-1300 at a subsea interconnection just downstream of the SMI 243 platform.

76. Applicants' state that, as currently operated, the onshore Pecan Island Plant is not utilized for dehydration and separation. Rather, the gas is delivered into Tennessee's Blue Water Pipeline System for dehydration and separation as well as gas processing at other plants located on Tennessee's system. They also state that, upon acquisition, Kinetica intends to utilize the Pecan Island Plant for dehydration and separation, but with gas processing still taking place downstream on Tennessee's system.

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[75] Applicants' June 7, 2011, Data Response Exhibit 2.A.

[76] *Id.* at Data Response No. 13.

77. The lengths and diameters of the pipeline segments, the operating pressure, and the lack of compression on the system could all be consistent with a gathering function. However, Lines 823X-1300 and 823X-300 were constructed as mainlines extending out to SMI 243 and SMI 249 to access gas produced in that area and further upstream. Kinetica states that the system is located in an area with a high likelihood of additional, future development of production that could be attached to the system. Yet, while examining the facilities as they currently operate,[77] there are only two active points where production is received into the 16-inch diameter Line 823X-1300 and only one active point of receipt on the 12-inch diameter Line 823X-300, along their more than 30-mile lengths, that are not located near the platforms in SMI 243 and SMI 249.[78]

78. As currently configured, the South Marsh Island system consists of two long mainline trunks – the 32.6-mile long, 16-inch diameter Line 823X-1300 and the 34-mile long, 12-inch diameter Line 823X-300 – extending to shore from the platforms in SMI 243 and SMI 249, respectively. Although the points at which the upstream lines interconnect with the trunklines going to shore and the jumper line's point of connection with the more westerly trunkline are not at the platforms in SMI 243 and SMI 249, those pipeline interconnections are just downstream of the platforms. Gas is collected by smaller diameter lines upstream of the two large Lines 823X-1300 and 823X-300 that go to shore and gas enters those trunklines near their upstream ends. Thus, on balance, we find that jurisdictional transmission is the primary function of Lines 823X-1300 and 823X-300, and that all of the facilities upstream of those trunklines, including jumper Line 823X-600, primarily perform a gathering function.[79]

5. South Timbalier, Grand Isle, and Bay Marchand System

79. Tennessee's South Timbalier, Grand Isle, and Bay Marchand System has approximately 172 miles of pipeline, with approximately 32 miles located in federal waters offshore of Louisiana in the South Timbalier, Grand Isle, and Bay Marchand

[77] *Transcontinental Gas Pipe Line Co., LLC*, 129 FERC ¶ 61,255, at P 38 (2009) (citing *Southern Natural Gas Co.*, 126 FERC ¶ 61,246, at P 43 (2009)).

[78] Applicants' June 7, 2011, Data Response Exhibit 8.A.

[79] We note that our conclusion is also supported by the fact that two other lines, already abandoned in place by Tennessee, previously delivered additional production into Line 823X-1300 near its upstream end near the SMI 243 platform.

Areas.[80] The rest of the facilities are located in Louisiana state waters, marshland or onshore, primarily in Lafourche Parish, Louisiana, but some are also in the parishes of Terrebonne and Jefferson, Louisiana. The pipeline segments range in diameter from four inches to 20 inches and in length[81] from less than a mile to approximately 32 miles. The system typically operates at 890-950 psig, as a function of wellhead pressure. While compression was supplied in the past by the Leeville Compressor Station when throughput was significantly higher, its compression facilities were abandoned in 2009 and physically disconnected in 2010. Presently, no compression facilities are used on the system. Most of the gas received into the system does not need dehydration or separation;[82] yet, it does require processing, which occurs further downstream on facilities to be retained by Tennessee. The capacity of the system is 822,154 Dth per day and the average day throughput for the year May 2010 through April 2011 was 71,896 Mcfd[83] for a utilization rate of approximately nine percent.

80. The overall configuration of the system roughly resembles an "H" shape, if viewed with the approximately 5-mile long horizontal crossbar formed by the sections of Tennessee's parallel mainlines designated as Lines 500-1 and 500-2, which Tennessee plans to retain but which lie between the vertical arms of the H-configured system.[84] The vertically oriented sections of pipe forming the arms of the H include four subsets of facilities. A predominantly 8-inch diameter pipe extends northward from the western side of the H's crossbar for approximately 20 miles. Pipe sections that are primarily 12 and 16 inches in diameter extend northward for approximately 30 miles from the eastern side of the H's crossbar. There are also two mostly offshore sections of pipe, one extending southward from the western side of the H for approximately 30 miles with

[80] On August 1, 2011, Tennessee filed an updated Exhibit T to its application indicating that the 9.8-mile long, 24-inch diameter Line 524J-200, and related meters, is not included in the proposed sale of facilities to Kinetica.

