

129 FERC ¶ 61,092  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;  
Sudeen G. Kelly, Marc Spitzer,  
and Philip D. Moeller.

Florida Gas Transmission Company, LLC

Docket No. RP10-21-000

ORDER ACCEPTING AND SUSPENDING TARIFF SHEETS  
SUBJECT TO REFUND AND CONDITIONS  
AND ESTABLISHING HEARING PROCEDURES

(Issued October 30, 2009)

1. On October 1, 2009, Florida Gas Transmission Company, LLC (Florida Gas) filed revised tariff sheets pursuant to section 4 of the Natural Gas Act (NGA)<sup>1</sup> and Part 154 of the Commission's regulations. In its filing, Florida Gas proposes a rate increase for existing services and changes to certain terms and conditions of service. Florida Gas proposes an effective date of November 1, 2009 for its proposed tariff sheets.

2. As discussed below, the Commission will accept revised tariff sheets listed in Appendix B, effective November 1, 2009 and accept and suspend proposed tariff sheets listed in Appendix A to be effective April 1, 2010, subject to conditions and the outcome of a hearing established in this proceeding.

**Background**

3. Florida Gas' currently effective rates are the result of a Stipulation and Agreement of Settlement in its last NGA general section 4 rate case (2004 Settlement).<sup>2</sup> The instant filing fulfills Florida Gas' obligation under the 2004 Settlement to file a general rate case no later than October 1, 2009.

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<sup>1</sup> 15 U.S.C. § 717c (2006).

<sup>2</sup> *Florida Gas Transmission Co., LLC*, 109 FERC ¶ 61,320 (2004).

4. Florida Gas' system was constructed in 1959 to transport gas from gas producing areas in Texas, Louisiana, and Mississippi into Florida.<sup>3</sup> Florida Gas' system is divided into two service regions: the Western Division and the Market Area. The Western Division consists of all portions of Florida Gas' system located west of the Alabama/Florida state line. The Market Area consists of all portions of its system located within Florida. Currently, the gas received in Florida Gas' Western Division comes mostly from sources in the Gulf of Mexico, with some from onshore producers.<sup>4</sup> In addition, Florida Gas now receives some regasified liquefied natural gas (LNG) directly into its Market area. That LNG is imported into the United States at the Elba Island LNG Terminal owned by Southern LNG Inc. (SLNG) near Savannah, Georgia, which was placed into service February 1, 2006. It is then shipped to Florida Gas on the Cypress Pipeline that was placed into service on May 1, 2007 (Phase I) and May 1, 2008 (Phase II). The Cypress Pipeline extends from a point on Southern Natural Gas Company's existing pipeline system downstream from its interconnection with SLNG's Elba Island LNG Terminal to an interconnection with Florida Gas' Jacksonville Lateral near Jacksonville, Florida and to a direct interconnection with JEA.<sup>5</sup> Florida Gas provides transportation service for electric generation and local distribution companies in Florida. Its electric generation customers constitute approximately 80 percent of its throughput.<sup>6</sup>

5. The costs of Florida Gas' system are allocated to different classes of service based on the in-service date of its facilities. Specifically, the Florida Gas system is separated into: (1) the portion of the system constructed prior to the Phase III Expansion, which is referred to as the pre-expansion or non-incremental system, and (2) the portion of the system constructed during and subsequent to the Phase III expansion, which is referred to as the incremental system. In accordance with a 1992 Settlement,<sup>7</sup> the costs associated with the Phase III expansion, which consisted of approximately 800 miles of pipeline

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<sup>3</sup> *AES Ocean Express LLC v. Florida Gas Transmission Co., et al.*, Opinion No. 495, 119 FERC ¶ 61,075 (2007), *order on reh'g*, Opinion No. 495-A, 121 FERC ¶ 61,267 (2007), *order on reh'g*, Opinion No. 495-B, 125 FERC ¶ 61,137 (2008) (Opinion No. 495).

<sup>4</sup> Florida Gas' FERC 2006 Form 567.

<sup>5</sup> Opinion No. 495 at P 9.

<sup>6</sup> Opinion No. 495 at P 2.

<sup>7</sup> Settlement filed on August 25, 1992 in Docket No. CP92-182-002 (1992 Settlement). The 1992 Settlement was approved in *Florida Gas Transmission Co.*, 62 FERC ¶ 61,024 (1993).

looping, were treated incrementally. The Phase III Expansion was placed into service in March 1995; the most-recently completed incremental expansion (Phase VII) was placed into service in March 2008.

6. Florida Gas offers firm transportation service on the non-incremental system under Rate Schedule FTS-1, firm transportation service for the incremental system under Rate Schedule FTS-2, firm transportation service for small customers under Rate Schedule SFTS, and interruptible transportation service under Rate Schedule ITS-1 for deliveries to and within the Market Area. Florida Gas provides firm and interruptible transportation services for deliveries in its Western Division under Rate Schedules FTS-WD and ITS-WD, respectively.

