

147 FERC ¶ 61,168
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

May 30, 2014

In Reply Refer To:
Tennessee Gas Pipeline Company, L.L.C.
Docket No. RP14-829-000

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

Attention: H. Milton Palmer, Jr.

Dear Mr. Palmer:

1. On May 1, 2014, Tennessee Gas Pipeline Company, L.L.C. (Tennessee) filed revised tariff records¹ in order to establish a pooling point in its supply area closer to Compressor Station 87 in Portland, Tennessee, and to rename the “500 Leg - Zone 1” Supply Area Pooling Area. Tennessee requests that the revised tariff records be accepted effective June 1, 2014. As discussed below we accept Tennessee’s revised tariff records effective June 1, 2014.

2. Tennessee states that Article I, Section 23 of the General Terms and Conditions (GT&C) of its tariff defines seven “Supply Area Pooling Areas” on Tennessee’s system and defines the “paper” pooling point for each Supply Area Pooling Area as “the furthest downstream receipt point on the mainline within the applicable Supply Area Pooling Area.” Furthermore, Article I, Section 23(4) defines Tennessee’s existing “500 Leg – Zone 1” Supply Pooling Area as:

“[A]ll points of receipt on Transporter’s 500 Line beginning at the discharge side of Compressor Station 534 in Purvis, Mississippi and ending at the 500 Line suction side of Compressor Station 87 in Portland, Tennessee; and all points of receipt on Transporter’s 800 Line beginning at the discharge of Compressor Station 860 in

¹ Tennessee Gas Pipeline Company, L.L.C.; FERC NGA Gas Tariff; TGP Tariffs: [Sheet No. 297, , 3.0.0](#) and [Sheet No. 298, , 6.0.0](#).

Centerville, Tennessee and ending at the suction side of Compressor Station 87 in Portland, Tennessee.”²

3. Tennessee states that bidirectional meter #420033 in Portland, Tennessee (Portland Meter) is the furthest downstream receipt point on the mainline in the “500 Leg – Zone 1” Supply Area Pooling Area. Therefore, the Portland Meter would ordinarily be the default “paper” pooling point for that pooling area. However, Tennessee states that as an exception to the general rule for placement of pooling points, Article I, Section 23 of the GT&C of Tennessee’s Tariff provides that the suction side of Compressor Station 860 in Centerville, Tennessee, is the pooling point for the “500 Leg – Zone 1” Supply Area Pooling Area.

4. Tennessee states that it submitted the instant filing to accomplish two objectives. The first objective is to establish a pooling point closer to Station 87, which is at the convergence of Tennessee’s 100, 500, and 800 mainlines in the northernmost part of Zone 1 of Tennessee’s system. Tennessee states that it is doing this in response to significant and repeated inquiries from customers requesting Tennessee to establish a pooling point closer to Station 87. In order to accomplish this, Tennessee proposes to eliminate the exception in Article I, Section 23 of its GT&C, which designates the suction side of Compressor Station 860 as the pooling point for the “500 Leg – Zone 1” Supply Area Pooling Area, thus making the Portland Meter the paper pooling point for the “500 leg – Zone 1” Supply Area Pooling Area. Tennessee’s second objective is to rename the “500 leg – Zone 1” Supply Area Pooling Area to the “Station 87 – Zone 1” Supply Area Pooling Area to more obviously associate the Supply Area Pooling Area with its designated paper pooling point.

5. Tennessee states that it identified four firm service agreements with primary delivery points at the 500 Leg – Zone 1 Supply Area pooling point and offered each shipper the option to either: (i) amend the primary delivery point to a nearby delivery point of the shipper’s choosing, subject to availability; or (ii) to make no amendment to the shipper’s service agreement, effectively changing the shipper’s primary delivery point to the Portland Meter.

6. Tennessee states that it believes that the changes proposed in this instant filing are responsive to customer requests, will not have a detrimental impact on its firm services, and will in fact increase shipper flexibility and liquidity by providing shippers with the option to designate the Portland Meter as a primary receipt or delivery point, consistent with all Tennessee shippers’ right to use any pooling point on Tennessee’s system as a primary point. Additionally, Tennessee states that the proposed changes will have no impact on parties utilizing Tennessee’s Rate Schedule SA to aggregate supply on the “500 Leg – Zone 1” Supply Area Pooling Area, as those parties will continue to be able

² See Article I, Section 23(4) of the GT&C of Tennessee’s tariff.

to aggregate supply from any point within the “500 Leg – Zone 1” Supply Area Pooling Area to the Portland Meter, which is closer to Station 87.

