149 FERC ¶ 61,239
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

December 18, 2014

In Reply Refer To:
Arkansas Oklahoma Gas Corporation
Docket No. PR14-55-000

Arkansas Oklahoma Gas Corporation
c/o Stinson Leonard Street LLP
1775 Pennsylvania Avenue, NW
Suite 800
Washington, DC 20006

Attention: Steven A. Weiler

Ladies and Gentlemen:

1. On September 23, 2014, Arkansas Oklahoma Gas Corporation (AOG) filed a request for limited waivers of requirements set forth in two Commission orders. Specifically, AOG requests the Commission continue to permit, until January 15, 2020, AOG to (1) charge its currently effective rates for interruptible transportation service provided under an Order No. 63 blanket certificate[1] and (2) identify "production pool" instead of specific receipt points for each transaction reported in Form No. 549-D.[2] For good cause shown, the Commission grants AOG's requested waivers subject to the conditions set forth below.

2. AOG states that it is a small local distribution company (LDC) that serves approximately 58,000 residential, commercial, and industrial customers in a five-county

[1] *See Arkansas Oklahoma Gas Corp.*, 33 FERC ¶ 61,197 (1985); and *Certain Transportation, Sales and Assignments by Pipeline Companies not Subject to Commission Jurisdiction Under Section 1(c) of the Natural Gas Act*, Order No. 63, FERC Stats. & Regs., Regulations Preambles 1977-81 ¶ 30,118 (1980) (Order No. 63).

[2] 18 C.F.R. § 284.126(b) (2014).

area in Western Arkansas and a five-county area in Eastern Oklahoma with natural gas produced by third party producers and delivered into AOG's system. AOG states that pursuant to its Order No. 63 blanket certificate, it "provides essentially a regulated gathering service that, on an interruptible basis, links on-system natural gas production with off-system markets delivering gas to an unregulated and unaffiliated gathering company, which in turn delivers the gas to pipelines for further transportation."[3] AOG also notes it does not make any sales for resale. AOG's rates, services, and facilities in Arkansas are regulated by the Arkansas Public Service Commission (Arkansas PSC), while those in Oklahoma are regulated by the Oklahoma Corporation Commission (Oklahoma CC).

3. On January 15, 2010, AOG filed in Docket No. PR10-6-000 a petition for rate approval pursuant to the Commission's regulations.[4] AOG sought to reduce its maximum transportation rate associated with its interruptible transportation service provided under its Order No. 63 blanket certificate from $0.1502 per MMBtu to $0.0515 per MMBtu and reduce its fuel retention factor (for lost and unaccounted for gas) from 2.87 percent to 2.65 percent. On June 10, 2010, the Commission issued a letter order accepting the rate petition effective June 15, 2010, subject to AOG filing "on or before January 15, 2015, an informational filing with costs, throughput, revenue and other data, in the form specified in section 154.313 of the Commission's regulations, to allow the Commission to determine whether any change in AOG's interstate transportation rates should be ordered" pursuant to section 5 of the NGA (Informational Rate Filing).[5]

4. In the instant filing, AOG requests that the Commission waive the requirement, in the June 10, 2010 Order, that AOG submit an Informational Rate Filing until January 15, 2020, to prevent an undue burden on AOG and its LDC customers.[6] AOG presents several arguments in support of its waiver. First, AOG points out that it currently provides interruptible service to six shippers; and that it only provided interruptible transportation service to one of those shippers during the first quarter of 2014 and

[3] AOG Waiver Request at 2.

[4] *See* 18 C.F.R. §§ 284.224(e)(1) and 284.123(b)(2) (2014).

[5] *Arkansas Oklahoma Gas Corp.*, Docket No. PR10-6-000, at 1-2 (June 10, 2010) (delegated letter order).

[6] AOG Waiver Request at 2, 9-10.

five shippers during the second quarter.[7] Second, the pipeline notes that it does not profit from Order No. 63 service, but rather credits 100 percent of the revenues to its state-regulated, local distribution service customers as required by the Arkansas PSC and the Oklahoma CC. Third, the pipeline states that its transportation volumes have been steadily declining. To this end, AOG asserts that, in 1991, it transported approximately 10.4 million MMBtu annually for which it received approximately $1.3 million in revenues; while in 2014 it had only shipped 128,510 MMBtu which results in total revenues of $6,425.50.[8]

5. AOG also asserts that all Order No. 63 natural gas is delivered to a single point on an unaffiliated, unregulated gathering company. AOG also states that it does not use its Order No. 63 blanket certificate to provide “hub services” between interconnected pipelines. In this same vein, AOG states that given the low operating pressure on AOG’s distribution system, it is physically impossible for it to deliver natural gas into the high pressure interstate pipelines. AOG also indicates that it has “never received a request for service deliveries to an interstate pipeline, and has no physical delivery point to either interstate pipeline.”