7. In 2004, AES Ocean Express LLC (Ocean Express) filed a complaint, alleging that Florida Gas had insisted on burdensome gas quality and interchangeability conditions before it would allow an interconnection with a proposed pipeline that sought to deliver regasified LNG into Florida Gas' Market Area. The Commission established a hearing pursuant to NGA section 5, and in Opinion No. 495,<sup>8</sup> the Commission required Florida Gas to implement revised gas quality and interchangeability standards for its Market Area. However, and of interest to the instant proceeding, the Commission accepted Florida Gas' proposal to limit the revised gas quality standards to the Market Area. The Commission found that the record developed at the hearing was inadequate to support a finding that the existing Western Division gas standards were unjust and unreasonable.<sup>9</sup> In filings to comply with Opinion No. 495, Florida Gas sought to either (1) to extend the revised Market area standards to Western Division receipt points, or (2) to exempt gas entering the Market Area from the Western Division from the revised Market Area standards. The Commission rejected both proposals, as contrary to the holding of Opinion No. 495. However, the Commission stated that if Florida Gas believed that additional gas quality and interchangeability standards were necessary for the Western Division, it could propose those standards in a section 4 filing.<sup>10</sup>

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<sup>8</sup> Opinion No. 495 at P 139.

<sup>9</sup> *Id.* at P 219-230.

<sup>10</sup> *Florida Gas Transmission Company, LLC*, 120 FERC ¶ 61,128 (2007); *reh'g denied, AES Ocean Express, LLC v. Florida Gas Transmission Co.*, 121 FERC ¶ 61,267 at P 155 (2007).

## **Details of the Instant Filing**

### **Cost of Service and Rates**

8. Florida Gas states that the rates, costs of service, and throughput proposed in the instant filing utilize a twelve-month base period ending May 31, 2009, as adjusted for known and measurable changes expected to occur during the nine-month adjustment period (test period) ending February 28, 2010. Florida Gas states that since the last rate proceeding, it placed the Phase VII Expansion facilities into service. Florida Gas states that the costs and billing determinants for the Phase VII Expansion are rolled into the calculation of the FTS-2 rates for service through the incremental system. Florida Gas proposes a \$231.7 million cost of service for its non-incremental or pre-expansion system with a depreciation rate of 2.13 percent for onshore transmission plant. Florida Gas also proposes a \$347.5 million cost of service for Rate Schedule FTS-2 rates with a depreciation rate of 2.5 percent. Although Florida Gas states that its 2004 Settlement was a “black box” settlement,<sup>11</sup> Florida Gas contends that the settled cost of service was based on a cost of service of \$472 million as compared to the cost of service filed in this case of \$579 million -- an increase of 23 percent.<sup>12</sup>

9. Florida Gas argues that the cost of service for the pre-expansion and incremental systems reflect the same overall return of 11.58 percent, cost of debt of 8.02 percent, return on common equity of 13.88 percent, and capital structure of 39.26 percent debt and 60.74 percent equity.

10. Florida Gas proposes to include expenses for monitoring greenhouse gases in its cost of service. Florida Gas states that the Environmental Protection Agency announced a proposed rule titled “Mandatory Reporting of Greenhouse Gases” (EPA Rule), which was published in the *Federal Register* on April 10, 2009, and would require the annual monitoring of greenhouse gas emissions at compressor stations along Florida Gas’ system.<sup>13</sup> Florida Gas represents that the proposed rule will be issued before the end of 2009 and requirements for the collection of data will become effective January 1, 2010. Florida Gas included in its filing the projected annual costs

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<sup>11</sup> Statement of the Nature, Reasons and Basis for the Proposed Changes at 3, n.2.

<sup>12</sup> Prepared Direct Testimony of Michael T. Langston, Exhibit No. FGT-1 at 3.

<sup>13</sup> Prepared Direct Testimony of Debra E. Thompson, Exhibit No. FGT-32 at 12.

associated with the monitoring of greenhouse gas emissions at its compressor stations to comply with this rule.<sup>14</sup>

### **Terms and Conditions of Service**

11. Florida Gas proposes to make several changes to its terms and conditions of service. First, Florida Gas proposes the removal of section 26 of its General Terms and Conditions (GT&C), the capital surcharge tracker provision. Florida Gas states that section 26 was established as a result of the 2004 Settlement and provides that the collection of the Capital Surcharge shall cease on the effective date of revised rates filed by Florida Gas in the subsequent NGA section 4 general rate case.<sup>15</sup> Florida Gas proposes a corresponding revision for the order of discounting in section 15.h of the GT&C.

