

139 FERC ¶ 61,276  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

June 28, 2012

In Reply Refer To:  
Midwestern Gas Transmission Company  
Docket No. RP12-776-000

Midwestern Gas Transmission Company  
P.O. Box 871  
Tulsa , OK 74102-0871

Attention: Ron M. Mucci, Vice President, Rates and Regulatory Affairs  
ONEOK Partners GP, L.L.C.

Reference: FPAL (Firm Park and Loan) Service

Dear Mr. Mucci:

1. On June 1, 2012, Midwestern Gas Transmission Company (MGT) filed original and revised tariff records<sup>1</sup> to implement a new firm park and loan service under Rate Schedule FPAL, revise its existing Rate Schedule PAL, and make conforming revisions to its General Terms & Conditions (GT&C). MGT proposes an effective date of July 1, 2012. No adverse comments or protests have been filed. The tariff records identified in the Appendix are accepted and suspended to be effective July 1, 2012, subject to refund and to MGT filing in compliance with the directives herein within 15 days of the date of this order.<sup>2</sup>

2. MGT's system consists primarily of a Mainline extending 350 miles southward from an interconnection with ANR Pipeline Company at the Chicago Hub near Joliet, Illinois, to an interconnection with Tennessee Gas Pipeline Company near Portland in

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<sup>1</sup> See Appendix.

<sup>2</sup> This order grants MGT's motion in its electronic filing to place the proposed FPAL rates into effect at the end of a minimal suspension period pursuant to section 154.206(c) of the Commission's regulations.

northeast Tennessee.<sup>3</sup> MGT interconnects with multiple jurisdictional pipelines and can provide bi-directional transportation service to markets in Kentucky, Indiana, Illinois, and Tennessee, as well as the Chicago Hub. MGT currently offers firm and interruptible transportation service and several interruptible gas management services, including four types of interruptible PAL service.

3. According to MGT, changes in gas supply sources and competition from new pipelines have reduced its point spread differentials, severely compromising its ability to attract new customers and reducing the incidence of long-term firm transportation (FT) contract renewals on its system. MGT estimates that at the current pace of decontracting, the percentage of its capacity held under long-term FT contracts will decrease from 73 percent currently to roughly 46 percent by November 2013. MGT hopes to reverse this trend by offering FPAL service to enhance the value of its firm and interruptible transportation services.

4. Under Rate Schedule FPAL, MGT will contract with shippers to perform park and loan service on a firm basis by reserving a portion of its available line pack and unsubscribed capacity. FPAL service will be available only on MGT's Mainline.<sup>4</sup> FPAL parking service will consist of MGT's receipt of customer's volumes at a parking point(s), holding the volumes, and subsequently delivering an equivalent quantity to the customer at such point(s) or mutually agreeable alternative point(s). FPAL lending service will consist of MGT's delivery of line-pack volumes to a customer at a lending point(s), and its subsequent receipt of an equivalent quantity from the customer at the same or mutually agreeable alternative point(s). MGT will post and change the availability of FPAL points on its website. Any deleted points will remain available for the limited purpose of completing outstanding FPAL transactions. FPAL service may be contracted for a minimum term of one day to a maximum term as set forth in Exhibit A of the FPAL service agreement.

5. MGT maintains that the allocation of spare capacity and line pack on its system between FT and FPAL services will be determined by market forces as well as the range of line pack and pressure within which it can safely operate. MGT describes that range as a function of contracted transportation throughput.

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<sup>3</sup> MGT's 32-mile long Eastern Mainline extends southeastward from Portland, Tennessee.

<sup>4</sup> Although Rate Schedule FPAL does not expressly limit the availability of FPAL service to the Mainline, such limitation is implicit in proposed tariff record "Part 5.0, Summary of Rates and Charges, 5.0.0," which sets forth FPAL rates solely under the heading "FPAL – Mainline."

6. MGT also emphasizes that FPAL service will not adversely affect existing firm service rights, and that it will not double-book firm capacity. To these ends, Rate Schedule FPAL sets forth the following operational criteria that will determine whether MGT can enter into a new contract for FPAL service: the new service must not cause total contracted FT and FPAL capacity to exceed MGT's peak operationally available capacity on any pipeline segment unless the FPAL service will have a positive effect on the system (i.e., a park when line pack is below optimal levels, or a loan when line pack is above optimal levels); the new service must not cause total contracted firm capacity to exceed the operationally available capacity at any receipt or delivery point; and the new service must not interfere with the primary rights of any existing firm customer.

7. Rate Schedule FPAL permits MGT to contract for off-system, third-party storage service to perform FPAL service. Also, under the proposed rate schedule, conforming revisions proposed in this filing and existing provisions of the GT&C, FPAL service will have the same rights as other firm services with respect to, among other things, scheduling and curtailment priorities, demand charge crediting, and capacity release.

