

154 FERC ¶ 61,260
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

March 30, 2016

In Reply Refer To:
Natural Gas Pipeline Company
of America LLC
Docket No. RP10-147-000

Bruce H. Newsome
Natural Gas Pipeline Company of America LLC
3250 Lacey Road, Suite 700
Downers Grove, IL 60515-7918

Dear Mr. Newsome:

1. On June 1, 2015, Natural Gas Pipeline Company of America LLC (Natural) filed a cost and revenue study to comply with the terms of a Stipulation and Agreement (Settlement) the Commission approved in 2010.¹ Natural states that the study is based on actual data for the twelve months ended December 31, 2014 and in all respects complies with the Settlement. The Commission accepts the study as adequately complying with the Settlement.

2. On November 19, 2009, the Commission instituted a proceeding pursuant to section 5 of the Natural Gas Act (NGA) after finding that Natural may be substantially over-recovering its cost of service. On June 11, 2010, Natural filed the Settlement to resolve all issues in this proceeding. Among other provisions, the Settlement provided Natural's shippers with: (a) reductions in fuel retention factors effective July 1, 2010; (b) reductions in maximum recourse reservation rates effective November 1, 2010; and (c) future additional reductions to both fuel retention factors and maximum recourse reservation rates during the term of the Settlement. Article V, titled "Cost and Revenue Study," of the Settlement states:

Natural agrees to submit a cost and revenue study on or before June 1, 2015. The study shall be based on actual data for the 12-month period ending December 31, 2014; provided, however, that Natural may also submit a cost and

¹ *Natural Gas Pipeline Company of America LLC*, 132 FERC ¶ 61,082 (2010).

revenue study for such 12-month period that may include adjustments. Natural shall include its work papers developed to support its submitted cost and revenue study(ies).

3. Natural states that, in compliance with this requirement, it filed both a “Base Case” cost and revenue study based on actual data for the 12-month period ending December 31, 2014 and an “Adjusted Case” that reflects adjustments to the actual data.
4. In the Base Case study, Natural records a cost of service of \$505.9 million and revenues of \$508.2 million. Natural states that the study shows an over-recovery of less than 0.5 percent. Natural indicates that its cost of service is developed utilizing a pre-tax return of 14.98 percent.
5. In the Adjusted Case study, Natural included contract adjustments to reflect system operations under a normal winter. During the winter months of January through March 2014, Natural states that it experienced unprecedented cold weather. According to Natural, this weather event significantly increased market demand on its system above historical levels and created a temporary increase in revenues. As a result, Natural states that it has included in the Adjusted Case a reduction in its revenues to reflect a more representative level of market demand. Under this Adjusted Case, Natural’s costs exceed revenues by approximately \$31.0 million as the result of adjustments reflecting Natural’s revenues under normalized weather conditions.
6. Public notice of the filing was issued on June 3, 2015. Interventions and protests were due as provided in section 154.210 of the Commission’s regulations (18 C.F.R. § 154.210 (2015)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2015)), 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. Indicated Shippers² on June 15, 2015 filed a timely protest, described below.
7. Indicated Shippers stress that they are not protesting the rates that resulted from the Settlement. They acknowledge that such a protest would violate Article VII of the Settlement.³ Instead, the Indicated Shippers state that their request for review is limited

² Anadarko Energy Services Company, Apache Corporation, Chevron U.S.A. Inc., Cross Timbers Energy Services Inc., ConocoPhillips Company, Occidental Energy Marketing, Inc., and Shell Energy North America (US), L.P.

³ Article VII provides that neither Natural, pursuant to NGA section 4, nor any Settling Party, pursuant to NGA section 5, will seek to modify the Settlement Rates prior to April 1, 2016.

to the studies that Natural provided. Indicated Shippers request that the Commission examine more fully the Base and Adjusted studies.

8. Indicated Shippers challenge several elements of Natural's Adjusted Case, particularly the weather-adjusted demand volumes that underlie the study's finding of lower revenues. In this regard, the Indicated Shippers argue that there is a lack of data demonstrating that the 2013-2014 winter market conditions were abnormal. Indicated Shippers assert that the Commission should inquire further into Natural's adjustments.

9. Indicated Shippers concede they are not and cannot protest Natural's rates because Article VII of the Settlement prohibits signatories from advocating a change of the Natural's rates until April 1, 2016. Given this moratorium context, the Commission has fully examined the Base and Adjusted studies and finds they adequately fulfill the Settlement obligation to file such studies, and the solicitation of further information from Natural by means of interrogatories or other discovery is not required in the context of the Settlement. Natural has complied with Article V, which requires a study based on actual data, which may be adjusted. Natural has thus fulfilled the requirement described in Article V and no additional process is specifically required under that provision for parties who may disagree with or dislike the study.

10. The Commission therefore denies Indicated Shippers' request for further inquiry here,⁴ and accepts Natural's cost and revenue study as consistent with the Settlement.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

⁴ This finding that the study was adequate for purposes of Article V would not bar in-depth inquiry into Indicated Shippers' issues as part of a general section 4 or section 5 proceeding under the NGA after the Settlement moratorium period ends. It simply confirms that extensive deconstruction and examination of the Article V study was not expressly contemplated as part of the Settlement, nor is it a reasonable interpretation of the Article V study requirement, given the rate moratorium under the Settlement.