

158 FERC ¶ 61,052
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Rockies Express Pipeline LLC

Docket No. RP17-285-000

ORDER ACCEPTING TARIFF RECORD

(Issued January 19, 2017)

1. On December 21, 2016, Rockies Express Pipeline LLC (Rockies Express) filed a tariff record to amend the Power Cost Tracker provisions contained in section 40 of the General Terms and Conditions (GT&C) of its tariff.¹ As discussed below, the Commission accepts the tariff record effective January 22, 2017, and clarifies how the provision shall be implemented.

Background

2. On March 31, 2015 in Docket No. CP15-137-000, Rockies Express filed an application under section 7(c) of the Natural Gas Act (NGA) for a certificate of public convenience and necessity authorizing construction and operation of natural gas compression and ancillary facilities in Fayette, Pickaway, Muskingum, and Warren Counties, Ohio and Decatur County, Indiana, to provide an additional 800,000 dekatherms per day (Dth/d) of east-to-west capacity under its Zone 3 Capacity Enhancement Project (Project). Specifically, Rockies Express requested authority to construct and operate three new compressor stations (Columbus, Washington Court House, and St. Paul) and add additional horsepower at the existing Chandlersville Compressor Station.² In addition, Rockies Express noted that it would construct and

¹ Rockies Express Pipeline LLC, FERC NGA Gas Tariff, Tariffs, [PRA Power Cost Tracker, Section 40 - PRA - Power Cost Tracker, 2.0.0](#).

² March 30, 2015 Certificate Application in Docket No. CP15-137-000 at 12-13.

operate gas cooling equipment at the three new compressor sites and at its existing Hamilton and Chandlersville Compressor Stations.³

3. In its certificate application, Rockies Express identified the cooling equipment as “ancillary facilities” as provided for in section 2.55(a) of the Commission’s regulations.⁴ Rockies Express stated that the proposed facilities, including the ancillary facilities, will allow it to meet demand for east-to-west transportation of gas from the Appalachian Basin to Midwestern gas interconnects and markets, while continuing to meet all of its existing firm service obligations for both eastbound and westbound firm transportation.⁵ Rockies Express proposed to provide transportation service using the additional capacity under existing Rate Schedule FTS and to use its currently-effective rates as its recourse rates. However, to ensure that existing shippers would not subsidize the cost of fuel associated with the Project, Rockies Express proposed to establish a separately-stated fuel rate to apply exclusively to the shippers utilizing the Project.⁶

4. On February 25, 2016, the Commission issued an order approving Rockies Express’s Zone 3 Capacity Enhancement Project.⁷ The Commission directed Rockies Express to file actual tariff records setting forth its fuel and electric power charges for the Project not less than 30 days, and not more than 60 days, prior to placing the Project in service.⁸ In addition, the Commission approved Rockies Express’s proposal to use the existing system reservation charge and commodity charge as the initial recourse rates for services utilizing the new capacity.⁹ The Commission also approved Rockies Express’s proposal to charge a separate fuel rate and electric cost to ensure that existing customers do not subsidize gas fuel and electric costs to operate the Project facilities and expansion capacity.¹⁰ Finally, the Commission also directed Rockies Express to keep separate

³ *Id.* at 13.

⁴ *E.g.*, 18 C.F.R. 2.55(a) (2016) (definition auxiliary facilities).

⁵ Certificate Application at 1.

⁶ Certificate Application at 14 and Exhibit P at 1.

⁷ *Rockies Express Pipeline LLC*, 154 FERC ¶ 61,139 (2016) (Certificate Order).

⁸ Certificate Order, 154 FERC ¶ 61,139, Ordering Paragraph E.

⁹ *Id.* P 19.

¹⁰ *Id.* P 20.

books and accounting of costs attributable to the Project under section 154.309 of the regulations to track costs in the case of changed circumstances.¹¹

5. On November 1, 2016 in Docket No. RP17-156-000, Rockies Express filed tariff records setting forth the fuel and electric power charges for the Project. In addition, pursuant to section 4 of the NGA, Rockies Express filed to amend its Power Cost Tracker. On November 30, 2016, the Commission issued an order (1) accepting the tariff records establishing the incremental fuel and electric power charges in compliance with the Commission Order, and (2) rejecting, without prejudice, the proposed revisions to the Power Cost Tracker as such changes were beyond the scope of the compliance filing.¹²

