157 FERC ¶ 61,072
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Kinetica Energy Express, LLC Docket No. RP16-1299-000

ORDER ACCEPTING AND SUSPENDING TARIFF RECORDS, SUBJECT TO REFUND AND CONDITIONS, AND ESTABLISHING TECHNICAL CONFERENCE

(Issued October 31, 2016)

1. On September 30, 2016, Kinetica Energy Express, LLC (Kinetica) filed revised tariff records that it states are intended to streamline, simplify, update, and clean-up its existing tariff.[1] Kinetica proposes, *inter alia*, to: (a) eliminate Rate Schedules SFT-2 and FFT-3; (b) increase the penalty for unauthorized overrun during non-critical periods; (c) revise the reference source and location for its definition of spot market price; (d) change its gas quality standards; (e) modify its scheduling priorities; (f) add provisions for operational flow orders (OFOs); and (g) include a hurricane surcharge in its tariff. Kinetica requests an effective date of November 1, 2016 for the instant filing.

2. As discussed below, the Commission will accept and suspend the tariff records listed in the Appendix to become effective April 1, 2017, subject to refund and the outcome of a technical conference established herein to address the impact of the changes on Kinetica's system. In addition, the Commission requires Kinetica to provide additional support for its proposed price index and initiates procedures under section 5 of the Natural Gas Act (NGA) to determine whether Kinetica's existing penalty for unauthorized overruns during non-critical period is unjust and unreasonable and must be modified.

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[1] *See* Appendix.

I. Details of the Filing

A. Rate Schedules

3. Kinetica states that it currently offers firm transportation service pursuant to three firm transportation rate schedules: 1) long term firm service pursuant to Rate Schedule LFT-1, 2) short term firm service with a term of less than one year pursuant to Rate Schedule SFT-2, and 3) flexible service pursuant to Rate Schedule FFT-3. Rate Schedule FFT-3 service is available to any shipper that commits to transport natural gas reserves from specified Outer Continental Shelf leases on Kinetica. Rate Schedule FFT-3 includes provisions for adjusting the maximum daily quantities (MDQs) in a shipper's contract based on changes in the production profile of the committed leases, as well as provisions for modifying a shipper's reservation charges based on its usage over various time periods.

4. Kinetica proposes in its filing to eliminate Rate Schedules SFT-2 and FFT-3. Kinetica states that no shipper has ever used Rate Schedule SFT-2 and that there are no existing SFT-2 agreements. With the elimination of Rate Schedule SFT-2, Kinetica proposes to redesignate its existing LFT-1 Rate Schedule as Rate Schedule FT and to revise that rate schedule to cover both short and long-term periods. Additionally, Kinetica proposes to remove certain provisions of the former Rate Schedule LFT-1 because there will no longer be any differences between its treatment of long-term and short-term firm service under Rate Schedule FT.

5. Kinetica states that currently it has four shippers with contracts for service under that Rate Schedule FFT-3. Kinetica further states that administration of service under that rate schedule has proven unnecessarily complex because of the provisions requiring changes in a shipper's MDQs and its reservation charges. Kinetica states that it will honor the existing FFT-3 agreements until they expire by identifying them as non-conforming agreements upon removal of this rate schedule from its tariff.

B. Unauthorized Overrun

6. Kinetica's existing tariff includes a penalty for unauthorized overruns during non-critical periods at the higher of $2.00 per dekatherm (Dth) or the spot market price. On a critical day, the penalty is currently the higher of $10.00 per Dth or the spot market price. Kinetica is proposing to change the penalty for unauthorized overruns during non-critical periods to the higher of $2.00 per Dth or 150 percent of the spot market price and during a critical day to the higher of $10.00 per Dth or 150 percent of the spot market price. Kinetica states that this change will make the penalties more of a deterrent in a time of low spot market prices.

