

170 FERC ¶ 61,285
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 30, 2020

In Reply Refer To:
Tennessee Gas Pipeline
Company, L.L.C.
Docket No. RP20-568-000

Tennessee Gas Pipeline Company, L.L.C.
1001 Louisiana Street
Suite 1000
Houston, Texas 77002

Attention: Carlos Oblitas
Director, Rates and Regulatory Affairs

Dear Mr. Oblitas:

1. On February 27, 2020, Tennessee Gas Pipeline Company, L.L.C. (Tennessee) filed tariff records¹ and supporting workpapers setting forth its proposed adjusted fuel and loss retention (F&LR) percentages and electric power cost rates (EPCR). We accept the referenced tariff records effective April 1, 2020.
2. Tennessee proposed revised F&LR and EPCR pursuant to Article XXXVII of the General Terms and Conditions (GT&C) of its FERC Gas Tariff, including the revised incremental F&LR percentages and EPCR for service on the Market Component Project

¹ Tennessee Gas Pipeline Company, L.L.C., FERC NGA Gas Tariff, TGP Tariffs, [Sheet No. 32, Fuel and EPCR, 16.0.0](#); [Sheet No. 61, FS Storage Rates - Firm Storage, 18.0.0](#) and [Sheet No. 62, IS Storage Rates - Interruptible Storage, 18.0.0](#).

facilities² (the Market Component or Project).³ Tennessee states that in conformance with section 5 of Article XXXVII, the proposed revised F&LR reflects Tennessee's proposed recovery of (i) fuel and losses for the prospective year based on quantities incurred by Tennessee during the twelve-month period ending December 31, 2019 (Base Period) and (ii) the balances as of the end of the Base Period in the applicable deferred F&LR subaccounts. Similarly, in conformance with section 7 of Article XXXVII, Tennessee states that the revised EPCR reflects Tennessee's proposed recovery of (i) electric power costs for the prospective year based on costs incurred by Tennessee during the Base Period and (ii) the balances as of the end of the Base Period in the applicable deferred EPCR subaccounts. Tennessee states that the estimated volumes used to derive the revised F&LR and EPCR reflect actual billable volumes for the Base Period.⁴

3. Tennessee further states that the instant filing reflects revised incremental F&LR and EPCR for service on the Market Component based on the methodology approved by the Commission in the August 2018 Order. ⁵

² Tennessee explains that the initial incremental fuel and electric power charges associated with the Market Component Project facilities (Tennessee's 500 Line system in Zone L) were determined by using a composite fuel curve to calculate incremental fuel use as a function of incremental project volumes for each of its DART segments (Tennessee's electronic portal used by its customers to *inter alia*, nominate and schedule gas) located along the project's primary path, and notes that in its July 13, 2018 filing, it stated that it would adjust the initial incremental fuel and electric power charges as part of its annual fuel adjustment filings and that it would maintain separate deferred fuel and electric power cost subaccounts to track any over- or under- recoveries of fuel and electric power costs allocated to the Market Component Project shippers consistent with its tariff. Petition at 2.

³ The Market Component Project included four new compressor stations and new compression at two existing stations in order to create 200,000 dekatherms per day of incremental firm transportation capacity from a primary receipt point on Tennessee's Broad Run Lateral in Zone 3 to a primary delivery point located on Tennessee's 500 Line system in Zone 1.

⁴ Petition at 3.

⁵ Petition at 4, n. 18. According to Tennessee, because the Project shipper, Antero, did not utilize its contract capacity prior to August 2019, the incremental F&LR and EPCR reflect allocated fuel and electric costs for the period August through December 2019. *Tennessee Gas Pipeline Co., L.L.C.*, Docket No. RP18-977-000 (Aug. 14, 2018) (delegated order).

4. According to Tennessee, the instant filing reflects lower F&LR applicable to the general system transportation and storage services, as well as lower EPCR applicable to the general system transportation services. Tennessee asserts that the revised fuel rates for the general system transportation services were impacted by higher fuel utilization during the Base Period offset by a reduction in under-collections booked to the transportation deferred F&LR subaccounts as of the end of the Base Period, and an increase in transportation volumes net of displacements.⁶

5. Tennessee further contends that the revised electric power rates for the general system transportation services were impacted by lower electric power costs incurred during the Base Period, an increase in over-collections booked to the transportation deferred EPCR subaccounts as of the end of the Base Period, and an increase in transportation volumes.

6. Tennessee claims that the revised fuel rates for storage services were impacted by slightly higher fuel and losses incurred during the Base Period offset by reduction in under-collections booked to the storage deferred F&LR subaccount as of the end of the Base Period, and an increase in customer storage injections.