12. Second, Florida Gas proposes to modify the fuel tracker provision for electric compression set forth in section 27 of the GT&C. Specifically, Florida Gas proposes to provide one mechanism to account for cash payments to electric providers incurred in the operation of current and future electric compression of Florida Gas' system, except payments to electric providers for monthly demand charges and surcharges and taxes based on such demand charges at Compressor Station No. 13A. It proposes to include the latter costs in its FTS-2 base rates. Consistent with these proposals, Florida Gas proposes to remove GT&C section 27.1, which provides a separate mechanism to handle potential monetary payments for electric usage at Compressor Station No. 13A.

13. Third, Florida Gas proposes to modify section 20.B of the GT&C to provide that Florida Gas may agree to a contractual right of first refusal on a non-discriminatory basis, in the event that a shipper does not qualify for a regulatory right of first refusal under section 20 of the GT&C.

14. Fourth, Florida Gas proposes to add section 20.A.3 to the GT&C, which would permit extensions of long-term firm transportation service agreements. Florida Gas proposes that prior to the expiration of any current term of a firm transportation agreement, Florida Gas and shipper may mutually agree to renegotiate the terms of the service agreement, on a non-discriminatory case-by-case basis, in exchange for shipper's agreement to extend the use of at least part of its existing service. Furthermore, Florida Gas' proposal states that if the service agreement has a right of first refusal, the agreement to extend must be reached prior to posting the capacity for bidding pursuant to

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<sup>14</sup> Prepared Direct Testimony of Debra E. Thompson, Exhibit No. FGT-35 at 17, 34, 36, 37.

<sup>15</sup> 2004 Settlement at 21.

section 20.B.1. Finally, Florida Gas proposes to rename section 20 as “Pre-Granted Abandonment, Contract Rollover, Contract Extension and Right of First Refusal.”

15. Fifth, Florida Gas proposes to require that service agreements and amendments to service agreements be executed electronically. Florida Gas notes that modifications have been made throughout the tariff to reflect this new contracting practice.

16. Sixth, Florida Gas proposes to change from an existing standard in the specifications of C5+ to a cricondentherm hydrocarbon dew point (CHDP) standard in the Market Area. Specifically, Florida Gas proposes to establish CHDP standard set at 25 degrees Fahrenheit. Florida Gas states that many pipelines are setting standards based on CHDP, and this change allows easier comparisons of its gas quality standards to interconnected pipeline systems. Further, Florida Gas proposes to add language that would allow Florida Gas to post standards for gas received in the Western Division, if such standards are necessary to ensure that the gas flowing from the Western Division into the Market Area meets applicable specifications. These provisions are reflected in section 1, 2.A, and 2.B of Florida Gas’ GT&C.

17. Seventh, Florida Gas proposes to add section 24.A to the GT&C, which establishes Florida Gas’ ownership of waste heat generated from pipeline or compressor operations and its ability to use such waste heat for energy efficiency purposes.

18. Finally, Florida Gas proposes to provide shippers more flexibility to utilize the in-line pooling service by allowing shippers under Rate Schedules FTS-1, FTS-2, SFTS, FTS-WD, ITS-1, and ITS-WD to transport gas received at an in-line transfer point to a delivery point in the Western Division. Further, Florida Gas proposes to clarify calculation of usage and fuel when using in-line transfer points and to clarify the use of in-line transfer points for receipt and delivery under section 5 of Rate Schedules FTS-1, FTS-2, SFTS, FTS-WD, ITS-1, and ITS-WD. Specifically, Florida Gas proposes to capture the usage and fuel costs of transportation to the in-line transfer point from a take away shipper under Rate Schedule FTS-WD or ITS-WD by providing that such shipper shall additionally pay the usage and fuel charges, not to exceed the effective fuel reimbursement charge percentage for the entire transaction, for the longest path within the same zone as the in-line transfer point. Florida Gas states that Rate Schedule FTS-1, FTS-2, SFTS, and ITS-1 shippers will continue to pay a postage stamp usage rate for transportation from an in-line transfer point to a delivery point in the Western Division. However, the fuel rate will be based on compressor stations traversed and shall additionally include fuel charges, not to exceed the effective fuel reimbursement charge percentage for the entire transaction, for the longest path within the same zone as the in-line transfer point. Finally, Florida Gas states that in-line transfer points are currently described as being located at the compressor stations 7, 8, and 11 as well as any processing plant located on a Florida Gas lateral. Florida Gas represents that there are no processing plants on its lateral and therefore proposes to remove such reference.

**Public Notice, Interventions, and Protests**

19. Public notice of the filing was issued on October 5, 2009. Interventions and protests were due as provided in section 154.210 of the Commission's regulations.<sup>16</sup> Pursuant to Rule 214,<sup>17</sup> all timely 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 the proceeding or place additional burdens on existing parties.