Proposal

6. Rockies Express proposes to amend section 40 of the GT&C of its tariff to allow electric power costs associated with the operation of gas coolers to be included in the Power Cost Tracker. Rockies Express states that its proposal is identical to that filed in Docket No. RP17-156-000. Rockies Express argues that the inclusion of the electric costs associated with gas coolers in the tracker is consistent with the other electric costs in the Power Cost Tracker. Rockies Express states that the Columbus, Washington Court House, St. Paul, and Chandlersville compressor station sites feature gas-fired compression while the Hamilton Station uses electric compression. In addition, Rockies Express reports that all of the stations will incur variable electric power costs associated with the gas cooling equipment. Rockies Express argues that inclusion of the costs is consistent with Commission precedent and basic cost causation principles.¹³ Further, Rockies Express explains that gas coolers protect the pipeline from heat degradation – maintaining the integrity of the pipeline and extending the useful life of the pipeline asset.¹⁴

7. Rockies Express notes that in Docket No. RP17-156-000, certain interveners filed comments requesting that the Commission clarify that the Project shippers must pay all electric costs associated with the Project. Rockies Express claims that such a suggestion erroneously assumes that only the Project shippers benefit from the operation of the gas coolers. Rockies Express claims that, consistent with the discretion that the Commission

¹¹ *Id.* P 25 (citing *Texas Eastern Transmission, LP*, 153 FERC ¶ 61,311, at P 36 (2015)).

¹² *Rockies Express Pipeline LLC*, 157 FERC ¶ 61,163, at P 10 (2016).

¹³ Rockies Express Filing at 2 (claiming similar treatment under section 41 of Transcontinental Gas Pipe Line Company, LLC tariff).

¹⁴ Rockies Express Filing at 2.

affords pipelines in managing their systems, it operates its Zone 3 compression units as part of an integrated system to ensure reliable and efficient service. It explains that under normal operating conditions, Rockies Express compressor units (and the associated gas coolers) are dispatched in the most efficient and economical manner (i.e., facilities installed as part of the Project may be dispatched to move existing system volumes and existing system facilities may be dispatched to move expansion Project volumes). As such, Rockies Express argues that irrespective of the mix of expansion or existing system throughput, it is possible that some gas cooling will be necessary and beneficial for all shippers. Therefore, Rockies Express notes that it is likely that a portion of the power costs related to the gas coolers could be incurred by all classes of shippers, reflecting the benefit received by all shippers. Further, Rockies Express argues that although the gas coolers were installed in conjunction with the Project, the coolers are not only for the sole benefit of Project shippers. Finally, Rockies Express states that the certificate application for the Project characterized the gas coolers as ancillary facilities.¹⁵

Notice, Interventions and Responsive Pleadings

8. Public notice of the subject filing was issued on December 23, 2016. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2016)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2016)), 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. Antero Resources Corp. (Antero) and Indicated Shippers¹⁶ submitted comments requesting the Commission clarify that Rockies Express may not impose electric costs from the Project on existing customers.

9. Indicated Shippers take exception to Rockies Express's argument that it is appropriate to include in the Power Cost Tracker the costs associated with the operation of the gas coolers. Indicated Shippers contend that the argument is inconsistent with the Certificate Order which not only identified the cooling facilities, but also assessed their environmental impact. Indicated Shippers also take exception to Rockies Express's claim that it is authorized to charge all shippers for costs attributable to the Project. Indicated Shippers note that the Certificate Order specifically required Rockies Express to assess incremental fuel and electric power charges for the use of Project facilities. To ensure

¹⁵ *E.g.*, auxiliary facilities under § 2.55 of the Commission's regulations, which includes "gas cleaning, cooling and dehydration equipment" as examples of auxiliary facilities that serve only to make pipeline operation more efficient or economical.

¹⁶ Indicated Shippers are Anadarko Energy Services Company, BP Energy Company, ConocoPhillips Company, and Shell Energy North America (US), L.P.

that existing system shippers will not subsidize Project costs, Indicated Shippers request that the Commission require Rockies Express to include in any subsequent proposal to revise the electric power costs charges (1) a detailed explanation how Zone 3 electric power costs are allocated to the Project shippers and (2) complete justification for any such proposal.

10. Antero states that Rockies Express's filing is ambiguous regarding whether existing customers would always bear costs related to the gas coolers. Antero agrees that existing shippers should be allocated electric costs for the coolers to the extent that Project facilities are used to transport gas for existing system shippers. Antero also agrees that Rockies Express should be free to operate its system in the manner that is most efficient. However, Antero notes that Rockies Express's filing could be interpreted to suggest that gas cooler costs should be allocated to system shippers at all times. Antero argues that the Commission should not allow such a blanket allocation.

