124 FERC ¶ 61,185
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

August 27, 2008

In Reply Refer To:
Texas Gas Transmission, LLC
Docket No. RP08-481-000

Texas Gas Transmission, LLC
9 Greenway Plaza, Suite 2800
Houston, TX 77046

Attention: J. Kyle Stephens
Vice President, Regulatory Affairs and Rates

Reference: Fourth Revised Sheet No. 240 to FERC Gas Tariff, Second Revised Volume No. 1

Dear Mr. Stephens:

1. On August 1, 2008, Texas Gas Transmission, LLC (Texas Gas) filed the referenced tariff sheet to modify provisions of section 17 of the General Terms and Conditions of its tariff related to imbalance resolution refunds. The tariff sheet is accepted effective September 1, 2008, subject to Texas Gas filing, within 15 days of the issuance of this order, a revised tariff sheet in accordance with the discussion below.

2. Specifically, Texas Gas proposes to create a procedure to refund the excess balance in its cash-out tracker accounts, thereby eliminating the volumetric surcharge procedure currently employed, and to establish a refund threshold of $1 million for the new refund process. Texas Gas proposes that if cash-out revenues received exceed the costs incurred, and if the excess is $1 million or more, then Texas Gas would refund all of the excess through a one-time refund for the applicable annual billing period. Further, Texas Gas states that if the excess is less than $1 million, then it would carry forward the excess to the subsequent annual billing period.

3. Public notice of the filing was issued on August 6, 2008. Interventions and protests were due on or before August 13, 2008. 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 the proceeding or place additional burdens

on existing parties. A protest was filed jointly by the Western Tennessee Municipal Group;[1] the Jackson Energy Authority, City of Jackson, Tennessee; and the Kentucky Cities,[2] (together, Cities). Comments were filed by Tennessee Valley Authority (TVA); Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc. (Duke); the Peoples Natural Gas Company d/b/a Dominion Peoples and Hope Gas, Inc. d/b/a Dominion Hope (Dominion); Sequent Energy Management, L.P. (Sequent); Memphis Light, Gas and Water Division (MLGW); and PSEG Energy Resources & Trade LLC (PSEG) (collectively, the Interveners). Texas Gas filed an answer to the protest and comments of the Interveners. 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 for the Commission's consideration in reviewing this filing.

4. Generally, the Interveners do not oppose the revisions that Texas Gas is proposing in this proceeding. However, the Interveners raised three common concerns: (1) whether the $1,000,000 threshold is just and reasonable; (2) the cash pool should earn interest in accordance with the Commission's regulations; and (3) language revisions are necessary in section 17.3(n)(i) of Texas Gas' tariff.

5. MLGW, PSEG, TVA, and Sequent expressed concern that the proposed $1 million threshold proposed by Texas Gas may be too high, arguing that a lesser amount of $500,000 should suffice and would be consistent with the prior Commission decisions cited by Texas Gas.[4]

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[1] The Western Tennessee Municipal Group consists of the following distributor-customers of Texas Gas: City of Bells, Gas & Water, Bells, Tennessee; Brownsville Utility Department, City of Brownsville, Brownsville, Tennessee; City of Covington Natural Gas Department, Covington, Tennessee; Crockett Public Utility District, Alamo, Tennessee; City of Dyersburg, Dyersburg, Tennessee; First Utility District of Tipton County, Covington, Tennessee; City of Friendship, Friendship, Tennessee; Gibson County Utility District, Trenton, Tennessee; Town of Halls Gas System, Halls, Tennessee; Humboldt Gas Utility, Humboldt, Tennessee; Martin Gas Department, Martin, Tennessee; Town of Maury City, Maury City, Tennessee; City of Munford, Munford, Tennessee; City of Ripley Natural Gas Department, Ripley, Tennessee.

[2] The Kentucky Cities are the Cities of Carrollton, Henderson, and Murray, Kentucky. They are municipal distributor-customers of Texas Gas.

[3] 18 C.F.R. § 385.213 (2008).

[4] In footnote 3 of Texas Gas' transmittal sheet it cited the following cases: *Gulf South Pipeline Co., LP*, 98 FERC ¶ 61,278 (2002) (approval of cash pool refund threshold increase from $50,000 to $250,000); *Southern Natural Gas Co.*, 101 FERC ¶ 61,397 (2002) (approval of $500,000 cash pool refund threshold). *See also* Black Marlin Pipeline Co. FERC Gas Tariff, First Revised Volume No. 1, Substitute Original Sheet No. 224, section 21.6 (cash pool refund threshold of $400,000).

