

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

May 31, 2007

In Reply Refer To:
Kern River Gas Transmission Company
Docket Nos. RP07-437-000 and RP07-437-001

Kern River Gas Transmission Company
P.O. Box 71400
Salt Lake City, UT 84171-0400

Attention: Billie L. Tolman
Manager, Regulatory Affairs

Reference: Tariff Revisions

Dear Ms. Tolman:

1. On May 1, 2007, Kern River Gas Transmission Company (Kern River) filed revised tariff sheets¹ to modify the tariff section dealing with pooling, to revise the Forms of Service Agreement for Rate Schedules KRF-1 and KRF-L1, and to revise other miscellaneous sections of the General Terms and Conditions (GT&C) of its tariff. On May 22, 2007, Kern River filed a request to withdraw two of the proposed tariff sheets relating to the Forms of Service Agreement. As discussed below, the Commission will accept certain revised tariff sheets, effective June 1, 2007, and will reject Second Revised Sheet No. 207.

2. In its May 1 filing, Kern River proposes to revise the supply and market area pools in section 22 of the GT&C to: (1) add the Roberson Creek virtual receipt points and the Hams Fork physical and virtual receipt points to the Muddy Creek Firm Pool and Muddy Creek AOS/Interruptible Pool; (2) add the Lake Side delivery point to the Northern Utah Firm Pool and Northern Utah AOS/Interruptible Pool; (3) add the Utah/Nevada Firm Pool, the Utah/Nevada Interruptible Pool, the 17-Z Firm Pool, and the 17-Z Interruptible Pool to the list of market area pools; and (4) make other minor revisions to the section.

3. The May 1 filing also proposes to revise the forms of Firm Transportation Service Agreements for Rate Schedules KRF-1 and KRF-L1 to: (1) remove an ambiguous phrase to eliminate any confusion as to the effective date of the agreement; (2) add a reference to

¹ See Appendix.

section 5.6, dealing with disputed invoices; (3) revise the “Term of Agreement” to clearly set out the effective date; and (4) make other minor revisions. In its May 22 filing, Kern River proposes to withdraw two proposed tariff sheets thereby withdrawing all the proposed changes to the forms of service agreement, with the exception of the minor revisions.²

4. Kern River further proposes to make certain miscellaneous changes to the GT&C to: (1) clarify the applicability of the electric compressor fuel surcharge in section 12.12(a); (2) correct a typographical error in section 26.2; and (3) revise section 27.2, Available Capacity (Posting), to allow Kern River to reserve capacity for up to one year prior to initiating the Commission’s certificate approval process.

5. The May 1 filing was noticed on May 4, 2007, with comments due on or before May 14, 2007. The May 22 filing was noticed on May 25, 2007, with comments due on or before May 29, 2007. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission’s Rules of Practice and Procedure (18 C.F.R. § 385.214). Any opposed or untimely filed motion to intervene is governed by the provisions of Rule 214. BP Energy Company (BP) filed a protest to the May 1 filing requesting that the Commission reject certain of Kern River’s proposed revisions relating to disputed invoices, to the reservation of capacity, and to the effective date of service agreements. Kern River’s May 22 filing to withdraw two proposed tariff sheets moots BP’s arguments in response to Kern River’s May 1 proposal, with the exception of Kern River’s proposed language regarding the reservation of capacity in section 27.2 of its GT&C, which is discussed below.

6. BP protests Kern River’s proposal to change the language allowing it to reserve capacity for a proposed expansion. Section 27.2 of the GT&C currently states that capacity may be reserved for up to one year prior to “Transporter filing for certificate approval for construction of the proposed expansion....” Kern River proposes to modify the provision so that capacity may be reserved for up to one year prior to “Transporter’s initiation of the certificate approval process with the Commission....” Kern River states that the revision is proposed in anticipation of using the Commission’s pre-filing process, which would precede the actual certificate application. BP argues the proposed language is ambiguous and contrary to Commission policy.³ BP contends that the Commission

² Kern River states that, in light of arguments filed by BP Energy Company, Kern River is electing not to pursue those particular changes.

³ BP cites *Transcontinental Gas Pipe Line Corp.*, 118 FERC ¶ 61,234 at P 10 (2007) (*Transco*); *Gas Transmission Northwest Corp.*, 117 FERC ¶ 61,315 at PP 32-37 (2006) (*GTN*); *Texas Gas Transmission, LLC*, 111 FERC ¶ 61,380 at PP 3, 6 (2005); *Northern Natural Gas Co.*, 105 FERC ¶ 61,057 at PP 15-18 (2003) (*Northern*); *Cove Point LNG Ltd. P’ship*, 94 FERC ¶ 61,060 (2001); *Northwest Pipeline Corp.*, 85 FERC ¶ 61,335 (1998).

recently rejected a proposal to accommodate the pre-filing process by extending the reservation period to two years.⁴ BP therefore requests that the Commission reject Kern River's revision to section 27.2 of the GT&C.

7. The Commission's policy is to allow pipelines to reserve capacity for only twelve months prior to filing for certificate approval of an expansion. Because a reservation of capacity results in a waiver of any interim shipper's right of first refusal, the Commission has required the one-year limit to assure that the reservation of capacity occurs only as part of a realistic expansion plan.⁵ The one-year limit is a safeguard that ensures that the pipeline is not reserving capacity to exercise market power.⁶ The proposed language is vague and could be read to allow capacity reservation for in excess of one year. Consistent with our policy of allowing capacity to be reserved for only up to one year prior to filing for certificate approval of an expansion, we shall reject Kern River's proposed modification to section 27.2 of the GT&C, as well as the provisions that have become moot as a result of the May 22 withdrawal filing, and shall accept the remaining revisions.⁷

8. The Commission therefore accepts certain of the revised tariff sheets, effective June 1, 2007, as specified on the Appendix, and discussed above, and rejects Second Revised Sheet No. 207.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

⁴ BP cites *Transco* at P 10.

⁵ See *Northern* at P 18.

⁶ See *GTN* at P 9.

⁷ The Appendix lists the tariff sheets that are accepted, those that are withdrawn, and those that are rejected.

Appendix

Kern River Gas Transmission Company
Docket No. RP07-437-000
Second Revised Volume No. 1

Accepted Tariff Sheets Effective June 1, 2007

Third Revised Sheet No. 110-A.1
Seventh Revised Sheet No. 178
Sixth Revised Sheet No. 179
Third Revised Sheet No. 179-A
Second Revised Sheet No. 201
Fourth Revised Sheet No. 302
Third Revised Sheet No. 328
Third Revised Sheet No. 331
Third Revised Sheet No. 332

Withdrawn Tariff Sheets

Third Revised Sheet No. 301
Second Revised Sheet No. 327

Rejected Tariff Sheet

Second Revised Sheet No. 207