20. Parties<sup>18</sup> filed protests on a number of issues relating to Florida Gas' section 4 filing, including but not limited to: (1) cost of service; (2) rate of return, including cost of capital, return on equity, and cost of debt; (3) depreciation rates; (4) allocation of costs among services; (5) rate design; (6) throughput levels; (7) discount adjustments; (7) fuel charges; (8) the elimination of the capital surcharge tracker; (9) waste heat recovery; (10) electronic filing of service agreements; (11) right of first refusal; (12) changes to gas quality standards; and (13) conversion rights for small Rate Schedule FTS-1 service. Parties request that Florida Gas' proposed tariff sheets be accepted, subject to refund, and suspended for the full statutory period. In addition, they request that the Commission order a formal evidentiary hearing for both the issues raised in Florida Gas' section 4 proceeding and for section 5 allegations that a continuation of Florida Gas' current cost allocation, rate design, and/or tariff provisions is unjust, unreasonable or unduly discriminatory. Parties also request that the Commission summarily address several of Florida Gas' proposed revisions to the GT&C.

21. On October 21, 2009, Florida Gas filed an answer to the various protests. Rule 213(a)(2)<sup>19</sup> of the Commission's Rules of Practice and Procedure prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept Florida Gas' answer because it has provided information that assisted us in our decision-making process.

22. In its answer, Florida Gas responds to one protestor's argument that Florida Gas has failed to justify its proposed depreciation rates by further arguing that the rates are just and reasonable and that it has sufficiently supported its filing, but that the Commission may require it to file supplemental direct testimony if necessary. Florida

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<sup>16</sup> 18 C.F.R. § 154.210 (2009).

<sup>17</sup> 18 C.F.R. § 385.214 (2009).

<sup>18</sup> See Appendix C for the list of intervenors.

<sup>19</sup> 18 C.F.R. § 385.213(a)(2) (2009).

Gas also responds to a protestor's request for summary disposition with respect to the conversion requests of certain customers by stating that material issues remain in dispute regarding the effective date of the requested conversion and therefore the request for summary disposition should be denied. Florida Gas replies to various protestors' arguments that electronic execution of service agreements and amendments should remain optional and not mandatory by arguing that it has become burdensome and time consuming for Florida Gas to secure the execution of paper service agreements and amendments and that customers are free to print service agreements from the electronic system and use them in accordance with their corporate policies. Florida Gas also replies to a protestor's argument that Florida Gas' proposed greenhouse gas expenses should be rejected by stating that the costs to be incurred in order to comply with the EPA Rule are known and measurable and therefore permitted to be recovered. Finally, Florida Gas responds to several protestors' concerns that certain costs in the gas plant relate to facilities that have not been constructed by the end of the base period and therefore costs associated with facilities not placed in service by the end of the test period should be excluded from the new rates by asserting that the costs are for projects typically incurred by a pipeline in its operation of its system pursuant to its blanket certificate and not related to a separate certificate proceeding.

### **Discussion**

23. As discussed below, the Commission accepts and suspends Florida Gas' proposed rate increases, to be effective April 1, 2010 subject to refund, and the Commission establishes a hearing to consider all rate issues. The Commission resolves some issues concerning Florida Gas' proposed changes to its GT&C in this order, requests further information with respect to other such issues, and sets the remaining issues for hearing.

### **Rate Proposals**

24. Florida Gas' proposal to increase its rates raises many issues that warrant further investigation. For example, it is unclear whether the Discount Cash Flow (DCF) analysis underlying Florida Gas' proposed return on equity complies with Commission policy and precedent as to the proposed proxy group and growth rate estimate<sup>20</sup>. Also, Florida Gas has not satisfactorily justified that its test period throughput levels reflect increases in volumes due to new or renewed contracts. Further, Florida Gas has not shown why the rate increase for non-incremental transportation service under Rate Schedule F-1 is 64 percent, while the increase for incremental transportation service under Rate Schedule F-2 is only 0.004 percent, given that the costs for the Phase VII Expansion should be allocated only to Rate Schedule F-2. In addition, Florida Gas has not adequately explained whether the legal costs associated with the Florida Turnpike

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<sup>20</sup> *Proxy Group Policy Statement*, 123 FERC ¶ 61,048 (2008).

relocation/replacement are reflected in its proposed rates. Accordingly, the Commission will establish a hearing to explore all rate-related issues raised in the protests regarding Florida Gas' proposed cost of service, return on equity, depreciation, cost allocation, throughput, and rate design issues.

