

150 FERC ¶ 61,236  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Chairman;  
Philip D. Moeller, Tony Clark,  
Norman C. Bay, and Colette D. Honorable.

Texas Gas Transmission, LLC

Docket No. RP15-440-000

ORDER ACCEPTING TARIFF RECORDS

(Issued March 30, 2015)

1. On February 6, 2015, Texas Gas Transmission, LLC (Texas Gas) filed tariff records<sup>1</sup> to establish new Rate Schedules FLS (Firm Lateral Service) and ILS (Interruptible Lateral Service) as well as conforming changes to other portions of its Tariff as necessary to implement the new services. As discussed more fully below, the tariff records are accepted effective April 1, 2015.

**I. Details of the Filing**

2. Texas Gas states that the general purpose of its filing is to assist Texas Gas in meeting market demand for laterals that serve only a limited number of customers. The proposed rate schedules will add flexibility to its system by providing firm and lateral service under which Texas Gas will provide service on laterals for specific customers from a point on its existing transmission system.

3. Texas Gas is proposing a new Firm Lateral Service rate schedule (Rate Schedule FLS) and Interruptible Lateral Service rate schedule (Rate Schedule ILS). Under FLS, a customer may contract for primary firm service on an individual Customer Lateral. Six firm service options on an individual Customer Lateral may be selected under the new Rate Schedule FLS: FLS-FT, FLS-EFT, FLS-NNS, FLS-NNL, FLS-SNS, and FLS-WNS. Texas Gas states that these firm service options offer flexibility to customers and are existing firm services available to all of Texas Gas' customers. All of the FLS rate schedule options incorporate by reference the terms and conditions of the complementary existing firm service, both in the proposed rate schedule itself and in the proposed new Section of the General Terms and Conditions. For instance, FLS-FT is subject to all of the same terms and conditions as Rate Schedule FT to ensure that service on the

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<sup>1</sup> See Appendix.

Customer Laterals is consistent with the firm services available elsewhere on the Texas Gas system, except to the extent a different provision is explicitly established in Rate Schedule or as otherwise required due to the unique operational characteristics of Customer Laterals. Texas Gas is not proposing any rates for FLS and ILS in this proceeding. The initial rates for each Customer Lateral will be established in the applicable certificate proceeding for each lateral project and once approved those rates will be included under the FLS and ILS rate schedules.

4. Texas Gas states that for the no-notice options (FLS-NNS, FLS-NNL, FLS-SNS, and FLS-WNS) and for enhanced firm transportation (FLS-EFT), a customer must execute an addendum to an existing NNS, NNL, SNS, WNS, or EFT Base Contract that contains the same term and contract demands as the Base Contract. Texas Gas states that adding the no-notice and enhanced firm transportation FLS service options through an addendum are just and reasonable given the operational characteristics of Texas Gas' system and the nature of these services. No-notice and enhanced firm transportation service on a Customer Lateral is entirely dependent on the customer's contracting for a like service on Texas Gas' mainline system.

5. Texas Gas states that under all FLS service options, a customer's secondary rights are limited to points located on the Customer Lateral unless the customer executes an Additional Zone Letter Agreement. Texas Gas states that the secondary rights aspect of the proposal should be approved as just and reasonable because the Customer Laterals are not fully integrated with the rest of the Texas Gas system and are designed to serve only one or a limited number of customers.

6. Texas Gas' proposed Rate Schedule ILS allows a customer to contract for interruptible service only on a specific Customer Lateral. Texas Gas states that a customer must execute a new ILS service agreement to use ILS and that the terms and conditions are similar to the terms and conditions governing the existing Rate Schedule IT.

7. Texas Gas states that the proposed FLS and ILS rate schedules will not affect the rights of existing firm and interruptible customers since Texas Gas will provide service under these rate schedules only on new Customer Laterals.

## **II. Notice of Filing, Interventions and Protests**

8. Public notice of Texas Gas' filing was issued on February 9, 2015. Interventions and protests were due as provided in section 154.210 of the Commission's regulations.<sup>2</sup>

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<sup>2</sup> 18 C.F.R. § 154.210 (2014).

Pursuant to Rule 214,<sup>3</sup> all timely-filed motions to intervene and any unopposed motions to intervene filed out-of-time 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.

