

134 FERC ¶ 61,147
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

February 28, 2011

In Reply Refer To:
Transcontinental Gas Pipe Line Company, LLC
Docket No. RP11-1714-000

Transcontinental Gas Pipe Line Company, LLC
PO Box 1396
Houston, TX 77251

Attention: Marg Camardello
Manager, Certificates & Tariffs

Reference: Tariff Revisions

Ladies and Gentlemen:

1. On January 20, 2011, Transcontinental Gas Pipe Line Company, LLC (Transco) filed revised tariff records¹ to modify the interest payment provisions on overcharges and undercharges, revise procedures for processing requests for prior period volume adjustments and provide for a post cycle nomination period. The Commission accepts the revised tariff records effective March 1, 2011, as requested, subject to the condition discussed herein.

2. Transco states that its tariff includes provisions under which it works with customers to accommodate prior period volume adjustments to their transactions. Transco maintains that prior period volume adjustments result from changes to scheduled quantities, predetermined allocation (PDA) changes, and measurement adjustments. Transco states that it works with customers to accommodate adjustments to prior gas day scheduled quantities and PDAs, provided affected customers agree to the adjustment. Transco submits that these adjustments can result in both overcharges and undercharges to customers. Transco asserts that the vast majority of prior period volume adjustments are made within the production month or the next succeeding month, before any payment is made, such that customers do not actually pay overcharges.

¹ See Appendix.

3. Transco proposes to add a new section to its General Terms and Condition's (GT&C), section 39, "Adjustments to Prior Gas Day Scheduled Quantities and PDAs," to detail the procedures and timelines for processing requests for adjustments to prior day scheduled quantities and PDAs. Transco proposes that for adjustments to scheduled quantities and PDAs for days in the current production month "buyer or point operator must submit requests via 1Line within 10 days after the close of the affected gas day or by the 2nd day following the month, whichever is sooner."² Transco proposes that for prior period adjustments to scheduled quantities and PDAs for days in a prior production month for which allocations are closed, "buyer or point operator must submit requests via 1Line by the 25th day of a month."³ Further, Transco proposes that requests submitted "more than 6 months from the date of the initial transportation invoice and 7 months from the date of the initial sales invoice will be rejected."⁴

4. Transco also proposes to revise the tariff provisions governing the payment of interest on overcharges and undercharges in section 7 (Payments) of the GT&C. Transco proposes that payment of interest on undercharges and overcharges occur only when the undercharge or overcharge has not been corrected by the 10th day⁵ of the month following the determination of the error, or the overcharge refund or undercharge payment has not been made by the due date of the corrected invoice. Currently, Transco's tariff states that it "shall refund the amount of any overcharge with interest . . . from the time such overcharge was paid to the date of refund, and Buyer shall pay the amount of any undercharge but without any interest."⁶ Transco maintains that most errors, including adjustments to prior gas scheduled and PDAs requested by customers, are processed by the 10th day of the following month. Transco concludes that customers will retain the flexibility they currently have to request adjustments under the proposed

² Section 39, Adjustments to Prior Gas Day Scheduled Quantities and PDAs, 1.0.0 to Fifth Revised Volume No. 1, FERC Gas Tariff. 1Line is "an electronic service designed to provide the information or services required by applicable Commission orders or described in Seller's FERC Gas Tariff, and such other information or services as Seller may announce from time to time." *See* Section 46, 1Line Service, 0.0.0.

³ Section 39, Adjustments to Prior Gas Day Scheduled Quantities and PDAs, 1.0.0 to Fifth Revised Volume No. 1, FERC Gas Tariff.

⁴ *Id.*

⁵ Pursuant to section 7(a) of Transco's tariff: "Buyer shall pay to Seller by wire transfer of immediately available funds on or before the 10th day of each month Seller's bill for the Firm Service charge . . . for gas service rendered during the preceding calendar month and any adjustment of these charges for the previous month(s)." Section 7(a), Payments, 1.0.0 to Fifth Revised Volume No. 1, FERC Gas Tariff.

⁶ Transco Transmittal Letter at 2.

revisions without, in most circumstances, Transco or the customer having to pay interest charges.

