

136 FERC ¶ 61,169
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

September 9, 2011

In Reply Refer To:
Transcontinental Gas Pipe Line
Company, LLC
Docket No. RP11-2371-000

Transcontinental Gas Pipe Line
Company, LLC
2800 Post Oak Boulevard (77056)
PO Box 1396
Houston, Texas 77251-1396

Attention: Mary Camardello, Manager
Certificates and Tariffs

Reference: Letter Order on Revisions to Operational Balancing Agreement Provisions

Ladies and Gentlemen:

1. On August 11, 2011, Transcontinental Gas Pipe Line Company, LLC, (Transco) filed revised tariff records¹ to modify certain tariff provisions relating to the resolution of Operational Balancing Agreement (OBA) imbalances. Transco proposes to revise section 25.8 of the General Terms and Conditions (GT&C) of its tariff (Final Resolution of OBA Imbalances) to provide two additional types of OBA imbalance resolution provisions that Transco may negotiate with the OBA party. First, Transco proposes to add that Transco and the OBA party may agree to cash out OBA imbalances prior to the close of the Trading Period² if the final resolution of imbalances is cash-out only and the OBA does not provide for trading under its tariff. Second, Transco proposes to add that

¹ Section 25, Monthly Imbalance Resolution, 4.0.0, and Section 37, Cash Out Provisions, 1.0.0, to Fifth Revised Volume No. 1, FERC NGA Gas Tariff.

² Under section 25.1(e) of its GT&C, Transco defines Trading Period as the period beginning on the 1st calendar day following the end of the immediately preceding month through the end of the 17th business day following the end of such preceding month.

“for OBAs with interstate or intrastate pipelines subject to FERC’s Order No. 587-G...an alternate cash out methodology” may be negotiated different than the tiered methodology in sections 37.1(g) and (h) of the GT&C. Transco also proposes conforming changes to section 37 of the GT&C (Cash Out Provisions). Transco states that it currently negotiates certain imbalance resolution provisions of an OBA on a non-discriminatory basis. Transco states that these tariff revisions would allow for additional flexibility in negotiating imbalance resolution provisions of OBAs, which is consistent with Commission policy that OBAs may be negotiated to accommodate differing operating conditions between interconnecting parties and differing conditions at each interconnect. Transco requests a September 11, 2011 effective date for its proposed revised tariff records. As discussed below, we accept Transco’s revised tariff records to become effective September 11, 2011.

2. Public notice of the filing was issued on August 12, 2011. Interventions and protests were due as provided in section 154.210 of the Commission’s regulations (18 C.F.R. § 154.210 (2010)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2010)), all timely filed motions to intervene and any unopposed motions to intervene out-of-time 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. Indicated Shippers filed a limited protest.

3. Indicated Shippers state that Transco’s tariff currently allows for cash-out penalties to be calculated by applying a schedule of cash-out multipliers, depending on the degree of the imbalance, to a shipper’s imbalance quantities under an OBA. Indicated Shippers protest Transco’s proposal to allow parties to an OBA to negotiate a cash-out methodology different from Transco’s current tiered methodology. Indicated Shippers assert that Transco provides no explanation of the problems it confronts in negotiating an OBA with another pipeline that warrants special treatment. It contends that neither Transco’s Filing nor its proposed tariff language provides any explanation of the type of arrangements that Transco plans to try to negotiate with other pipelines, or describes the potential impact of such specially negotiated provisions on non-pipeline OBA parties and shippers that are subject to Transco’s cash-out methodology. Indicated Shippers assert that, without Transco providing any parameters under which it would negotiate deviations from its cash-out methodology, the proposal vests far too much discretion in Transco and creates a risk of undue discrimination among OBA parties and shippers.

