

146 FERC ¶ 61,048
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

January 29, 2014

In Reply Refer To:
Tallgrass Interstate Gas
Transmission, LLC
Docket No. RP14-322-000

Tallgrass Interstate Gas Transmission, LLC
Van Ness Feldman, LLP
1050 Thomas Jefferson Street, NW, 7th Floor
Washington, DC 20007-3877

Attention: Paul Korman
Attorney for Tallgrass Interstate Gas Transmission, LLC

Dear Mr. Korman:

1. On December 23, 2013, Tallgrass Interstate Gas Transmission, LLC, (Tallgrass); Wyoming Interstate Company, L.L.C. (WIC); and, Anadarko Energy Services Company (Anadarko) (jointly, the Petitioners) filed a petition seeking (1) authorization to conduct a reverse auction; and, (2) to the extent necessary, waiver of section 9 of WIC's General Terms and Conditions (GT&C) to facilitate the reverse auction. The Petitioners state that the reverse auction would allow Tallgrass to acquire capacity currently held by Anadarko on WIC's system so that it can continue to serve firm shippers affected by certain facility abandonments. As discussed below, and for good cause shown, the Commission authorizes the reverse auction and grants the Petitioners a limited waiver of section 9 of WIC's GT&C to the extent necessary to conduct the reverse auction.

2. On September 12, 2013, the Commission issued an order in *Tallgrass Interstate Gas Transmission, LLC* granting Tallgrass authorization for its Pony Express Conversion Project.¹ The order authorized Tallgrass to, among other things, abandon 423.4 miles of mainline pipeline to Tallgrass Pony Express for the purpose of converting the natural gas

¹ 144 FERC ¶ 61,197 (2013).

facilities to crude oil facilities. However, this abandonment negatively affected certain existing firm shippers on WIC's system. The Petitioners state that, to ameliorate this result, the order also authorized Tallgrass to enter into firm transportation agreements with third-party pipelines for about 104,000 dekatherms (Dth) per day of capacity in order for Tallgrass to continue serving those firm shippers negatively affected by the abandonment.

3. To implement the Commission's authorization, the Petitioners propose a prearranged deal via a reverse auction of capacity. The Petitioners explain that Anadarko currently holds about 100,000 Dth per day of firm transportation capacity on WIC under Rate Schedule FT.² Tallgrass desires 35,000 Dth per day of Anadarko's capacity so that it can continue to meet its contractual requirements to firm shippers affected by the abandonment. Pursuant to the reverse auction, Anadarko would permanently release 35,000 Dth per day to Tallgrass at the current contract rate. Anadarko would also make a lump sum payment to Tallgrass to take the capacity. This lump sum payment is required by current market conditions, which likely would not otherwise support the release of capacity at the current contract rate.³ The capacity would then be posted for bidding through the reverse auction. If a third-party bidder would be willing to pay the contract rate for the capacity and accept a lower fixed payment for the capacity from Anadarko, then Tallgrass would have the right to match that bid pursuant to section 9.11(i) of WIC's GT&C. WIC would then award the capacity to Tallgrass. If Tallgrass does not desire to match the bid, then WIC would award the capacity to the bidder that agrees to pay the contract rate for the capacity while requiring the smallest fixed payment to Anadarko. The Petitioners state that the reverse auction would ensure that the capacity is awarded in a transparent manner to the shipper that values it the most.

4. The Petitioners state that they require two Commission authorizations to implement the reverse auction. First, they request the Commission authorize the use of the reverse auction to transfer the WIC capacity from Anadarko to Tallgrass. The Petitioners also request the Commission grant waiver of section 9 of the WIC's GT&C to the extent necessary to allow for the reverse auction. They explain that section 9 sets forth WIC's capacity release provisions, but does not specifically provide for a reverse auction. The Petitioners state that the requested authorizations would be consistent with

² Contract No. 41151001, which terminates on November 30, 2018.

³ The Petitioners state that the pre-arranged lump sum payment amount is based on a net present value calculation of the difference between a fixed amount and the contract rate.

the Commission's capacity release regulations and policies because the capacity would go to the shipper that values the capacity the most. They also assert that the capacity will be transferred in an open and transparent manner fully consistent with the Commission's precedent, rules, and regulations. The Petitioners also point out that the Commission has approved similar reverse auction procedures in other cases.⁴

5. Public notice of the filing was issued on January 2, 2014. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2013)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2013)), 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 additional burdens on existing parties. No protests or adverse comments were filed.

6. For good cause shown, the Commission authorizes the reverse auction and grants a limited waiver of section 9 of WIC's GT&C to the extent necessary to implement the reverse auction. These authorizations will allow Tallgrass to obtain capacity from third-party providers so that it can continue to serve firm shippers negatively impacted by its abandonment of facilities in the Pony Express Conversion Project. The reverse auction will also eliminate the possibility that the prearranged shipper will have preferential access to the capacity and ensure that the capacity is transferred in an open and transparent manner to the shipper that values the capacity the most. Accordingly, the Commission grants the authorizations requested by the Petitioners.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

⁴ Citing *Gas Transmission Northwest LLC*, 143 FERC ¶ 61,186 (2013); *Duke Energy Marketing Am., LLC*, 114 FERC ¶ 61,198 (2006); and, *Northwest Pipeline Corp.*, 109 FERC ¶ 61,044 (2004).