

136 FERC ¶ 61,153
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

August 31, 2011

In Reply Refer To:
Granite State Gas Transmission, Inc
Docket No. RP10-896-002

Pierce Atwood LLP
900 17th Street, NW
Suite 350
Washington, DC 20006

Attention: Randall S. Rich
Attorney for Granite State Gas Transmission, Inc.

Reference: Amended Stipulation and Agreement of Settlement

Dear Mr. Rich:

1. On July 26, 2011, you filed on behalf of Granite State Gas Transmission, Inc. (Granite) a joint petition (Joint Petition) for approval of an Amendment to Stipulation and Agreement of Settlement (Amended Settlement), together with the Amended Settlement and other materials. The Amended Settlement amends the Stipulation and Agreement of Settlement (2010 Settlement) filed on November 30, 2010 to resolve all issues in Docket Nos. RP10-896-000 and RP10-896-001 and approved by the Commission on January 31, 2011.¹ The Public Utilities Commission of New Hampshire, Public Utilities Commission of Maine, and the Maine Public Advocate (collectively, State Agencies) join Granite in the Joint Petition.

2. On June 29, 2010, in Docket No. RP10-896-000, Granite filed a general rate case pursuant to section 4 of the Natural Gas Act (NGA) to increase its transportation rates. That filing, among other things, included a proposed surcharge mechanism to collect certain capital costs expected to be incurred between January 1, 2011 and December 31, 2013 for the “Big Three” capital projects (Capital Cost Surcharge).² In the July 30, 2010

¹ *Granite State Gas Transmission, Inc.*, 134 FERC ¶ 61,074 (2011) (*Granite*).

² The Big Three projects include the Integrity Management Program, the Disbonded Pipe Replacement Project, and the Little Bay Bridge Crossing project.

suspension order setting the matter for hearing and settlement judge proceedings, the Commission rejected the proposed Capital Cost Surcharge.³ On August 23, 2010, in Docket No. RP10-896-001, Granite filed a request for rehearing of the Commission's rejection of the Capital Cost Surcharge provision. Subsequently, on November 30, 2010, Granite filed the 2010 Settlement to resolve all issues in the proceeding. The 2010 Settlement, however, did not include a mechanism to recover the costs associated with the Big Three capital projects. On January 31, 2011, the Commission approved the 2010 Settlement as an uncontested settlement.⁴

3. Because the 2010 Settlement did not include a mechanism to recover the costs associated with the Big Three capital projects, the joint petitioners state that Granite proceeded to prepare a new rate filing under section 4 of the NGA to be effective January 1, 2012 to recover the costs associated with the Big Three projects, through December 31, 2011. The joint petitioners state that, in July 2011, Granite met with the State Agencies and the Commission Trial Staff to preview the filing. Based in part on the cost of participating in a series of annual section 4 rate increase filings, the joint petitioners state that the State Agencies requested that Granite consider alternative means to recover its costs. Subsequently, the joint petitioners state that they agreed to the Amended Settlement under which Granite would recover its costs for the Big Three capital projects in annual limited section 4 rate filings.

4. Granite and the State Agencies state that they do not expect any opposition to the Amended Settlement. Accordingly, they request the Commission to act expeditiously on this Joint Petition by issuing an order no later than August 31, 2011, in order to enable Granite to reflect the Amended Settlement rates in its invoices for services provided in August. The main provisions of the Amended Settlement are summarized immediately below.

5. Article I details the background of the Amended Settlement. Article I also provides that, under the Amended Settlement, shippers will be charged rates that are lower than those proposed in Granite's planned rate filing that will not be filed as a result of the Amended Settlement. Granite submits that Commission Trial Staff and all of the parties to this proceeding either support or do not oppose the Amended Settlement.

6. Article II provides that Granite will recover the capital cost additions for the Big Three capital projects as of March 31, 2011, together with certain expense adjustments to Granite's cost of service, through a rate increase effective August 1, 2011. Article III provides that, thereafter, Granite shall be permitted to file limited section 4 rate adjustments filings to recover the capital cost additions to transmission plant that are

³ *Granite State Gas Transmission, Inc.*, 132 FERC ¶ 61,089 at P 11 (2011).

⁴ *Granite*, 134 FERC ¶ 61,074.

incurred in the 12-month period ending on March 31 of the filing year in connection with the Big Three capital projects. The limited section 4 rate filings shall be made annually on or about June 29 of each year to be effective August 1 of each year. The limited section 4 rate filings will modify only specified components of Granite's rates to reflect capital additions on the Big Three capital projects, rather than adjust all elements of the cost of service as would be the case in a full section 4 rate filing. The limited section 4 rate adjustment filings shall conclude the earlier of the date the projects are complete and the capital costs associated with the Big Three capital projects are included in Granite's rates or the filing date of a general section 4 rate filing by Granite or the effective date of a proceeding established under section 5 of the NGA.

7. Article IV amends the 2010 Settlement to provide that, except with respect to the Amended Settlement rates and the permitted limited section 4 rate adjustment filings, neither Granite pursuant to NGA section 4 or any settling party or any successor or assignee (including shippers acquiring capacity through capacity release) or affiliate of any settling party pursuant to NGA section 5 will seek to modify Granite's recourse rates by a filing made prior to January 1, 2013.

8. Article V sets forth the criteria which must be met in order for the Amended Settlement to take effect.

9. Article VI contains various reservations, one of which provides that, to the extent the Commission considers any changes to the terms of this Amended Settlement during the term of the Amended Settlement, the standard of review for such changes shall be the most stringent standard permissible under applicable law.

10. The Commission finds that the Amended Settlement is fair, reasonable, and in the public interest. Therefore, the Commission approves the Amended Settlement pursuant to Rule 602(g), 18 C.F.R. § 385.602(g) (2011).

By direction of the Commission.

Kimberly D. Bose,
Secretary.