6. AOG also contends that the costs of making a rate filing are not insignificant. AOG estimates that the filing costs could exceed $50,000 ($40,000 to prepare a rate filing and a $12,070 filing fee).[9] To this end, AOG notes that its Order No. 63 revenues were only $6,425.50 in the first two quarters of 2014. Finally, the pipeline points out that because all Order No. 63 revenues are credited to AOG’s distribution customers, any Order No. 63 losses will be subsidized by AOG’s distribution customers.[10]

7. On July 12, 2011, in Docket No. PR11-86-000, the Commission granted AOG a limited waiver of the requirement in Form No. 549-D to specify the receipt point for each jurisdictional transaction (Receipt Point Reporting Requirement), as required by section 284.126(b)(1)(iv), which was promulgated by Order No. 735.[11] Form No. 549-D

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[7] *See* Exhibit B.

[8] *See* Exhibit C.

[9] AOG Waiver Request at 10.

[10] *Id.*

[11] *Arkansas Oklahoma Gas Corp.*, 136 FERC ¶ 61,028 (2011) (July 2011 Order); *see Contract Reporting Requirements of Intrastate Natural Gas Companies*, Order No. 735, FERC Stats. & Regs. ¶ 31,310 (2010), *order on reh’g*, Order No. 735-A, FERC Stats. & Regs. ¶ 31,318 (2010).

is a quarterly transportation and storage report for intrastate natural gas and Hinshaw pipelines. Section 284.126(b)(1)(iv) requires that, as part of the report, the respondent detail "the primary receipt and delivery points covered by the contract, identified by the list of points that the pipeline has published with the Commission." However, in Order No. 735, the Commission acknowledged the particular challenges in reporting receipt points for systems that perform a gathering function. Accordingly, the Commission declared, "for gas received from dedicated wells or gathering lines, respondents may instead note as the receipt point the common point where the gathered gas is considered to enter the pipeline's transmission system."[12] In the July 2011 Order, the Commission granted AOG a limited waiver allowing AOG to designate its receipt points as "production pool" on Form No. 549-D.[13] However, the Commission required AOG, if it wished to extend the waiver, to demonstrate in its Informational Rate Filing why the Receipt Point Reporting Requirement waiver should be extended.[14]

8. In the instant filing, AOG requests waiver of the Receipt Point Reporting Requirement until January 15, 2020, to be further evaluated in AOG's next rate filing, if any.[15] AOG asserts that the facts relied on by the Commission in granting the waiver have not changed materially, except that even fewer volumes are now being delivered. AOG states that it has only one delivery point but many input points, and hundreds of small volume wells are collected at dozens of central measurement points. Other wells are attached directly to AOG's distribution system. Consequently, AOG concludes that it does not know from which wells a particular shipper is sourcing its gas. Therefore, AOG requests the Commission continue its waiver of the requirements of Form No. 549-D, allowing AOG to designate its receipt points as "production pool."

9. Public notice of AOG's request for waiver was issued on September 26, 2014. Interventions and protests were due on or before October 14, 2014. Pursuant to Rule 214 (18 C.F.R. § 385.214 (2014)), all timely filed motions to intervene and any 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 this proceeding or place additional burdens on existing parties. No protests or adverse comments were filed.

[12] Order No. 735, FERC Stats. & Regs. ¶ 31,310 at P 60.

[13] July 2011 Order, 136 FERC ¶ 61,028 at P 8.

[14] *Id.* (The Commission stated that: "[u]nless AOG requests in that filing that the waiver be extended and *demonstrates that its circumstances have not changed*, our grant of waiver shall expire 150 days thereafter [emphasis added].").

[15] AOG Waiver Request at 8.

10. For good cause shown, the Commission will grant the requested waivers subject to the conditions discussed below.

11. AOG requests a limited waiver of the January 15, 2015 Informational Rate Filing requirement to permit AOG to continue to charge its currently effective rates for interruptible transportation service until January 15, 2020. AOG states that due to a steady decrease in production from wells since 1991, interruptible transportation and associated revenues have steadily declined. AOG argues that the costs to submit the informational rate filing requirement may far exceed the 2014 transportation revenues and that its distribution customers would be forced to subsidize the gathering service. AOG further argues that if the waiver is granted, after five years the production will likely decrease to the point that Order No. 63 service will no longer be needed.

12. AOG also requests that the Commission extend its currently effective limited waiver of Form No. 549-D for a five-year period, to be further evaluated during AOG's next rate filing, if any. AOG asserts that the facts relied on by the Commission in granting the waiver in 2011 have not changed materially, except that even fewer volumes are now being delivered. AOG further asserts that increasing regulatory compliance costs likely to be borne by distribution customers during the final stages of Order No. 63 service would serve no valid regulatory purpose. Finally, AOG argues that the small amount of data for essentially what is a gathering service provided to a handful of customers, would provide little, if any, meaningful information.

13. For good cause shown, the Commission grants AOG's requested limited waivers, subject to AOG fulfilling the annual reporting requirements. The waivers granted by this order are conditioned on the requirement that AOG file an annual report with the Commission, no later than March 1, 2016, and annually thereafter no later than March 1 of each year, until March 1, 2019. The annual reports must demonstrate that the circumstances supporting the waivers herein have not changed. The annual reports must include updates of all the exhibits in this filing with an explanation of any material changes.

By direction of the Commission.

Kimberly D. Bose,
Secretary.