

124 FERC ¶ 61,119
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

WTG Hugoton, LP

Docket No. RP08-438-000

ORDER ACCEPTING AND SUSPENDING TARIFF SHEETS, SUBJECT TO
REFUND, AND ESTABLISHING TECHNICAL CONFERENCE

(Issued July 31, 2008)

1. On July 1, 2008, WTG Hugoton, LP (WTG) filed revised tariff sheets¹ and supporting workpapers to reflect annual changes to its fuel retention percentages (FRPs), as required by section 42 of its tariff's General Terms and Conditions (GT&C), and to identify certain new points of interconnect on the system, to be effective August 1, 2008. For the reasons discussed below, the Commission accepts and suspends the tariff sheets to be effective August 1, 2008, subject to refund, and to the outcome of a technical conference to address the issues raised in this proceeding.

I. Details of Filing

2. Section 42 of its GT&C requires WTG to make annual filings with the Commission to change its FRPs for the period beginning August 1 of each year. Because it has not yet completed its first year of operations, the instant filing is based on actual data for the ten-month period between August 1, 2007 and May 31, 2008.

3. WTG explains that its FRPs include transportation fuel as well as lost or unaccounted for gas (UAF) gas, which is stated separately within the applicable FRPs for each zone. WTG states that this filing establishes a new UAF percentage based on actual system operations for the same August 1, 2007 to May 31, 2008 period. WTG further states that all of its proposed FRPs are higher than they previously were, largely due to an increase in UAF from 0.12 percent to 1.41 percent. WTG explains that its existing UAF percentage (0.12 percent) was based on Northern Natural Gas Company's (Northern) UAF percentage, because Northern owned and operated the facilities before WTG acquired them. Since that time, WTG states that actual UAF was 0.77 percent.

¹ First Revised Sheet No. 5 and First Revised Sheet No. 6 to its FERC Gas Tariff, Original Volume No. 1.

Therefore, WTG argues that its UAF percentage must be increased to 1.41 percent prospectively to recover deferred UAF.

4. Additionally, WTG states that the increased FRPs it proposes are necessary to recover deferred gas required for operations (GRO) accounts maintained for each fuel zone under section 42.5 of its GT&C, which reflect any unrecovered fuel at WTG's compressor stations. WTG explains that fuel usage at these stations has changed due to operational changes that occurred shortly before WTG acquired these facilities, when one of Northern's largest customers diverted substantial quantities of gas from the system to other pipelines.

II. Public Notice, Intervention and Protest

5. Notice of WTG's filing was issued on July 3, 2008. Interventions and protests were due as provided in section 154.210 of the Commission's regulations, 18 C.F.R. § 154.210. Pursuant to Rule 214, 18 C.F.R. § 385.214 (2008), 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. ONEOK Field Services Company, LLC (ONEOK) filed a protest.

6. In its protest, ONEOK notes that WTG is proposing FRPs that include a more than six-fold increase in UAF volumes and a resultant ten-fold increase in the UAF rate. ONEOK argues that WTG's filing is devoid of any evidence that would support a finding that such an increase in UAF is just and reasonable and the result of prudent pipeline operations. Noting that the WTG system consists of only 264 miles of pipe, ONEOK argues that the filing contains nothing to identify the source of the increase in UAF and that it would be premature to implement such a large increase in the UAF rate until efforts are made to isolate and correct the sources of the increased UAF. Furthermore, ONEOK notes recent Commission decisions providing that not all lost and unaccounted for gas is recoverable via a fuel tracker.² ONEOK argues that without additional information, there is no way to determine whether any of the UAF volumes are the result of unusual, non-recurring events such that they would be ineligible for recovery via a tracker.

² ONEOK, July 14, 2008 Protest, at 4 (citing *Cheyenne Plains Gas Pipeline Company, L.L.C.*, 123 FERC ¶ 61,220, at P 10 (2008) (citing *Williams Natural Gas Co.*, 73 FERC ¶ 61,394, at 61,215 (1995)); *Colorado Interstate Gas Co.*, 121 FERC ¶ 61,161, at P 24 (2007), *order on reh'g*, 123 FERC ¶ 61,183 (2008)).

7. ONEOK also contends that before determining the reasonableness of WTG's proposed UAF levels, the Commission should consider WTG's assurances to the Commission and ratepayers in its recent certificate proceeding. In that proceeding, WTG asserted that it would be a "service provider who can operate the facilities more efficiently and at a lower cost,"³ and that while some shippers would pay higher fuel charges, others would pay less due to WTG's more accurate and targeted fuel calculation methodology. Therefore, ONEOK requests that the proceeding be set for a full evidentiary hearing.

8. WTG filed an answer to ONEOK's protest on July 28, 2008, providing additional explanation for its filing. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure,⁴ prohibits an answer to a protest unless otherwise ordered by the decisional authority. Notwithstanding the additional explanation provided by WTG, we find that a technical conference is appropriate to further address the issues raised in the filing. Therefore, we reject the answer to the protest.

III. Discussion

9. The Commission has reviewed WTG's filing as well as the protest filed by ONEOK in this proceeding and finds that WTG's proposed FRPs raise significant issues with regard to the increase in UAF, which are best addressed at a technical conference.

10. It is not possible to determine, at this juncture, whether WTG's proposed FRPs are just and reasonable. A technical conference will afford the Commission staff and the parties to the proceeding an opportunity to discuss all of the issues raised by WTG's proposal, including but not limited to the increase in WTG's UAF volumes.⁵ At the technical conference, WTG should be prepared to fully explain its methodology for determining the UAF volumes and provide a clear explanation as to the cause of the increase in UAF volumes and to discuss what measures WTG intends to take to address the issue. Any party proposing alternatives to WTG's proposals should also be prepared to similarly support its position.

³ *Id.* (citing WTG Hugoton, LP March 15, 2006 Application, Docket Nos. CP06-90, *et. al.*, at 12).

⁴ 18 C.F.R. §385.213(a)(2) (2008).

⁵ Because a technical conference will allow parties and Commission staff to further inquire into the basis for WTG's proposed FRPs, we do not believe that a full evidentiary hearing is necessary, and therefore, we reject ONEOK's request for such a hearing.

11. Based upon a review of WTG's annual FRPs filing, the Commission finds that the proposed tariff sheets have not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission will accept the tariff sheets for filing and suspend their effectiveness for a minimal period to be effective August 1, 2008, subject to the conditions set forth in this order.

12. The Commission's policy regarding tariff filing suspensions is that such 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 that it may be inconsistent with other statutory standards. *See Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension). 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. *See Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (minimum suspension). The Commission finds that circumstances exist here where WTG is filing an annual update pursuant to an approved gas tracker mechanism. Therefore, the Commission will accept and suspend the proposed tariff sheets to be effective August 1, 2008, subject to the outcome of the technical conference established herein and further orders of the Commission.

The Commission orders:

(A) WTG's First Revised Tariff Sheet No. 5 and First Revised Tariff Sheet No. 6 to its FERC Gas Tariff, Original Volume No. 1 are accepted and suspended to be effective August 1, 2008, subject to refund and the outcome of the technical conference established by this order.

(B) The Commission's staff is directed to convene a technical conference to address the issues raised by WTG's filing and report the results of the conference to the Commission within 120 days of the date this order issues.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.