

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

February 18, 2005

In Reply Refer To:
Viking Gas Transmission Company
Docket No. RP05-158-000

Viking Gas Transmission Company
P. O. Box 542500
Omaha, NE 68154-8500

Attention: Raymond D. Neppl, Vice President
Regulatory Affairs & Market Services

Reference: Tariff Revisions to Provide Zero Mile Transactions

Ladies and Gentlemen:

1. The Commission rejects a proposal made by Viking Gas Transmission Company (Viking) on January 21, 2005, concerning the scheduling and billing of “zero mile” transactions, without prejudice to Viking refiling the proposal with additional support. The filing also includes ministerial tariff changes. The Commission accepts the ministerial changes, to become effective February 20, 2005, as Viking requested, subject to Viking filing, within fifteen days of the date this issues, revised tariff sheets that contain only the ministerial changes. This order benefits customers because it approves certain updates to clarify the pipeline’s tariff, and requires Viking to fully explain tariff changes, as required by the Commission’s regulations.

2. According to Viking, the instant filing arises from a recent nomination by a shipper¹ of volumes in excess of contract demand from a non-physical transfer point to a physical delivery point. Viking explains that the nomination from the ANR Marshfield Transfer Point to the ANR Marshfield physical point was a zero mile transaction and did not effectively utilize any of Viking’s mainline system capacity. However, the total of the two nominations did result in a nomination in excess of the shipper’s transportation quantity under its agreement. Viking states that, according to section 5.4 of Rate

¹ Viking states that the shipper is not an energy affiliate of Viking.

Schedules FT-A and FT-D, quantities taken by a shipper in excess of the shipper's transportation quantity shall constitute an authorized overrun and thus be subject to the volumetric derivative of the maximum transportation charge applicable to the service under the agreement designed on a 100 percent load factor basis unless otherwise agreed. Viking maintains that it intended this charge to apply to excess quantities scheduled on its mainline system only.² Therefore, Viking states, it decided the appropriate charge for a zero mile transportation transaction is the minimum usage charge of \$0.0130 per dth, rather than the overrun rate of \$0.1660 per dth. Viking posted this information on its website.

3. Accordingly, Viking proposes to revise (1) subsections 4.6, 5.2, and 5.4 of Rate Schedules FT-A and FT-D and (2) subsections 2.5, 5.1, and 5.3 of Rate Schedule IT. Specifically, Viking proposes to revise section 4.6(b) to provide that zero mile quantities will not count toward a firm shipper's maximum daily quantity or transportation quantity under its service agreement. Similarly, the filing proposes to revise section 2.5 of Schedule IT to exclude such transactions from an interruptible shipper's transportation quantity under its service agreement. The revised Rates and Charges at section 5 under all three rate schedules assess the applicable minimum commodity rate plus all surcharges under each rate schedule for all zero mile quantities scheduled and delivered to a physical delivery point.

4. With respect to the scheduling priority of zero mile transactions, Viking states that such zero mile transactions "usually" involve the use of a secondary point.³ Accordingly, Viking asserts that under existing section 4.2 of Rate Schedules FT-A and FT-D, such zero mile transactions will have a lower scheduling priority than quantities transported from a shipper's primary receipt point to primary delivery point and, as such, will not affect an existing shipper's right to firm capacity at its primary points.

5. Notice of Viking's filing was issued on January 27, 2005. Interventions and protests were due as provided in section 154.210 of the Commission's regulations, 18 C.F.R. § 385.210 (2004). Pursuant to Rule 214, 18 C.F.R. § 385.214 (2004), all timely filed motions to intervene and any motions 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.

6. The Commission rejects Viking's "zero mile" proposal as inconsistent with the filing requirements of sections 154.7(a)(6) and 154.204 of the Commission's regulations, without prejudice to Viking filing a proposal that satisfies the requirements specified

² Viking expresses the belief that the intent of section 5.4 was to calculate the sum of nominations which actually utilized mainline system capacity, and that zero mile transactions were not contemplated when section 5.4 was drafted.

³ See Viking Transmittal Letter at 2.

under those sections. These sections require the filer to provide, *inter alia*, a statement of the reasons and need for the filing, a description of the change in service, and any impact of the proposed revision on firm and interruptible customers.

7. Viking's filing fails to meet these requirements because Viking does not adequately explain the nature and purpose of zero mile transactions on its system. For example, Viking does not describe where the quantities nominated by a shipper for a zero mile transaction may originate (*e.g.*, whether the gas may be parked under the shipper's account on Viking's system; whether the shipper may purchase the gas from a third party; whether the volumes may result from a title transfer). Viking vaguely states that such zero mile transactions are "usually" nominated for delivery at secondary points, and does not explain how other shippers on Viking's system are affected when such transactions are nominated for delivery at a primary point. Moreover, Viking states that zero mile quantities will not count toward a firm shipper's maximum daily quantity or transportation quantity under its service agreement but fails to specify under what service agreement the shipper would then nominate and pay for the zero mile quantities. Viking also does not explain whether the excess quantities are scheduled as interruptible service, or whether it will schedule the excess quantities on a pro rata basis. Lastly, Viking states that a zero mile transportation transaction does not effectively utilize any mainline system capacity and therefore charging only the minimum usage charge is appropriate.⁴ However, the usage charge includes the variable costs of using the mainline, just as a reservation charge includes the fixed costs of using the mainline. Therefore, if a zero mile transaction does not use any mainline capacity, it is not clear why the minimum usage charge is an appropriate rate for that service.

8. The Commission directs Viking to remove all tariff language and references related to the zero mile proposal, including the related definition of "transfer point" and the conforming changes to its other tariff provisions to accommodate such transactions. As stated above, this directive is without prejudice to Viking refiling a proposal that addresses the Commission's concerns.

9. With respect to all other ministerial changes unrelated to the zero mile proposal, the Commission finds such changes acceptable. In general, these changes update references and terminology and clarify that the shipper's primary points are identified on Exhibit A of a Firm Transportation Agreement. Accordingly, the Commission accepts and rejects the tariff sheets as indicated in the Appendix.

By direction of the Commission.

Magalie R. Salas,
Secretary.

⁴ See Viking Transmittal Letter at 2.

**Viking Gas Transmission Company
FERC Gas Tariff, First Revised Volume No. 1**

Revised Tariff Sheets conditionally accepted effective February 20, 2005:

Eighth Revised Sheet No. 12
Fourth Revised Sheet No. 13
Third Revised Sheet No. 15L
Second Revised Sheet No. 15M.01
Second Revised Sheet No. 15N
Tenth Revised Sheet No. 77
Second Revised Sheet No. 87E

Revised Tariff Sheets rejected:

Sixth Revised Sheet No. 21
Sixth Revised Sheet No. 23
Third Revised Sheet No. 41B
Eleventh Revised Sheet No. 48
Twelfth Revised Sheet No. 49
First Revised Sheet No. 87H.01