

123 FERC ¶ 61,292
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Transcontinental Gas Pipe Line Corporation

Docket No. RP08-272-002

ORDER ON REHEARING

(Issued June 20, 2008)

1. Transcontinental Gas Pipe Line Corporation (Transco) has sought rehearing of the Commission's letter order issued April 11, 2008.¹ The April 11, 2008 Order accepted and suspended, to be effective November 1, 2007, and April 1, 2008, subject to refund and conditions, Transco's March 14, 2008 filing of revised tariff sheets to establish procedures to track the fuel retention attributable to storage-related transportation service purchased by Transco from National Fuel Gas Supply Corporation (National Fuel) under National Fuel's Rate Schedule X-54. In this order, we explain our reasons for denying rehearing.²

Background

2. In its March 28, 2008 filing, Transco stated that it uses the transportation service it purchases under National Fuel's Rate Schedule X-54 to provide transportation service to its customers under Transco's Rate Schedule SS-2.³ Rate Schedule SS-2 is a bundled storage and storage-related transportation service. Transco stated that, on January 23, 2008, National Fuel submitted for filing in Docket No. RP08-170-000 certain revised tariff sheets which clarify and revise the retained fuel provisions of Rate Schedule X-54. The National Fuel filing indicated that although Rate Schedule X-54 permits National

¹ *Transcontinental Gas Pipe Line Corp.*, 123 FERC ¶ 61,029 (2008) (April 11, 2008 Order).

² Rehearing of the Commission's April 11, 2008 Order was denied by operation of law on June 11, 2008. However, the Commission issues this order to explain the basis for its denial of rehearing.

³ Transco also purchases storage service from National Fuel under National Fuel's Rate Schedule SS-1 to provide the bundled storage services Transco provides under Transco's Rate Schedule SS-2.

Fuel to retain transportation fuel, National Fuel had not done so. Therefore, National Fuel proposed to amend section 2.3 (Fuel Allowance Provision) of its Rate Schedule X-54, to allow it to recover fuel from Transco for the period of December 1, 2006, through March 31, 2007, through a one time reduction of 37,361 Dth from Transco's storage inventory under its contract with National Fuel pursuant to National Fuel's storage Rate Schedule SS-1. National Fuel further proposed to amend the Fuel Allowance Provision to provide that National Fuel will retain from Transco, effective November 1, 2007, 0.5 percent of the gas delivered by Transco for transportation under Rate Schedule X-54. National Fuel also proposed to change section 2.3 of its Rate Schedule X-54 to provide that, beginning April 2008 and each April thereafter, National Fuel will compare the retained volume under Rate Schedule X-54 during the preceding months of April through March with the metered volumes of gas used for compressor fuel for those same preceding months and will make an adjustment no later than May 1 to Transco's storage inventory under its Underground Storage Agreement with National Fuel for the difference between the retained volume and the metered volume. The filing was not protested and the Commission issued an unpublished letter order approving the revisions to National Fuel's Rate Schedule X-54, effective November 1, 2007.

3. In its March 14, 2008 tariff filing, Transco stated that section 8 of its Rate Schedule SS-2 authorizes it to pass through to its customers the quantity of fuel retained by National Fuel under Rate Schedule X-54 to support Transco's Rate Schedule SS-2 service. Transco further stated that because of the Commission's approval of the changes to National Fuel's tariff discussed above, it was proposing two separate conforming adjustments pursuant to section 8 of Rate Schedule SS-2. First, Transco proposed to make an adjustment to its Rate Schedule SS-2 customers' storage inventory levels to collect the one-time storage inventory adjustment of 37,361 Dth based on the actual fuel retention percentage for the period of December 1, 2006, through March 31, 2007.⁴ Second, Transco proposed to retain 0.5 percent from storage withdrawal quantities nominated for delivery by its Rate Schedule SS-2 customers, with an effective date of November 1, 2007. Transco stated that, in accordance with the Fuel Allowance Provision of National Fuel's Rate Schedule X-54, National Fuel will notify Transco of any differences between the fuel retained and the metered volumes of gas used for compressor fuel no later than May 1 of each year. Transco stated that, subsequent to receiving this notification from National Fuel, Transco will recalculate the fuel retention percentage to reflect the percentage actually retained by National Fuel. Transco stated that it will then use the calculated actual fuel retention percentage to make the appropriate adjustments to its Rate Schedule SS-2 customers' storage inventory balances.

⁴ The actual fuel retention percentage is calculated by dividing the 37,361 Dth by the total withdrawal nominations under Rate Schedule X-54.

