



March 9, 2021

Ms. Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, D.C. 20426

Re: Panhandle Eastern Pipe Line Company, LP
Docket No. RP21-___-000
Request for Limited Waiver Determination

Dear Ms. Bose:

Panhandle Eastern Pipe Line Company, LP (“Panhandle”) hereby respectfully requests that the Federal Energy Regulatory Commission (“Commission”) approve Panhandle’s waiver of certain Operational Flow Order (“OFO”) penalties that shippers recently incurred on Panhandle’s system. Panhandle’s waiver request relates to the recent February 2021 winter storm that has been unofficially named Winter Storm Uri.

Background

Due to cold weather forecasts, Panhandle issued an extreme weather alert on February 3, 2021, that Panhandle was preparing for increased pipeline utilization and reduced operational flexibility on its system.¹ Panhandle requested that, effective as of the February 6, 2021 gas day, all delivery point operators minimize over-takes and all receipt point operators minimize under-deliveries into the Panhandle system. Panhandle also provided notice of the following:

- All shippers under Rate Schedules EFT, EIT, SCT, GDS and LFT are required to limit their hourly deliveries to one-sixteenth of the quantity scheduled for delivery on the applicable day.
- Power plant operators must have nominated supply.
- Panhandle may implement intraday scheduling reductions to ensure that nominations match actual flowing quantities. Shippers are encouraged to submit their nominations for the Timely cycle.
- All storage customers are requested to stay at or below their Maximum Daily Withdrawal Quantity and storage customers should adjust flowing volumes to remain at or below these limits.

¹ See Attachment A at 1.

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- Panhandle may limit auto-unpark nominations for the duration of the extreme weather and it will evaluate such limits on a daily basis.

After the initial extreme weather alert on February 3, 2021, weather conditions grew increasingly severe. On February 12, 2021, Panhandle issued Update #1 to its extreme weather alert.² Due to the unprecedented market conditions resulting from the extreme weather at such time, Panhandle recommended that shippers utilize their contracted primary receipt and delivery points in order to maintain the highest priority of service during this event. In addition to the actions outlined in the February 3, 2021 extreme weather alert, Panhandle notified the shippers that in order to protect system reliability and ensure the operational integrity of gas service across the Panhandle system, it may limit interruptible and secondary firm nominations to ensure that scheduled delivery obligations are maintained during this period.

On February 15, 2021 at 9:50 am central time, Panhandle notified shippers in Update #2 that it was curtailing Field Zone auto-unpark nominations beginning Intraday Gas Day 15, which was February 15, 2021.³ Section 9.1 of the General Terms and Conditions (“GT&C”) of Panhandle’s Tariff gives Panhandle the unqualified right to interrupt services, starting with Gas Parking Service, to provide service under Panhandle’s firm rate schedules.⁴ Panhandle instructed shippers to adjust their pool nominations accordingly. Panhandle ended Update #2 by alerting shippers that it may need to issue an OFO⁵ if shippers did not comply with this alert or to further protect the Panhandle system.

On February 15, 2021 at 5:59 pm central time, Panhandle was required to issue a Notice of OFO for the Field Zone because of the continued deterioration of the weather conditions and certain shippers’ failure to adjust their pool nominations as requested in Update #2.⁶ Panhandle issued the OFO to be effective immediately to alleviate conditions that threatened the Panhandle system’s integrity, safety or reliability of service. Panhandle notified shippers that they were required to use their best efforts to comply with the OFO as soon as possible but in no event later than two hours, after which the applicable scheduling charges or unauthorized overrun penalties would apply.⁷ Accordingly, shippers and point operators were required to take the following actions:

- All auto-unpark nominations must be reduced to zero in the Field Zone until further notice.
- All nominations for receipts must match the flow of gas volumes physically delivered to receipt points in the Field Zone until further notice.

² *Id.* at 2-3.

³ *Id.* at 4-5.

⁴ GT&C Section 9.1(b) of Panhandle’s Fourth Revised Volume No. 1 FERC NGA Gas Tariff (“Tariff”).

⁵ Pursuant to GT&C Section 1, Operational Flow Order (OFO) “shall mean an order issued by Panhandle in the circumstances specified in Section 12.17 requiring a Shipper(s) to take a certain action(s) or to refrain from taking a certain action(s).”

⁶ See Attachment A at 6.

⁷ See GT&C Section 12.17(f) of the Tariff.

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Panhandle cautioned shippers that the OFO was expected to remain in place until February 19, 2021.

On February 19, 2021 at 11:19 am central time, Panhandle terminated the OFO because of improving circumstances.⁸ Also on February 19, 2021, at 11:29 am central time, Panhandle issued Update #3 to its extreme weather alert ending the curtailment.⁹ Despite the end of the curtailment, Panhandle reserved the right to limit or turn off all auto-unpark nominations on the Panhandle system for the duration of the extreme weather without prior notice and that such limits would be evaluated on a daily basis. Panhandle was able to lift the emergency weather alert restrictions on February 22, 2021.¹⁰

OFO Penalties

GT&C Section 12.17 of Panhandle's Tariff sets out the penalties for non-compliance with the OFO. In particular, GT&C Section 12.17(f)(iii) provides that for all quantities taken in violation of the OFO, a shipper shall pay two times the greater of the higher daily price published in Gas Daily, Daily Price Survey for Citygates – Chicago LDCs or Citygates – Mich.-Mich Con for the day that OFO penalties are incurred. The resulting daily price ranged from a high of \$374.67 on Gas Days 15 and 16 to a low of \$43.54 on Gas Day 18. Various Field Zone shippers that are gas marketers failed to comply with the OFO and took unauthorized deliveries of gas through unparked quantities. These shippers cumulatively incurred OFO penalties in excess of \$121 million on approximately 480,000 dekatherms of unauthorized takes.