8. MGT may issue a notice requiring a customer, in not less than three days, to take certain actions with respect to park or loan quantities consistent with operating conditions described in the notice. If the customer does not comply with a notice regarding park quantities, such quantities will become the property of MGT and sold pursuant to the gas sales procedures in GT&C section 22.2, with the net sale proceeds credited as PAL penalties under GT&C section 23.1. If the customer does not comply with a notice regarding loan quantities, such quantities will be sold to the customer at an index price described further in this order. The notice period will be suspended during the period MGT cannot schedule a customer's nomination in compliance with the notice.

9. MGT proposes a maximum FPAL demand rate of \$0.0677/Dth/day, which is the equivalent of its currently effective maximum Mainline FT daily demand rate calculated on a 100 percent load factor basis, and proposes a minimum demand rate of \$0.000. The proposed FPAL maximum and minimum commodity rate of \$0.0009/Dth is equivalent to and derived from the Mainline FT commodity rate. MGT asserts that adopting existing FT rates as proxies for the proposed FPAL rates is consistent with Commission precedent approving rates for new service that can reasonably be derived from existing services' rates. Finally, rates for FPAL service may be discounted, or agreed to under MGT's negotiated rate authority.

10. Public notice of the filing was issued on June 1, 2012. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2011)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2011)), all timely filed motions to intervene and any unopposed motion to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties.

11. The Commission approves MGT's proposal to implement park and loan service as a firm service under Rate Schedule FPAL. Section 1.2.2 (second paragraph) and section 2.6 of Rate Schedule FPAL ensure, respectively, that an existing FPAL shipper's primary rights cannot be interfered with by a new request for FPAL service, and that FPAL service will be scheduled and confirmed with equal priority with other firm services. These provisions therefore satisfy the definition of firm service under section 284.7(a)(3) of the Commission's regulations stating "that the [firm] service is not subject to a prior claim by another customer or another class of service and receives the same priority as any other class of firm service."<sup>5</sup>

12. We also approve MGT's proposal to derive its initial FPAL base rates from its currently effective Mainline FT rates. In *Columbia Gas*, the Commission stated that "[i]n between rate cases, the Commission accepts initial rates for new services if designed properly based on a currently-approved cost-based rate. Issues regarding the levels and allocation of costs can be addressed in the pipeline's next rate case."<sup>6</sup> Here, we find that there is a rational basis for the choice of MGT's Mainline FT rates as proxy base rates. MGT will use the same transmission facilities for performing FPAL service and Mainline FT service, so the costs to be recovered by the proposed and proxy rates are essentially the same. In addition, both services are firm. Thus, there is a nexus between the costs and facilities underlying both services, and therefore a rational basis for using the existing Mainline FT base rates as proxies for the proposed rates.

13. In other respects, the proposed FPAL service and tariff revisions are generally consistent with Commission policy and precedent, with the exceptions noted below.

14. MGT is directed to clarify Rate Schedule FPAL regarding the availability of FPAL service. Although Rate Schedule FPAL does not expressly limit the availability of FPAL service to the Mainline, proposed tariff record "Part 5.0, Summary of Rates and Charges, 5.0.0" sets forth FPAL rates only under the heading "FPAL – Mainline." Therefore, MGT is directed to revise Rate Schedule FPAL to expressly limit the availability of FPAL service to the Mainline or explain why such revision is unnecessary. For the same reason, MGT is directed to revise section 1.2.2 of Rate Schedule FPAL to change the word "pipeline" to "Mainline," and insert the word "Mainline" before the words "Receipt Point or Delivery Point" in section 1.2.2.

15. Because the provisions of Rate Schedule FPAL contemplate that a customer could unpark quantities at a different point from the point where the quantities were parked,

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<sup>5</sup> 18 C.F.R. § 284.7(a)(3) (2011).

<sup>6</sup> *Columbia Gas Transmission Corp.*, 122 FERC ¶ 61,239 at P 36 (2008) (*Colombia Gas*) (footnote omitted).

MGT is directed to add language to the rate schedule requiring the customer in such instance to contract separately for transportation service between the points.

16. The Commission has also determined that, in such instance, fuel and loss retention would be applicable only to the transportation service, and not the PAL service.<sup>7</sup> However, although the Commission permits park and loan service to not be assessed fuel if it can be shown that no fuel is used in performing a transaction, such services are not exempt from being assessed a reimbursement quantity for lost gas.<sup>8</sup> Therefore, MGT is directed to explain, revise or delete as appropriate its proposed addition to Footnote 4 of proposed tariff record “Part 5.0, Summary of Rates and Charges, 5.0.0” which exempts PAL and FPAL service using a single point from assessment for both fuel and gas loss.