5. When a buyer has been overcharged and the bill is not adjusted by the 10th day of the month following the determination of the error, or the overpayment is not refunded by the due date of the corrected invoice, Transco proposes that “the overpayment will be refunded with interest charges at the interest rate determined in accordance of section 154.501(d)(1) of the Commission’s regulations from the date of the overpayment to the date of the refund.”⁷

6. Transco proposes that where a buyer has been undercharged, “buyer will pay the amount of the undercharge without interest provided that the bill is adjusted by the 10th day of the month following determination of the error and the undercharge is paid to seller by the due date of the corrected invoice.”⁸ Further, Transco proposes that undercharges not paid by the due date of a corrected invoice “will be subject to interest charges at the interest rate determined in accordance with section 154.501(d)(1) of the Commission’s regulations from the due date of the corrected invoice.”⁹

7. Transco states that existing section 28.1(d) of its GT&C provides that Transco will make reasonable efforts to accommodate nominations received after the Interday 2 nomination cycle provided that the affected point operators confirm the receipt and delivery quantities and it is operationally feasible to accommodate the requested nomination. Transco proposes to revise section 28.1(d) to provide for a post cycle nomination period to increase flexibility for customers submitting nominations.

8. Finally, Transco proposes to revise section 2.3(d) of Rate Schedule Pooling to ensure consistency with its proposed revisions to section 28.1(d) of the GT&C. Section 2.3(d) of Rate Schedule Pooling provides that nominations must be balanced prior to the end of the “final” nomination cycle. Transco proposes to clarify that the final nomination cycle is the Interday 2 nomination cycle. Transco proposes to add section 2.3(e) to Rate Schedule Pooling, which states, “Post Cycle nominations and requests for adjustment to prior day gas scheduled quantities must be in balance for each applicable pooling service agreement at each pooling point.”¹⁰

⁷ Section 7, Payments, 1.0.0 to Fifth Revised Volume No. 1, FERC Gas Tariff.

⁸ *Id.*

⁹ *Id.*

¹⁰ Section 8.2, Rate Schedule Pooling, 2.0.0 to Fifth Revised Volume No. 1, FERC Gas Tariff.

9. Public notice of the filing was issued on January 24, 2011. Interventions and protests were due by February 1, 2011, as provided in section 154.210 of the Commission's regulations.¹¹ Pursuant to Rule 214 of the Commissions rules,¹² all timely motions to intervene and any unopposed 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.

10. On February 1, 2011, National Grid Gas Delivery Companies (National Grid) filed a protest. National Grid states that Transco customers currently are not required to pay interest on undercharges. National Grid maintains that the interest charges that Transco proposes to assess will increase amounts paid by Transco's customers for services from the pipeline and increase Transco's overall revenues.

11. First, National Grid argues that Transco is proposing a rate increase that should be filed with the Commission for approval in accordance with section 154, Subpart D of the Commission's regulations setting forth the materials that must be submitted with a rate change filing. Further, National Grid argues that because Transco's proposal to assess new carrying charges fails to comply with the Commission's regulations governing tariff changes that propose rate increases, it should be rejected summarily.

12. Second, National Grid argues that Transco provides no policy reason to justify a system whereby Transco avoids paying interest on overcharges for over a month and only recovers interest on undercharges from customers that remain outstanding for more than one month. National Grid argues that Transco possesses all the information necessary to render timely and accurate bills to its customers and that the costs of Transco's billing system are fully reflected in Transco's rates. National Grid argues that it is reasonable to require Transco to continue its current practice of paying interest on overcharges and not charging interest on undercharges when it fails to render accurate bills.

13. Third, National Grid argues that permitting Transco to recover interest on undercharges that remain outstanding beyond the due date of a corrected invoice affords Transco unreasonable leverage to compel customers to pay undercharge amounts before customers are able to verify Transco's corrected invoices.

14. On February 15, 2011, Transco submitted an answer to National Grid's protest. While the Commission's Rules of Practice and Procedure generally prohibit answers to

¹¹ 18 C.F.R. § 154.210 (2010).

¹² 18 C.F.R. § 385.214 (2010).

protests,¹³ the Commission will accept Transco's answer because it has aided us in our decision making process.

