

121 FERC ¶ 61,117  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

October 31, 2007

In Reply Refer To:  
Transcontinental Gas Pipe Line  
Corporation  
Docket No. RP07-711-000

Transcontinental Gas Pipe Line Corporation  
P.O. Box 1396  
Houston, TX 77251-1396

Attention: Charlotte Hutson  
Manager - Rates

Reference: Twenty-Seventh Revised Sheet No. 29 to FERC Gas Tariff, Third Revised  
Volume No. 1.

Dear Ms. Hutson:

1. On September 26, 2007, Transcontinental Gas Pipe Line Corporation (Transco) filed the referenced tariff sheet pursuant to section 38 of its General Terms & Conditions (GT&C) to re-determine the fuel retention percentage (FRP) applicable to liquefied natural gas (LNG) storage services under Rate Schedules LG-A, LNG, and LG-S. Section 38 of Transco's GT&C requires Transco to file annually to recalculate the LNG FRP for a 12-month period beginning each November 1. The recalculation is based on Transco's actual gas required for operations (GRO) during the preceding 12-month period ending August 31, and also incorporates the balance in its Deferred GRO Account as of that date. In this tracker filing, the revised tariff sheet and its supporting schedules reflect an increase in the LNG FRP from 16.04 percent to 29.45 percent. As detailed below, two parties protested the filing. For reasons discussed below, the Commission will accept and suspend the referenced tariff sheet to become effective November 1, 2007 subject to refund and condition, and to further Commission order.

2. Schedule 1 of the filing summarizes Transco's recalculation of the LNG FRP pursuant to GT&C section 38.3. To derive the FRP for the next annual period, Transco first divided the actual GRO for the three-year period from September 2004 through August 2007 - 493,511 Dth - by the volumes injected into LNG storage for the same period - 2,158,734 Dth. The resulting percentage, 22.88 percent, was combined with the

FRP related to volumes in the Deferred GRO account on August 31, 2007 to produce an overall FRP of 29.45 percent to be applied to injections into LNG storage for the next 12-month period. Schedules 2 through 5 detail the amounts summarized in Schedule 1.

3. Public notice of the filing was issued on September 27, 2007. Interventions and protests were due as provided in section 154.210 of the Commission's regulations.<sup>1</sup> Pursuant to Rule 214,<sup>2</sup> all timely 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. Protests were filed by Piedmont Natural Gas Company (Piedmont), and jointly by Public Service Company of North Carolina, Inc. and South Carolina Electric & Gas Company (together, Carolina Companies).

4. Piedmont maintains that the increase in the FRP is excessive and should be borne not only by Transco's customers under Rate Schedules LG-A, LGN and LG-S, but also by transportation system customers. This assertion is based on Piedmont's belief that the proposed increase is the result of natural boil-off associated with LNG facilities, and that such boil-off benefits the transportation system. Piedmont also maintains that data in the filing show that in recent years, less gas has been nominated and withdrawn from the LNG facility, which it alleges results in a distortion of liquefaction fuel when quantities nominated for injection are compared to recorded fuel requirements. Piedmont believes that in time, such distortion will become more pronounced as the increased fuel retention requirement makes it less economically feasible for customers to use the LNG storage services. Finally, Piedmont requests that the Commission suspend the filing for the maximum time allowed, and direct Transco to make an accounting change that would allocate to the transmission system its proportionate share of the fuel which Piedmont alleges is used to replace boil-off.

5. Carolina Companies state that Transco should be required to provide additional support for its filing and an explanation for the increase. They point out that the filing states, without further explanation, that "[t]he derivation of the revised fuel retention percentage included herein is based on Transco's actual gas required for operations for the period September 2004 through August 2007 plus the balance accumulated in the Deferred GRO account at August 31, 2007."<sup>3</sup> They maintain that this statement merely repeats what is required by section 38 of the GT&C of Transco's tariff and does not

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<sup>1</sup> 18 C.F.R. § 154.210 (2007).