7. Public notice of the filing was issued on May 5, 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 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.

8. Two parties, Kaiser Marketing Northeast, LLC and Tennessee Valley Authority, filed comments in support of Tennessee’s instant filing. National Fuel Gas Distribution Corporation (Distribution) and AGLR LDCs³ filed comments on May 13, 2014. On May 20, 2014, Tennessee filed an answer. While the Commission’s regulations prohibit answers to protests “unless ordered by the decisional authority” (18 C.F.R. § 385.213(a)(2) (2013)), the Commission will accept Tennessee’s answer because it has aided us in our decision making.

9. Distribution states in its comments that it does not oppose Tennessee’s proposed revisions to its Supply Area Pooling Provisions but contends that a more beneficial revision to the Supply Area Pooling Provisions would be to create a single common pooling point that straddles the boundary of Zones 1 and 2 for all three legs of Tennessee’s system. Distribution states that a single common pooling point at this location would facilitate liquidity for supplies moving from south-to-north and north-to-south, and would better promote the optimization of capacity held by all shippers on Tennessee’s system.

10. AGLR LDCs also state that they do not oppose Tennessee’s creation of the Station 87 – Zone 1 Supply Area Pooling Area. AGLR LDCs do raise a concern regarding the potential for inequitable assessment of fuel charges for certain transactions undertaken at the new Station 87 Pool. AGLR LDCs note that the proposed location of the new Station 87 Pool (at the Portland Meter) is effectively the same point as Tennessee’s interconnect with the Midwestern Gas Transmission Company (Midwestern). AGLR LDCs state that based on preliminary communications with Tennessee, it appears that shippers nominating from the Station 87 Pool into Midwestern will be considered to be engaging in a transportation service transaction for which not only a transportation rate but fuel retention would be assessed.

³ Collectively, Northern Illinois Gas Company d/b/a Nicor Gas Company, Chattanooga Gas Company, and Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas.

11. AGLR LDCs state that there is a risk that a shipper could incur fuel charges both in the transportation of gas to the pool and in the “transportation” from the pool to Midwestern, even though nominations from the newly proposed pool to the Midwestern interconnect do not involve the physical transportation of gas. AGLR LDCs seek recognition from Tennessee, that transactions from the Station 87 Pool to the Midwestern interconnect do not cause the system to incur any fuel and therefore are exempt from fuel charges, consistent with previous Commission determinations.⁴

12. In its answer, Tennessee notes as a preliminary matter that it mistakenly identified the Portland meter as the new proposed pooling point for the Station 87 Pooling Area, and meant to designate the meter at the interconnection of Tennessee and Midwestern as the new paper pooling point. Tennessee asserts that the Midwestern Interconnect is located in close proximity to the Portland meter and that it has no reason to expect that any shipper would have protested if Tennessee’s original filing had stated that the Midwestern interconnect was to be the paper pooling point. Tennessee also states that while it welcomes suggestions as to other potentially beneficial methods to revise its pooling provisions, its proposal is just and reasonable and should be approved notwithstanding other suggested revisions.⁵

13. In response to the AGLR LDCs, Tennessee notes that the LDCs may have misunderstood Tennessee’s position with regard to the appropriateness of charging fuel for transactions involving the transportation of gas from the Station 87 Pooling Area pooling point. Tennessee states that a fundamental premise of its rate design is that pooling is free under Rate Schedule SA, and that Tennessee does not charge any party aggregating supply pursuant to a Rate Schedule SA agreement usage or fuel charges because Tennessee’s rates are designed to recover those charges when the gas is transported away from the pooling point. Tennessee further notes, however, that it is entirely appropriate to assess fuel on transactions to transport the aggregated supply away from the pool regardless of the proximity of the delivery point to the paper pooling point. Tennessee claims that consumption of fuel is necessary to effectuate such transactions because while the aggregated supply may be deemed to be at the pooling point, in actuality it is received at multiple locations throughout the pooling area and needs to be physically transported to the desired delivery points.