17. MGT is directed to further revise or explain its revision of Footnote 5 in the proposed tariff record “Part 5.0, Summary of Rates and Charges, 5.0.0,” which currently applies only to PAL service but will apply also to FPAL service. MGT proposes to delete the current language in Footnote 5 stating that “If a PAL customer nominates a quantity of gas which includes a Receipt Point or Delivery Point on the Mainline and a Receipt Point or Delivery Point on the Eastern Mainline, such quantity shall be subject to the sum of the Rate Schedule PAL . . . Rate and the Rate Schedule IT Eastern Mainline . . . Rate.” In place of the deleted language, MGT proposes a statement that “[t]he Mainline rates apply to service under Rate Schedule PAL or FPAL with a Parking Point or Lending Point at Portland.” MGT is directed to explain in detail the reason for its proposal regarding Footnote 5, differentiate the rate impact of the current and proposed language, and make any appropriate further revisions. MGT is also directed to explain how the proposed language would apply to PAL and FPAL service on the Mainline that does not have a point at Portland.

18. MGT is directed to explain, revise or delete paragraph (b) of section 6.2 of Rate Schedule FPAL. Paragraph (a)(i) of section 6.2 describes a scenario under which a penalized FPAL lending customer must purchase gas quantities from MGT at “150 percent of the weekly average spot price at the Midpoint Chicago LDC Citygate as reported in Gas Daily.” In Docket No. RP02-68-000, the Commission required MGT to include such penalty index in a corresponding section of Rate Schedule PAL, in place of MGT’s proposed penalty that was indexed to “150 percent of the highest daily Midpoint Chicago LDC Citygate price, as reported in Gas Daily.”<sup>9</sup> There, the Commission stated

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<sup>7</sup> *Reliant Energy Gas Transmission Co.*, 99 FERC ¶ 61,131, order on Rehearing and Clarification and Compliance Filings, 100 FERC ¶ 61,290, order on Rehearing and Compliance Filings, 101 FERC ¶ 61,299 (2002).

<sup>8</sup> *Id.*

<sup>9</sup> *Midwestern Gas Transmission Co.*, 97 FERC ¶ 61,386, at P 4 (2001).

that, given the volatility of daily prices, it is more appropriate to index penalties based on a weekly average price. In this filing, although section 6.2(a) of Rate Schedule FPAL applies the Commission-approved “weekly average” spot price penalty level to a penalized lending customer’s purchase, MGT has included the previously rejected “highest daily Midpoint Chicago LDC Citygate price” as a spot price index in section 6.2(b), which appears to describe the same scenario as section 6.2(a)(i). Therefore, MGT is directed to explain, revise or delete section 6.2(b) from Rate Schedule FPAL in accordance with this discussion.

19. Also in this regard, MGT has proposed to retain a similar daily spot price index in section 6.2(b) of Rate Schedule PAL, which corresponds to the same language in section 6.2(b) in Rate Schedule FPAL. Therefore, for the same reasons as described above, MGT is directed to explain, revise or delete section 6.2(b) from Rate Schedule PAL.

20. MGT requests waiver of certain Commission regulations related to the granting of certificate authority to abandon facilities under section 7 of the Natural Gas Act.<sup>10</sup> These requests are denied as such waivers are unnecessary for the purpose of this proceeding.

21. Based upon review of the filing, the Commission finds that the proposed rates have not been shown to be just and reasonable, and may be unjust, unreasonable, and unduly discriminatory or otherwise unlawful. Accordingly, the Commission shall accept and suspend the effectiveness of the tariff records in the Appendix of this order for the period set forth below, subject to the conditions set forth in this order.

22. The Commission’s policy regarding suspensions is that tariff filings generally should be suspended for the maximum period permitted by statute where preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or inconsistent with other statutory standards.<sup>11</sup> It is recognized, however, that shorter suspensions may be warranted in circumstances where suspension for the maximum period may lead to harsh and inequitable results.<sup>12</sup> Such circumstances exist here. Accordingly, in this case, the Commission will exercise its discretion to suspend the rates

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<sup>10</sup> Transmittal Letter at 13.

<sup>11</sup> See *Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension).

<sup>12</sup> See *Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension).

for a shorter period and permit the rates to take effect on July 1, 2012, subject to refund and subject to the conditions discussed above.

By direction of the Commission. Commissioner Clark is not participating.

Kimberly D. Bose,  
Secretary.

## **Appendix**

Midwestern Gas Transmission Company  
FERC NGA Gas Tariff  
Midwestern - FERC Gas Tariff  
Tariff Records Accepted and Suspended to be Effective July 1, 2012  
Subject to Refund and Conditions

Part 2.0, Table of Contents, 2.0.0

Part 5.0, Summary of Rates and Charges, 5.0.0

Part 7.15, Rate Schedule FPAL, 0.0.0

Part 7.30, Rate Schedule PAL, 3.0.0

Part 8.8, Operational Flow Orders (OFO), 2.0.0

Part 8.34, Electronic Contract Execution, 2.0.0

Part 8, Section 37, Demand Charge Credits, 1.0.0

Part 9.30, Park and Loan Agreement (PAL), 3.0.0