9. Anadarko Energy Services Company (AESC) filed comments on the proposal. Tennessee Valley Authority (TVA) and the Western Tennessee Municipal Group,<sup>4</sup> the Jackson Energy Authority, City of Jackson, Tennessee, and the Kentucky Cities<sup>5</sup> (together, Cities) filed protests challenging various aspects of Texas Gas' filing. On February 25, 2015, Texas Gas filed an answer in response to the protest and comments.

### **III. Positions of the Parties**

10. AESC and Cities request the Commission require clarification from Texas Gas that Rate Schedules FLS and ILS are applicable only to Customer Laterals that are placed into service on or after April 1, 2015. Both parties state that this clarification is necessary to ensure that the proposed tariff changes will not affect the rights of existing customers.

11. Cities request the Commission find that the proposed Rate Schedule will not adversely affect existing shippers. In order to make this finding, Cities state that the Commission must ensure that the priorities of existing shippers remain unchanged and that no costs are shifted to existing firm shippers. Cities note that Texas Gas appears to have granted FLS shippers the same rights to receipt and delivery points as other firm shippers in the proposed Section 6.6[6] of the General Terms and Conditions (GTC). Furthermore, Cities state that it is unclear how Texas Gas intends to account for the costs

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<sup>3</sup> 18 C.F.R. § 385.214 (2014).

<sup>4</sup> The Western Tennessee Municipal Group consists of the following municipal distributor-customers of Texas Gas: City of Bells, Gas & Water, Bells Tennessee; Brownsville Utility Department, City of Brownsville, Brownsville Tennessee; City of Covington Natural Gas Department, Covington, Tennessee; Crockett Public Utility District, Alamo, Tennessee; City of Dyersburg, Dyersburg, Tennessee; First Utility District of Tipton County, Covington, Tennessee; City of Friendship, Friendship, Tennessee; Gibson County Utility District, Trenton, Tennessee; Ton of Halls Gas System, Halls, Tennessee; Humboldt Gas Utility, Humboldt, Tennessee; Town of Maury City, Maury City, Tennessee; City of Munford, Munford, Tennessee; City of Ripley Natural Gas Department, Ripley Tennessee.

<sup>5</sup> The Kentucky Cities are the Cities of Carrollton and Henderson, Kentucky. They are municipal distributor-customers of Texas Gas.

of shippers utilizing secondary receipt points outside of the Customer Lateral by executing an Additional Zone Letter Agreement. Cities ask that the Commission compel Texas Gas to clarify the relationship between an Additional Zone Letter Agreement and the firm transportation option (FLS-FT) as well as show that resulting costs are not shifted to existing customers.

12. TVA protests the concept of availing interruptible transportation service on a lateral constructed and paid for by a specific customer(s) for a specific need to anyone other than the parties contracting and paying for the new lateral line. TVA notes that based on existing bumping rights, a firm shipper is prevented from bumping a scheduled interruptible shipper after a certain time of day. TVA believes this allows an interruptible shipper to obtain an entitlement at bargain prices. While TVA states that Texas Gas' proposal may be consistent with existing Commission policy, TVA does not see the new services aligning with the concept of capacity rights to those who value it most and views the proposal as a threat to reliability as well as cost subsidization. TVA contends that it could only support Texas Gas' proposed Rate Schedules if the Commission eliminates the no-bump rule and allows parties who contract for firm service on market laterals the ability to bump flowing interruptible shippers at any and all times. In this manner, firm shippers who have supported construction of a new lateral would always have priority for service on that lateral.

13. In its answer, Texas Gas states the requested clarifications that Rate Schedules FLS and ILS will only apply to Customer Laterals placed into service after April 1, 2015 are unnecessary. Texas Gas notes that its transmittal letter clearly states that the purpose of the Lateral Rate Schedule is to "establish the terms and conditions of firm and interruptible lateral services prior to the construction of a specific Customer Lateral"<sup>6</sup> and that Texas Gas will "provide the service under [the Lateral Rate Schedules] only on new Customer Laterals."<sup>7</sup> The proposed tariff changes also include a definition of Customer Lateral maintaining that the proposed Rate Schedules will only apply to related project facilities "as set forth in a related certificate proceeding."<sup>8</sup> Texas Gas argues that it is sufficiently clear that its proposed Rate Schedules will only apply to new Customer Laterals.

