

149 FERC ¶ 61,084
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

October 30, 2014

In Reply Refer To:
Tennessee Gas Pipeline Company, L.L.C.
Docket No. RP14-1306-000

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 September 30, 2014, Tennessee Gas Pipeline Company, L.L.C. (Tennessee) filed tariff records,¹ pursuant to Article XXXVIII of a Settlement filed September 30, 2011 (Settlement), and approved by the Commission in an order dated December 5, 2011,² implementing Tennessee's Pipeline Safety and Greenhouse Gas Surcharges (PS/GHG Surcharges). According to Tennessee, the Settlement resolved, with limited exceptions, the outstanding issues in Docket Nos. RP11-1566-000 and RP11-2066-000, Tennessee's last general NGA Section 4 rate proceeding. The Settlement became effective on January 1, 2012.

2. Tennessee states that as part of the Settlement, it included in its tariff a cost recovery mechanism to recover the cost of service impact associated with Pipeline Safety Costs and Greenhouse Gas Costs. Thus, Section XXXVIII of the General Terms and Conditions of Tennessee's currently approved tariff permits Tennessee to recover via reservation and usage surcharges the cost of service effect of three types of costs: (i) Pipeline Safety Costs incurred or projected to be incurred by Tennessee to comply with new legislation and new regulatory requirements for pipeline safety (Section 2(f)(i) Costs); (ii) Pipeline Safety Costs incurred or projected to be incurred by Tennessee for

¹ See Appendix for complete listing of tariff records.

² *Tennessee Gas Pipeline Co., L.L.C.*, 137 FERC ¶ 61,182 (2011).

pipeline safety initiatives by Tennessee for remotely actuated valves, wrinkle bends, and branch connections (Section 2(f)(ii) Costs); and (iii) Greenhouse Gas Costs incurred or projected to be incurred by Tennessee to comply with new greenhouse gas legislation or new greenhouse gas regulations (Section 2(g) Costs).

3. Tennessee states that the purpose of the instant filing is to implement and place into effect its PS/GHG Surcharges. According to Tennessee, the filing reflects Tennessee's proposed recovery of (i) Section 2(f)(ii) Costs projected to be incurred by Tennessee during the Annual Period from November 1, 2014 through October 31, 2015; and (ii) Section 2(f)(ii) Costs incurred or projected to be incurred by Tennessee through October 31, 2014, the end of the immediately preceding Annual Period. Tennessee states that the cost of service effect of the Section 2(f)(ii) Costs included in the instant filing reflects the sum of the cost of service effect of capital expenditures using a pre-tax return of 13.25% and the applicable depreciation and amortization rates for such capital expenditures and additional operating and maintenance expenses. Further, Tennessee states that pursuant to Section 4 of Article XXXVIII, the reservation and usage surcharges proposed each reflect the recovery of one-half of the Cost of Service for the Annual Period plus the projected balance in the Deferred Surcharge subaccount(s) and are derived using Estimated Reservation and Commodity Billing Determinants based on actual data as of June 30, 2014. Tennessee included with the filing four exhibits supporting the derivation of the PS/GHG Surcharge.

4. Tennessee requests an effective date of November 1, 2014 for its proposed tariff records and associated surcharge.

5. Public notice of Tennessee's filing was issued on October 1, 2014. Interventions and protests were due October 14, 2014, as provided by section 154.210 of the Commission's regulations.³ Pursuant to Rule 214,⁴ 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 this proceeding or place additional burdens on existing parties. Statoil Natural Gas, LLC ("Statoil") submitted comments on Tennessee's filing.

6. In its comments, Statoil claims that Tennessee's filing failed to provide sufficient detail regarding the costs incurred in its work papers, and requests that the Commission require Tennessee to provide additional information. Statoil states that the tariff provisions implementing the PS/GHG Surcharge provide that shippers on whom the surcharges are assessed shall have the right to intervene in the annual Section 4 surcharge proceedings and challenge the eligibility and prudence of costs incurred, the

³ 18 C.F.R. § 154.210 (2014).

⁴ 18 C.F.R. § 385.214 (2014).

reasonableness of projected costs and billing determinant estimates or the accuracy of calculations underlying the PS/GHG Surcharges. Statoil further argues that the tariff requires that Tennessee “include in its filing workpapers detailing the Pipeline Safety Costs and Greenhouse Gas Costs and the derivation of the PS/GHG Surcharges.” Statoil claims that Tennessee’s September 30 Filing is lacking details or workpapers on the pipeline safety costs incurred, and that without additional detail customers are not able to evaluate the prudence of the costs and whether they are eligible for recovery in the tracker.

