

137 FERC ¶ 61,245  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;  
Philip D. Moeller, John R. Norris,  
and Cheryl A. LaFleur.

Transcontinental Gas Pipe Line Company, LLC

Docket No. RP12-197-000

ORDER ACCEPTING TARIFF RECORD

(Issued December 30, 2011)

1. On November 30, 2011, Transcontinental Gas Pipe Line Company, LLC (Transco) filed a tariff record<sup>1</sup> which reduces Transco's gathering rates to reflect the impact of the transfer to Williams Gas Processing - Gulf Coast Company, L.P. (WGP) of certain Central Louisiana Gathering Facilities (CNLA Facilities) located onshore Louisiana. The CNLA Facilities are among the facilities the Commission authorized Transco to abandon in 2001 in Docket No. CP01-368-000.<sup>2</sup> Transco also requests a waiver of section 154.207 of the Commission's regulations so that its revised tariff record can be approved effective December 1, 2011. As discussed below, the Commission waives the notice period in section 154.207 of the Commission's regulations and the proposed tariff record is accepted, effective December 1, 2011, as requested.

**Background**

2. On August 31, 2001, the Commission permitted Transco to abandon its onshore Louisiana CNLA Facilities to WGP, and in the same order, the Commission found that the facilities WGP proposed to acquire were gathering facilities exempt from the Commission's NGA jurisdiction.<sup>3</sup> On rehearing, pursuant to section 5 of the Natural Gas

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<sup>1</sup> Transcontinental Gas Pipe Line Company, LLC's FERC NGA Gas Tariff, Fifth Revised Volume No. 1, Section 9.1, Firm and Interruptible Gathering Rates, 1.0.0.

<sup>2</sup> *Transcontinental Gas Pipe Line Corp.*, 96 FERC ¶ 61,246 (*Transco Abandonment Order I*), order on reh'g, 97 FERC ¶ 61,298 (2001) (*Transco Abandonment Order II*).

<sup>3</sup> *Id.*

Act (NGA), the Commission directed Transco to show cause why it should not be required to file revised rates to reflect the removal of all costs associated with the abandoned facilities, 30 days prior to the effective date of the transfer of the subject facilities.<sup>4</sup>

3. On July 23, 2002, the Commission approved a Stipulation and Agreement in Transco's NGA section 4 general rate case in Docket No. RP01-245-000, *et al.* (RP01-245 Settlement)<sup>5</sup> which, among other things, requires Transco to make limited NGA section 4 filings related to the disposition of certain facilities by "spin-down" (i.e., transfer to an affiliate) or "spin-off" (i.e., transfer to an unaffiliated third party). Transco states that the RP01-245 Settlement provided that the effective date of each limited NGA section 4 rate change will be the effective date of each spin-down or spin-off. The RP01-245 Settlement also provided that Transco's obligation to make such limited NGA section 4 filings shall survive Transco's filing of its next NGA section 4 general rate case.

4. Further, Article V, Section B of the RP01-245 Settlement requires Transco to file tariff sheets to adjust its then-effective rates as necessary to reflect the removal of all applicable costs, including all facilities costs, all operation and maintenance and related costs, and a step-down in the Williams Field Services Company Operating Fee.<sup>6</sup> This provision also requires that Transco make any other adjustments determined by the Commission to be appropriate to its cost of service (with the adjustments to be based on the RP01-245 Settlement cost of service if filed during the Docket No. RP01-245 rate period, or the cost of service underlying the rates in effect at the time of the filing if not filed during the RP01-245 rate period), cost allocations, throughput and throughput mix underlying such rates. Finally, the RP01-245 Settlement obliged Transco to refund or surcharge customers that were not contesting parties for the difference between the total amount, if any, collected since the effective date of each spin-down or spin-off under the then-effective rates and total amount that would have been collected under the rates established pursuant to the then applicable limited rate proceeding, with interest calculated according to Commission regulations.<sup>7</sup>

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<sup>4</sup> *Transco Abandonment Order II*, 97 FERC ¶ 61,298, at Ordering Paragraph (C) (2001).

<sup>5</sup> *Transcontinental Gas Pipe Line Corp.*, 100 FERC ¶ 61,085 (2002).

<sup>6</sup> Transco, RP01-245 Settlement, Docket No. RP01-245-008, at 22 (filed April 12, 2002).

<sup>7</sup> *Id.* 23. This provision also provided that Transco shall use the full difference between the applicable then-effective rates and the applicable rate established by the

(continued...)

5. On August 31, 2006, Transco filed an NGA section 4 general rate case in Docket No. RP06-569. On March 7, 2008, the Commission approved a Stipulation and Agreement (RP06-569 Agreement) which settled, among other things, Transco's cost of service, overall throughput level, and a mix of throughput for the Docket No. RP06-569 rate period commencing on March 1, 2007.<sup>8</sup> The RP06-569 Agreement did not modify or alter Transco's obligations to or the rights of the parties identified in Article V, Section B of the RP01-245 Settlement.