C. Spot Market Price

7. Kinetica proposes to revise the spot market price that it uses both for purposes of penalties and for purposes of cashing out shipper imbalances. Accordingly, Kinetica proposes to modify the definition of Spot Market Price in the General Terms and Conditions (GT&C) of its tariff to be the monthly average cost of gas reported in Energy Intelligence's Natural Gas Week for Louisiana Gulf Coast, Onshore. Kinetica states that the current references to costs of gas reported in Platt's Gas Daily for Transco Zone 2 and Transco Zone 3 are outdated and inappropriate for its system.

D. Gas Quality Standards

8. Kinetica proposes changes to its gas quality provisions, including the adoption of a hydrocarbon dewpoint (HDP) standard of 15 degrees Fahrenheit and an increase in the maximum heating value from 1,100 British Thermal Units (Btu) per cubic feet to 1,200 Btu per cubic foot. Kinetica asserts that the HDP standard is substantively identical to the provisions in Tennessee Gas Pipeline Company's (Tennessee) tariff and that the revised heating value standard is taken directly from Kinetica Deepwater Express' (Kinetica Deepwater) tariff.

E. Scheduling Priorities

9. Kinetica also proposes to clarify and modify the scheduling priorities set forth in the GT&C of its tariff. First, Kinetica proposes to add the phrase "within the Primary Path" to its description of the highest priority for firm service using primary receipt and delivery points, for consistency with the terminology used to describe the next highest priority for firm service using secondary receipt and delivery points within the primary path. Further, Kinetica proposes a separate scheduling priority for deliveries by "displacement," such that all deliveries by displacement will be afforded a lower priority than (1) deliveries outside of primary path, (2) interruptible transmission, and (3) overruns in excess of maximum daily quantity (MDQ). Kinetica proposes to define "displacement" as (1) the substitution of a source of natural gas at one point for another source of natural gas at another point, (2) transportation where the delivery point is upstream of the receipt under the usual direction flow, and/or (3) transportation between a receipt and delivery point where gas cannot physically flow. Kinetica states that displacement deliveries should have a lower priority because they call upon capacity and points where gas cannot physically flow and capacity and points not anticipated by Kinetica, and where shippers have other primary and secondary alternatives.

F. Elimination of Maximum Daily Quantity from Interruptible Transmission Service

10. Kinetica proposes to amend section 2.2 of its existing Interruptible Transportation Service Rate Schedule to remove the requirement setting forth an MDQ for each

interruptible customer, and to make a conforming change to the definition of MDQ in section 1.20 of the GT&C of its tariff.

G. Operational Flow Orders

11. Kinetica proposes to add provisions for operational flow orders into its tariff. Kinetica asserts that its proposed language is substantially similar to language approved by the Commission for its affiliate, Kinetica Deepwater.

H. Time Period for Eliminating Monthly Imbalances

12. GT&C section 8.1 of Kinetica's tariff requires that a shipper's cumulative net imbalance between its receipts and deliveries during a month not exceed five percent of the sum of its daily scheduled quantities for that month. In addition, if a shipper's cumulative net imbalance exceeds that level during a month, Kinetica may notify the shipper that it must reduce the net imbalance to within the allowable five percent tolerance. Section 8.1 currently provides that a shipper will have ten days from notification in order to correct the monthly imbalance. Kinetica proposes to shorten that time period to five days or the end of the transportation month, whichever is shorter.

I. Hurricane Surcharge

13. Kinetica also proposes to add a hurricane surcharge mechanism to its tariff that it states is identical to the one already approved for Kinetica Deepwater. Kinetica states that it is not currently seeking to recover any costs through its proposed surcharge but is proposing the provision to include a process for approval of such a surcharge in its tariff, should it ever become necessary to recover hurricane related costs.

II. Public Notice, Interventions, and Protests

14. Public notice of Kinetica's filing was issued on October 3, 2016. Interventions and protests were due as provided in section 154.210 of the Commission's regulations.[2] Pursuant to Rule 214,[3] 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. On October 12, 2016, Louisiana Municipal Gas

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[2] 18 C.F.R. § 154.210 (2016).