7. Specifically, Statoil argues that Tennessee does not include workpapers detailing the costs incurred and requests that Tennessee be required to provide detail or workpapers describing (1) how many mainline actuator valves and wrinkle bends were (or will be) installed; (2) where these valves and wrinkle bends were (or will be) installed; (3) how much each cost; and (4) a brief explanation as to why these costs qualified for inclusion in the tracker.

8. On October 21, 2014, Tennessee filed an answer to Statoil’s comments. In its answer, claiming that it has fully complied with the provisions of the Settlement, Tennessee nevertheless provided additional information regarding the pipeline safety initiatives it has undertaken and that are the basis for the PS Surcharge. Tennessee states that since 2012 it has engaged in work to install or upgrade auto shutdown and remote control valves at over 60 locations on its system in the Hamburg, New England, and Middleton Operating Areas to protect High Consequence Areas and Class 3 & 4 locations. Tennessee states that during the same time period, it has also inspected 12 branch connections at various locations on its system to determine whether these branch connections needed to be repaired or reinforced. In addition, Tennessee states that it has developed a comprehensive evaluation, inspection and replacement program for wrinkle bends and has replaced 13 wrinkle bend locations on its system since early 2012, with additional locations budgeted through the balance of the recovery period in 2015.

9. Tennessee argues that Statoil’s request expands the scope of the workpapers that Tennessee’s tariff requires it to file. Tennessee argues that its tariff explicitly provides for recovery of costs associated with remotely actuated valves, branch connections and wrinkle bends through the surcharge, and thus the eligibility of these costs is beyond dispute. Tennessee further argues that Article XXXVIII of its GT&C requires it to provide “workpapers detailing the Pipeline Safety Costs... and the derivation” of those costs and that it did exactly that by detailing what portion of the Pipeline Safety Costs claimed are attributable to each of the categories provided in section 2.f.11. Tennessee asserts that the workpapers provided contain the same level of detail that a pipeline would typically include in a general NGA section 4 rate case, and that a greater level of detail is not warranted here. Tennessee claims that the workpapers provide a sufficient level of detail as to the type of costs included in the filing, and include the information necessary

to derive and to verify the derivation of the surcharge. Tennessee thus claims that to require it to provide the level of detail requested by Statoil is inconsistent with the Settlement, unnecessary and would impose a significant and undue burden on Tennessee.

10. Tennessee also argues that the Commission may not require Tennessee to provide the additional information sought by Statoil without satisfying the *Mobile-Sierra* public interest standard of review,⁵ and that Statoil makes no attempt to argue that its request for information satisfies this standard.

11. The Commission has reviewed Tennessee's filing and finds that it complies with the terms of the Settlement. The data and level of detail included in the workpapers provided by Tennessee to support its filing are consistent with the language of the Settlement and Tennessee's currently effective tariff. Further, as Tennessee explains in both its filing and its answer, the costs it seeks to recover through the surcharge are costs it has incurred or projects it will incur for pipeline safety initiatives related to the repair and installation of actuated valves, branch connections and wrinkle bends, all of which are specifically identified in its tariff as eligible for recovery through the PS Surcharge. We find the information included in Tennessee's filing and answer adequately demonstrates that the subject costs are eligible for recovery in the surcharge pursuant to the terms of the Settlement.

12. Accordingly, the Commission rejects Statoil's request for additional information and approves Tennessee's proposed tariff records effective November 1, 2014.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

⁵ See *United Gas Pipe Line Co. v. Mobile Gas Services Corp.*, 350 U.S. 332 (1956) (*Mobile*), and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956) (*Sierra*).

Appendix

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

[Sheet No. 14, FT-A Rates - Firm Transportation, 7.0.0](#)

[Sheet No. 15, , 10.0.0](#)

[Sheet No. 16, , 11.0.0](#)

[Sheet No. 17, FT-A Rates EDS/ERS, 6.0.0](#)

[Sheet No. 19, FT-A Rates - Recourse Incremental Expansion, 16.0.0](#)

[Sheet No. 19A, , 2.0.0](#)

[Sheet No. 20, FT-BH Rates - Backhaul, 7.0.0](#)

[Sheet No. 21, , 11.0.0](#)

[Sheet No. 22, , 11.0.0](#)

[Sheet No. 23, FT-G Rates - Small Customer Transportation, 7.0.0](#)

[Sheet No. 24, , 10.0.0](#)

[Sheet No. 25, , 11.0.0](#)

[Sheet No. 26, FT-GS Rates, 12.0.0](#)

[Sheet No. 27, , 11.0.0](#)

[Sheet No. 28, FT-IL Rates - Incremental Lateral, 8.0.0](#)

[Sheet No. 44, IT Rates - Interruptible Transportation, 13.0.0](#)

[Sheet No. 58, IT Rates - Incremental Lateral, 8.0.0](#)

[Sheet No. 60, PTR Rate - Liquefiable Hydrocarbons, 8.0.0](#)