145 FERC ¶ 61,125
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

November 14, 2013

In Reply Refer To:
Tennessee Gas Pipeline Company, L.L.C.
Docket No. RP14-43-000

Tennessee Gas Pipeline Company, L.L.C.
1001 Louisiana Street
Suite 1000
Houston, TX 77002

Attention: Milton Palmer, Jr.
Director, Rates and Regulatory Affairs

Dear Mr. Palmer:

1. On October 15, 2013, Tennessee Gas Pipeline Company, L.L.C. (Tennessee) filed revised tariff records[1] to provide for certain enhancements of its Rate Schedule PAL. Indicated Shippers and the Tennessee Customer Group filed comments on the instant filing. As discussed below, the revised tariff records are accepted effective November 15, 2013, as requested, subject to Commission action in Docket Nos. RP13-545-000, RP13-545-001, and RP13-545-002 (the DART docket).

Details of the Instant Filing

2. Tennessee states that shortly before the instant filing, it filed a compliance filing in the DART docket to implement changes to its FERC Gas Tariff to accommodate Tennessee's Electronic Bulletin Board (EBB) conversion from PASSKEY to DART. Tennessee states that the purpose of the instant filing is to complement the DART filing by adding flexibility to Rate Schedule PAL. Among these revisions are:

a) Tennessee is proposing to allow shippers to park or loan gas at more than one Point of Transaction (PT) under the same PAL Agreement. Rate Schedule PAL currently limits Tennessee's shippers to a single PT under the same PAL

[1] *See* Appendix.

Agreement. Therefore, to transact at multiple PTs, shippers currently must execute multiple separate PAL Agreements. Allowing multiple points of transaction under the same PAL Agreement would help ease this unnecessarily tedious administrative burden, Tennessee claims. Tennessee argues this change would not change the existing nature of the service, including the requirement that Tennessee return any parked quantities to a shipper at the same PTs where such shipper delivered gas to Tennessee or that a shipper return any loaned quantities to Tennessee at the same PT's where such shipper received gas from Tennessee.

b) Tennessee is proposing to add a new section 2.7 to Rate Schedule PAL – an Evergreen Provision – to provide that PAL Agreements shall remain in full force and effect beyond the expiration of the initial term of the PAL Agreement until terminated by either party pursuant to the prescribed notice requirements. Section 2.7 also provides that the PAL Agreement shall not extend beyond the termination date of the shipper's Master Park and Loan Service Agreement.

c) Tennessee is proposing a Daily Rate PAL Discount. Tennessee has added a new Section 6.2(I)(b) to Rate Schedule PAL pursuant to which Tennessee may choose to institute a generally applicable discount at specific PTs on its system for up to specified quantities and dates as determined by Tennessee by posting the terms of the Daily Rate PAL Discount on Tennessee's EBB. Tennessee states that any Daily Rate PAL Discount instituted pursuant to this provision: (i) would become effective or subject to change upon 24 hours' notice by Tennessee via an EBB posting; (ii) would be applicable only to Daily PAL services and only to those shippers who elect in such shippers' PAL Agreements to be subject to the terms of the Daily Rate PAL Discount; and (iii) would be a rate between the applicable minimum and maximum Daily PAL rate set forth in Tennessee's tariff. As such, Tennessee states, the Daily Rate PAL Discount is an optional program and a Daily Rate PAL Service shipper may select in its PAL Agreement to remain subject to its existing rates under its PAL Agreement in lieu of the Daily Rate PAL Discount.

d) Tennessee is proposing a PAL Authorized Overrun service. Currently, Tennessee is unable to provide authorized overrun service to its Daily and Term Rate PAL shippers as it has no tariff authority to collect authorized overrun charges for this service. In the instant filing, Tennessee has added a new Section 6.5 to Rate Schedule PAL to permit Authorized Overrun under a PAL Agreement. Tennessee proposes that the applicable rate for PAL Authorized Overrun be equal to the maximum applicable rate for PAL services, unless Tennessee and shipper mutually agree to a different rate. Tennessee has reflected this change in the Summary of Rates and Charges for

Rate Schedule PAL of Tennessee's tariff. Tennessee has also added language to Article IV, Section 3 of the General Terms and Conditions of Tennessee's tariff to provide that PAL Authorized Overrun shall be afforded the lowest possible scheduling priority under the tariff.

