

139 FERC ¶ 61,083
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

CenterPoint Energy Gas Transmission Company, LLC Docket No. RP12-503-000

ORDER ACCEPTING TARIFF RECORDS

(Issued April 30, 2012)

1. On March 21, 2012, CenterPoint Energy Gas Transmission Company, LLC (CenterPoint) filed tariff records listed in the Appendix to this order, to be effective May 1, 2012, to establish a Perryville Hub Trading Point and other revisions and changes to reflect the establishment of that point. For the reasons discussed below, the Commission accepts the tariff records to be effective May 1, 2012.

Background

2. CenterPoint's Perryville Hub is a high-pressure system located in northeast Louisiana that consists of twenty-one separate interconnections with other pipelines and natural gas companies. A future interconnection with Perryville Gas Storage, LLC is also planned. CenterPoint's Perryville Hub via its reticulated pipeline system and interconnections with other pipelines, has access to supplies located in the traditional Arkoma and Anadarko Basins, along with the newer supply discoveries in the Barnett Shale in Texas, the Haynesville Shale in North Louisiana, the Woodford Shale in Southeastern Oklahoma, and the Fayetteville Shale in Northeast Arkansas, as well as access to markets in the Midwest, Northeast and Southeast. CenterPoint already provides firm and interruptible transportation services to the Perryville Hub and wheeling and park/loan services within the Perryville Hub.

3. CenterPoint proposes to establish a paper or logical point¹ within the Perryville Hub, the Perryville Hub Trading Point, which can be accessed as a receipt or delivery point using CenterPoint's existing firm or interruptible transportation services, or using CenterPoint's Perryville Hub wheeling services to or from the Perryville Hub

¹ A "paper or logical point" does not represent a physical point on CenterPoint's system.

interconnections with other pipelines. CenterPoint also proposes to establish the Perryville Hub Trading Point as a site for trading or title transfers of natural gas between CenterPoint's shippers and/or non-shippers. To further enhance the liquidity of the Perryville Hub gas market, CenterPoint has filed to list the Perryville Hub Trading Point as a trading point on the Intercontinental Commodity Exchange. CenterPoint states that the Perryville Hub Trading Point will provide existing and new customers, including the growing electric power plant market, access to multiple supply areas at one common point of purchase or sale and a common point from which to transport or wheel gas to available points on the CenterPoint system improving access to the broader interstate grid.

4. To buy or sell natural gas, shippers can use the Perryville Hub Trading Point as a paper or logical point from or to which they can receive or deliver natural gas. Although access to off-system interconnects requires wheeling or transport of natural gas to or from the Perryville Hub Trading Point, shippers generally will be able to use the Perryville Hub Trading Point in the same manner as physical points on the CenterPoint system. Shippers can request the Perryville Hub Trading Point be designated a primary receipt or delivery point under their firm service agreements or nominate it as a delivery or receipt point under their interruptible transport or wheeling service agreements subject to the same tariff provisions applicable to other points on the system. CenterPoint will apply its existing tariff provisions regarding point capacity to award capacity at, and to schedule service to or from, the Perryville Hub Trading Point.

5. With respect to Fuel and Lost and Unaccounted for Gas (LUFG) retentions, CenterPoint proposes to retain zero LUFG for wheeling transactions using the Perryville Hub Trading Point as a receipt point to physical Perryville Hub delivery points because it will retain applicable LUFG when the natural gas is wheeled or transported to the Perryville Hub Trading Point. For wheeling transactions with receipts at the Perryville Hub Trading Point and deliveries to points within the Perryville Hub Core system east of Transporter's Delhi Compressor Station (i.e., Columbia Gulf Transmission (CGT) PV (Core), SESH FM-65 (Core) and TENN 800 (Core)) and/or the Perryville Hub Header, CenterPoint shall retain Delhi Fuel. For wheeling transactions with receipts at the Perryville Hub Trading Point and deliveries to all other Perryville Hub Delivery Points, CenterPoint will not assess any Fuel. For other transports with receipts at the Perryville Hub Trading Point, the Fuel exemption applicable to backhaul or displacement transactions from Perryville Hub Receipt Points will apply.