[81] As measured, in part, from maps filed as part of applicants June 7, 2011, Data Response Exhibits 1.A-1.F (System Maps) and as reflected in Exhibit C to Kinetica's application.

[82] Only gas collected offshore in Grand Isle Blocks (GI) 47 and 48 require dehydration which is performed at facilities located at the onshore Leeville Compressor Station site in Lafourche Parish, Louisiana, at which the compression facilities have been abandoned.

[83] Applicants' June 7, 2011, Data Response Exhibits 2.A.

[84] Tennessee does not propose to abandon any portion of Lines 500-1 and 500-2.

primarily 16- and 20-inch diameter pipe and another section of pipe extending southward from the eastern side of the H for approximately 28 miles with mostly 12- and 16-inch diameter pipe. In addition to these pipeline segments forming the arms of the H configuration, the facilities addressed here include two separate, stand-alone lines that are to the west of the H and connected to Tennessee's parallel mainlines (Lines 500-1 and 500-2). These lines, each of which serves a single receipt point, include the 10.1-mile long, 10-inch diameter Line 523G-100 with an approximate throughput of 3,200 Mcfd and the 1.8-mile long, 6-inch diameter Line 523H-100 with an approximate throughput of 300 Mcfd.[85] There is only one Tennessee owned platform on the system, located at Bay Marchand Block (BM) 5. This platform is a minor structure in state waters serving as a pipeline juncture platform.

81. The lengths and diameters of the pipeline segments, the operating pressure, and the lack of compression on the system could all be consistent with a gathering function. Further, all gas is delivered into Tennessee's mainline (Lines 500-1 and 500-2) and requires processing at a downstream plant before further transportation on the interstate pipeline system. Yet, because most of the gas in this system is sourced offshore, we do not consider the location of the upstream processing plant determinative in our primary function analysis.[86] An examination of the facilities in detail reveals some other important distinctions.

82. Along the 30 miles of 12- and 16-inch diameter pipe extending northward on the onshore arm of Line 524A-100, forming the eastern side of the crossbar of the H configuration, multiple smaller diameter lines interconnect. On this 30 miles of pipe, the 10 miles furthest upstream from the H's crossbar (which is part of Tennessee's mainline) collects gas from nine active receipt points; along the remaining 20 miles of this arm closer to the mainline, there are a total of three active receipt points connected at two locations. These facilities constitute a spine-and-lateral configuration, with receipt points located along the entire length of the spine, consistent with a gathering determination.[87] Thus, on balance, we find that Line 524A-100 and its upstream associated facilities primarily perform a gathering function.

83. The other northward extending onshore arm of the H configuration is composed mainly of a 20-mile long, 8-inch diameter pipeline segment (Line 523D-100) that

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[85] Exhibit 8A in applicants' June 7, 2011, Data Response.

[86] *See Sea Robin*, 87 FERC ¶ 61,384, at 62,425 (1999), *order denying reh'g*, 92 FERC ¶ 61,072 (2000).

[87] *National Fuel Gas Supply Corp.*, 128 FERC ¶ 62,109, at 64,236 (2009).

historically collected gas from a few receipt points near its furthest extension from Tennessee's parallel mainlines (Lines 500-1 and 500-2) that include the five miles of pipe forming the crossbar of the H. However, there are no currently active receipt points on this arm. In addition, Line 523D-100 has no interconnecting supply laterals along its final 18 mile length before interconnecting with Tennessee's mainline. As opposed to the above mentioned Line 524A-100, this arm bears no resemblance to a spine-and-lateral configuration or any other configuration that is consistent with a gathering function. Thus, after weighing the primary function test factors, we find that the 20-mile-long arm (Line 523D-100) extending northward from the western side of the H's crossbar and that line's associated upstream facilities primarily perform a jurisdictional transmission function.

84. Similarly, because the two stand-alone pipelines (Lines 523G-100 and 523H-100) off of the mainline to the west of the H do not have interconnecting supply laterals and only have single receipt points, we find that, on balance, they also have primarily transmission functions.