6. Transco states that on October 24, 2011, it entered into a Transfer and Assignment Agreement, as amended November 29, 2011, that provides for the transfer of the onshore Louisiana CNLA Facilities to WGP. The effective date of the transfer is December 1, 2011. Therefore, Transco continues, because the Docket No. RP06-569 rate period has not ended and this "spin-down" will become effective during that rate period, Transco is required, in accordance with the RP01-245 Settlement, to make "the instant limited NGA section 4 filing to adjust its rates effective on the effective date of the spin-down."<sup>9</sup>

### **Proposal**

7. Transco proposes to reduce its interruptible gathering usage rate from \$0.04934 per dt to \$0.04503 per dt. Transco proposes to reduce its firm gathering reservation rate from \$0.04858 per dt to \$0.04427 per dt.

8. Transco's currently effective rates are based on the RP06-569 Agreement. Transco states that the RP06-569 Agreement is a "black box" settlement which does not specify most cost of service components, including rate of return. Therefore, Transco continues, it relied on certain cost factors underlying the RP01-245 Settlement where necessary to make adjustments to the gathering cost of service to reflect the transfer of the CNLA Facilities. Also, Transco states that it relies on estimated actual data for the RP06-569 test period to calculate deferred taxes and operation and maintenance expenses for the CNLA Facilities. Specifically, Transco states that:

- a. The gathering rate base was adjusted to remove the CNLA Facilities plant costs as of February 28, 2007, the end of the Docket No. RP06-569 test period;

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Commission under the limited NGA Section 4 rate filing, notwithstanding the otherwise applicable "refund floor" for the then-effective rates.

<sup>8</sup> *Transcontinental Gas Pipe Line Corp.*, 122 FERC ¶ 61,213 (2008).

<sup>9</sup> Transco Tariff Filing Transmittal at 2.

- b. Working capital was calculated using the ratio of Working Capital to Gross Plant underlying the RP01-245 Settlement rates;
  - c. The Operation and Maintenance (O&M) Expenses were based on an allocation of estimated actual expenses incurred on Transco's CNLA Facilities for the twelve months ending February 28, 2007. Transco used an Inch-Mile allocation factor to allocate O&M Expenses to the CNLA Facilities being transferred;
  - d. The Administrative and General Expenses (A&G) were calculated using the ratio of A&G Expenses to Gross Plant underlying the design of the RP01-245 Settlement rates;
  - e. The Depreciation Expense was calculated using the onshore depreciation and negative salvage rates of 0.91 percent and 0.75 percent, respectively, stated in Appendix A of the RP06-569 Agreement;
  - f. The Taxes Other Than Income were calculated using the ratio of Taxes Other Than Income to Gross Plant underlying the RP01-245 Settlement rates;
  - g. The pre-tax return of 15.34 percent was the pre-tax return underlying the design of the RP01-245 Settlement rates;
  - h. The Docket No. RP06-569 Gathering Cost of Service was derived by multiplying the Docket No. RP06-569 Agreement gathering rate by the gathering billing determinants stated in the RP06-569 Agreement;
  - i. The Revised Gathering Cost of Service was calculated by subtracting the Cost of Service for the CNLA Facilities being transferred from the Docket No. RP06-569 Gathering Cost of Service; and
  - j. The Revised Gathering Billing Determinants were derived by removing from the Gathering Quantities stated in Appendix C of the RP06-569 Agreement the quantities associated with locations on the CNLA Facilities being transferred.
9. In addition, Transco states that the lack of detailed cost information inherent in the "black box" RP06-569 Agreement does not allow Transco to calculate revised transmission rates. For example, Transco continues, the RP06-569 Agreement does not specify the amount of gross transmission plant, net transmission plant, total A&G costs or direct labor costs. These amounts, Transco states, are used to allocate certain cost elements, including intangible and general plant, between the storage, transmission and gathering functions. In the absence of sufficiently detailed information to calculate revised transmission rates, Transco contends that there is no way to know which

transmission rates would be affected and whether the affected rates would increase or decrease.

10. Finally, Transco requests a waiver of section 154.207 of the Commission's regulations so that its proposed tariff revision is approved effective December 1, 2011. In support of its request, Transco states that allowing the revised gathering rates to take effect on the effective date of the transfer of the CNLA Facilities is consistent with the provisions of Article V, Section B.3 of the RP01-245 Settlement.

### **Notice and Protests**

11. Public notice of the filing was issued on December 1, 2011. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2011)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2011)), all timely filed motions to intervene are granted. All unopposed late intervention requests filed as of the 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.

