

151 FERC ¶ 61,214
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

June 12, 2015

In Reply Refer To:
Kern River Gas Transmission Company
Docket No. RP15-973-000

Laura Demman, Vice President, Regulatory & Government Affairs
Kern River Gas Transmission Company
2755 East Cottonwood Parkway
Salt Lake City, Utah 84121

Dear Ms. Demman:

1. On May 6, 2015, Kern River Gas Transmission Company (Kern River) filed a Stipulation and Agreement of Settlement (Settlement) between Kern River and certain affected shippers (Affected Shippers)¹ stating that the current Transportation Service Agreements (TSA) held by these shippers will be converted from designating natural gas quantities on a volumetric basis, measured in units of a thousand cubic feet (Mcf) to a heating content basis, measured by dekatherms (Dth). The Settlement also lays out a method for implementing the conversions. Kern River also filed revised tariff sheets, proposed to be effective June 15, 2015, in order to implement the transition from Mcf to Dth, as agreed to in the Settlement.²

¹ Affected Shippers, listed in Attachment A of Kern River's filing, are the thirteen Kern River shippers whose TSAs state firm contract quantities for original system capacity on a volumetric (Mcf) basis. They are Aera Energy LLC, Anadarko E&P Onshore LLC, Chevron U.S.A. Inc., Nevada Cogeneration Associates #1, Nevada Cogeneration Associates #2, Nevada Power Company, d/b/a NV Energy, RRI Energy Services, Inc., Seneca Resources Corporation, Shell Energy North America (US) LP, Southern California Gas Company, Southwest Gas Corporation, The Department of Water and Power of the City of Los Angeles, and WPX Energy Marketing, LLC.

² Kern River Gas Transmission Company, FERC NGA Gas Tariff, Gas Tariff, [Sheet No. 273, GT&C MCF to DTH Conversion Methodology, 3.0.0](#); [Sheet No. 274, GT&C MCF to DTH Conversion Methodology, 2.0.0](#).

2. The TSAs that Kern River entered into for its original system capacity in the early 1990s designated natural gas quantities on an Mcf basis. In 1995, the Commission issued Order No. 582, requiring interstate natural gas pipelines to state all tariff rates on a Dth basis. Kern River states it therefore converted all of its transportation rates to Dth-based rates. However, Kern River states that it and its shippers did not amend their TSAs, but simply converted each shipper's contract demand and transportation volumes to dekatherms for invoicing purposes.

3. Kern River states that this arrangement was administratively burdensome, and it developed a new method requiring monthly adjustments of the Mcf figure, as set forth in section 25 of the General Terms and Conditions (GT&C) of its tariff. However, Kern River states that this monthly adjustment method now hinders its shippers' ability to enter into long-term transactions, makes capacity release transactions more complicated, and challenges Kern River's scheduling and billing system. Therefore, Kern River states that it reached an agreement with the Affected Shippers to eventually eliminate the need for these monthly adjustments going forward. Kern River explains that the Settlement accomplishes this goal by providing for a one-time conversion of the volumes of natural gas under the Affected Shippers' TSAs to an agreed-upon dekatherm equivalent.³ The Settlement thus resolves all Mcf to Dth conversion issues for Affected Shippers in the above-captioned proceeding.

4. Article 1 makes changes to section 25 of the GT&C of Kern River's tariff to implement the transition from a volumetric to a heating content basis, as explained above. An Affected Shipper has the option, but not the obligation, to restate an existing TSA to reflect the conversion methodology in the Settlement at any time prior to the expiration of the TSA.⁴ Article II provides that the Settlement shall become effective upon a final

³ This is essentially accomplished by multiplying the volumetric quantities in the Affected Shippers' TSAs by a conversion factor of 1.035. This conversion factor was originally accepted in Docket No. RP01-190-000, on June 24, 2002, and is still in effect, as set forth in section 25 of Kern River's GT&C.

⁴ Section 25 of Kern River's GT&C is being revised to specify that an Affected Shipper is no longer subject to the Mcf to Dth conversion methodology of that section on the earlier of the date on which the following occurs: (1) Affected Shipper requests that its existing TSA be restated; (2) Affected Shipper extends the term of its existing TSA via a rollover provision or retains capacity after its initial contract term expires pursuant to a right of first refusal; or (3) Affected Shipper executes a new TSA for Period Two service. Period Two refers to a 10-year or 15-year contract term that begins after an eligible shipper's current contract term on the original system expires. Terms and conditions of eligibility for Period Two service are set forth in section 30 of the GT&C of Kern River's tariff. *See also Kern River Gas Transmission Co.*, 117 FERC ¶ 61,077 (2006) (Opinion No. 486).

Commission order approving the Settlement. Article III makes the settlement subject to certain reservations of Kern River and the Affected Shippers. The Explanatory Statement accompanying the Settlement provides that changes to the Settlement shall be subject to the just and reasonable standard of review.

5. Public notice of the instant filing was issued on May 7, 2015. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2014)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2014)), 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. The Commission finds that the Settlement is uncontested, and appears to be fair, reasonable, and in the public interest. Accordingly, the Commission approves the Settlement. The Commission also accepts the proffered tariff sheets to implement the Settlement effective June 15, 2015.

7. This letter order terminates Docket No. RP15-973-000.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.