14. Texas Gas does not oppose Cities' request that the Commission find that the proposal will not adversely affect existing shippers, and refers to its statements from the

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<sup>6</sup> Transmittal Letter at 4.

<sup>7</sup> *Id.* at 4.

<sup>8</sup> Texas Gas Answer at 2.

transmittal letter that “the proposed FLS and ILS rate schedules will not affect the rights of Texas Gas’ existing firm and interruptible customers”<sup>9</sup> However, Texas Gas contends that Cities have no basis for requesting clarification that costs will not be shifted to existing customers. Texas Gas states that the Cities misunderstand the use of the Additional Zone Letter agreements under proposed Rate Schedule FLS and explains that its proposal clearly sets forth how FLS customers must request FLS-FT service in order to receive that service. As stated in the transmittal letter, “FLS-FT is subject to all of the same terms and conditions as Rate Schedule FT, except to the extent a different provision is explicitly established in Rate Schedule FLS.”<sup>10</sup> Therefore, Texas Gas argues that the requested additional clarification is not needed.

15. Texas Gas responds to TVA’s protest by maintaining that the availability of interruptible service and the no-bump rule on Customer Laterals is consistent with Commission policy and with Section 6.12[4(d)] of the GTC of its tariff. However, Texas Gas states that should the Commission revisit its policy on the no-bump rule on Customer Laterals, it will modify its tariff records to comply with such an order.

## V. Discussion

16. The Commission finds that Texas Gas has sufficiently explained in its answer that the definition “Customer Lateral” as well as proposed Rate Schedules FLS and ILS are applicable only to new Customer Laterals. Texas Gas’ proposed tariff provisions link the lateral service to project facilities set forth in a related certificate proceeding, which extend from a point on Texas Gas’ existing system to a point of interconnection with the facilities of other parties, for the benefit of only one or a limited number of customers. Texas Gas states that it will provide the new lateral service only on new Customer Laterals and, in addition, the rates for service on the individual laterals will be determined in certificate proceedings and clearly stated in Texas Gas’ tariff. Therefore, the Commission will not require further changes to Texas Gas’ proposed tariff records.

17. Based on a review of Texas Gas’ tariff filing and answer, the Commission finds that the new lateral rate schedules will not have an adverse effect on existing shippers or result in cost subsidization. Texas Gas has designed Rate Schedules FLS and ILS appropriately, and the cost of the new facilities to construct a lateral will be incurred solely by firm lateral service customers. Since lateral service customers will only have primary rights on the lateral, the rights of existing shippers will not be affected. Furthermore, the Commission finds that Texas Gas has sufficiently explained that the

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<sup>9</sup> Texas Gas Transmittal Letter at 4.

<sup>10</sup> *Id.*, at 4.

scheduling priorities granted to FLS shippers in the revised tariff records are normal scheduling priorities applicable only for new lateral service. The Commission does not find that any additional changes are required to clarify scheduling priorities since Texas Gas will schedule the lateral separately using the same scheduling priorities as its mainline service.

18. With respect to Cities' concerns of potential cost shifting to existing customers, Texas Gas' proposed tariff changes allocate all costs associated with new lateral services to new lateral customers only. Shippers contracting for capacity on a Customer Lateral will pay an incremental rate for service as determined by the applicable certificate proceedings, so existing customers will not be subsidizing any costs on the Customer Lateral and existing customer rates will not change. If a shipper wants to contract for secondary points outside of the Customer Lateral, then it will execute an Additional Zone Letter Agreement and pay "in addition to the daily demand charge under its base firm transportation agreement ...the difference between (1) the daily demand rate under the base transportation agreement, and (2) as applicable: (a) the daily demand rate from the receipt zone/Customer Lateral upstream of the firm primary path to the primary delivery point/Customer Lateral, and/or (b) the daily demand rate to the delivery zone downstream of the primary delivery point zone, times the actual volume delivered."<sup>11</sup> Therefore, Customer Lateral shippers obtaining access to capacity through the Additional Zone Letter Agreement will incur a cost for capacity in addition to the firm transportation costs they are currently paying. Any parties with concerns about the revenue from the use of this agreement or the rate charged for the service may address them in Texas Gas' next general rate proceeding.