6. To expand the opportunities for gas trading on its system and thus enhance liquidity, CenterPoint proposes to establish the Perryville Hub Trading Point as a site at which CenterPoint will provide Title Transfer Tracking (TTT) services. Non-shippers can receive or transfer title to gas delivered to the Perryville Hub Trading Point by contracting in advance for TTT services and entering into the new Perryville Hub Trading Point Title Transfer Tracking Agreement. CenterPoint does not propose to

impose a TTT charge. Section 5.3(b) (ii) of the General Terms and Conditions (GT&C) describes the terms and conditions under which CenterPoint will accommodate TTT.

7. CenterPoint asserts that its proposal will provide additional flexibility and options for transport and trading in the Perryville Hub area thus supporting further development of Perryville as a major trading hub. CenterPoint states it plans future direct connections to storage service providers at the Perryville Hub. CenterPoint contends that in conjunction with the proposed Perryville Hub Trading Point enhancements, such additional supply liquidity and flexibility, will benefit existing shippers and traders and offer new opportunities to meet the growing power plant demand both on its system as well as that on connected pipelines.

8. CenterPoint has identified certain other proposed revisions and conforming changes needed to reflect the establishment of the Perryville Hub Trading Point and other required updates. Finally, CenterPoint proposes no material changes in its currently effective rates and respectfully requests that the Commission accept the enclosed tariff records to be effective May 1, 2012.

Public Notice, Interventions and Protests

9. Public notice of CenterPoint's filing was issued on March 21, 2012. 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 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 the proceeding or place additional burdens on existing parties.

10. The filing was protested by the Indicated Shippers.² The Indicated Shippers are concerned that the proposal to establish a new paper trading point within the Perryville Hub, which can be accessed using CenterPoint's existing firm or interruptible transportation services, or using CenterPoint's Perryville Hub wheeling services, will negatively impact existing firm transportation rights on CenterPoint's system, and will reduce a firm shipper's ability to access secondary markets. The Indicated Shippers request that the Commission reject the proposal, or in the alternative, suspend the proposal for five months and set it for a technical conference so that all rate and operational issues, including the impacts on existing firm transportation service, can be fully explored.

² The Indicated Shippers are Chevron U.S.A., Inc., and Shell Energy North America (US), L.P.

11. The Indicated Shippers assert that the proposal will diminish the optionality that shippers currently have under their existing firm transportation agreements. The Indicated Shippers contend that, typically, only shippers with firm transportation capacity can access premium markets, such as the Southeast Supply Header (SESH). They assert that shippers acquired firm capacity on CenterPoint knowing that premium markets exist and that firm shippers will be able to access these premium markets. But it appears that CenterPoint's proposal would allow anyone purchasing natural gas at the Perryville Hub Trading Point to access these same premium markets that formerly were accessible via only a firm transportation agreement, and for a lower rate. The Indicated Shippers argue this is especially unjust and unreasonable because firm transportation shippers pay a daily 100% load factor firm recourse rate of \$0.2528, while firm wheeling contract users would appear to pay a firm recourse rate of only \$0.0305. The Indicated Shippers contend that this results in undue discrimination to CenterPoint's existing firm shippers.

12. The Indicated Shippers also contend that the filing is not at all clear with regard to how the wheeling rate of \$0.0305 will be charged. For example, Indicated Shippers question whether the wheeling rate will be charged only for service into the Perryville Hub, or only for service away from the Perryville Hub, or for both service into and out of the Perryville Hub.

13. The Indicated Shippers assert that the proposal would greatly reduce the ability of firm transportation customers to access secondary markets under their existing FT contracts. Under its proposal, CenterPoint would be able to sell "Line CP to CEGT Core" under a firm wheeling contract on a primary basis. Further, under its proposal, a primary-to-primary firm wheeling service customer would have a higher scheduling priority at the Perryville Hub Trading Point than a secondary firm transportation customer. The Indicated Shippers assert that this proposal would prevent Line CP firm transportation shippers from being able to access Core markets on a secondary basis, which they are currently able to do today.