11. Antero contends that the fact that the gas coolers fit the definition of ancillary facilities should not control cost allocation. Further, Antero notes that new gas coolers were added as part of the Project and will be used to benefit Project shippers. Further, Antero argues that there was no indication that the gas coolers were added to the system but for the Project. Therefore, Antero argues Rockies Express' existing customers should not subsidize the Project by paying part of the electric costs of the gas cooling units when Project facilities are not used to provide service to existing customers. Antero argues that existing system shippers need to be able to verify in future electric power cost filings that costs associated with the gas coolers are appropriately allocated between existing and Project shippers. Accordingly, Antero requests that the Commission order Rockies Express to provide sufficient detail in future electric power cost filings to allow existing shippers to confirm whether such costs are appropriately assigned.

Discussion

12. In the instant filing, Rockies Express proposes to modify the definition of "Electric Power Costs" in section 40.2 of the GT&C of its tariff as follows:

"Electric Power Costs" shall mean the Base Period or Recovery Period cost of electric power purchased by or for Transporter used in **electric** compressor station operations. EPC shall also include the cost of any payments made by Transporter for surcharges and other associated costs imposed by electric power suppliers that may be billed or allocated to Transporter for **electric** compressor station operations.

13. The Commission finds that the proposed revision broadens the types of costs that can be considered "Electric Power Costs." With the revision, Rockies Express will be able to file to collect the cost of electricity needed to operate gas-fuel and electric compressors stations pursuant to its Power Cost Tracker or in an NGA general section 4

rate case. No party objected to the proposed revision. As the proposed revision will enable Rockies Express to collect electric costs incurred to operate gas compressors on the same basis as electric costs incurred to operate electric compression, the Commission finds that Rockies Express's proposed changes are just and reasonable. Therefore, the Commission accepts Rockies Express's revised tariff record, effective January 22, 2017, as requested.

14. Indicated Shippers and Antero request clarification that if Rockies Express includes costs associated with the cooling facilities in a Power Cost Tracker filing, that it must identify the costs associated with the Zone 3 Capacity Enhancement Project and provide a detailed explanation of the methodology used to allocate the costs between Rockies Express's existing customers in its Project shippers. The Commission so clarifies. Broadening the definition of "Electric Power Costs" does not automatically allow for the collection of costs associated with cooling facilities through the Power Cost Tracker. In its certificate application, Rockies Express proposed to establish a separately-stated fuel rate:

[I]n order to ensure that existing shippers will not subsidize the cost of fuel associated with the Project, Rockies Express proposes to establish a separately-stated fuel rate applicable exclusively to the shippers utilizing the [Rockies Express] Zone 3 Capacity Enhancement Project.¹⁷

15. In this proceeding, Rockies Express is revising its tariff to permit it to collect electric power costs incurred to operate its gas compression stations.¹⁸ In any future rate filing, Rockies Express must demonstrate that it is separately tracking the power costs to ensure that existing customers are not paying for power associated with the Project.

16. In the Certificate Order, the Commission approved Rockies Express' proposal to establish an incremental fuel rate.¹⁹ Rockies Express' proposal to broaden the types of costs that can be considered "Electric Power Costs" by deleting the adjective "electric"

¹⁷ Certificate Application at 14.

¹⁸ The Commission notes that Rockies Express' claim that its proposal is consistent with Commission precedent as set forth in section 41 of the GT&C of Transcontinental Gas Pipe Line Company, LLC's tariff is inapposite. The order approving rolled in treatment under section 41 for expansion project fuel costs was based on study showing a reduction in system fuel use attributable to existing shippers. Rockies Express has not provided such a study. *Transcontinental Gas Pipe Line Co., LLC*, 150 FERC ¶ 61,205, at P 21 (2015) ().

¹⁹ Certificate Order, 154 FERC ¶ 61,139 at P 20.

before “compressor station operations” does not change the requirement for separately-stated fuel rate for Project shippers.

17. Furthermore, if it is Rockies Express’s intention to change the method for allocating fuel costs, including costs associated with cooling facilities, it must comply with the section 154.309 of the Commission’s Regulations which specify as follows:

(a) For every expansion for which incremental rates are charged, the company must provide a summary with applicable cross-references to § 154.312 and § 154.313, of the costs and revenues associated with the expansion, until the Commission authorizes the costs of the incremental facilities to be rolled-in to the pipeline’s rates.

...

(b) The summary statements must provide the formulae and explain the bases used in the allocation of common costs to each incremental facility.

The Commission orders:

The Commission accepts the tariff record listed in footnote 1, effective January 22, 2017, consistent with the clarifications provided herein.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.