⁴ According to AGLR LDCs, the Commission has permitted pipelines to exempt certain transactions or portions of their systems from fuel charges if no fuel is used. AGLR LDCs’ Comments at 5 & n.3 (citing *Colorado Interstate Gas Co.*, 112 FERC ¶ 61,199, *order accepting tariff sheets*, 113 FERC ¶ 61,225 (2005); *Northern Natural Gas Co.*, 82 FERC ¶ 61,270, at 62,062 (1998); *NorAm Gas Transmission Co.*, 84 FERC ¶ 61,006, at 61,021 (1998); *Williams Natural Gas Co.*, 75 FERC ¶ 61,023, at 61,075 (1996)).

⁵ Answer at 3 & n.3.

14. Tennessee further notes that pursuant to its tariff a shipper may transport gas to any pooling point using a gas transportation (as opposed to a Rate Schedule SA) agreement, and may transport that gas away using a separate transportation agreement. Tennessee states in such a situation the shipper would be charged separate fuel charges applicable to the separate transportation paths regardless of whether a pooling point was involved and regardless of the proximity of the delivery points under the separate agreements.

15. We accept Tennessee's revised tariff records effective June 1, 2014.⁶ Based upon a review of the filing, Tennessee's proposed changes represent a just and reasonable approach to address customers' requests for a pooling point closer to Station 87, and appear to have strong support from its shippers. Tennessee's proposal should facilitate shipper flexibility, increase liquidity at the pool, and does not appear to have a detrimental impact on Tennessee's firm services. Tennessee also proposed reasonable options for those shippers that currently designate the 500 Leg – Zone 1 Supply Area pooling point as a primary delivery point. Because we find Tennessee's proposal is just and reasonable, we need not address Distribution's alternative proposal⁷ in this proceeding.

16. With respect to the AGLR LDCs' concerns regarding the potential for Tennessee to charge for transportation and fuel for transactions to and from the paper pooling point, Tennessee points out in its answer that an underlying premise of its rate design is that all pooling on Tennessee's system pursuant to Rate Schedule SA is free of charge. As Tennessee acknowledges, Commission policy only allows pipelines to charge once for transportation of gas through a pool.⁸ According to Tennessee, based on its rate design,

⁶ We find that Tennessee's proposal is just and reasonable despite the misstatement in its initial transmittal letter identifying the Portland receipt meter as the furthest downstream receipt point within the Station 87 Pooling Area, and thus proposing that point as the paper pooling point. As Tennessee explains in its answer, the Midwestern interconnect is actually the furthest downstream receipt point in the zone, and thus is more appropriately identified as the paper pooling point. Moreover, the change in pooling point designation does not have any effect on the proposed tariff records or tariff language.

⁷ If the rates, terms and conditions proposed by the pipeline are just and reasonable, the Commission must accept them, regardless of whether other rates, terms, and conditions may be just and reasonable. *Consolidated Edison Co. v. FERC*, 165 F.3d 992, 998, 1002-1004 (D.C. Cir. 1999), and cases cited.

⁸ See *Standards for Business Practices of Natural Gas Pipelines*, FERC Stats. & Regs., 32,527 at 33,351 (1996) (Order No. 587-F); see also *Transcontinental Gas Pipe Line Corp.*, 127 FERC ¶ 61,206, at PP 21-23 (2009), *order on reh'g*, 130 FERC ¶ 61,109 (2010).

the rates charged shippers for service downstream of a pooling point includes the costs associated with the upstream transportation to get the gas to the pool. Thus, Tennessee only charges usage rates and fuel on transactions to take gas away from the pool. This is consistent with Commission policy.

17. Tennessee further notes that pursuant to its tariff a shipper may transport gas to any pooling point using a gas transportation (as opposed to an SA) agreement, and may transport that gas away using a separate transportation agreement. Tennessee states in such a situation the shipper would be charged separate fuel charges applicable to the separate transportation paths regardless of whether a pooling point is involved, and irrespective of the proximity of the delivery point or points. This position also appears consistent with Commission policy. Tennessee provides an option for shippers to pool gas free of charge, and to only be charged to transport that gas downstream of the pool. To the extent that a shipper makes a decision to use a separate transportation agreement to transport its gas such that the gas goes to, or through, a pooling point, Tennessee is entitled to charge for transportation of such gas and to assess fuel on that transaction because that shipper is not pooling its gas but transporting it.

18. Accordingly, for the reasons stated, Tennessee's revised tariff records are accepted, effective June 1, 2014.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.