85. The H-shaped system's pipelines extending southward and in a more westerly direction from the H's crossbar reach as far as 30 miles offshore and include two independent sets of facilities: (1) the southward extending 10.1-mile long, 12-inch diameter Line 523D-400 that begins on the western side of the H's crossbar and its associated facilities; and (2) the eastern 21.3-mile long, 20-inch diameter Line 524J-100 and its associated facilities.[88] The 10.1-mile Line 523D-400 collects gas from active receipt points at its upstream origin and from the upstream 5.2-mile long, 10-inch diameter lateral Line 523D-500, which in turn collects gas from only one receipt point at its upstream origin. We find that Lines 523D-400 and 523D-500 do not have configurations indicative of a gathering function. There is a relative lack of production receipt points on these lines, and the production receipt points themselves are located at points furthest from shore.[89] On balance, we find that Lines 523D-400 and 523D-500 primarily perform transmission functions.

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[88] Lengths for Lines 523D-400 and 524J-100 are based on measurements taken from the System Maps filed as Exhibits 1.A-1.F in applicants' June 7, 2011, Data Response. We believe the lengths provided in Exhibit C of Kinetica's application are reversed for Line 523D-400 and Line 524J-100.

[89] *Venice Gathering Co.*, 97 FERC ¶ 61,045, at 61,251 (2001) (stating that when wells are not located all along the facilities, but are rather located at the farthest points offshore on the facilities, the wells indicate that a system is transporting, not gathering, gas).

86. The 21.3-mile long, 20-inch diameter southward and westerly extending Line 524J-100 has its upstream origin at a non-Tennessee owned platform in South Timbalier Block (ST) 37. Less than a mile downstream of its origin, Line 524J-100 has subsea interconnections with two smaller upstream pipelines that collectively receive gas from five active receipt points. Line 524J-400, a smaller upstream pipeline segment (1.1-miles long and 12 inches in diameter) is a lateral off Line 524J-100. Lateral Line 524J-400 has no active receipt points. Line 524J-600 is another lateral off of Line 524J-400 near its upstream end. Lateral Line 524J-600 is 7.4-miles long and 16 inches in diameter and has an active receipt point located mid-way along its length and another located at its upstream origin. Line 524J-600 also has two interconnections with 8-inch and 12-inch diameter upstream pipelines, which are located at or near the origin of Line 524J-600 and which have a total of three active receipt points. Besides receiving production at the ST 37 platform and from Line 524J-600, the 21.3-mile long, 20-inch diameter Line 524J-100 only has one other active receipt point, which is located in ST 30 roughly four miles downstream from the ST 37 platform. Because Line 524J-100 is connected to smaller diameter pipelines in the vicinity of the ST 37 platform and accesses multiple production receipt points from there, most of the gas transported by Line 524J-100 is collected near or at its upstream end at the ST 37 platform. Therefore, we find that jurisdictional transmission is the primary function of Line 524J-100 and facilities downstream of that line,[90] and that all upstream facilities which collect gas received by Line 524J-100 primarily perform a gathering function.

87. The other 28-mile long southeastward extending offshore arm of the H configuration originates in Grand Isle (GI) 47 as a 7.4-mile long, 12-inch diameter pipeline segment (Line 524C-500). Close to its origin, a 0.8-mile long, 6-inch diameter segment (Line 524C-700) interconnects in GI 48. Line 524C-500 collects undehydrated gas before connecting to the 8.1-mile long, 16-inch diameter Line 524C-400, which has two active receipt points along its path and terminates at a platform in BM 5. From the platform in BM 5, where an active receipt point connected to a producer-owned line is located, roughly parallel Lines 524C-100 and 524G-100 extend onshore to the site of the abandoned Leeville Compressor Station. The 11.6-mile long, 16-inch diameter Line 524C-100 delivers the undehydrated gas that originated in production blocks GI 47 and 48 for treatment at the Leeville Compressor Station site. The 11.4-mile long, 16-inch diameter Line 524G-100 receives gas coming to the platform in BM 5 from other areas. Line 524C-100 also receives gas at one additional active receipt point, which is

[90] A geographic configuration where smaller diameter pipelines aggregate into a large diameter downstream pipeline is indicative of a pipeline that performs a transmission function. *Id.* at 61,250.

connected by the 0.5-mile long, 6-inch diameter Line 524C-1500 located about three miles downstream of the BM 5 platform.

88. We find that these facilities, including the 28-mile long arm extending offshore, do not reflect a central point of aggregation or have other characteristics that could delineate a point where gathering ends and jurisdictional transmission begins. Rather, the configuration of these facilities indicates that the 28-mile long arm extending offshore serves as a mainline trunk transporting production received at a few scattered receipt points to shore. Thus, we find that the 28-mile southeastward extending arm of the H and all associated facilities, including Lines 524C-500, 524C-700, 524C-400, 524C-100, 524C-1500, and 524G-100, primarily perform a jurisdictional transmission function.