14. Furthermore, given that CEGT has not stated how much capacity will be available for sale of firm wheeling services, there is no way to determine whether CenterPoint has oversold its capacity at any given point. This also raises the question of how CenterPoint will actually know how much firm wheeling it can sell, because that is dependent on how much gas is actually flowing into the Perryville Hub and out of the Perryville Hub on a firm basis. The Indicated Shippers assert that CenterPoint has not explained the flow assumptions and the mechanics relating to how the firm wheeling service will be provided on a physical basis.

15. Finally, the Indicated Shippers assert that the fuel and LUGF charges related to this new service are not clear. The Indicated Shippers state that it appears that CenterPoint is proposing to charge fuel related to its Delhi Compressor Station for wheeling transactions with receipts at the Perryville Hub Trading Point and deliveries to points within the PVH Core system east of Delhi, CGT PV (Core), SESH FM-65 (Core)

and TENN 800 (Core), and/or the Perryville Hub Header. The Indicated Shippers contend that currently shippers can deliver to these points without incurring extra fuel. The Indicated Shippers question whether CenterPoint intends to charge an incremental fuel rate, and if so, how would such a rate be applied and/or be impacted by existing contracts that specify fuel rates for deliveries east of Delhi?

CenterPoint's Answer

16. On April 5, 2012, CenterPoint filed an answer in response to the Indicated Shippers protest. While answers to protests are not permitted, the Commission will accept the answer here since it directly addresses concerns raised by the protester and will lead to a better understanding of the issues in the proceeding. CenterPoint states its filing proposed no changes which would diminish the existing rights of firm Rate Schedule FT transportation customers. CenterPoint states that the addition of any new receipt or delivery point to its system does not relieve it of any existing obligations to its firm customers. CenterPoint states that the same is true of the addition of the new Perryville Hub Trading Point. CenterPoint states that introduction of the new point will not change the firm rights of any existing or future firm shippers.

17. CenterPoint submits that after the creation of the Perryville Hub Trading Point, shippers will continue to have the same optionality as they do today. CenterPoint states that firm wheeling is an existing service that any shipper could contract for today, with or without the Perryville Hub Trading Point. CenterPoint states that it has proposed no change in the currently effective rates for firm wheeling service. Shippers already have the right to request firm wheeling between any of the existing Perryville Hub Points of Receipt and Delivery, including the SESH point; if the Service Agreement designates such a point as primary, then the wheeling customer currently has a higher scheduling priority than other firm shippers relying on secondary rights. CenterPoint asserts that the Indicated Shippers apparent belief that access to such points is limited to Rate Schedule FT firm transportation services is mistaken. CenterPoint states that the new Perryville Hub Trading Point, a receipt and/or delivery point which will be included among the Perryville Hub Points, can be accessed via either existing transportation or wheeling services in the same manner as the existing Perryville Hub points. If wheeling services are used, the currently effective rates will be charged for wheeling to or from the Perryville Hub Trading Point, as with any other existing eligible Perryville Hub points.

18. CenterPoint states that the protest further claims that the establishment of the Perryville Hub Trading Point will reduce existing firm shippers' ability to access secondary points or markets. However, CenterPoint states that the Commission has long made clear that "a shipper has no right to any particular secondary point priority. Shippers' rights to capacity are determined by their primary points in their contracts with

the pipeline....”³ CenterPoint asserts that establishment of the Perryville Hub Trading Point will not affect the priority of service to which shippers are entitled based on the point choices they make. As the Commission has recognized, a pipeline is not required to reserve capacity to access all potential secondary points at the expense of shippers willing to contract for primary firm service. CenterPoint states that shippers today can contract for firm wheeling service between the existing Perryville Hub Points of Receipt and Delivery and secure primary priority at such points. Contrary to the claim made by the protesters, CenterPoint submits that shippers under Rate Schedule FT will continue to have the full array of flexible rights they enjoy today to access points throughout the system on a secondary basis, if available, but no guarantee of such availability if others elect to fill that capacity on a primary basis.