4. To accomplish the foregoing, Transco proposed to revise the rate sheet of its tariff showing Rate Schedule SS-2 rates by adding a footnote setting forth a description of the process it will follow to apply the 0.5 percent Fuel Allowance and annual storage inventory adjustment attributable to National Fuel's Rate Schedule X-54.

5. New Jersey Natural Gas Company (New Jersey Natural) filed a motion to intervene and protest. In its protest, New Jersey Natural argued that Transco's proposal is unjust and unreasonable and asked the Commission to either reject it or suspend it for the maximum period and establish a technical conference.

6. In the April 11, 2008 Order, the Commission accepted and suspended Transco's March 14, 2008 filing, to be effective November 1, 2007, and April 1, 2008, subject to refund and conditions. Of relevance here, among other findings and directives,⁵ the Commission stated that Transco's proposal does not specify a specific filing date or effective date of future filings under the proposed tariff provision presumably because National Fuel's Rate Schedule X-54 does not establish a specific effective date of the annual true-up adjustment in Transco's SS-1 inventory which National Fuel must make by May 1 each year and which Transco must track. However, the Commission continued, since section 4.1(c) of Transco's Rate Schedule SS-2 requires Transco to file to track such changes within 30 days of National Fuel's changes to coincide with the effective date of such changes, the Commission believed the intent was for Transco to file by June 1 to implement the changes effective May 1. Accordingly, the Commission directed Transco to file to revise its tariff to clarify that any filing pursuant to Rate Schedule SS-2 to track National Fuel's Rate Schedule X-54 adjustments for fuel must be made by June 1 of each year, with an effective date of May 1.

Transco's Request for Rehearing

7. On rehearing, Transco takes issue with the foregoing directive for it to make annual fuel tracker filings. It asserts that this directive is based on a misunderstanding of the operation of the fuel retention provision for Rate Schedule SS-2 as proposed in the March 14, 2008 filing. Transco states that, under the provisions of paragraph 2.3 of National Fuel's Rate Schedule X-54 as approved by the Commission's February 15, 2008 letter order, no filing is required to implement the annual storage inventory adjustment; rather, the adjustment is made through an accounting entry and communicated to Transco. Transco states that, under its role as an accounting conduit as proposed in its March 14, 2008 filing, Transco would pass through to its Rate Schedule SS-2 customers the impact of National Fuel's storage inventory adjustments under its Rate Schedule X-54 by making an annual adjustment to Rate Schedule SS-2 customers' storage inventories.

⁵ On May 1, 2008, Transco filed in Docket No. RP08-272-001 to comply with certain other directives of the Commission in the April 11, 2008 Order. The Commission will act on that filing at a later time.

As with National Fuel, Transco states that these adjustments would be accomplished through an accounting entry which would be communicated to its Rate Schedule SS-2 customers.

8. Transco further asserts that a requirement to make a filing with the Commission to make any such storage inventory adjustment is unsupported and unnecessary. It states that its Rate Schedule SS-2 customers' Storage Gas Balances are not stated in its tariff, but, rather, are maintained in Transco's accounting records. Accordingly, it asserts, there is no rate or provision in Rate Schedule SS-2 or elsewhere in its tariff that must be changed in order to make any storage inventory adjustment.

Discussion

9. In this order, we explain our reasons for our denial of rehearing. Transco's proposed storage inventory adjustments are in-kind fuel charges, subject to section 4 of the Natural Gas Act, that are exacted from its customers on a direct pass-through basis. They are not merely an accounting adjustment such as for a third-party pipeline operational services the cost of which would otherwise be recorded in Account No. 858 and would only be factored into a general system-wide rate case filing. The subject "inventory adjustments" are in-kind charges for fuel that the customer pays the moment the adjustment is made. Transco's third-party storage and storage-related transportation arrangements with National Fuel can be handled as accounting entries because Transco is the only customer for Rate Schedule X-54 and SS-1 services with National Fuel under contracts with National Fuel. In contrast, Transco has multiple Rate Schedule SS-2 customers who would have no forum to contest the pass-through of such fuel charges under Transco's proposal. In these circumstances, we believe it was appropriate to require Transco to make a tariff filing with the Commission to implement these annual changes in its Rate Schedule SS-2 fuel charges notwithstanding its clarification that it had no intent to do so.

The Commission orders:

Transco's request for rehearing of the April 11, 2008 Order in this proceeding has been denied for the reasons explained in the text above.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.