[3] 18 C.F.R. § 385.214 (2016).

Authority (LMGA) and Indicated Shippers[4] filed protests, requested a technical conference, and requested the maximum suspension period for the tariff filing. On October 14, 2016, the Producer Coalition[5] also filed a protest and requested that the Commission summarily reject the protested provisions or convene a technical conference. The protestors contend that Kinetica provided no advance notice of these changes and insufficient justification for many of the revisions.

15. On October 20, 2016, Kinetica filed a motion for leave to answer and an answer in response to the protests. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure[6] prohibits an answer to a protest unless otherwise ordered by the decisional authority. We accept Kinetica's answer because it provides information that assists us in our decision-making process.

16. The Producer Coalition protests Kinetica's proposal to eliminate portions of Rate Schedule LFT-1, and Indicated Shippers and the Producer Coalition both protest the elimination of Rate Schedule FFT-3. The Producer Coalition states that Rate Schedules LFT-1 and FFT-3 contain key provisions for its customers, and that shippers dedicated their gas to Kinetica in exchange for the reasonable presumption that the nature of the service to be provided would not be changed. The Producer Coalition states that as long as Kinetica is providing these services to any shipper, it should be required to continue to offer these services to future customers to avoid undue discrimination. Indicated Shippers also state that while Kinetica contends that providing service under Rate Schedule FFT-3 is a burden, Kinetica has not quantified the burdens presented and should not be permitted to discontinue the general availability of this service without greater justification.

17. LMGA, Indicated Shippers, and Producer Coalition protest Kinetica's revisions to the gas quality standards. All three parties state that Kinetica offers no operational justification for proposing an HDP standard. Indicated Shippers and the Producer Coalition both state that by simply adopting the existing HDP standard in Tennessee's tariff, Kinetica fails to account for differences between its system and Tennessee's.

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[4] Indicated Shippers consist of: Anadarko Energy Services Company, Apache Corporation, ExxonMobil Gas & Power Marketing Company, a Division of Exxon Mobil Corporation, and Fieldwood Energy LLC.

[5] The Producer Coalition consists of: Arena Energy, LP, Deepwater Development Company, LLC, LLOG Exploration Offshore, LLG, and W&T Offshore, Inc.

[6] 18 C.F.R. § 213(a)(2) (2016).

LMGA and the Producer Coalition both argue that Kinetica's proposal is fundamentally inconsistent with the requirements set forth in the *Gas Quality Policy Statement.*[7] A key requirement of the *Gas Quality Policy Statement* is that a pipeline is to work together with its customers to develop gas quality standards based on sound technical and scientific considerations. LMGA states that Kinetica has not attempted to work with LMGA or any of its customers on these issues and that LMGA had no notice whatsoever of the proposed changes. The Producer Coalition states that Kinetica has merely adopted the gas quality provisions of other pipelines without any regard to whether these are appropriate for Kinetica's system and without consulting with its customers and other interested parties. Additionally, LMGA protests the increase in Btu limit from 1,100 Btu to 1,200 Btu, stating that Kinetica has offered no scientific justification for the proposal and that its sole reasoning—that its proposed standard is adopted from Tennessee's existing tariff—is inconsistent with Commission policy that standards should be developed on a case-by-case basis.

18. LMGA and Indicated Shippers protest the increase in the penalty for unauthorized overruns during non-critical periods. LMGA argues that there is no justification for the specifically requested increase in penalty. Indicated Shippers argue that Commission policy does not permit pipelines to impose a penalty that exceeds 200 percent of pipeline's interruptible recourse rate for unauthorized overrun service during non-critical periods. They claim that Kinetica's existing $2.00 per Dth penalty violates this policy because Kinetica's maximum Rate Schedule IT recourse rate is currently $0.3759 per Dth, and two hundred percent of that rate is only $0.7518 per Dth.[8]

19. LMGA and Indicated Shippers also protest Kinetica's proposal to shorten the time in which a shipper must correct monthly imbalances to five days. Indicated Shippers state that the proposal does not specify the circumstances in which Kinetica would exercise its discretion and also appears to be contrary to the Commission's more flexible policies towards resolution of imbalances. LMGA also states that there is no justification based on specific operational considerations or past experiences for the need to reduce the subject time period.