19. CenterPoint states that it will comply with all applicable requirements regarding posting available capacity for wheeling and other transportation services upon establishment of the Perryville Hub Trading Point. CenterPoint states today it posts capacity available for wheeling within the Perryville Hub and capacity for transport to the Perryville Hub from the various Pooling Areas on its system and will continue to do so. Because of the complex network nature of much of its system, deliverability can vary depending upon where natural gas enters and leaves the system and CenterPoint’s capacity models must take such operational factors into account when forecasting firm capacity availability. The system relies on displacement to some extent to transport gas and thus must assess the receipt and delivery points identified by a shipper requesting firm service and the level of capacity currently reserved for firm service to determine availability. CenterPoint submits that it will evaluate requests for wheeling service to or from the Perryville Hub Trading Point in the same manner used today to evaluate requests for firm wheeling within the Perryville Hub. Before approving requests for firm service, CenterPoint states that it must ensure that it will not impair its ability to meet its existing firm obligations. All capacity available at the Perryville Hub Trading Point will be posted on CenterPoint’s website before being sold to any shipper.

20. CenterPoint states that the protest mistakenly asserts that it is proposing to change how it assesses the Delhi Fuel retention. CenterPoint states its tariff authorizes retention of fuel on certain wheeling transactions related to natural gas consumed at its Delhi Compressor: wheeling deliveries to the CGT PV (Core) and Perryville Hub Header points currently are subject to the retention. CenterPoint proposes no changes to the Perryville Hub Delivery Points subject to this charge. Because CenterPoint is adding the Perryville Hub Trading Point as a Perryville Hub Receipt Point and proposing to reclassify two Delivery Points (TENN 800 and SESH FM-65) as Core points, both of which would rely on use of the Delhi Compressor to effectuate a wheeling transaction, it

³ *Tennessee Gas Pipeline Co.*, 128 FERC ¶ 61,032, at P 48 (2009).

is necessary to revise the existing tariff language to clarify that wheeling services involving those two Delivery Points will continue to be subject to the Delhi Fuel retention. CenterPoint asserts that all wheeling services utilizing the Delhi Compressor should be assessed the Delhi Fuel retention.

Discussion

21. In its filing CenterPoint has proposed to establish a Perryville Hub Trading Point, a paper or logical point that can be accessed by transportation services, wheeling services, and can be used for trading and title transfer. Indicated Shippers protests the proposal, arguing that it will negatively impact existing firm transportation rights on the system.

22. Based upon the representations and assertions in CenterPoint's answer, as summarized above, the Commission finds that CenterPoint's filing to establish a Perryville Hub Trading Point is just and reasonable and will be accepted to be effective May 1, 2012, as proposed. The Commission further finds that a five-month suspension and technical conference, as requested by Indicated Shippers, is not necessary. As more fully discussed in CenterPoint's answer detailed above, CenterPoint has directly responded to the concerns raised by the Indicated Shippers. Further, as categorically stated by CenterPoint in its answer, it "proposed no changes which would diminish the existing rights of firm Rate Schedule FT transportation customers." Such statement goes to the heart of the Indicated Shippers protest. The Commission's acceptance of CenterPoint's filing will provide shippers with greater supply liquidity and flexibility, including access to natural gas from newer shale discoveries. In addition, it will provide new opportunities for shippers and traders to meet the growing demand for natural gas by power plants on CenterPoint's system and those of interconnecting pipelines.

The Commission orders:

The tariff records listed in the Appendix are accepted to be effective May 1, 2012.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