7. Finally, Tennessee claims that the instant filing reflects higher incremental F&LR and EPCR for the Broad Run Market Component Project (Broad Run Component)⁷ from the initial rates established in the July 13, 2018 filing primarily due to higher throughput experienced by Tennessee during the Base Period in each of the DART segments located along the Broad Run Component's primary path as well as due to an increase in under-collections during the Base Period.

8. Public notice of the filing was issued on March 2, 2020. Interventions and protests were due as provided in section 154.210 of the Commission's regulations.⁸ Pursuant to Rule 214, all timely filed motions to intervene and any unopposed motions to intervene filed out-of-time 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.

9. On March 10, 2020, Antero filed a motion to intervene and protest in the above-captioned proceeding. On March 18, 2020, Tennessee filed a motion to answer and answer in response to Antero's protest. On March 24, Antero filed an answer in response

⁶ *Id.* at 4.

⁷ The Broad Run Component consists of certain compression facilities that are located in Kentucky, Tennessee, and West Virginia.

⁸ 18 C.F.R. § 154.210 (2019).

to Tennessee's answer. Rule 213 (a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213 (a)(2) (2019), prohibits an answer to a protest or answer unless otherwise ordered by the decisional authority. The Commission will accept the instant answers because they provide information that will assist us in our decision-making process.

10. Antero argues that Tennessee has failed to meet its burden of proving that the fuel filing and, specifically, the adjusted incremental F&LR and EPCR charges for services utilizing facilities constructed as part of the Market Component Project, are just and reasonable. Antero states that it does not oppose paying its share of fuel costs, however, Antero requests that the Commission suspend the proposed fuel rates subject to refund and the outcome of this proceeding and convene a technical conference for interested parties to discuss their concerns regarding Tennessee's filing.

11. Antero challenges (i) the magnitude of the increase of the adjusted incremental charges (approximately a 43% increase in the F&LR, and 39% increase in the EPCR), and (ii) whether Tennessee is properly allocating fuel costs to the adjusted incremental F&LR and EPCR charges in light of operational data from the Market Component. Antero asserts that these questions entail engineering as well as ratemaking analyses, and a technical conference is therefore the appropriate forum in which to address them. Antero argues that the magnitude of the increase, and the overall magnitude of the adjusted F&LR and EPCR charges, warrant further investigation.

12. Specifically, Antero states that Tennessee set forth the 2019 operational data in Exhibit 11 (2019 Operational Data) with only a note stating that the "fuel factor formula represents the 'best fit' composite fuel curve for the compressor units located in the primary path segments set forth above." Antero states that this vague reference to the fuel curve in that exhibit does not clearly explain how incremental fuel and electric power charges are allocated and fails to provide any justification for a 43% F&LR cost increase. Antero also states that the Project created capacity for a movement from Zone 3 to Zone 1, where the proposed F&LR for Zone 3 to Zone 1 is 2.44%, but the proposed adjusted incremental F&LR is 6.59%, which is higher even than the F&LR for a movement from Zone 0 to Zone 6 (5.09%).⁹

13. Antero argues that its use of the Project has been less than what was assumed in the 2018 Filing, which should result in lower, not higher rates. Antero further contends that in the 2018 Filing, Tennessee explained that the fuel curve was developed through model simulations for varying flow conditions on the Market Component, and that the initial incremental F&LR and EPCR were calculated assuming a flow of 89%.

⁹ Antero Protest at 3-4.

14. Antero argues that Tennessee's filing shows that Antero's usage of the Project since August of 2019 (when Antero began using the capacity) has been less than the estimated 89%F. Antero adds that it is unclear why additional fuel consumption is not attributed to the existing Tennessee system when the flow on the Market Component is below the predicted flow and claims Tennessee cannot meet its burden to prove that proposed rates are just and reasonable without providing further explanation to the Commission and Antero.

15. In its answer, Tennessee asserts that it has supported its 2020 Fuel Filing and demonstrated that its proposed rates are just and reasonable and should be accepted without modification. Tennessee contends that Antero's request for a technical conference should be denied. Specifically, Tennessee states that Antero intervened in its 2018 Fuel Filing proceeding and did not file a protest questioning Tennessee's fuel allocation methodology.¹⁰ Further, Tennessee observes that the Commission accepted the 2018 Fuel Filing,¹¹ and that Tennessee has continued to apply the methodology utilized in its 2018 Fuel Filing to allocate fuel to the Market Component.¹²

16. Tennessee explains that the Market Component's increased F&LR and EPCR rates resulted primarily from higher throughput experienced on the segments along the Project's Primary Path, and as a result of under-collections during the Base Period.¹³ In addition, Tennessee notes that the lower Project billing determinants during the Base Period used by Tennessee to derive the Market Component's F&LR and EPCR rates also contributed to the increase in these rates.