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[7] *Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Company Tariffs*, 115 FERC ¶ 61,325 (2006) (*Gas Quality Policy Statement*).

[8] *See* Indicated Shippers Protest at 11 n.13 (*Colo. Interstate Gas Co.*, 122 FERC ¶ 61,256, at P 86 (2008); *Questar Pipeline Co.* 98 FERC ¶ 61,159, at 61,584 (2002)).

20. Indicated Shippers and the Producer Coalition protest Kinetica's proposed modifications to scheduling priorities. Indicated Shippers assert that Kinetica's proposal would require it to give firm backhaul service by displacement a lower scheduling priority than interruptible service. Indicated Shippers maintain that if Kinetica is proposing a lower scheduling priority for a firm service accomplished by displacement than for an interruptible or overrun service, then the proposal should be rejected. The Producer Coalition asserts that the proposal is inconsistent with the Commission's regulations regarding transportation by displacement.[9]

21. Indicated Shippers and LMGA protest Kinetica's proposal to modify the definition of "Secondary Points" because that will limit a firm shipper's secondary point rights to those specifically listed in its service agreement. Both protesting parties state that the proposed change is inconsistent with the fundamental Commission policy established in Order No. 636 that a firm shipper is entitled to use all secondary points within the capacity path for which it has paid.

22. Indicated Shippers and LMGA protest Kinetica's proposed changes regarding the issuance of OFOs and curtailment provisions. Both parties argue that Kinetica must provide further justification and assert that at least one provision—permitting Kinetica to require a shipper to increase deliveries into its system up to the shipper's MDQ—is concerning. LMGA also submits that the provision that Kinetica may impose an OFO to ensure adequate gas supplies in the system to meet contracted deliveries is not justified.

23. Indicated Shippers and LMGA also protest Kinetica's provision that it may suspend delivery on only five days' notice if a shipper fails to comply with the material terms of its service agreement. Indicated Shippers note that the proposed provision does not clearly state that Kinetica will relieve any shipper from rates and charges during any suspension period. LMGA argues that the proposed provision is inconsistent with Commission precedent that requires at least a 15-day notice for suspension of service if a shipper fails to pay its bills to provide sufficient time for the shipper to remedy a delinquency that may have resulted from any unusual circumstance or an administrative mix-up.[10]

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[9] *See* Producer Coalition Protest at 10 (citing 18 C.F.R. §§ 385.284.1(a), 385.284.7(a) (2016)).

[10] LMGA Protest at 9 (citing *Natural Gas Pipeline Co.,* 102 FERC ¶ 61,355 (2003)).

24. LMGA, Indicated Shippers, and Producer Coalition comment on numerous other issues in Kinetica's proposed tariff changes. For example, the Producer Coalition states that the terms used by Kinetica, such as "AOS," "Domestic Use," and "MDQ," are not clearly defined in the revised tariff and require further clarification. The Producer Coalition also states that Kinetica must restore information to its "Request for Transportation Service" section that was deleted without justification. The Producer Coalition agrees to accept Kinetica's proposal to enter into operational balancing agreements (OBAs) with interconnecting pipelines at points of receipt, on the condition that no upstream pipeline operated by a producer will be required to enter into an OBA. Indicated Shippers note that besides the issues discussed above, Kinetica's other proposals, such as the use of a new spot market price index and the new hurricane surcharge provision, may warrant further examination.

