

129 FERC ¶ 61,005
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

October 1, 2009

In Reply Refer To:
Quest Pipelines (KPC)
Docket No. RP09-1019-000

JOHN & HENGERER
1730 Rhode Island Avenue, N.W., Suite 600
Washington, D.C. 20036-3116

Attention: Matthew T. Rick, Attorney for
Quest Pipelines (KPC)

Reference: New Rate Schedule PAL

Ladies and Gentlemen:

1. On September 1, 2009, Quest Pipelines (KPC) filed revised tariff sheets to its FERC Gas Tariff, Second Revised Volume No. 1, to implement a new interruptible Park and Loan (PAL) Service under Rate Schedule PAL.¹ KPC requests an effective date of October 1, 2009, for the revised tariff sheets. We grant waiver of the Commission's 30-day notice requirement and accept KPC's revised tariff sheets, to be effective October 1, 2009, subject to further revisions described below.

2. KPC states that the Commission did not require KPC to implement a PAL service in its Order No. 637 compliance proceeding because of KPC's lack of on-system storage, KPC's historical practice of not cashing out imbalances, and the fact that no shipper requested the implementation of a PAL service in that proceeding.² However, KPC states that since its Order No. 637 compliance proceeding, a number of shippers and potential shippers have expressed interest in the implementation of PAL service using line pack. Based on its evaluation of similar services offered by other pipelines, KPC has

¹ See Appendix.

² See *Enbridge Pipelines (KPC)*, 99 FERC ¶ 61,208, at 61,869 (2002).

determined that it is operationally feasible to offer PAL service using line pack, provided the service is interruptible, has the lowest scheduling priority, and KPC retains the ability to evaluate the operational feasibility on a case-by-case basis.

3. KPC states the proposed service is modeled after the PAL services offered by other pipelines. The service will provide shippers with the ability to park gas on the KPC system or borrow gas from KPC on a temporary basis. KPC states that, at this time, it is not proposing to include transportation as part of the service. To ensure that KPC has the operational capability to provide specific PAL services, the quantity of gas to be parked or loaned under any transaction, as well as the location and duration of the transaction, will be subject to review by KPC and defined in service orders under individual service agreements. PAL transactions will have the lowest scheduling and curtailment priority of any service and KPC will be permitted to curtail PAL transactions with 24 hours advance notice to the shipper.

4. KPC states that consistent with Commission policy, it proposes to use its existing rates for interruptible transportation services as “reference rates” to derive a maximum rate for PAL service. KPC’s existing rates for interruptible transportation service are charged on a zonal basis, with KPC’s system divided into three zones and shippers paying additive rates for each zone they use. KPC’s proposed maximum rate for PAL service of \$0.2595 per Dth is derived by averaging the rate for the six possible transportation paths on the pipeline system.

5. KPC states that unlike certain other pipelines, KPC proposes to require fuel reimbursement as part of PAL service. KPC states that its system as a whole is made up of approximately 1,120 miles of pipeline, which, in the aggregate, supplies the line pack from which PAL service may be provided. However, according to KPC, most of these pipeline facilities are fairly small in diameter, ranging from eight to twelve inches. The small diameter of these facilities reduces the amount of line pack available in any individual segment of the system, thereby increasing the likelihood that compression may be needed to manage line pack when PAL service is provided. Accordingly, to ensure that PAL shippers provide reimbursement for fuel used associated with such compression, KPC proposes to require fuel reimbursement for all volumes that are parked or loaned.

6. KPC states that it does not propose to assess an Annual Charge Adjustment (ACA) surcharge³ on PAL volumes unless a shipper seeks to transport PAL volumes to points other than those where the service is provided.

7. KPC states that although the costs and revenues associated with service under Rate Schedule PAL are speculative, it estimates annual revenues of \$120,000 and annual expenses of \$60,000 between October 2009 and September 2010.

8. Notice of KPC's filing was issued on September 3, 2009. Interventions and protests were due as provided in section 154.210 of the Commission's regulations, 18 C.F.R. § 154.210 (2009). Pursuant to Rule 214, 18 C.F.R. § 385.214 (2009), 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. No party filed a protest or comments.

9. The Commission finds that KPC's proposed PAL service will provide shippers with greater flexibility in managing their transportation and balancing needs and generally conforms to current Commission policy. In the past, the Commission has allowed pipelines proposing PAL service to charge rates equal to the pipeline's interruptible rate.⁴ Consistent with this policy, KPC proposes to base the maximum rate for PAL service on its maximum interruptible rate, while the minimum PAL rate KPC proposes is zero. In addition, KPC proposes to afford its PAL service the lowest scheduling and nomination priority, which will ensure that PAL service will not impact KPC's existing services.

10. As part of its PAL service, KPC proposes to require fuel reimbursement. KPC explains this is necessary because it is likely compression will be needed to manage line pack when PAL service is provided. In order to ensure existing shippers do not subsidize KPC's PAL service, the Commission directs KPC to modify its Fuel Reimbursement Adjustment provisions⁵ to include PAL volumes when calculating its fuel reimbursement

³ To recover the annual charges assessed to KPC by the Commission, KPC applies an ACA surcharge to quantities transported under any firm or interruptible KPC rate schedules.

⁴ See, e.g., *Northwest Pipeline Corp.*, 100 FERC ¶ 61,336, at P 11 (2002); *Midwestern Gas Transmission Co.*, 97 FERC ¶ 61,386, at 62,752 (2001).

⁵ Quest Pipelines (KPC), FERC Gas Tariff, Second Revised Volume No. 1, General Terms and Conditions, Section 23.

percentage. Accordingly, the Commission accepts the tariff sheets filed by KPC, to be effective October 1, 2009, subject to KPC's filing revised tariff sheets, within 15 days of the date this order, consistent with the discussion in the body of this order.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

cc: All Parties
Kristie P. Wetmore
Quest Midstream Partners, L.P.
Three Allen Center
333 Clay Street, Suite 4060
Houston, TX 77002

Appendix

**Quest Pipelines (KPC)
FERC Gas Tariff, Second Revised Volume No. 1**

Tariff Sheets Effective October 1, 2009, Subject to Conditions

First Revised Sheet No. 1
First Revised Sheet No. 2
Original Sheet No. 56
Sheet Nos. 57-60 (Reserved for Future Use)
Original Sheet No. 90
Original Sheet No. 91
Original Sheet No. 92
Original Sheet No. 93
Original Sheet No. 94
Sheet Nos. 95-99 (Reserved for Future Use)
First Revised Sheet No. 102
First Revised Sheet No. 106
First Revised Sheet No. 108
First Revised Sheet No. 126
First Revised Sheet No. 134
Original Sheet No. 134A
First Revised Sheet No. 136
First Revised Sheet No. 176
First Revised Sheet No. 180
First Revised Sheet No. 388
Original Sheet No. 389
Original Sheet No. 390
Original Sheet No. 391
Original Sheet No. 392
Original Sheet No. 393
Original Sheet No. 394
Sheet Nos. 395-422 (Reserved for Future Use)
Original Sheet No. 423