157 FERC ¶ 61,172
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

December 2, 2016

In Reply Refer To:
Transcontinental Gas Pipe Line
Company, LLC
Docket No. RP16-1238-000

Transcontinental Gas Pipe Line
Company, LLC
P.O. Box 1396
Houston, TX 77251

Attention: Ronald P. Goetze, Manager – Regulatory

Dear Mr. Goetze:

1. On September 15, 2016, Transcontinental Gas Pipe Line Corporation (Transco) filed a report of cash-out activity for the annual period August 1, 2015 through July 31, 2016 (Report). We accept the Report, finding that it complies with the Commission's reporting requirements.[1]

2. Sections 15, 37, and 43 of the General Terms and Conditions (GT&C) of Transco's Tariff set forth the cash-out provisions of Transco's Tariff requiring that Transco either refund or carry forward, for each annual billing period, any difference between the revenues received and the costs incurred by the seller. According to Transco, the Report reflects a net under-recovery of $19,272,261 for the current annual billing period, and when combined with the $29,192,595 net under-recovery carried forward from the previous annual billing period,[2] results in a cumulative under-recovery

[1] *See Transcontinental Gas Pipeline Corp.*, 55 FERC ¶ 61,446, at 62,370 (1991) (limiting the Commission's exercise of jurisdiction to a requirement that Transco "report annually the volumes involved in cash-out transactions and the amounts paid"); *Transcontinental Gas Pipeline Corp.*, 65 FERC ¶ 61,315, at 62,437 (1993) (clarifying that a pipeline must report the volumes and amounts paid under Operational Balancing Agreements on an annual basis).

[2] *See* Transcontinental Gas Pipe Line Company, LLC, Annual Cash-Out Report, Docket No. RP15-1272-000 (filed Sept. 16, 2015).

of $48,464,856 as of July 31, 2016. Transco states that in accordance with its tariff, it will carry forward the net under-recovery to offset any net over-recovery that may occur in future cash-out periods. Public notice of the Report was issued on September 19, 2016.

3. Interventions and protests were due as provided in section 154.210 of the Commission's regulations. [3] Pursuant to Rule 214,[4] 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. On September 27, 2016, the Indicated Shippers filed comments.[5] On October 12, 2016, Transco filed an answer to the Indicated Shippers' comments.

4. The Indicated Shippers challenge the basis for Transco's net under-recovery, alleging that the under-recovered portion is attributable to unauthorized purchases of system management gas (SMG). According to the Indicated Shippers, section 43 of the GT&C of Transco's tariff authorizes Transco to purchase and sell SMG only to address conditions that threaten Transco's operational integrity. The Indicated Shippers assert that the SMG purchases shown in the Report were not undertaken for operational reasons but to balance Transco's cash-out volumes to zero each month. The Indicated Shippers thus ask the Commission to require Transco to provide further information to support the basis for its SMG purchases.

5. In its answer, Transco contends that the Indicated Shippers misunderstand Transco's cash-out accounting methodology for computing gains and losses in its cash-out program. Transco states that the methodology it relies on has been explored and examined by the Commission and interested parties on several occasions since the inception of Transco's cash-out program in 1991. Transco indicates that the Commission has approved this methodology as consistent with Transco's tariff and the Commission's

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[3] 18 C.F.R. § 154.210 (2016).

[4] 18 C.F.R. § 385.214 (2016).

[5] The Indicated Shippers include Anadarko Energy Services Company, BP Energy Company, Chief Oil & Gas LLC, ConocoPhillips Company, Exxon Gas & Power Marketing Company, a division of Exxon Mobil Corporation, Hess Corporation and Shell Energy North America (US), L.P.

accounting requirements on many occasions.[6] Transco states that it may use system inventory, which in its view includes SMG purchases and sales inventory, to manage the cash-out program, and that the use of SMG purchases to balance its cash-out volumes is entirely appropriate.

6. Transco states that it analyzes a variety of information when determining whether to make SMG purchases, including previous cumulative shipper imbalance activity, direction of the imbalances (long or short on the system), the magnitude of the imbalances, location of the imbalances on Transco's system, tracking of current month imbalance and gas price trends as well as current and forecasted weather conditions, physical storage inventory levels, relationship of physical storage balances to customer storage balances, time of year and a review of system performance and operation for the time period preceding the proposed SMG purchase.

7. Transco states that as shown in the Report, the pipeline was short by 9,275,335 dekatherms (dth) of natural gas over the period August through October 2015, and short by 7,039,414 dths during the four-month period from April through July 2015. Accordingly, Transco states that it reacted to address these shortages and their impact on Transco's system inventory by initiating the SMG purchases identified in Exhibit B of its Report to ensure system and operating integrity. According to Transco, these objectives satisfied the provisions of Section 43 of the GT&C of its tariff.

8. The Commission has reviewed Transco's Report and finds that it meets the Commission's requirement to report annually the volumes and amounts paid under its cash-out transactions.[7] Moreover, the Commission denies the Indicated Shippers' request to require Transco to provide further information to support the basis for its SMG purchases. Transco explains in its answer that its system gas purchases were made to protect the operational integrity of its system as a result of significant shipper imbalances, and the Report appears to have been prepared in accordance with the cash-out provisions of Transco's tariff, which require that Transco either refund or carry forward any

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[6] *See* Transco Answer at 5-6 (citing *Transcontinental Gas Pipe Line Corp.*, 75 FERC ¶ 61,028, at 61,088 (1996); *Transcontinental Gas Pipe Line Corp.*, 83 FERC ¶ 61,347, at 62,392-93 (1998); *Transcontinental Gas Pipe Line Corp.*, 90 FERC ¶ 61,131, at 61,404-05 (2000)).

[7] *See Transcontinental Gas Pipeline Corp.*, 55 FERC ¶ 61,446, at 62,370; *Transcontinental Gas Pipeline Corp.*, 65 FERC ¶ 61,315, at 62,437.

difference between the revenues received and the costs incurred by the seller. We thus accept the Report.

By direction of the Commission.

Kimberly D. Bose,
Secretary.