25. Florida Gas' proposal to modify its fuel reimbursement charge for in-line transfer points is unclear.<sup>21</sup> It appears that Florida Gas may be proposing to assess a fuel charge based on the number of compressors through which the gas is transported. If this is the case, then the applicable fuel charge would be the same regardless of whether gas was directly transported point to point or entered a pool.<sup>22</sup> However, it also appears that Florida Gas may be proposing to assess multiple fuel charges for in-line title transfers associated with pooling. When a pooling point is within a rate zone, a fuel charge into the pooling point and another fuel charge out of the pooling point violates Commission policy.<sup>23</sup> Florida Gas' fuel reimbursement proposal needs to be clarified and reconciled with Commission policy on the assessment of charges to gas transported through a pooling point.

26. Florida Gas has filed requests for NGA section 7 certificates of public convenience and necessity, which are pending before the Commission.<sup>24</sup> To the extent that capital costs associated with these projects are included in Florida Gas' proposed cost of service, but the facilities associated with those costs have not been placed into service by the time the rates go into effect, such costs must be removed from the rates.<sup>25</sup> In addition, when Florida Gas files a motion to place the rates into effect, it must file revised tariff sheets to reflect the elimination of these costs, consistent with Commission policy and precedent.<sup>26</sup>

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<sup>21</sup> See, e.g., Sixteenth Revised Sheet No. 12, note 4.

<sup>22</sup> *Id.*

<sup>23</sup> *Transcontinental Gas Pipe Line Corp.*, 127 FERC ¶ 61,206 at P 21-24 (2009)

<sup>24</sup> Florida Gas' Phase VIII Expansion project was filed on October 31, 2008 in Docket No. CP09-17-000. The Mobile Bay Lateral Extension project and the Pascagoula Expansion project were filed on August 14, 2009 in Docket Nos. CP09-455-000 and CP09-456-000, respectively.

<sup>25</sup> 18 C.F.R. § 154.303(c)(2) (2009); *El Paso Natural Gas Co.*, 124 FERC ¶ 61,124, at P 33 (2008); *Florida Gas Transmission Co.*, 76 FERC ¶ 61,351 (1996).

<sup>26</sup> *Id.*

27. Florida Gas' proposed cost of service includes costs for monitoring greenhouse gases in anticipation of an EPA Rule, which Florida Gas states is expected to be issued by the end of 2009. The parties argue that Florida Gas has not sufficiently explained why these expenses should be included in its proposed rates and that the proposed expenses for monitoring greenhouse gases are inconsistent with Commission policy set forth in *Southern*.<sup>27</sup> In *Southern*, the Commission rejected a proposed greenhouse gas cost recovery mechanism because no legislation existed that would impose such costs and therefore it was speculative to anticipate costs to comply with the legislation.<sup>28</sup> However, in this case, Florida Gas has shown that a specific rule is pending that would impose the calculated costs. Therefore, the Commission finds that Florida Gas may include expenses for monitoring greenhouse gases in its rates. However, the calculation of greenhouse gas expenses is a cost-of-service issue that will be included in the issues discussed at the hearing established above. In addition, if the EPA Rule does not go into effect prior to April 1, 2010, the greenhouse gas costs must be removed from the rates, and Florida Gas must file revised tariff sheets to reflect the elimination of these costs when it files a motion to place the rates into effect.

#### **Changes to Terms and Conditions**

28. Florida Gas proposes to add a provision to its tariff to specify that it shall own any waste-heat generated from pipeline or compressor operations. Specifically, Florida Gas proposes to add the following provision: "Transporter shall own any waste heat generated from pipeline or compressor operations. Such waste heat may be used to provide increased overall energy efficiency. Any jurisdictional revenue, costs, or capital investment from such activities shall be addressed in applicable certificate applications or rate proceedings."<sup>29</sup> Protesting parties: (1) argue that any revenue derived from waste heat recovery operations through jurisdictional facilities should be credited to the firm customers who have paid for those facilities; (2) request clarification as to how Florida Gas intends to credit its customers for the value Florida Gas expects to realize from its proposal; and (3) question how the waste heat is or will be captured or whether the waste heat recovery facilities have been or will be rate based.

29. Florida Gas' filing does not provide sufficient information about the impact of its proposed tariff revision concerning waste heat. Therefore, the Commission will require

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<sup>27</sup> See *Southern Natural Gas Co.*, 127 FERC ¶ 61,003 (2009) (*Southern*).

<sup>28</sup> *Southern*, 127 FERC ¶ 61,003 at P 29.

<sup>29</sup> Proposed First Revised Sheet No. 329.

Florida Gas to make a compliance filing, within 30 days of the date of this order, to address the following questions:

- A. Does Florida Gas intend to own and/or operate any waste-heat generation facilities?
- B. How will the costs for waste-heat recovery facilities be recovered?
- C. Will Florida Gas credit customers for the value it expects to realize from waste-heat generation? If so, explain in detail.