12. New Jersey Natural Gas Company and NJR Energy Services Company (jointly NJR), the MGAG<sup>10</sup> and National Grid<sup>11</sup> state that the RP01-245 Settlement provides that Transco is to adjust its effective rates as necessary to reflect the removal of all applicable costs associated with spun-down facilities such as the CNLA Facilities and to refund to or

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<sup>10</sup> The MGAG consists of the Municipal Gas Authority of Georgia [composed of the following municipalities: the Georgia municipalities of Bowman, Buford, Commerce, Covington, Elberton, Hartwell, Lawrenceville, Madison, Monroe, Royston, Social Circle, Sugar Hill, Toccoa, Winder, and Tri-County Natural Gas Company (consisting of Crawfordville, Greensboro and Union Point); the East Central Alabama Gas District, Alabama; the towns of Wadley and Rockford, Alabama; the Utilities Board of the City of Roanoke, Alabama; Wedowee Water, Sewer & Gas Board, Wedowee, Alabama; and the Maplesville Waterworks and Gas Board, Maplesville, Alabama] and the Transco Municipal Group [composed of Cities of Alexander City and Sylacauga, Alabama; the Commissions of Public Works of Greenwood, Greer, and Laurens, South Carolina; the City of Union, South Carolina; and the Cities of Bessemer City, Greenville, Kings Mountain, Lexington, Monroe, and Shelby, North Carolina].

<sup>11</sup> The Brooklyn Union Gas Company d/b/a National Grid NY; KeySpan Gas East Corporation d/b/a National Grid; Boston Gas Company, Colonial Gas Company, and Essex Gas Company, collectively d/b/a National Grid; EnergyNorth Natural Gas, Inc. d/b/a National Grid NH; Niagara Mohawk Power Corporation d/b/a National Grid; and The Narragansett Electric Company d/b/a National Grid, all subsidiaries of National Grid USA, Inc.

surcharge customers for the difference in amounts collected between the transfer of the CNLA Facilities and the rates established pursuant to the limited NGA section 4 rate change, with interest. The protesters state that Transco failed to revise its transmission rates. The protesters reject Transco's excuse that it lacks sufficiently detailed information to calculate revised transmission rates and that there is no way to know which transmission rates would be affected and whether the affected rates would increase or decrease. The protesters claim that Transco knew that the settlement was a black box settlement. NJR and MGAG request that Transco be directed to abide by the express terms of the RP01-245 Settlement. NJR and National Grid believe that the upcoming 2012 Transco rate case<sup>12</sup> is the best forum for addressing these rate issues and request that the Commission consolidate this matter therein, with any resulting refunds or surcharges to be applied retroactively back to December 1, 2011.

### **Discussion**

13. No party protested Transco's proposed reduction to the gathering rates or the method by which the reduction in rates was calculated. Although Transco filed its revised tariff record on November 30, 2011, it requests an effective date of December 1, 2011. Section 154.207 of the Commission's regulations requires at least a 30-day notice for proposed tariff changes unless a waiver of the time period is granted by the Commission.<sup>13</sup> Accordingly, the Commission grants a waiver of section 154.207 of the Commission's regulations so the proposed gathering rate reductions will reflect the removal of the onshore Louisiana CNLA Facilities from Transco's currently effective gathering rates effective December 1, 2011, as requested.

14. Both Transco and the protesters agree that the RP01-245 Settlement provides that Transco's transmission rates are to be adjusted to reflect the spin-down of the CNLA Facilities as of the effective date of the spin-down. Transco states that, because the RP06-569 Agreement was a black box settlement, it was unable to determine what adjustments are necessary. The protesting parties object to Transco's failure to adjust its transmission rates as required by the terms of the RP01-245 Settlement; however, none of the protesters suggest an alternative methodology to calculate these adjustments at this time, given the black box nature of the RP06-569 Agreement. NJR and National Grid suggest that the issue be addressed in Transco's next rate case which, pursuant to the RP06-569 Agreement, is to be filed no later than August 31, 2012. As Transco has not yet submitted this filing, the Commission will not now consolidate the instant proceeding with one that has yet to be filed. Therefore, to the extent this issue remains when Transco

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<sup>12</sup> The protesters cite to Article VI of the RP06-569 Settlement which requires Transco to file an NGA Section 4 rate case no later than August 31, 2012.

<sup>13</sup> 18 C.F.R. § 154.207 (2011).

submits its upcoming NGA section 4 rate filing in accordance with the RP06-569 Agreement, parties may raise the issue of whether Transco's instant filing complies with the terms of the RP01-245 Settlement and whether Article V, Section B of that settlement requires Transco to make any refunds for the period from the December 1, 2011 effective date of the spin-down of the CNLA Facilities until resolution of the transmission rate adjustment issue in Transco's rate case.

The Commission orders:

(A) The 30-day notice period in section 154.207 of the Commission's regulations is hereby waived.

(B) The tariff record identified in footnote 1 above is accepted effective December 1, 2011.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.