Appendix

CenterPoint Energy Gas Transmission Company, LLC
NGA Gas Tariff
CEGT Tariffs

Tariff Records Accepted to be Effective May 1, 2012

Sheet No. 1, TABLE OF CONTENTS, 3.0.0

Sheet No. 36, RATES: PHS, 4.0.0

Sheet No. 340, RATE SCHEDULE PS, 1.0.0

Sheet No. 395, RATE SCHEDULE PHS, 1.0.0

Sheet No. 396, RATE SCHEDULE PHS, 1.0.0

Sheet No. 398, RATE SCHEDULE PHS, 1.0.0

Sheet No. 399, RATE SCHEDULE PHS, 1.0.0

Sheet No. 400, RATE SCHEDULE PHS, 1.0.0

Sheet No. 401, RATE SCHEDULE PHS, 1.0.0

Sheet No. 403, RATE SCHEDULE PHS, 1.0.0

Sheet No. 406, RATE SCHEDULE PHS, 1.0.0

Sheet No. 500, TABLE OF CONTENTS GENERAL TERMS AND
CONDITIONS, 2.0.0

Sheet No. 510, 1. DEFINITIONS AND INTERPRETIVE MATTERS, 2.0.0

Sheet No. 525, 1. DEFINITIONS AND INTERPRETIVE MATTERS, 1.0.0

Sheet No. 526, 1. DEFINITIONS AND INTERPRETIVE MATTERS, 1.0.0

Sheet No. 527, 1. DEFINITIONS AND INTERPRETIVE MATTERS, 2.0.0

Sheet No. 528, 1. DEFINITIONS AND INTERPRETIVE MATTERS, 2.0.0

Sheet No. 534, 1. DEFINITIONS AND INTERPRETIVE MATTERS, 1.0.0

Sheet No. 559, 5. RECEIPT AND DELIVERY NOMINATIONS,
SCHEDULING & CONDITIONS, 1.0.0

Sheet No. 560, 5.1 Point(s) of Receipt, 2.0.0

Sheet No. 564, 5.1 Point(s) of Receipt, 2.0.0

Sheet No. 565, 5.1 Point(s) of Receipt, 1.0.0

Sheet No. 576, 5.2 Receipt Nominations and Allocation Methodology, 1.0.0

Sheet No. 579, 5.2 Receipt Nominations and Allocation Methodology, 1.0.0

Sheet No. 580, 5.2 Receipt Nominations and Allocation Methodology, 1.0.0

Sheet No. 583, 5.3 Pool Nominations and Title Transfer Tracking, 2.0.0

Sheet No. 584, 5.3 Pool Nominations and Title Transfer Tracking, 2.0.0

Sheet No. 585, 5.3 Pool Nominations and Title Transfer Tracking, 1.0.0

Sheet No. 586, 5.3 Pool Nominations and Title Transfer Tracking, 2.0.0

Sheet No. 586A, 5.3 Pool Nominations and Title Transfer Tracking, 0.0.0

Sheet No. 590, 5.4 Point(s) of Delivery, 2.0.0

Sheet No. 591, 5.4 Point(s) of Delivery, 1.0.0

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Sheet No. 592, 5.4 Point(s) of Delivery, 1.0.0

Sheet No. 679, 10. ASSIGNMENT AND CURTAILMENT OF CAPACITY,
1.0.0

Sheet No. 760, 20. OPERATIONAL CONTROLS, 1.0.0

Sheet No. 816, 27. FUEL PERCENTAGES, 2.0.0

Sheet No. 854, INFORMATION REQUIRED IN REQUEST FOR
TRANSPORTATION, 1.0.0

Sheet No. 902, FIRM FT PHS TRANSPORTATION SERVICE AGREEMENT,
1.0.0

Sheet No. 906, FIRM FT PHS TRANSPORTATION SERVICE AGREEMENT,
1.0.0

Sheet No. 1058, INTERRUPTIBLE IT, PHS SERVICE AGREEMENT, 1.0.0

Sheet No. 1313, Sheets Reserved For Future Use, 0.98.0

Sheet No. 1344, FORM OF PTP TITLE TRANSFER TRACKING
AGREEMENT, 0.0.0

Sheet No. 1345, FORM OF PTP TITLE TRANSFER TRACKING
AGREEMENT, 0.0.0

Sheet No. 1346, Agency Addendum to PTP Title Transfer Tracking Agreement,
0.0.0

Sheet No. 1347, Agency Addendum to PTP Title Transfer Tracking Agreement,
0.0.0

Sheet No. 1348, Reserved For Future Use, 0.99.0