25. In its Answer, Kinetica states that its proposed revisions are neither drastic nor dramatic and that none of them necessitate a five-month suspension or the holding of a technical conference as requested by the protestors. Regarding the FFT-3 rate schedule, Kinetica states that a pipeline does not have any obligation to retain a particular rate schedule forever and reiterates that the FFT-3 service is unduly cumbersome to administer. Kinetica further states that its proposed revisions to its OFO language do not have the broad consequences claimed by the protestors and that the language is identical to that already approved by the Commission in Kinetica Deepwater's tariff. Kinetica also states that in the interest of resolving concerns regarding scheduling priorities, it is willing to modify section 7.10(a) of the GT&C of its tariff in order to eliminate the proposed separate scheduling priority for deliveries by displacement. Kinetica asserts that the proposal to require that the secondary points available to a shipper be listed in its service agreement does not deny shippers access to secondary points and instead clarifies how shippers can utilize their secondary points.

26. Regarding the five-day time limit to resolve monthly imbalances, Kinetica reiterates that this requirement is a reasonable provision with which its shippers should be able to comply. Kinetica also claims that the Commission has approved its existing $2.00 per Dth penalty, and that Kinetica Deepwater also has an existing, Commission-approved unauthorized overrun penalty of the greater of $10.00 or two times the spot market index. With respect to its proposed gas quality standards, Kinetica states that the *Gas Quality Policy Statement* is not mandatory under the specific circumstances presented here, where the full spectrum of gas quality standards are already in place, the proposed changes are few, and they track standards already approved by the Commission for other similarly situated pipelines.

III. Discussion

A. Technical Conference

27. The protesting parties raise numerous concerns regarding Kinetica's filing and request that the Commission establish a technical conference to address the issues raised by the filing. The Commission finds that it is not possible to determine from the pleadings whether Kinetica's proposed tariff changes are just and reasonable. Accordingly, the Commission will establish a technical conference, which will afford the Commission staff and the parties to the proceeding an opportunity to discuss all the issues raised by Kinetica's filing and the protests, including but not limited to the issues identified in this order.

28. Kinetica's proposal to adopt an HDP standard of 15 degrees Fahrenheit and to implement a 1,200 Btu per cubic foot maximum heating value raises a number of technical, engineering, and operational issues. At the technical conference, Commission Staff and parties will have an opportunity to further discuss Kinetica's justification and support for its proposed maximum Btu limit.

29. At the technical conference, Kinetica should be prepared to address the concerns raised by the parties in this proceeding and, if necessary, to provide additional technical, engineering, and operational support for its proposals, including the proposed maximum Btu limit and the HDP standard. Consistent with the *Gas Quality Policy Statement*, Kinetica should be prepared to explain whether and how its proposal differs from the NGC+ interim guidelines.[11] In addition, any party proposing alternatives to Kinetica's proposals should be prepared to support its position with adequate technical, engineering, and operational information. Based upon its analysis of the information provided in this proceeding, Commission Staff may issue data requests prior to the technical conference, and/or a notice of the technical conference containing questions that need to be addressed by Kinetica or other parties at the conference.

30. In their protest, Indicated Shippers contend that Kinetica's existing penalty for unauthorized overruns during non-critical periods is contrary to the Commission's policy that such a penalty cannot exceed twice the interruptible transportation rate. Kinetica's existing penalty for unauthorized overruns during non-critical periods is the higher of

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[11] *Gas Quality Policy Statement*, 115 FERC ¶ 61,325 at PP 34, 37.

$2.00 per Dth or the spot market price,[12] and Kinetica proposes to increase that penalty to the higher of $2.00 per Dth or 150 percent of the spot market price. As Indicated Shippers point out, Kinetica's maximum Rate Schedule IT recourse rate is only $0.3759 per Dth. Kinetica responds that the Commission previously accepted its existing penalty for unauthorized overruns during non-critical periods and that the proposed increase "is necessary to provide an adequate deterrent at a time when sport market prices are lower than in the past."[13]