3. In addition to the changes outlined above, Tennessee states it has made several miscellaneous changes to its *pro forma* Master Park and Loan Service Agreement and Exhibits to implement the additional flexibility proposed in the filing. Finally, Tennessee states it has also made a number of miscellaneous changes to Rate Schedule PAL, primarily to standardize terminology.

4. Tennessee states that the instant filing is proposed to complement Tennessee's conversion to the DART customer activities system through proposed enhancements to Tennessee's existing PAL services by providing customers with additional contracting, scheduling, and balancing flexibility. Tennessee claims it does not anticipate material additional revenue or costs associated with these enhancements. Nonetheless, Tennessee claims any additional revenue realized as a result of the proposed service changes will be subject to the revenue sharing mechanism under Tennessee's rate settlement.[2] Accordingly, Tennessee respectfully requests that the Commission waive the cost and revenue workpaper requirements of 18 C.F.R. § 154.204(d).

Notice

5. Public notice of the filing was issued on October 16, 2013. Interventions and protests were due as provided in section 154.210 of the Commission's regulations.[3] Pursuant to Rule 214,[4] all timely filed motions to intervene and any unopposed motion 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

[2] Tennessee cites Article X of the Commission-approved rate settlement in Docket Nos. RP11-1566 and RP11-2066 (consolidated). *Tennessee Gas Pipeline Co.*, 137 FERC ¶ 61,182 (2011).

[3] 18 C.F.R. § 154.210 (2013).

[4] 18 C.F.R. § 385.214 (2013).

additional burdens on existing parties. Indicated Shippers[5] and the Tennessee Customer Group[6] filed comments, to which Tennessee filed an answer.

6. Indicated Shippers state they have discussed their concerns directly with Tennessee as DART implementation was pending. Indicated Shippers claim Tennessee indicated that, among other things, it would propose revisions to Rate Schedule PAL to address the balancing flexibility that would be diminished under DART. Indicated Shippers note that in the September 30, 2013 order accepting Tennessee's August 29, 2013 DART compliance filing, the Commission made acceptance of the filing subject in part to the outcome of the anticipated Rate Schedule PAL filing relative to pool imbalances.

7. Indicated Shippers state that their concerns have increased since October 1, 2013, when DART commenced operation on Tennessee's system. Indicated Shippers contend that it now appears that the DART system is inferior to PASSKEY in many respects that had not previously been apparent. Of particular concern, Indicated Shippers state that Tennessee's ability to provide accurate information on a timely basis has been degraded by DART. Indicated Shippers do not protest the proposed revisions in the instant filing, however, they claim these revisions are insufficient to restore pool balancing flexibility lost due to the conversion to DART. Consequently, Indicated Shippers argue the Commission must consider further action in the DART implementation proceeding in light of the insufficiency of this PAL filing to address the issues raised in that proceeding.

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[5] The Indicated Shippers in this proceeding are Anadarko Energy Services Company, BP Energy Company, Chevron U.S.A. Inc., ConocoPhillips Company, Hess Corporation, and Shell Energy North America (U.S.), L.P. Each of the Indicated Shippers previously filed a motion to intervene in the DART docket, and is separately filing a motion to intervene in this proceeding.

[6] The Tennessee Customer Group consists of Centerpoint Energy Resources Corp.; City of Clarksville Gas and Water Department, City of Clarksville; City of Corinth Public Utilities Commission; Delta Natural Gas Company, Inc.; Greater Dickson Gas Authority; Hardeman Fayette Utility District; Henderson Utility Department; Holly Springs Utility Department; Humphreys County Utility District; Town of Linden; Morehead Utility Plant Board; Portland Natural Gas System, City of Portland; Savannah Utilities; Springfield Gas System, City of Springfield; City of Waynesboro; West Tennessee Public Utility District; Athens Utilities; City of Florence, Alabama; Hartselle Utilities; City of Huntsville, Alabama; Municipal Gas Authority of Mississippi; North Alabama Gas District; Tuscumbia Utilities and Sheffield Utilities.