6. South Pass System

89. The South Pass System totals approximately 164.6 miles of pipeline, which includes 33 miles of pipe located in federal waters offshore of Louisiana. The offshore portion of the system is located primarily in the South Pass and West Delta Areas, but it also extends into the Mississippi Canyon and Main Pass Areas. The onshore portion of the system is located in Plaquemines Parish, Louisiana. The pipeline segments range from less than a mile to about 20 miles in length and from four inches to 36 inches in diameter. The system normally operates with pressures between 960-1,100 psig from wellhead pressures alone, as there is no compression on the system. The gas is dehydrated at the wellhead, but the two-phase (liquid/gas) system includes injected condensates. No dehydration and separation or gas processing facilities are located on the system; processing occurs downstream on facilities to be retained by Tennessee. The capacity of the system is 717,500 Dth per day and the average day throughput for the year May 2010 through April 2011 was 161,306 Mcfd[91] for a utilization rate of approximately 22 percent.

90. The lengths and diameters of the pipeline segments in this system, including the 36-inch diameter, 17.5-mile long Line 527A-600,[92] and the operating pressures could be consistent with either a gathering or a transmission function.[93] The lack of compression on the system is consistent with a gathering function.

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[91] Applicants' June 7, 2011, Data Response 2.A.

[92] *See, e.g.*, *High Island Offshore System, L.L.C.*, 128 FERC ¶ 61,292, at P 13 (2009).

[93] According to the Commission's 1996 *OCS Policy Statement*, Kinetica also claims that this system warrants a rebuttable presumption of gathering because the

(continued…)

91. All of the facilities included in this system are upstream of the Scofield Bay Platform, which is located in Louisiana marshland. Tennessee plans to retain all of its facilities downstream of the Scofield Bay Platform. Kinetica argues that this platform serves as the central aggregation point for the entire South Pass System upstream of the platform. We do not agree. The Scofield Bay Platform has none of the characteristics associated with an offshore central point of aggregation, such as smaller diameter lines feeding into a larger diameter mainline trunk designed to transport gas to shore.[94] Instead, the Scofield Bay Platform divides the two mainlines (Lines 526A-100 and 527A-100) of this system from the downstream portions of the lines to be retained by Tennessee. The pipeline facilities that Kinetica seeks to acquire include Line 526A-100 (20-inch diameter pipeline) and the mostly parallel Line 527-100 (26-inch diameter pipeline) that extend southeastward for over 20 miles[95] through marshland and nearshore waters from the Scofield Bay Platform. Multiple upstream lines connect to Lines 526A-100 and 527A-100, which in turn interconnect with other upstream pipelines proposed to be sold to Kinetica.

92. We find that this system has a central point of aggregation located at Tennessee's platform in Sabine Pass Area (SP) 55. This central point of aggregation is at the point where two upstream lines meet at the platform with a larger downstream trunkline and together resemble an inverted "Y." The line downstream of the SP 55 platform is a 17.5-mile long, 36-inch diameter pipeline segment (Line 527A-600) that extends

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facilities collect gas in water depths of nearly 200 meters. The *OCS Policy Statement* did establish a rebuttable presumption that new facilities designed to collect gas in water of depths of 200 meters or greater qualify as gathering facilities up to the points of interconnection with the interstate pipeline grid. *See Statement of Policy, Gas Pipeline Facilities and Services on the Outer Continental Shelf-Issues Related to the Commission's Jurisdiction Under the Natural Gas Act and the Outer Continental Shelf Lands Act*, 74 FERC ¶ 61,222 (1996), *reh'g dismissed*, 75 FERC ¶ 61,291 (1996) (*OCS Policy Statement*). However, this system, at its deepest point on Line 527A-900, does not collect gas from a depth of 200 meters or more; thus, the rebuttable presumption does not apply. Further, even if such a presumption applied, the connection with the interstate pipeline grid would be at the platform in SP55, which we describe below.

[94] *See, e.g.*, *Venice Gathering Co.*, 97 FERC ¶ 61,045, at 61,250 (2001).

[95] As measured from the System Maps in applicants June 7, 2011, Data Response Exhibits 1.A-1.F.

northwesterly from the platform to a connection near the terminus of Line 527A-100.[96] The two upstream lines converging at the SP 55 platform are smaller in diameter (20- and 26-inch diameter). Kinetica acknowledges that the SP 55 platform originally acted as a central aggregation point, but states that it should no longer be viewed as such for purposes of demarcating the beginning of jurisdictional transmission as there have been additional connections made downstream of the platform.[97] However, aside from a receipt point near the SP 55 platform, Line 527A-600 receives production at only one other active receipt point along its length. Thus, the facilities upstream and downstream of the SP 55 platform facilities are configured and operate such that the platform constitutes a central aggregation point. Hence, we find that, on balance, the platform in SP 55 and all upstream facilities, including Lines 527A-900 and 527A-700, primarily perform a gathering function, while the downstream Line 527A-600 primarily performs a jurisdictional transmission function by serving as a mainline trunk to shore from the central point of aggregation at the SP 55 platform.