In addition, Florida Gas should address in detail any other issues raised by intervenors on this topic. Parties will have 30 days to respond to Florida Gas' compliance filing. The Commission will issue a further order on this issue, after it considers the filings required by this order.

30. Florida Gas proposes to add tariff provisions allowing it to post gas quality standards for gas flowing from the Western Division into the Market Area.<sup>30</sup> The standards, *inter alia*, have a "safe harbor" provision, provide for at least 24-hour notice, and will only be in effect for as long as necessary to bring the "blended" gas stream from the Western Division into compliance with the standards of the Market Area. In addition, Florida Gas proposes to substitute a CHDP of 25 degrees Fahrenheit for its existing 0.12 mole percent C5+ limit in its tariff. Florida Gas has not yet adequately supported its gas quality proposals. Protesting parties: (1) argue that Florida Gas has not explained whether the proposed CHDP is more or less stringent than its currently effective C5+ specification or provided any data showing whether the proposed change will impact its Western Division receipt points; and (2) express concern that the proposal is not detailed or specific enough to avoid unduly restricting otherwise compliant deliveries at particular receipt points. To enable the Commission and the parties to better understand the intent of Florida Gas' proposal, the Commission will require Florida Gas to make a compliance filing within 30 days of the date of this order to:

- A. Provide an explanation, supported by evidence, of why the existing C5+ standard is inadequate and why Florida Gas believes that the CHDP standard is appropriate.
- B. Explain how Florida Gas derived its proposed CHDP limit and how the proposed CHDP standard compares with the existing 0.12 mole percent C5+ limit.
- C. Explain whether the proposed CHDP specification is more or less stringent than its currently effective C5+ specification.

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<sup>30</sup> Similar issues were addressed in Opinion No. 495, but no determination was made on gas quality issues in Florida Gas' Western Division.

- D. Clarify whether the proposed CHDP standard will apply to the Western Division.
- E. Provide the data used by Florida Gas to generate the dew point curves in Exhibit FGT-5, in Microsoft Excel electronic format.
- F. Document any instances where hydrocarbon dropout occurred on Florida Gas' system.
  
- G. Identify any inconsistencies between the method used by Florida Gas to develop its CHDP proposal, the Commission's Policy Statement,<sup>31</sup> and the NGC+ HDP Report.<sup>32</sup>
- H. Provide detailed maps of Florida Gas' entire system showing delivery points and a table of the annual flows of the delivery points. Identify any delivery points that are located to the left of the J-T curve for the 25 degree CHDP scenario.
- I. Provide a more detailed discussion of the guidelines and procedures Florida Gas would use to implement its proposal to post stricter gas quality standards in the Western Division. Also, provide examples of how Florida Gas would implement its proposal.
- J. Discuss any instances where Western Division gas has not been able to enter the Market Area due to gas quality issues and explain how Florida Gas managed the problem.
- K. Identify any points and pipeline segments in Florida Gas' Western Division that currently would not comply with the proposed safe harbors.

In addition, Florida Gas should address in detail any other issues raised by intervenors on this topic. Parties will have 30 days to respond to a Florida Gas' compliance filing. As noted earlier, the Commission will issue a further order on this matter, after considering the parties' filings.

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<sup>31</sup> *Natural Gas Interchangeability, Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Company Tariffs* (Policy Statement), 115 FERC ¶ 61,325 (2006).

<sup>32</sup> On February 28, 2005, the Natural Gas Council (NGC+) filed two technical papers in Docket No. PL04-3-000, *Natural Gas Interchangeability: Report on Liquid Hydrocarbon Drop Out in Natural Gas Infrastructure* (HDP Report) and *Report on Natural Gas Interchangeability and Non-Combustion End Use* (Interchangeability Report).

31. Florida Gas proposes to include a contractual right of first refusal on a non-discriminatory basis, in the event that a shipper does not qualify for a regulatory right of first refusal. One protestor argues that Florida Gas has not demonstrated that this provision is just and reasonable. The language proposed by Florida Gas is consistent with our policy of allowing contractual rights of first refusal, and therefore the Commission accepts this tariff change.<sup>33</sup>

32. Florida Gas proposes to permit extensions of long-term firm transportation service agreements. No party objected to this proposal. Further, the Commission finds that Florida Gas' proposed language on the extension of long-term firm contracts is consistent with Commission policy of approving such provisions.<sup>34</sup> Accordingly, the Commission accepts this tariff revision.

