122 FERC ¶ 61,286
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 27, 2008

In Reply Refer To:
Tennessee Gas Pipeline Company
Docket No. RP08-234-000

Tennessee Gas Pipeline Company
1001 Louisiana Street
Houston, TX 77002

Attention: Melissa G. Freeman, Senior Counsel

Reference: Twenty-Third Revised Sheet No. 25, Eighth Revised Sheet No. 25A, Third Revised Sheet No. 29 and Seventh Revised Sheet No. 159 to FERC Gas Tariff, Fifth Revised Volume No. 1

Dear Ms. Freeman:

1. On February 29, 2009, Tennessee Gas Pipeline Company (Tennessee) filed the referenced tariff sheets to modify the charges applicable to extended receipt service (ERS) and extended delivery service (EDS) pursuant to Tennessee's FT-A Rate Schedule. The tariff sheets are accepted effective April 1, 2008, as proposed.

2. Under Tennessee's currently effective Rate Schedule FT-A, a shipper utilizing ERS and/or EDS is charged an additional daily usage charge associated with the shipper's use of a secondary point outside the rate zones within the shipper's contractual Transportation Path. Tennessee proposes to charge the applicable commodity and fuel usage for the entire nomination which will include both the base nomination and the extended nomination from the Extension Zone to the Extended Zone, instead of each discrete component of the nomination.[1]

3. In support of its proposal, Tennessee states that few shippers use ERS and EDS services, and there have been few volumes transported under the services. Tennessee believes that the manner in which usage charges are calculated for ERS/EDS services

[1] The extension zone is the service within the shipper's contractual Transportation Path. The extended zone service is comprised of the zone outside the Transportation Path either upstream or downstream.

inhibit shippers from using the services. Tennessee states that, while it is not proposing to reduce its applicable rates, its proposal on how the rates are applied to ERS/EDS services will result in a reduction in customer revenue responsibility and possible greater shipper utilization of the services.

4. Public notice of the filing was issued on March 3, 2008. Interventions and protests were due on or before March 12, 2008. Pursuant to Rule 214 (18 C.F.R. § 385.214 (2007)), 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 the proceeding or place additional burdens on existing parties. A protest was filed by the Small Customers[2] arguing that Tennessee's proposal is not cost justified, that such a rate change cannot take place outside a rate case, and that the proposed change is anticompetitive. Comments in support of Tennessee's proposal were filed by Merrill Lynch Commodities, Inc.; Tenaska Marketing Ventures; New Jersey Natural Gas Company; and NJR Energy Services Company. Tennessee filed an answer to the Small Customers' protest. While the Commission's regulations do not permit the filing of answers to protests,[3] the Commission will accept the answer because it provides additional information which aids in our decision making process.

5. On March 13, 2008, the Commission issued a letter order requesting additional information be filed by Tennessee to support its current proposal. On March 18, 2008, Tennessee filed its response to the Commission's data request and an answer to the Small Customers protest.

6. In its answer, Tennessee states that its proposal is a minor modification in the application of Tennessee's existing rates under its FT-A Rate Schedule for ERS/EDS service. Tennessee states that it proposes this modification to properly reflect the cost of providing such service and to ensure that all customers contracting for service under the FT-A Rate Schedule can realize the benefits of the increased flexibility.

7. Tennessee explains that under its proposal, the commodity and fuel charges for extended service will be determined under the rate matrix for Rate Schedule FT-A and applied to the total nomination from point of receipt to point of delivery. Thus, Tennessee asserts that commodity and fuel charges for extended service will be identical

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[2] The Small Customers are comprised of the following: City of Clarksville Gas and Water Department, City of Clarksville; City of Corinth Public Utilities Commission; Greater Dickson Gas Authority; Hardeman Fayette Utility District; Henderson Utility Department; Holly Springs Utility Department; Humphreys County Utility District; Town of Linden; Morehead Utility Plant Board; Portland Natural Gas System, City of Portland; Savannah Utilities; Springfield Gas System, City of Springfield; City of Waynesboro; and West Tennessee Public Utility District.