93. We also find that the 20-mile long, 20-inch diameter Line 526A-100 and the mostly parallel 20-mile long, 26-inch diameter Line 527A-100 are jurisdictional transmission facilities. Both Line 526A-100 and Line 527A-100 are large diameter pipelines that transport gas 20 miles from interconnections with other pipeline segments located mostly at or near their upstream termini to the downstream Scofield Bay Platform, and their only active production receipt points are located very near their upstream termini. As for Line 527A-100, even more dispositive of its transmission function is its location downstream of and receipt of gas from the above-discussed

[96] Kinetica states that the 36-inch line was sized for design volume and pressure drop considerations. Kinetica's application at page 27.

[97] In addition, Kinetica cites *Transcontinental Gas Pipe Line Corp.*, 96 FERC ¶ 61,115, at n.44 (2001), for the proposition that the location of an offshore platform, to which gas collected from multiple wells in a producing field is brought, is not a reliable indicator of a central point in a field. However, Kinetica's observation ignores the fact that, in the same footnote, we also stated that the centralized point of aggregation analysis for offshore systems is an analog for the central point in the field analysis for onshore systems. Thus, the footnote cited by Kinetica merely distinguishes the offshore central point of aggregation concept from the analogous onshore central point in the field concept by acknowledging that an offshore platform may not be similarly located, relative to its offshore wells, as an onshore central point in the field might be, relative to its onshore wells.

Line 527A-600, which begins at the SP 55 platform and which we have found to perform a jurisdictional transmission function.[98]

94. The 10-inch diameter, 18-mile long[99] Line 526A-600 extends northeast from the eastern end of the 20-inch diameter Line 526A-100 that begins at the Scofield Bay platform. While only five laterals of four to eight inches in diameter connect with the Line 526A-600 spine, they are arrayed mostly along the length of the spine. Due to the small diameters of the pipeline segments, the spine-and-lateral type configuration, and the location of the facilities at the eastern end of the Line 526A-100 mainline, we find that, on balance, Line 526A-600 and all upstream facilities primarily perform a gathering function.

95. The 16.6-mile long pipeline extending to the southwest, along a narrow land extension into the surrounding Gulf of Mexico, from the eastern end of Line 526A-100 also has characteristics indicative of a gathering function. A 12-inch diameter, 3-mile long Line 526A-2000 extends to the southwest from Line 526A-100 and interconnects with the 10-inch diameter, 13.6-mile long Line 526A-700. Together, these two lines form a 16.6-mile long pipeline spine with three interconnecting laterals: Line 526A-1100, which is 3.8-miles long and six inches in diameter with a very short lateral located near its end; Line 526A-2400, which is 10.6-miles long and 12 inches in diameter; and Line 526A-1900, which is 0.2-miles long, 10 inches in diameter and interconnects with Line 526A-2000 about 2.5 miles from Line 526A-2000's terminus. In total, these pipeline facilities receive production from three active receipt points. Lines 526A-2000 and 526A-700, which are relatively small diameter lines, form a pipeline spine with interconnecting laterals collecting gas along its length. These lines also connect to a jurisdictional mainline (Line 526A-100) at or near the mainline's beginning where the mainline also collects volumes from other pipeline facilities. Hence, on balance, we find that Lines 526A-2000 and 526A-700 and their associated upstream facilities primarily perform a gathering function.

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[98] In addition, we find that jurisdictional transmission is the primary function of the very short 0.01-mile long, 10-inch diameter Line 526A-400 that extends northeasterly from a capped end to a connection with Line 526A-100 in marshland. Line 526A-400 has no active receipt points, although it was designed and configured to act as a supply lateral transporting gas to Line 526A-100.

[99] As measured on the System Maps filed as part of Applicant's June 7, 2011, Data Response in Exhibits 1.A-1.F.

96. Before Line 527A-100's path diverges from the parallel path of Line 526A-100, a 5.4-mile long, 30-inch diameter pipeline (Line 527A-300) currently flows northward from Line 527A-100 to the third party owned Venice Plant, a processing plant. There are no production receipt points on Line 527A-300. In addition, Mississippi Canyon, a jurisdictional system, connects to this line just upstream of the Venice Plant, to which it also has a connection. For two days in March 2009, Mississippi Canyon delivered gas into Line 527A-300 because there was an operational problem at the Venice Plant. Yet, Line 527A-300 has not received processed gas for southward flow from the Venice Plant since May 1998. Also, Applicants state that Tennessee began flowing unprocessed gas northward on this line to the Venice Plant in December 2010, and that Kinetica intends to maintain a northward flow upon acquisition, with any transportation of jurisdictional Mississippi Canyon volumes by this line southward to be accomplished by backhaul.[100] Mississippi Canyon objects to Kinetica's plan.