33. Florida Gas proposes that service agreements and amendments to service agreements be executed electronically. Florida Gas states that this change is necessary to reflect current business practices, which are becoming paperless. Parties do not object to Florida Gas offering an option to execute service agreements electronically. However, parties do object to Florida Gas' proposed language, which would require the mandatory electronic filing of service agreements, because this provision conflicts with their internal controls requiring that service agreements be physically signed by a company officer. The Commission finds that Florida Gas has not justified the unilateral imposition of a mandatory electronic filing requirement for service agreements and amendments. However, the Commission has found that allowing pipelines the option of having electronically signed contracts while preserving the option for paper contacts: (1) improved administrative efficiencies, (2) provided parties with greater flexibility in conducting everyday business activities, and (3) was consistent with other current gas pipeline practices.<sup>35</sup> Therefore, the Commission directs Florida Gas to revise its tariff sheets with a compliance filing in 30 days to eliminate the mandatory provision and to replace it with an option to file service agreements and amendments electronically.

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<sup>33</sup> *ANR Pipeline Co.*, 103 FERC ¶ 61,084 (2003), *Texas Eastern Transmission, LP*, 109 FERC ¶ 61,145, at P 6 (2004), *Algonquin Gas Transmission, LLC*, 110 FERC ¶ 61,249, at P 13-14 (2005).

<sup>34</sup> *See, e.g., Tennessee Gas Pipeline Company*, 121 FERC ¶ 61,149 (2007).

<sup>35</sup> *El Paso Natural Gas Co.*, 111 FERC ¶ 61,265 (2005). *See Texas Eastern Transmission Corp.*, 94 FERC ¶ 61,003 (2001). For other current gas pipeline practices, *see Northwest Pipeline Corp.*, Docket No. RP04-164-000 (March 9, 2004) (unpublished letter order) and *Florida Gas Transmission Co.*, 96 FERC ¶ 61,335 (2001).

34. The Commission finds that Florida Gas' other proposed changes to its GT&C not addressed above are related to its rate proposals, and therefore should be explored in the hearing established by this order. These issues include Florida Gas' proposed removal of its capital surcharge tracker, and in-line title transfers.

### **Suspension**

35. Based on a review of the filing, the Commission finds that some of the tariff sheets have shown to be just and reasonable and the Commission will accept Florida Gas' revised tariff sheets as shown in Appendix B, to be effective November 1, 2009. Further, based on a review of the filing, the Commission finds that the remaining proposed tariff sheets have not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission will accept and suspend Florida Gas' revised tariff sheets shown in Appendix A, to be effective April 1, 2010, subject to refund and the outcome of the hearing procedures ordered herein.

36. The Commission's policy regarding suspensions is that tariff filings generally should be suspended for the maximum period permitted by statute where preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or inconsistent with other statutory standards.<sup>36</sup> It is recognized, however, that shorter suspensions may be warranted in circumstances where suspension for the maximum period may lead to harsh and inequitable results.<sup>37</sup> The Commission does not find such results here, where the pipeline has proposed a general NGA section 4 rate case. Therefore, the Commission will accept and suspend the proposed tariff sheets in Appendix A to be effective April 1, 2010, subject to refund, the conditions of this order, and the outcome of a hearing in this proceeding.

### **The Commission orders:**

(A) The proposed tariff sheets listed in Appendix A are accepted and suspended effective April 1, 2010, subject to refund and the outcome of a hearing.

(B) The proposed tariff sheets listed in Appendix B are accepted effective November 1, 2009.

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<sup>36</sup> See *Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension).

<sup>37</sup> See *Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension).

(C) Florida Gas is directed to make a compliance filing within 30 days of this filing, as more fully described above.

(D) Pursuant to the authority of the NGA, particularly sections 4, 5, 8, 9, and 15 thereof, and the Commission's rules and regulations, a public hearing shall be held in the captioned docket concerning the lawfulness of Florida Gas' proposed rates.

(E) A Presiding Administrative Law Judge, to be designated by the Chief Administrative Law Judge for that purpose pursuant to 18 C.F.R. § 375.304, shall convene a prehearing conference in this proceeding in a hearing or conference room of the Federal Energy Regulatory Commission, 888 First Street, NE, Washington, DC 20426. The prehearing conference shall be held for the purpose of clarification of the positions of the participants and consideration by the presiding judge of any procedural issues and discovery dates necessary for the ensuing hearing. The Presiding Administrative Law Judge is authorized to conduct further proceedings in accordance with this order and the Rules of Practice and Procedure.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

**Appendix A**  
**List of Proposed Tariff Sheets**  
Accepted and Suspended to be effective April 1, 2010

Florida Gas Transmission Company, LLC  
FERC Gas Tariff  
Fourth Revised Volume No. 1