4. Indicated Shippers further argues that Transco’s shippers and OBA parties that do not qualify for the special cash-out treatment under Transco’s proposal could be disadvantaged in two ways. First, they may pay higher cash-out penalties than pipeline OBA parties that are permitted to negotiate an alternate methodology. Second, when Transco refunds cash-out overcollections to OBA parties and shippers on a *pro rata* basis pursuant to section 15 of its GT&C, Transco’s proposal would give pipeline OBA parties the same share in the overcollections even if the pipeline’s OBA parties’ imbalances had

been cashed out on the basis of a less onerous imbalance penalty schedules than applicable to all other shippers and OBA parties.

5. Indicated Shippers assert that the Commission addressed a similar proposal in *Texas Gas Transmission Corp.*³ where the pipeline proposed to amend its tariff to allow individualized negotiations of cash-out provisions with its pipeline customers. In that proceeding, Indicated Shippers state the Commission expressed concerns that Texas Gas's proposal may result in more favorable cash-out provisions to OBA point operators than to transportation shippers. It also notes the Commission required Texas Gas to provide additional information to explain how its proposal does not unduly favor OBA parties relative to transportation shippers which lack the ability to enter into OBAs under Texas Gas's tariff. Indicated Shippers contend the same concerns apply here. For these reasons, Indicated Shippers argue that Transco must provide a more clearly defined proposal, a full explanation of the need for the proposal and how it intends to protect the interests of the other OBA parties and shippers.

6. We accept Transco's revised tariff records as proposed and deny Indicated Shippers' protest. Order No. 587-G requires interstate pipelines to enter into OBAs at all interstate and intrastate pipeline interconnects.⁴ In Order No. 587-G, the Commission also recognized that a standard *pro forma* OBA may not be suitable for all interconnects on a pipeline system and that interstate pipelines may have to negotiate non-standard OBAs with counterparties depending on their interconnect circumstances. The Commission has allowed pipelines to include language in tariffs that would allow the pipeline and a counterparty to mutually negotiate individual OBAs in a non-discriminatory manner. For instance, in *Transwestern Pipeline Co., LLC* (Transwestern),⁵ in accepting revisions to the OBA provisions of Transwestern's tariff, the Commission stated that "[w]hile section 15.1 requires point operators to execute the *pro forma* OBA contained in Transwestern's tariff, it carves out an exception for operators at interconnections with interstate or intrastate pipelines. This latter class of point operators is permitted to enter into OBAs in 'another mutually agreeable form.'" Unlike in *Texas Gas*, Transco has been negotiating OBA imbalance resolution provisions on a non-discriminatory basis pursuant to the current provisions of section 25.8 of the GT&C of its tariff and simply proposes to add two additional permissible categories of imbalance resolution negotiation on a non-discriminatory basis. Accordingly, we find

³ 127 FERC ¶ 61,030 (2009) (*Texas Gas*).

⁴ *Standards for Business Practices of Interstate Natural Gas Pipelines*, Order No. 587-G, FERC Stats. & Regs. ¶ 31,062, at 30,676 (1998), *order on reh'g*, Order No. 587-I, FERC Stats. & Regs. ¶ 31,067 (1998).

⁵ 132 FERC ¶ 61,052, at P 15 (2010).

that Transco's proposal allowing OBAs to provide for additional alternate negotiated imbalance resolution methodologies is consistent with both Order No. 587-G and *Transwestern* and that no further support is required.

7. Indicated Shippers express concern that OBA parties with negotiated imbalance resolution methodologies may pay less for cash-outs than other shippers but get the same *pro rata* share of the refunds. Under section 15(b) of Transco's GT&C, cash-out refunds are paid out to all shippers and OBA parties *pro rata* based on total throughput volumes. Accordingly, Transco's tariff does not differentiate refund amounts based on how much the parties actually paid for cash-outs.

8. Further, while Order No. 587-G provides that pipelines do not have to file OBAs with the Commission, it also states that pipelines must make OBAs available upon request. Accordingly, should Indicated Shippers or any other party have concerns regarding an OBA that Transco negotiates with an interstate or intrastate pipeline, they may request a copy of the agreement for inspection.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.