97. We find that the 30-inch Line 527A-300 extending to the Venice Plant provides a jurisdictional transmission function. This line has no active production receipt points, it transports gas collected from a mainline trunk that we have found to be jurisdictional, and it is located downstream from central aggregation points. Thus, it functions as a jurisdictional delivery lateral.

98. Finally, an 11.2-mile long, 12-inch diameter offshore pipeline segment (Line 526A-300) feeds into the 20-inch diameter Line 526A-100 at its midpoint. Line 526A-300 has one active production receipt point located at its upstream terminus. This line also connects at its upstream terminus to a 7.7-mile long, 10-inch diameter segment (Line 526A-1200) that has several inactive receipt points located along its length. We find, on balance, that Line 526A-300 and its associated upstream facilities primarily perform a jurisdictional transmission function because together they closely resemble an offshore supply lateral, having no central point of aggregation, designed to transport to shore volumes collected from an area primarily located along the far upstream portion of the line.[101]

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[100] *See* Applicants' June 7, 2011, Data Response, Information Request No. 15.

[101] Because in the course of addressing the different systems presented we have found that certain facilities perform a gathering function, Tennessee will be required to functionalize those facilities as gathering for rate purposes in its next rate case if it does not go forward with the sale of the gathering facilities to Kinetica. Any other pipelines who are co-owners of any of the facilities found herein to be gathering must also refunctionalize their interests as gathering.

C. Kinetica's Request for a Limited Jurisdiction Certificate

99. Kinetica requests, in the event the Commission determines that all but a small portion of the facilities are exempt as gathering facilities, that the Commission issue Kinetica a certificate of limited jurisdiction to provide such incidental NGA-jurisdictional interstate transportation as Kinetica may perform on those facilities. In support of its request, Kinetica asserts its use of any of the facilities that are jurisdictional will be ancillary to its principal business as a gathering company.

100. Kinetica is correct that Commission precedent supports the issuance of limited jurisdiction certificates for gatherers, when necessary, to assure continuation of natural gas transportation service by facilities that would be ancillary to the primary gathering function of the same facilities.[102] However, that would not be the case here, and the Commission has never found that certificates of limited jurisdiction are appropriate for facilities providing only jurisdictional transmission service and no gathering service.[103]

101. As discussed above, we have found that Tennessee's current operation of a significant portion of the facilities at issue demonstrates that they presently serve a jurisdictional transmission function, and that Kinetica has not requested a certificate of public convenience or necessity to acquire and operate such facilities. As discussed herein, Kinetica's plans include disconnecting the facilities from all upstream jurisdictional facilities or making other operational changes so that they could qualify as gathering facilities to the detriment of current customers. Further, if Kinetica were to accept a certificate conditioned to require that it operate the facilities so that they can continue to be accessed by shippers who also use the upstream jurisdictional systems, there would be no basis for finding that the facilities' primary function is gathering or

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[102] *See, e.g.*, *Mardi Gras Pipeline L.L.C.*, 116 FERC ¶ 62,152 (2006); *Columbia Natural Resources, LLC*, 110 FERC ¶ 61,062, at P 13 (2005); and *Columbia Gas Transmission Corp.*, 90 FERC ¶ 61,211 (2000).

[103] As discussed herein, the Commission has found that some gatherers' short, incidental stub lines downstream of processing plants can be viewed under certain circumstances as incidental extensions of their upstream gathering systems and therefore exempt from section 7(c)'s certification requirement. However, that exception is based on the Commission's policy recognizing that such a small stub line is appropriately viewed as an incidental extension of the gathering system to access another company's jurisdictional interstate system, not because the stub line is providing jurisdictional service that can be viewed as ancillary to gathering services being provided by the same stub line.

that the certificate should be one of limited jurisdiction. Therefore, we deny Kinetica's request for a limited jurisdiction certificate to acquire and operate the facilities that we have found to be jurisdictional without prejudice to Kinetica filing for NGA 7(c) certificate authorization to acquire and operate the facilities on an open-access basis.