31. The Commission recognizes that in Kinetica's certificate proceeding we accepted, without comment, its proposed tariff language containing its existing penalty for unauthorized overruns during non-critical periods.[14] However, in Order No. 637, the Commission shifted its policy away from one that fosters the use of penalties to a service-oriented policy that gives shippers other options to obtain flexibility and relies on penalties when necessary to protect system integrity.[15] In orders on pipeline filings to comply with Order No. 637, we found that pipelines had not adequately justified, in light of our policy stated in Order No. 637, why substantial overrun penalties should apply on non-critical days.[16] The Commission explained that during non-critical periods, a shipper who scheduled overrun service would presumably receive the requested service. Assessing a penalty for unauthorized overruns that is many times higher than the interruptible (IT) rate applicable to authorized overruns for failure to request service is excessive when the conduct would not likely cause harm to the system. We therefore established a policy that a pipeline can propose a nominal penalty for unauthorized overruns during non-critical periods, not to exceed twice its IT rate, that is sufficient to provide an incentive to nominate overrun volumes but also takes into account the lessened impact such unauthorized overruns will have on the system.[17] Alternatively, a

[12] Kinetica's existing penalty for unauthorized overruns during non-critical periods is set forth in section 4.6 of Rate Schedule LFT-1. Kinetica's proposed increased penalty for such overruns is set forth in section 4.6 of Rate Schedule FT.

[13] Kinetica Answer at 6.

[14] *Tennessee Gas Pipeline Co*., 143 FERC ¶ 61,196, at PP 218-225 (2013).

[15] *See* Order No. 637-A, FERC Stats. and Regs., Regulations Preambles July 1996-December 2000 ¶ 31,099, at 31,598 (2000).

[16] *Gulf States Transmission Corporation*, 96 FERC ¶ 61,159 (2001) (*Gulf States)*; *see also Trailblazer Pipeline Co.* 97 FERC ¶ 61,056, at 61,306 (2001).

[17] *Questar Pipeline Company* 98 FERC ¶ 61,159, at 61,584 (2002) (*Questar*).

pipeline could retain an existing higher penalty but must waive the unauthorized overrun penalty if the unauthorized overrun does not cause operational problems.

32. Kinetica's existing penalty for unauthorized overruns during non-critical periods is inconsistent with this policy. The penalty of at least $2.00 is more than five times Kinetica's $0.3759 per Dth IT rate, and Kinetica's tariff contains no provision for waiving the penalty if an unauthorized overrun does not cause operational problems.[18] Therefore, the Commission directs Kinetica, within 20 days of the date of this order, pursuant to NGA section 5, either to file tariff records revising section 4.6 of Rate Schedule FT to conform to the Commission policy concerning unauthorized overrun penalties during non-critical periods or explain why it should not be required to do so.[19] Any issues raised by Kinetica's filing to comply with this directive may be discussed at the technical conference.

B. Spot Market Price

33. As discussed above, Kinetica proposes to modify the definition of Spot Market Price in the General Terms and Conditions (GT&C) of its tariff to be the average cost of gas reported in Energy Intelligence's Natural Gas Week for Louisiana Gulf Coast, Onshore.

34. Commission policy requires that the following criteria must be satisfied for a price index to be used in a jurisdictional tariff. First, the index must be published or provided by an index developer that has met all or substantially all of the standards in five areas addressing: (1) code of conduct and confidentiality; (2) completeness; (3) data

[18] *See, e.g.*, *Gulf States*, 96 FERC ¶ 61,159 at 61,696 (a $2.00 per Dth penalty on Gulf States' system is a greater than nominal penalty and therefore unjustified for non-critical periods), *Trailblazer Pipeline Co.*, 97 FERC ¶ 61,056 (2001).