<sup>2</sup> 18 C.F.R. § 385.214 (2007).

<sup>3</sup> Carolina Companies' Protest at 3 (*quoting* Transmittal Letter at 1).

support the dramatic FRP increase. They ask that Transco be required to submit additional information sufficient for the Commission and interested parties to explore the basis for Transco's proposed FRP increase.

6. On October 4, 2007, Transco filed a Motion to Answer and Answer responding to Piedmont's protest. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2007), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept Transco's answer because it provides information that assists us in our decision-making process.

7. Transco states that while Piedmont does not allege that Transco's filing does not follow the fuel recovery mechanism set forth in section 38 of the tariff, it seeks instead to modify the tariff mechanism itself. Transco responds that the Commission has determined that a proceeding arising from its annual fuel tracker filing is not the appropriate forum in which to challenge the mechanism. Transco also asserts that because the filing is consistent with the tariff mechanism, includes adequate support and explanation, and was noticed in accordance with the Commission's regulations, there are no grounds for Piedmont's request for maximum suspension.

8. Finally, Transco's response addresses Piedmont's allegation that the increase in the LNG FRP is related to boil-off of LNG, and that such boil-off migrates into Transco's transportation system. Transco states that boil-off is a natural and continuous occurrence in its LNG operations, and that "the quantity [of LNG] that boils off as gas must be liquefied and re-injected"<sup>4</sup> into the LNG facility to replenish Transco's own inventory for use in providing LNG services. According to Transco, the fuel used in this replenishment process is an appropriate component of the GRO.

9. The Commission will accept and suspend Transco's filing to be effective November 1, 2007, subject to further review of additional explanation to be filed by Transco, as discussed herein. The protestors believe that Transco's filing requires further explanation and support due to the magnitude of the increase in the LNG FRP from 16.04 percent to 29.45 percent. In addition, Piedmont requests that the Commission direct Transco to make an accounting change that would allocate to the transmission system a proportionate share of the retained gas which Piedmont alleges is used as replacement for boil-off. We believe that Transco's answer has adequately addressed Piedmont's allegation by explaining that there is a component of the FRP associated with boil-off but that such component is for fuel used in the ordinary course of the LNG facilities'

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<sup>4</sup> Transco Answer at pp. 4-5.

operations, and not for replenishment of boil-off. According to Transco's explanation, "the quantity [of LNG] that boils off as gas must be liquefied and re-injected"<sup>5</sup> into the LNG facility to replenish Transco's own inventory.

10. However, the Commission agrees with the protestors that the proposed increase in the FRP from 16.04 percent to 29.45 percent should be further explained. While we note that the LNG FRP has fluctuated significantly on occasion, Transco has not provided a descriptive explanation detailing the reason for the increased FRP in this filing. Therefore, we direct Transco to file such explanation within 15 days of the date of this order. As part of this explanation, Transco should detail the actions it has taken to minimize FRP for the three-year period from September 2004 through August 2007, including, if applicable, using a back pressure turbine to capture any pressure let-down energy that may be available in this process. Transco should also describe how lines 7 and 8 of Schedule 1, particularly the formula used to derive the FRP percentage on line 8, are consistent with the provisions of section 38.4 for determining the current FRP.

11. Based on a review of the filing, the Commission finds that the referenced tariff sheet has not been shown to be just and reasonable and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission will accept the referenced tariff sheet for filing and suspend its effectiveness for the period set forth below, subject to refund and condition.

12. 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>6</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>7</sup> Here, where Transco is seeking recovery of costs pursuant to an approved tracking mechanism, the Commission will

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<sup>5</sup> Transco Answer at pp. 4-5.

<sup>6</sup> See *Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension).

<sup>7</sup> See *Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension).

exercise its discretion to accept and suspend the referenced tariff sheet for a minimal period, to become effective November 1, 2007, subject to refund and other conditions.

By direction of the Commission.

Kimberly D. Bose,  
Secretary.