D. Offer of Settlement

102. As discussed above, Tennessee and some of its shippers entered into a Settlement submitted for Commission approval in Docket No. RP11-1597-000. The Settlement relates to the rate and accounting treatment with respect to Tennessee's proposed abandonment of facilities in this proceeding. The signatory parties' agreement to these provisions is contingent on Tennessee receiving a final non-appealable order approving its proposed abandonment in its entirety in this proceeding. As we are denying Tennessee's request for authorization to abandon the facilities found to be jurisdictional transmission facilities, we will dismiss the Settlement as moot. Therefore, we will not address the parties' comments regarding the Settlement.

E. Accounting

103. Tennessee proposes to record the sale of the facilities to be abandoned through Account 102, Gas Plant Purchased or Sold, and remove the original cost of the facilities from Account 101, Gas Plant In Service, and the related accumulated depreciation from Account 108, Accumulated Provision for Depreciation of Gas Utility Plant. Tennessee proposes to clear Account 102 and record a loss on the sale in Account 421.2, Loss on Disposition of Property, for the difference between the net book value of the facilities to be sold and the proceeds expected to be realized from the sale. Finally, Tennessee proposes to record a regulatory asset in Account 182.3, Other Regulatory Assets, to defer the loss on the sale.

104. However, it is unclear from the filing whether Tennessee properly determined the amount of accumulated depreciation that it proposes to remove from Account 108. Tennessee indicates that it adjusted the estimated amount of accumulated depreciation to reflect the impact of historical interim retirements. Yet, Tennessee did not fully support how the interim retirement factors used to determine the impact of interim retirements are consistent with the Commission's Uniform System of Accounts[104] (USofA) and precedent. Further, it is unclear from the information Tennessee submitted that its method results in an appropriate amount of accumulated depreciation allocated to the assets to be sold.

[104] 18 C.F.R. Part 201 (2011).

105. Consistent with the requirements of the text to Account 102, Tennessee must submit its final accounting entries for Commission approval within six months of the date that the sale is consummated. This filing must provide detailed support for and fully explain the methodology used to determine the amount of accumulated depreciation that Tennessee proposes to clear from Account 108 related to the facilities sold.

106. Additionally, we note that under the Commission's USofA, a loss may be recorded in Account 182.3 if it is probable that the loss will be included in future rates that a pipeline is authorized to charge for its utility services.[105] The Commission, however, is rejecting Tennessee's Offer of Settlement, which would have allowed Tennessee to recover in rates the loss on the sale of facilities. Accordingly, Tennessee must assess all available evidence bearing on the likelihood of rate recovery of the loss in periods other than the period it would otherwise be charged to expense. If based on such assessment, Tennessee determines that future rate recovery of the costs is probable, it is appropriate for Tennessee to defer the loss in Account 182.3.[106] If rate recovery of all or part of the deferred loss is later disallowed, the disallowed loss should be charged to Account 426.5, Other Deductions, in the year of the disallowance.

107. Finally, as discussed above, the Commission has determined that certain facilities perform a gathering function rather than a transmission function. Therefore, Tennessee must refunctionalize the original cost of those facilities from transmission accounts to gathering accounts, effective the date of this order. In addition, Tennessee must transfer the accumulated provision for depreciation carried in the account for the refunctionalized property between functions in accordance with Gas Plant Instruction No. 12 of the Commission's USofA. The amount of accumulated depreciation carried in Account 108 associated with the refunctionalized plant to transfer between functions must be

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[105] The term "probable," as used in the definition of regulatory assets, refers to that which can reasonably be expected or believed on the basis of available evidence or logic but is neither certain nor proved. *Revisions to Uniform System of Accounts to Account for Allowances under the Clean Air Amendments of 1990 and Regulatory-Created Assets and Liabilities and to Form Nos. 1, 1-F, 2 and 2-A*, FERC Stats. & Regs., Regulations Preambles (January 1991 – June 1996) ¶ 30,967 (1993) (Order No. 552).

[106] Tennessee must support its determination with relevant, reliable evidence demonstrating that it indeed meets the criteria for recognition of a regulatory asset at the time it makes the initial determination, each accounting period thereafter, and when it makes its Section 205 Filing. *PJM Interconnection, L.L.C.*, 110 FERC ¶ 61,234, at P 40 (2005).

determined by using the actual recorded amount of accumulated depreciation on a vintage basis.[107]

F. Conclusion

108. Finally, no environmental assessment or environmental impact statement was prepared for Tennessee's abandonment proposal, which qualifies for the categorical exclusion set forth in section 380.4(a)(31) of the Commission's regulations[108] for the abandonment of facilities by sale that involves only minor or no ground disturbance to disconnect facilities from the system of the natural gas company abandoning the facilities.