[19] *Colo. Interstate Gas Co.*, 122 FERC ¶ 61,256, at P 88 (2008) (initiating a proceeding under NGA section 5 to modify a previously approved unauthorized overrun penalty). Given that Kinetica states that its affiliate, Kinetica Deepwater, has a similar penalty applicable to unauthorized overruns during non-critical periods, we urge Kinetica Deepwater to review its tariff to determine whether its unauthorized overrun penalty provisions are consistent with Commission policy and, if not, make an appropriate filing to come into compliance. *See SG Resources Mississippi*, 153 FERC ¶ 61,364, at P 21 n.13 (2015).

verification, error correction, and monitoring; (4) verifiability; and (5) accessibility.[20] Second, for a particular price index location to be used in a jurisdictional tariff, the index location must meet or exceed one or more of the minimum criteria for liquidity, i.e., the index must be developed based on a sufficient number of reported transactions involving sufficient volumes of natural gas.[21]

35. Kinetica has failed to provide information demonstrating that the proposed price indices satisfy the aforementioned Commission criteria. Therefore, the Commission directs Kinetica to provide additional support for its proposed price index within 20 days from the date of this order, to include information showing that the price index and specific location(s) satisfies the Commission criteria. For example, the filing should include information concerning the number of reported transactions and volumes of natural gas used to develop the price index during the recent time period required by the *Price Index Order*. Only indices based on physical (cash) market transactions (as opposed to financial transactions)[22] are appropriate to be used in jurisdictional tariffs and contracts.

IV. <u>Suspension</u>

36. Based upon its review of the filing, the Commission finds that the proposed tariff records have not been shown to be just and reasonable, and may be unjust, unreasonable and unduly discriminatory, or otherwise unlawful. Accordingly, the Commission shall accept and suspend the effectiveness of the proposed tariff records for the period set forth below, subject to refund.

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[20] *Order Regarding Future Monitoring of Voluntary Price Formation, Use of Price Indices in Jurisdictional Tariffs, and Closing Certain Tariff Dockets*, 109 FERC ¶ 61,184 at PP 39, 66, Ordering Para. (C) (2004) (*Price Index Order*) (citing *Policy Statement on Natural Gas and Electric Price Indices*, 104 FERC ¶ 61,121, at P 33 (2003)).

[21] *Id.* at Ordering Para. (D).

[22] *Policy Statement on Natural Gas and Electric Price Indices*, 104 FERC ¶ 61,121 at P 34.

37. The Commission's policy regarding tariff filings is that they generally should be suspended for the maximum period permitted by statute where preliminary review leads the Commission to believe that the filing may be unjust, unreasonable, or inconsistent with other statutory standards. *See Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension). It is recognized, however, that shorter suspensions may be warranted in circumstances where suspension for the maximum period may lead to harsh and inequitable results. *See Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension). Such circumstances do not exist here. Therefore, the Commission shall exercise its discretion to suspend the proposed tariff records listed in the Appendix, to be effective April 1, 2017, subject to the outcome of a technical conference established herein.

The Commission orders:

(A) The tariff records listed in the Appendix are accepted and suspended to become effective April 1, 2017, subject to refund and conditions, and subject to further order of the Commission following a technical conference.

(B) The Commission's staff is directed to convene a technical conference to address all issues raised by Kinetica's filing including, but not limited to, those raised in protests and comments made in response to that filing, and to report the results of the conference to the Commission within 120 days of the date of this order.

(C) Within 20 days of the issuance of this order, Kinetica is directed to (1) provide additional support for its proposed price index, as discussed in the body of this order, and (2) file tariff records revising its unauthorized overrun penalty provisions consistent with Commission policy as discussed above or explain why it should not be required to do so.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

APPENDIX

Kinetica Energy Express, LLC
FERC NGA Gas Tariff
Kinetica Energy Express LLC - FERC Gas Tariff

Tariff Records Accepted and Suspended Effective April 1, 2017

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RESERVED FOR FUTURE USE, Sheet Number 002, 2.0.0
Preliminary Statement, Sheet Number 003, 2.0.0
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SCHEDULE OF SURCHARGES, Sheet Number 006, 4.0.0
SCHEDULE OF COMPANY USE, Sheet Number 007, 2.0.0
RATE SCHEDULE FT, Sheet Number 008, 2.0.0
RATE SCHEDULE FT, Sheet Number 009, 2.0.0
RATE SCHEDULE FT, Sheet Number 010, 2.0.0
RATE SCHEDULE FT, Sheet Number 011, 2.0.0
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