

157 FERC ¶ 61,082
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

November 2, 2016

In Reply Refer To:
Tallgrass Interstate Gas Transmission,
LLC
Docket Nos. RP16-137-000
RP16-137-001

Tallgrass Interstate Gas Transmission, LLC
c/o Andrews Kurth LLP
1350 I Street, NW
Suite 1100
Washington, DC 20005

Attention: Mark Sundback
Attorney for Tallgrass Interstate Gas Transmission, LLC

Dear Mr. Sundback:

1. On June 8, 2016, Tallgrass Interstate Gas Transmission, LLC (Tallgrass) filed a Stipulation and Agreement (Settlement) to resolve all issues in the above-captioned dockets. As discussed below, the Commission approves the uncontested Settlement, finding that it appears to be fair and reasonable and in the public interest.
2. On October 30, 2015, as amended on November 2, 2015, Tallgrass filed tariff records pursuant to section 4 of the Natural Gas Act (NGA) to implement a general rate case. Tallgrass proposed to increase its transportation and storage rates, roll in the costs of certain facilities, and eliminate its rate zones. Tallgrass also proposed a Cost Recovery Mechanism (CRM) to recover one-time system integrity costs pursuant to the *Modernization Cost Recovery Policy Statement*.¹ In addition, Tallgrass proposed to revise certain sections of its General Terms and Conditions (GT&C) and filed *pro forma* tariff records to update and modernize the GT&C and rate schedules of its FERC Gas Tariff. On November 30, 2016, the Commission issued an order accepting and

¹ *Cost Recovery Mechanisms for Modernization of Natural Gas Facilities*, 151 FERC ¶ 61,047 (2015) (*Modernization Cost Recovery Policy Statement*).

suspending certain Tallgrass' tariff records to be effective May 1, 2016, subject to refund and the outcome of a hearing.² On March 31, 2016, the Commission denied rehearing of the suspension order, but granted a motion to remove from the hearing certain issues raised by the *pro forma* tariff records, and the Commission established alternate procedures to address those issues.³

3. The Settlement comprehensively resolves all issues set for hearing that were not removed from the hearing proceedings by the March 31 Order. On July 14, 2016, the Presiding Administrative Law Judge certified the uncontested Settlement to the Commission.⁴ The following summarizes the elements of the Settlement.

4. Article I provides the background and scope of the Settlement.

5. Article II describes the term of the Settlement and mandatory filing requirements. Article II provides that the term of the Settlement shall run from May 1, 2016 through April 30, 2019. Article II prohibits Tallgrass from filing an NGA section 4 general rate case during the term of the Settlement and prohibits the settling parties from initiating or supporting any effort under NGA section 5 to modify the terms of the Settlement. Article II requires Tallgrass to file a new NGA section 4 general rate case on May 1, 2019, unless Tallgrass files a pre-filing settlement that reflects rates will take effect no later than November 1, 2019. Article II states that Tallgrass may make certain types of limited section 4 filings during the term of the Settlement, including a filing to collect a surcharge or other costs resulting from the implementation of a recovery mechanism pursuant to the *Modernization Cost Recovery Policy Statement*.

6. Article III discusses contract extensions and negotiated rate agreements under the Settlement.

7. Article IV describes the rates of depreciation and negative salvage rates, treatment of surcharges, fuel and power cost trackers, roll-in of certain facilities, the disposition of

² *Tallgrass Interstate Gas Transmission, LLC*, 153 FERC ¶ 61,258 (2015). The Commission also required Tallgrass to modify certain of its proposals.

³ *Tallgrass Interstate Gas Transmission, LLC*, 154 FERC ¶ 61,277 (2016) (March 31 Order).

⁴ *Tallgrass Interstate Gas Transmission, LLC*, 156 FERC ¶ 63,005 (2016).

the proposed non-Electric Flow Meter delivery point charge, and odorization. Article IV provides that the Settlement rates will not include Tallgrass's proposed CRM. However, Tallgrass may make a new filing at any time to implement a modernization charge pursuant to the Commission's *Modernization Cost Policy Statement*, and the parties may take any position on such a filing so long as they do not contend that such a filing is prohibited by this Settlement. Article IV also establishes a two part zone rate design, consisting of an "East Zone" and a "West Zone" that reduces the reservation components of Tallgrass' maximum firm transportation rates.

8. Article V describes implementation, an interim billing adjustment while the Settlement is pending approval, and the treatment of contesting parties.

9. Article VI addresses reservations in the Settlement.

10. Article VII establishes the effective date of the Settlement. Article VII also establishes the rights of the participants under the Settlement if the Settlement is not approved and provides the standard of review for any modification proposed by Tallgrass or the supporting/non-contesting participants shall be "public interest" standard of review. Article VII states the standard of review for any modification to the Settlement requested by a non-settling party or initiated by the Commission acting *sua sponte* will be the ordinary just and reasonable standard. Additionally, Article VII states if any such future changes are made to the Settlement once it has been approved, the Settlement will have no further force or effect, with the exception that Tallgrass shall be entitled to retrieve refunds and/or provide billing adjustments in accordance with Article V, and henceforth Tallgrass and the supporting/non-contesting participants would have the rights provided by the NGA that they would have had in the absence of the Settlement.

11. Article VIII discusses the effect of Commission approval of the Settlement.

12. The Commission finds that Tallgrass' uncontested Settlement appears to be fair, reasonable and in the public interest, and therefore, the Commission approves the Settlement pursuant to Rule 602(g), 18 C.F.R. § 385.602(g) (2016). The Commission's approval of this Settlement does not constitute approval of, or precedent regarding, any principle or issues in this proceeding.

13. The Commission directs Tallgrass to file revised tariff records in eTariff format⁵ that implement the Settlement. This order terminates Docket Nos. RP16-137-000 and RP16-137-001.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

⁵ *Electronic Tariff Filings*, Order No. 714, FERC Stats. & Regs. ¶ 31,276 (2008).