17. Tennessee states that fuel and electric costs allocated to the Market Component increased primarily because of the higher volumes transported on the Primary Path segments vis-a-vis those assumed in the 2018 Fuel Filing.¹⁴ Further, it maintains that Antero's assertion that its use of the Project has been less than what was assumed in the 2018 Filing, and should thus result in lower, not higher rates, is misplaced. Tennessee contends that the lower use by the Project shipper does not necessarily lead to lower

¹⁰ Tennessee Answer at 6 (citing Motion to Intervene of Antero Resources Corp., Docket No. RP18-977-000 (July 25, 2018) (noting its interest in the proceeding but not protesting)).

¹¹ *Tennessee Gas Pipeline Co. L.L.C.*, Docket No. RP18-977-000 (Aug. 14, 2018) (delegated order).

¹² Tennessee Answer at 6-7.

¹³ *Id.*

¹⁴ *Id.* at 9.

Project fuel rates on that segment; based on its the fuel curve, as total throughput increases—irrespective of which shippers use the capacity—then fuel use increases resulting in increased Project fuel rates because the fuel charged to the Project shipper is the incremental fuel at the high end of the fuel curve.¹⁵ Finally, Tennessee contends that its allocation methodology is consistent with the Commission’s recognition of the engineering concept that “fuel use at any compressor is not linear (i.e., does not increase proportionately with throughput),” and results in just and reasonable rates.¹⁶

18. Tennessee contends that it properly followed the approved methodology and supported its fuel rate and that Antero’s central opposition to Tennessee’s 2020 Fuel Filing is merely that its incremental fuel rate is increasing. Tennessee asserts that an increase in a pipeline’s fuel rate that results from application of its existing fuel methodology is not grounds to initiate a technical conference.¹⁷

19. In its response to Tennessee’s answer, Antero again asserts that Tennessee has failed to show that its fuel filing is just and reasonable. Antero reiterates its request for a technical conference, acknowledging that Tennessee’s methodology has not changed but claiming that engineering and ratemaking issues should be addressed by instituting a technical conference. Additionally, Antero argues that the Commission approved Tennessee’s fuel curve without any actual operational data and that Tennessee failed to explain how the initial charges should be adjusted. Finally, Antero maintains that it should not be prejudiced for failing to protest the previous filings because it did not understand how Tennessee intended to apply the fuel curve in the future.¹⁸

20. Upon review of Tennessee’s proposed tariff revisions and workpapers, it appears that Tennessee calculated the F&LR percentages and EPCR in accordance with the fuel mechanism laid out in Article XXXVII of the GT&C of its tariff, and Antero does not challenge that assertion. Tennessee’s proposed tariff revisions are consistent with its prior approved Commission methodology, which Antero did not protest. In its answer, Tennessee showed that the Market Component’s increased F&LR and EPCR rates

¹⁵ *Id.* at 9-10.

¹⁶ *Id.* at 10.

¹⁷ *Id.* at 11 (citing, e.g., *Nat’l Fuel Gas Supply Corp.*, 146 FERC ¶ 61,216 (2014) (accepting, over protest, 250% increase in fuel rate despite throughput increase of only 70%, where pipeline did not modify its existing methodology); *Dominion Cove Point LNG, LP*, 142 FERC ¶ 61,245 (2013) (accepting, over protest, increased allocation of fuel costs to certain shipper group, where pipeline followed its longstanding methodology of fuel allocation)).

¹⁸ Antero Answer at 2-5.

resulted from higher throughput experienced on the segments along the Project's primary path as well as under-collections during the Base Period. Further, Tennessee has stated that the methodology it employed is consistent with that utilized in its 2018 Fuel Filing and supported by the exhibits filed in the instant filing. In light of these facts, the Commission finds no justification for granting Antero's request for a technical conference. Notwithstanding the aforementioned, we encourage Tennessee to work with its shippers to ensure that large over- and under-recoveries of fuel are not common occurrences.

21. Accordingly, we hereby accept the tariff records listed in footnote 1 to this order that reflect proposed adjustments to Tennessee's F&LR percentages and EPCR, effective April 1, 2020, as discussed in the body of this order.

22. Antero's request for a technical conference is hereby denied.

By direction of the Commission.

Kimberly D. Bose,
Secretary.