19. The Commission rejects TVA's protests regarding the requirement to provide interruptible service on customer specific laterals and TVA's suggested elimination of the no-bump rule, as these changes are contrary to current Commission policy. The Commission's regulations require an interstate pipeline that provides firm transportation service to also offer transportation service on an interruptible basis.<sup>12</sup> Commission policy also provides for the no-bump rule under which firm shippers may not bump scheduled

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<sup>11</sup> Texas Gas Transmission, LLC, FERC NGA Gas Tariff, [Tariffs](#), [Tariff](#), [Fourth Revised Volume No. 1, 0.0.0](#), [Section 7.20, Form\(s\) of Serv Agmts - Forward Zone Add'l Zone Letter Agmt, 1.0.0](#).

<sup>12</sup> 18 C.F.R. § 284.9(a).

interruptible service during the final nomination cycle of the gas day.<sup>13</sup> Texas Gas' proposal is consistent with Commission policy, and the Commission will not require any further changes.<sup>14</sup>

20. Texas Gas requests, to the extent necessary, waiver of 18 C.F.R. 154.202(a)(1)(8), the requirement to show the estimated effect on revenue and costs over the twelve-month period of a new service. Texas Gas does not estimate any revenue within 12 months of the proposed April 1, 2015 effective date of the rate schedules, as the first lateral project that Texas Gas proposes to be included under this rate schedule is anticipated to go into service by July 1, 2016, provided that the Commission grants the requested certificate approving the project. Texas Gas states the costs associated with providing service under the proposed rate schedules will be addressed in the individual certificate proceeding of each proposed Lateral Project. The Commission has previously granted waivers of 18 C.F.R. 154.202(a)(1)(8) for new services and sees good reason to do so here, where the costs and the potential revenue for each lateral will be addressed in the individual certificate proceedings. Therefore, the Commission grants Texas Gas' request for waiver of 18 C.F.R. 154.202 (a)(1)(8).

The Commission orders:

The proposed tariff records are accepted to be effective April 1, 2015.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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<sup>13</sup> *Standards for Business Practices of Interstate Natural Gas Pipelines*; Order No. 587-G, 63 FR 20,072 (Apr. 23, 1998), FERC Stats. & Regs., Regs. Preambles July 1996 – December 2000 ¶ 31,062, at pp. 30, 669-72 (1998).

<sup>14</sup> *See Gulf South Pipeline Company, LP and Petal Storage, L.L.C.*, 149 FERC ¶ 61,174 (2014) at P. 77.

**Appendix**Texas Gas Transmission, LLC  
FERC NGA Gas Tariff  
Tariffs

Tariff records accepted effective April 1, 2015

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[Section 4.21, Currently Effective Rates - ILS, 0.0.0](#)  
[Section 5.10, Rate Schedules - ENS, 4.0.0](#)  
[Section 5.19, Rate Schedules - Reserved, 0.0.0](#)  
[Section 5.20, Rate Schedules - FLS, 0.0.0](#)  
[Section 5.21, Rate Schedules - ILS, 0.0.0](#)  
[Section 6.2, G T & C - Definitions, 5.0.0](#)  
[Section 6.6, G T & C - Points of Service, 4.0.0](#)  
[Section 6.8, G T & C - Requests for Service, 4.0.0](#)  
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[Section 6.16, G T & C - Capacity Release, 2.0.0](#)  
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[Section 7.1, Form\(s\) of Serv Agmts-FT/STF/NNS/NNL/SGT/SGL/SNS/WNS/FLS-FT, 3.0.0](#)  
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[Section 7.5, Form\(s\) of Serv Agmts - IT/ILS, 2.0.0](#)  
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[Section 7.13.2, Form\(s\) of Serv Agmts - Discounted Rate - FT - Exhibit B, 3.0.0](#)  
[Section 7.16, Form\(s\) of Serv Agmts - Discounted Rate - IT/ILS, 2.0.0](#)  
[Section 7.16.1, Form\(s\) of Serv Agmts - Discounted Rate - IT/ILS - Exhibit A, 2.0.0](#)  
[Section 7.20, Form\(s\) of Serv Agmts - Forward Zone Add'l Zone Letter Agmt, 1.0.0](#)  
[Section 7.22, Form\(s\) of Serv Agmts-FLS Rate Schedule Option Addendum, 0.0.0](#)