Second Revised Sheet No. 2	First Revised Sheet No. 92
Nineteenth Revised Sheet No. 7	Third Revised Sheet No. 94
Seventeenth Revised Sheet No. 8	First Revised Sheet No. 96
Sixteenth Revised Sheet No. 9	First Revised Sheet No. 105
Fifth Revised Sheet No. 10	First Revised Sheet No. 108
Sixteenth Revised Sheet No. 12	First Revised Sheet No. 110
Sixteenth Revised Sheet No. 13	First Revised Sheet No. 114
First Revised Sheet No. 32	Second Revised Sheet No. 202
First Revised Sheet No. 35	Second Revised Sheet No. 206
First Revised Sheet No. 37	Second Revised Sheet No. 206A
First Revised Sheet No. 41	First Revised Sheet No. 223
First Revised Sheet No. 48	First Revised Sheet No. 233
First Revised Sheet No. 50	First Revised Sheet No. 234
First Revised Sheet No. 51	Second Revised Sheet No. 261
First Revised Sheet No. 52	First Revised Sheet No. 326
First Revised Sheet No. 59	First Revised Sheet No. 327
First Revised Sheet No. 61	First Revised Sheet No. 329
First Revised Sheet No. 62	First Revised Sheet No. 330
First Revised Sheet No. 63	First Revised Sheet No. 331
First Revised Sheet No. 74	First Revised Sheet No. 332
First Revised Sheet No. 75	Second Revised Sheet No. 333
Third Revised Sheet No. 79	Second Revised Sheet No. 335
First Revised Sheet No. 80	Second Revised Sheet No. 338
First Revised Sheet No. 81	First Revised Sheet No. 339
First Revised Sheet No. 83	Second Revised Sheet No. 340
First Revised Sheet No. 85	First Revised Sheet No. 504
First Revised Sheet No. 89	Third Revised Sheet No. 510
First Revised Sheet No. 91	

**Appendix B**

**List of Proposed Tariff Sheets**

Accepted to be effective November 1, 2009

Florida Gas Transmission Company, LLC  
FERC Gas Tariff  
Fourth Revised Volume No. 1

First Revised Sheet No. 34  
First Revised Sheet No. 49  
First Revised Sheet No. 60  
First Revised Sheet No. 107  
First Revised Sheet No. 318  
First Revised Sheet No. 320

**Appendix C**  
**List of Intervenors**

Angola LNG Supply Services LLC\*\*  
Associated Gas Distributors of Florida, Inc.\* (Chesapeake Utilities Corporation -- Florida Division, Florida Public Utilities Corporation, Indiantown Gas Company, Florida City Gas, a subsidiary of AGL Resources Inc., Sebring Gas System, Inc., and St. Joe Natural Gas Company, Inc.)  
Bay Gas Storage Company, Ltd.  
BG Energy Merchants, LLC\*  
BP America Production Company and BP Energy Company  
Calpine Energy Services, L.P.  
Chevron U.S.A. Inc.  
Enbridge Marketing (U.S.) L.P.  
ExxonMobil Gas & Power Marketing Company, a division of Exxon Mobil Corporation  
Florida Cities\* (JEA, Orlando Utilities Commission, Lakeland Electric, the City of Tallahassee, the City of Gainesville, and Florida Gas Utility, a Florida inter-local agency whose membership presently consists of more than twenty municipally-owned electric and/or gas utilities)  
Florida City Gas  
Florida Municipal Natural Gas Association\* (City of Chattahoochee; City of Clearwater Gas System; Crescent City Natural Gas; City of DeFuniak Springs; City of Florida; Geneva County Gas District; Lake Apopka Natural Gas District; City of Leesburg; City of Live Oak; City of Madison; Okaloosa Gas District; Palatka Gas Authority; City of Perry; Southeast Alabama Gas District; and City of Sunrise)  
Florida Power & Light Company\*  
Florida Power Corporation\*  
Floridian Natural Gas Storage Company, LLC  
Gulfstream Natural Gas System, L.L.C.  
Indicated Shippers\* (BP America Production Company and BP Energy Company, Chevron U.S.A. Inc., ExxonMobil Gas & Power Marketing Company, a division of Exxon Mobil Corporation, and Shell Offshore, Inc.)  
Infinite Energy, Inc.\*  
Lake Cogen, Ltd. and Auburndale Power Partners, L.P.  
NJR Energy Services Company  
Orange Cogeneration Project, Mulberry Cogeneration Facility, and Orlando Cogeneration, Ltd.  
Peoples Gas System, a division of Tampa Electric Company\*  
Reedy Creek Improvement District\*  
RRI Energy Services, Inc.\* (formerly Reliant Energy Services, Inc.)  
Seminole Electric Cooperative, Inc.\*  
Sequent Energy Management, L.P.\*  
Shell Offshore, Inc.

Southern Company Services, Inc.\* (Alabama Power Company, Georgia Power Company,  
Gulf Power Company, Mississippi Power Company and Southern Power  
Company)

Southern Natural Gas Company

Tampa Electric Company\*

Tenaska Marketing Ventures\*\*

United States Gypsum Corporation

Virginia Power Energy Marketing, Inc.\*

\* Comments or protests

\*\* Late filed intervention