[3] 18 C.F.R. § 385.213 (2007).

to the commodity and fuel charges applicable to all other transportation under Rate Schedule FT-A, as well as those applicable to Rate Schedule FT-G and underlying the rates for Rate Schedules FT-GS and Tennessee's interruptible services.

8. In its answer, Tennessee argues that the Small Customers claim that the proposal is not cost justified fails to explain why ERS/EDS shippers should pay higher commodity and fuel charges than other shippers for comparable service. Tennessee notes that its proposal cannot affect its fuel charges for other services, as its fuel charge is a fixed charge that does not track actual fuel costs.

9. Further, Tennessee argues that the Small Customers have failed to support their allegation that Tennessee's proposal cannot be implemented outside a rate case. Tennessee states that it is not proposing any change in its current rates for other services in this proceeding. It only proposes to reduce the overall cost of ERS/EDS service to Tennessee's shippers. Tennessee argues that there is no reason that this minor rate modification for Rate Schedule FT-A shippers utilizing extended service cannot and should not be implemented outside of a rate case. Tennessee also notes that it is not proposing any change to the reservation rate or how it is applied. As for the usage rate, Tennessee notes that based on last year's volumes, the proposal represents a revenue reduction of only $31,244.

10. The Commission's review of Tennessee's proposal reveals that a shipper currently utilizing ERS/EDS service would be double charged commodity and fuel usage charges because the charges are assessed on both the base nomination utilizing the contractual capacity in the shipper's Transportation Path and for the extended nomination. Tennessee's proposal would eliminate this rate stacking by assessing shippers only the applicable commodity and fuel use charges for the single path inclusive of both the base nomination containing the Extension Zone and the extended nomination from the Extension Zone to the Extended Zone.

11. In the Commission's view, Tennessee's proposal will improve the competitiveness of the extended service option available under Rate Schedule FT-A, and thereby enhance the value of Tennessee's capacity to both existing and potential shippers contracting for firm service under Rate Schedule FT-A. Thus, Tennessee's proposal will result in placing the usage rates and charges for ERS/EDS service on equal footing with Tennessee's other services since all Rate Schedule FT-A shippers will pay comparable rates for comparable service.

12. Secondly, the Small Customers have alleged that section 154.204 of the Commission's regulations requires that Tennessee provide an indication of the magnitude of changes to its Rate Schedule. The Commission finds that Tennessee's responses to the Commission's data request dated March 13, 2008 appropriately illustrate the impact of Tennessee's proposed rate modifications. Tennessee's data reflects, based upon 2007 ERS/EDS activity, that the proposal would have resulted in a reduction in commodity

revenues of $31,244.[4] We find that the potential loss of commodity revenue based on Tennessee's historical experience is *de minimis*. Tennessee explains that the limited use of ERS/EDS reflected on Appendix A may be due to the additional commodity and fuel charges under the current rate structure that render the extended service option uncompetitive in the marketplace. Tennessee anticipates increased revenues once the fees for this service are properly aligned. Therefore, the Commission finds that Tennessee's proposal is cost justified and results in comparable rates for comparable service.

13. The Small Customers also assert that the proposal will give Tennessee's Rate Schedule FT-A shippers an unfair competitive advantage over shippers on Tennessee's system such as Rate Schedule FT-G and Rate Schedule FT-GS shippers. However the Commission fails to see that Rate Schedule FT-G and FT-GS shippers will be disadvantaged by Tennessee's instant proposal given that such shippers already pay a rate that is significantly reduced from Tennessee's Rate Schedule FT-A rate. Further, Tennessee's responses show that Tennessee's proposed modification will not have an adverse effect on any of its shippers, nor will it change any of Tennessee's rates. Thus, the Commission finds that there is no basis for the Small Customer's protest.

14. Accordingly, the Commission accepts Tennessee's proposed tariff sheets to be effective April 1, 2008, as proposed.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

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[4] See Appendix A of Tennessee's answer and its response to the date request.