8. Indicated Shippers state that Tennessee's proposed revisions to the PAL rate schedule appear generally to make PAL service more flexible, to diminish some of the paperwork associated with the service, and potentially make posted discounts available at various PTs. However, Indicated Shippers also note that the instant filing does not meaningfully address Indicated Shippers' concerns raised in the DART docket. In that proceeding, Indicated Shippers requested that the Commission establish a technical conference to allow the parties to explore directly with Tennessee various issues, including the effects of DART on balancing, scheduling and curtailment. Because Tennessee's proposed revisions to Rate Schedule PAL do not resolve the balancing issues raised in the DART docket, Indicated Shippers request that the Commission convene a technical conference to address balancing, scheduling, curtailment, and other issues raised by implementation of DART. In addition, Indicated Shippers request that the Commission make its acceptance of the instant filing subject to the outcome of the requested technical conference.

9. The Tennessee Customer Group supports Indicated Shippers' request that the Commission convene a technical conference. The Tennessee Customer Group asserts that a technical conference on the issues arising from the implementation of DART is critical for reasons other than those articulated by the Indicated Shippers. Specifically, the Tennessee Customer Group states there have been numerous problems created by the implementation of DART on October 1, 2013 that were unknown as of the time of either Tennessee's August 29, 2013 tariff filing in the DART docket, or the September 30, 2013 Commission order in response to the DART filing.

10. The Tennessee Customer Group states that the most serious of these problems arises because the new DART system has provided neither timely nor accurate reports on measurements of gas at delivery points, and has confounded the problem with untimely reports that inaccurately allocate volumes to shipper transportation and storage contracts. The Tennessee Customer Group contends that these serious, consequential failures of DART clearly violate standards and principles of the North American Standards Board (NAESB). The Tennessee Customer Group states that Tennessee has incorporated this standard by reference at its General Terms and Conditions section XXXIII. The Tennessee Customer Group concludes that these DART failures contravene Tennessee's tariff obligations.

11. Tennessee states that the comments of the Indicated Shippers and the Tennessee Customer Group focus mainly on Tennessee's recent transition from PASSKEY to DART, which was approved by the Commission in the DART docket. Tennessee asserts that while the instant filing was intended, in part, to mitigate those concerns, the ultimate resolution of those concerns is a matter appropriately resolved in the DART docket. Tennessee states it will submit a separate response in the DART docket to address the DART migration concerns raised by the Indicated Shippers and the Tennessee Customer Group. Tennessee avers that the Commission should not condition its acceptance of the

instant filing on the outcome of the proceeding in the DART docket, because the instant filing affords all shippers additional flexibility which will substantially improve the value of Tennessee's Rate Schedule PAL services irrespective of the outcome in that separate proceeding.

12. The revised tariff records are accepted effective November 15, 2013, as requested, subject to Commission action in the DART docket. In its transmittal letter in the instant docket, Tennessee states that the "purpose of the instant filing is to complement the Compliance Filing" in the DART docket. Tennessee notes that the commenters in the instant docket do not object to the Rate Schedule PAL revisions *per se*, but rather to matters in the DART docket. However, it was Tennessee, not the commenters, that first connected these two dockets. Tennessee's sole avowed purpose in revising Rate Schedule PAL is to compensate for the adverse effects of its software conversion in the DART docket, and we shall evaluate these revisions based on whether they accomplish that avowed purpose. Accordingly, while we accept the revised tariff records, we condition acceptance on further Commission action and comprehensive review in the DART docket.

By the direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Appendix

Tennessee Gas Pipeline Company, L.L.C.
FERC NGA Gas Tariff
TGP Tariffs

Sheet No. 59, PAL Rates - Park and Loan Services, 6.0.0
Sheet No. 155, Rate Schedule PAL, 3.0.0
Sheet No. 156, , 3.0.0
Sheet No. 156A, , 0.0.0
Sheet No. 157, , 5.0.0
Sheet No. 157A, , 0.0.0
Sheet No. 158, , 2.0.0
Sheet No. 158A, , 0.0.0
Sheet No. 159, , 2.0.0
Sheet No. 317, , 4.0.0
Sheet No. 673, Master Park and Loan SA, 5.0.0
Sheet No. 673A, , 1.0.0
Sheet No. 678, , 4.0.0
Sheet No. 678A, , 1.0.0
Sheet No. 679, , 4.0.0
Sheet No. 679A, , 1.0.0
Sheet No. 680, , 4.0.0
Sheet No. 681, , 4.0.0
Sheet No. 681A, , 0.0.0