6. In its answer, Texas Gas states that it selected the $1,000,000 threshold based upon several factors, including its past experience regarding its cash-out imbalance resolution methods and the current high and volatile price of natural gas. Texas Gas asserts in its answer that, in a $10-per-Dth natural gas environment, imbalance activity of only 100,000 Dth in a given month could push the cash pool excess over the $1,000,000 mark. Further, Texas Gas states that, while previous cash pool refund thresholds approved by the Commission have been between $250,000 and $500,000, those thresholds were established approximately six years ago, before natural gas prices reached the levels that exist today. Texas Gas states in its answer that, within the past several years the price of natural gas has consistently risen, making dramatic swings in the cash pools more common.

7. Texas Gas states that a refund floor based upon current market conditions lessens the possibility that it will be required to make *de minimis* refunds. Therefore, Texas Gas avers that its proposed $1,000,000 refund floor is just and reasonable in light of current market conditions and should be approved by the Commission. The Commission agrees and will approve the proposed $1,000,000 refund floor.

8. Cities, Dominion, PSEG, and Sequent expressed concern about the application of interest to the cash pool. In its answer, Texas Gas commits to calculating interest in accordance with the Commission's regulations and offers to add the following language to section 17.3(n)(i) of its tariff:

> <u>Interest will be calculated on the net balance in the cash-out tracker in accordance with section 154.501(d) of the Commission's regulations. In the event of a refund, the interest will be included in the amount refunded to Customers. In the event a refund is not due, interest will be calculated on the net balance and such balance, with interest, will carry forward to the subsequent annual billing period.</u>

9. Cities, Duke, and Dominion expressed concern that, with the proposed changes to the cash-out imbalance resolution methods, the existing language in section 17.3(n)(i) requires modification. In its answer, Texas Gas states that it agrees and proposes the following tariff language, which incorporates the suggestions provided by Cities:

> If the revenues received are less than the costs incurred, <u>or if the revenues received exceed the costs incurred by less than $1,000,000,</u> then Texas Gas shall carry forward the net balance to the subsequent annual billing period. ~~and may apply such balance to any future net overrecoveries that may occur in a subsequent annual billing period~~.

10. Further, in its answer, Texas Gas states that it agrees that minor changes to section 17.3(n)(i) are needed to add clarity regarding how it will handle any carry forward net balance and interest. Following all changes as proposed above, section 17.3(n)(i) will read as follows:

> Following each ~~a~~Annual ~~b~~Billing ~~p~~Period, Texas Gas shall compare the cash-out revenues for the period plus any carry forward amounts, including interest, ("Total Cash-Out Revenues") with the cash-out costs for the period. If the ~~revenues received~~ Total Cash-Out Revenues exceed the cash-out costs incurred, and such excess is equal to or greater than $1,000,000, then Texas Gas shall file within 90 days of the end of the ~~a~~Annual ~~b~~Billing ~~p~~Period to establish a ~~volumetric surcharge~~ refund applicable to both its Firm and Interruptible Rate Schedules to return the net overrecoveries. ~~over a twelve month period. Such surcharge shall be calculated~~. Texas Gas shall refund to Customers within 30 days following such filing pro rata based ~~on the~~ ~~projected~~ upon throughput for NNS, NNL, SGT, SGL, SNS, STF, FT and IT quantities for the ~~surcharge~~ ~~a~~Annual ~~b~~Billing ~~p~~Period.
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> If the ~~revenues received are less than~~ Total Cash-Out Revenues exceed the costs incurred, by less than $1,000,000, then Texas Gas shall carry forward the net balance to the next Annual Billing Period. Interest will be calculated on the net balance in the cash-out tracker in accordance with section 154.501(d) of the Commission's regulations. In the event of a refund, the interest will be included in the amount refunded to Customers. In the event a refund is not due, interest will be calculated on the net balance and such balance, with interest, will carry forward to the subsequent ~~a~~Annual ~~b~~Billing ~~p~~Period. ~~and may apply such balance to any future net overrecoveries that may occur in a subsequent annual billing period.~~

11. Accordingly, the Commission accepts Texas Gas' proposed tariff sheet to be effective September 1, 2008, subject to Texas Gas filing a revised tariff sheet within 15 days of the issuance of this order, to reflect the revisions agreed to by Texas Gas in its answer. Further, the Commission finds that Texas Gas' proposed threshold of \$1,000,000 is just and reasonable in light of current market conditions, and the Commission approves it.

By direction of the Commission.

Kimberly D. Bose,
Secretary.