15. In its answer, Transco states that its filing was properly filed as a change to its tariff, in accordance with section 154, Subpart C of the Commission's regulations. Transco notes that it is not proposing to change any rate or charge for service under its tariff. Further, Transco states that the Commission recently accepted a filing to revise a pipeline's GT&C to provide for interest on overcharges and undercharges, without requiring that the change be made in a rate case under Section 154, Subpart D of the Commission's regulations.¹⁴

16. In addition, Transco states in its answer that it has no incentive to render inaccurate bills and does not intend to force customers to pay undercharges to the extent that the customers are not satisfied with the accuracy of those charges. Transco notes that customers have the right to dispute the amount of any bill, and pay only the amount it concedes to be correct, under the procedures set forth in existing section 7(c) of the GT&C. To clarify this right, Transco proposes the following revision to section 7(d)(ii):

Where Buyer has been undercharged by Seller, Buyer will pay the amount of the undercharge without interest provided the bill is adjusted by the 10th day of the month following determination of the error and the undercharge is paid to Seller by the due date of the corrected invoice. Undercharge amounts not paid by the due date of the corrected invoice will be subject to interest charges at the interest rate determined in accordance with Section 154.501(d)(1) of the Commission's regulations from the due date of the corrected invoice, unless Buyer has in good faith disputed the amount of such invoice in accordance with Section 7(c).

17. In its answer, Transco states that under existing section 7(c) of the GT&C, a buyer is subject to interest on billed amounts not paid when due, unless the amount is disputed by the buyer in good faith. Transco states that the proposed revision makes section 7(d)(ii) consistent with that procedure. Transco states that National Grid has informed it that this proposed revision will resolve all of National Grid's concerns regarding this filing. On February 17, 2011, National Grid filed a notice of withdrawal of its protest, conditioned on the Commission requiring Transco to revise its tariff as proposed in its answer.

¹³ See 18 C.F.R. § 385.213(a)(2) (2010).

¹⁴ Citing *Distrigas of Massachusetts LLC*, 116 FERC ¶ 61,007 (2006).

18. Transco's revised tariff records are accepted effective March 1, 2011, as proposed, subject to the condition discussed below. We reject National Grid's argument that Transco's filing should be summarily rejected because it provides for a rate increase that should have been made pursuant to section 154, Subpart D of the Commission's regulations. As noted by Transco in its answer, the Commission has previously found revisions to GT&Cs that provide for interest charges for underpayments not to be rate changes subject to the filing requirements of Subpart D.¹⁵

19. We find that it is just and reasonable to charge interest on undercharges in the event that a customer does not pay the undercharge by the due date of a corrected invoice. This practice is consistent with Commission precedent, which has held that "interest should be applicable on both undercharges and overcharges."¹⁶ Regarding National Grid's argument that a customer may be compelled to pay undercharge differences before the customer is able to verify Transco's corrected invoice, the tariff provides that a buyer may in good faith dispute the amount of any bill pursuant to section 7(c) of Transco's tariff, which contains procedures for the resolution of billing disputes.¹⁷ In addition, we find that Transco's proposed tariff revision submitted in its answer ensures consistency between section 7(d)(ii) and section 7(c). Therefore, we direct Transco to submit a revised tariff section, within 30 days of this order, incorporating the proposed revision submitted in its answer.

The Commission orders:

The Commission accepts Transco's revised tariff records, as listed in the Appendix, effective March 1, 2011, as requested, subject to the condition discussed above.

By the direction of the Commission.

Kimberly D. Bose,
Secretary.

¹⁵ *Distrigas of Massachusetts LLC*, 116 FERC ¶ 61,007 (2006) (order accepting and suspending tariff sheets).

¹⁶ *Tennessee Gas Pipeline Co.*, 66 FERC ¶ 61,317 at 62,003 (1994).

¹⁷ Section 7(c), Payments, 1.0.0 to Fifth Revised Volume No. 1, FERC Gas Tariff.

Appendix

**Transcontinental Gas Pipe Line Company, LLC
FERC Gas Tariff
Fifth Revised Volume No. 1**

**Tariff Records Accepted
Effective March 1, 2011**

Section 1, Table of Contents, 1.0.0

Section 7, Payments, 1.0.0

Section 18, Deliveries and Receipts, Dispatching Variations and Overrun, 1.0.0

Section 28, Nominations, Allocations, Curtailment and Confirmations, 2.0.0

Section 39, Adjustments to Prior Gas Day Scheduled Quantities and PDAs, 1.0.0

Section 8.2, Rate Schedule Pooling, 2.0.0