Panhandle called for a curtailment of the Field Zone auto-unpark nominations in order to address, in part, the unprecedented market conditions resulting from the extreme weather period. Panhandle curtailed the auto-unpark nominations under the Gas Parking Service (GPS) rate schedule first as they have the lowest priority with respect to curtailment in GT&C Section 9.1(b). The deteriorating weather conditions and the failure of certain shippers to adjust their pool nominations as Panhandle requested caused Panhandle to issue the OFO, which imposed limitations on all shippers. Those certain shippers' failure to adjust their pool nominations during the OFO caused operational harm to the Panhandle system. For example, continued utilization of auto-unpark nominations impacted negatively the Field Zone deliveries, which could have reached levels leading to curtailment of deliveries in the Field Zone.

Panhandle was able to maintain Market Area deliveries during this unprecedented weather event because of the cooperation of the shippers that did not incur penalties and through maximizing the operational tools available to Panhandle, chief among them being system storage. As the Commission is well aware, system storage is critical in natural gas pipeline operations to ensuring that firm service levels are met in the worst winter weather conditions.¹¹ System storage makes it possible for a pipeline subject to such conditions to provide the natural gas that is essential to heat, and generate electricity for, homes, schools,

⁸ See Attachment A at 7.

⁹ *Id.* at 8-9.

¹⁰ *Id.* at 10.

¹¹ See, e.g., Report on Outages and Curtailments During the Southwest Cold Weather Event of February 1-5, 2011, FERC/ North American Electric Reliability Corporation (August 2011).

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factories, offices and public buildings – literally a matter of the life, health and safety of countless people. The availability of sufficient storage on Panhandle’s system to meet essential needs during critical weather events is a matter of informed decision-making by experienced and knowledgeable Panhandle system personnel determining the amount of storage needed and making the required investment in storage facilities or storage contracts well before the unprecedented weather event occurs. As the Commission conducts its review of how the energy industry could improve its ability to respond to severe weather events, it should recognize the critical need for an appropriate level of investment in infrastructure such as storage.

Waiver

Panhandle has the discretion in its Tariff to waive penalties on a non-discriminatory basis.¹² Due to the rapidly deteriorating weather and the associated unprecedented market conditions, Panhandle was not able to issue the February 15, 2021 curtailment until shortly before the deadline for the Intraday 1 nomination cycle. Also, Panhandle issued the OFO at 5:59 pm central time, leaving shippers only one hour to make their Intraday 3 nominations. Panhandle believes that under these circumstances of the OFO being noticed late in the day and the unprecedented market conditions causing the applicable daily price for gas to be \$374.67, it is reasonable to waive the OFO penalties for Gas Day 15, which amount to approximately \$50 million. As all affected shippers were similarly situated regarding the timing of the OFO on Gas Day 15 and Panhandle proposes to waive the OFO penalties for all shippers for Gas Day 15, such a waiver is not unduly discriminatory.

For Gas Days 16, 17 and 18, the affected shippers had more than adequate time to adjust their pool nominations as required by Panhandle’s OFO. In fact, eight shippers that violated the OFO on Gas Day 15 subsequently took actions that enabled them to be in compliance with the OFO for Gas Days 16, 17 and 18. Other shippers’ failure to bring their pool nominations into compliance for such days added to the operational issues on the system that necessitated the continuation of the OFO. Therefore, it is not appropriate to waive the penalties for these days and Panhandle will impose the OFO penalties for Gas Days 16, 17 and 18 as expressly provided in the Tariff. In addition, the price indexes utilized in the calculation of Panhandle’s OFO penalty prices are considerably less than various same day price indexes that are obtainable/applicable to the Panhandle Field Zone during this time period.

Pursuant to the Tariff, the penalties that Panhandle actually collects in excess of costs will be credited to non-offending, firm shippers.¹³

¹² GT&C Section 27.3 of the Tariff provides that “Panhandle may waive any rights hereunder or any obligations of Shipper on a basis which is not unduly discriminatory[.]”

¹³ See GT&C Section 25.2 of the Tariff.

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Conclusion

Due to the magnitude of Winter Storm Uri and the penalties to be waived, Panhandle believes that it is appropriate to inform the Commission of this matter and specifically request approval of its proposal to waive the Gas Day 15 OFO penalties notwithstanding its unilateral tariff rights under GT&C Section 27.3 to waive penalties.¹⁶ To provide certainty regarding this billing issue (payment of invoices for this period are due as soon as March 20, 2021), Panhandle requests that the Commission approve this request as soon as possible.

Please call the undersigned at (713) 989-7610 with any questions. Thank you.

Respectfully submitted,

PANHANDLE EASTERN PIPE LINE COMPANY, LP

/s/ Michael T. Langston

Michael T. Langston
Vice President, Chief Regulatory Officer

¹⁴ Designated as responsible Company official under Section 154.7(a)(2) of the Commission's regulations.

¹⁵ Designated to receive service pursuant to Rule 2010 of the Commission's Rules of Practice and Procedure. Panhandle respectfully requests that the Commission waive Rule 203(b)(3), 18 C.F.R. § 385.203(b)(3), in order to allow Panhandle to include additional representatives on the official service list.

¹⁶ The Commission has granted waivers of penalties in the past. See *El Paso Natural Gas Co.*, 136 FERC ¶ 61,219 (2011) (Commission granted waiver of certain penalties but allowed the pipeline to collect other penalties resulting from the same event).

Document Content(s)

Panhandle request for penalty waiver Mar 9 2021.PDF1