109. The Commission on its own motion received and made part of the record in this proceeding all evidence, including the applications, as supplemented, and exhibits thereto, submitted in support of the authorizations sought herein, and upon consideration of the record,

The Commission orders:

(A) In Docket No. CP11-44-000, permission for and approval of the abandonment by Tennessee of the subject facilities and services, as described above and in the application, is granted, in part, and denied, in part.

(B) Tennessee is authorized to abandon the facilities found herein to be gathering facilities by sale to Kinetica, as proposed in Tennessee's application. Tennessee shall notify the Commission within ten days of the date(s) of its abandonment(s) of facilities as authorized by this order. Tennessee shall complete the authorized abandonments within one year from the date of this order.

(C) The subject facilities found herein to have a primary function of gathering are exempt from the Commission's jurisdiction under NGA section 1(b). In its next section 4 rate case, Tennessee shall refunctionalize, from transmission to gathering, any facilities found herein to be gathering facilities if it has not yet abandoned the facilities.

(D) Tennessee shall comply with all applicable regulations including but not limited to Part 154 of the Commission's regulations.

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[107] *See Transwestern Pipeline Co.*, 72 FERC ¶ 61,085, at n.17 (1995).

[108] 18 C.F.R. § 380.4(a)(31) (2011).

(E) The motions to intervene out-of-time submitted by HIOS, NYPSC, Sequent Energy Management, L.P., Mississippi Canyon, and Discovery Gas Transmission LLC are granted.

(F) Motions for leave to file answers are granted and the answers of the parties are accepted as discussed in the body of the order.

(G) Indicated Shippers' and Hilcorp's requests for a settlement and/or technical conference are denied.

(H) The proposed Offer of Settlement is dismissed as moot.

(I) Tennessee shall adhere to the accounting requirements discussed in the body of the order.

(J) Tennessee must submit its final accounting to clear Account 102 with the Commission within six months of the date the transfer is consummated, and the accounting submission must provide all the accounting entries related to the transfer along with narrative explanations describing the basis for the entries and support for the methodology used to determine the amount of accumulated depreciation it proposes to remove from Account 108.

(K) The Commission on its own motion received and made a part of the record in this proceeding all evidence, including the application(s), as supplemented, and exhibits thereto, submitted in support of the authorizations sought herein, and upon consideration of the record,

By the Commission. Commissioner Spitzer is not participating.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Appendix

Interventions

Docket Nos. CP11-44-000, CP11-47-000, and RP11-1597-000

Anadarko Energy Services Company
Apache Corporation
BP Energy Company and BP America Production Company
Cheveron U.S.A. Inc.
ConocoPhillips Company
Consolidated Edison Company of New York Inc. and Orange and Rockland Utilities, Inc.
ExxonMobil Gas & Power Marketing Company
Hess Corporation
Hilcorp Energy Company
Louisville Gas and Electric Company
National Fuel Gas Distribution Corporation
National Gris Gas Delivery Companies
New Jersey Natural Gas Company
NJR Energy Services Company
Noble Energy, Inc.
PSEG Energy Resources & Trade LLC
Shell Energy North America (US) LP
Shell Offshore Inc.
Stingray Pipeline Company, LLC
Tennessee Customer Group

Docket Nos. CP11-44-000 and CP11-47-000

Arena Energy, LP
CenterPoint Energy Resources Corporation
Crosstex Processing Services, LLC
Discovery Gas Transmission LLC
Helis Oil & Gas Company, LLC, Superior Natural Gas Corporation, Tana Exploration Company, LLC, and Walter Oil & Gas Corporation
High Island Offshore System, LLC
Mississippi Canyon Gas Pipeline, LLC
New York Public Service Commission
Sequent Energy Management, L.P.
Targa Midstream Services Limited Partnership
Transcontinental Gas Pipe Line Company
W&T Offshore, Inc.

Docket Nos. CP11-44-000 and RP11-1597-000

Atmos Energy Corporation
Atmos Energy Marketing LLC
Dominion East Ohio
Elizabethtown Gas Company
Inergy Gas Marketing LLC
Inergy Midstream LLC
Northeast Customer Group
Peoples Natural Gas Company LLC
ProLiance Energy LLC
UGI Distribution Companies

Docket No. CP11-44-000

Louisiana Municipal Gas Authority
Piedmont Natural Gas Company
Statoil Natural Gas LLC

Docket No. RP11-1597-000

ANR Pipeline Group
Cabot Oil & Gas Corporation
East Tennessee Group
New England Local Distribution Companies
NiSource Distribution Companies
Sequent Energy Management LP
Tennessee Valley Authority
Walter Oil & Gas Corporation

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