112 FERC ¶ 61,150
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Nora Mead Brownell, and Suedeen G. Kelly.

El Paso Natural Gas Company Docket No. RP05-422-000

ORDER ACCEPTING AND SUSPENDING TARIFF SHEETS SUBJECT TO REFUND AND CONDITIONS, ESTABLISHING HEARING PROCEDURES, AND ESTABLISHING A TECHNICAL CONFERENCE

(Issued July 29, 2005)

1. On June 30, 2005, El Paso Natural Gas Company (El Paso) filed revised tariff sheets pursuant to section 4 of the Natural Gas Act (NGA) and Part 154 of the Commission's regulations. In its filing, El Paso proposes a number of new services, a rate increase for existing services, and changes in certain terms and conditions of service. El Paso filed primary[1] and first and second alternate[2] tariff sheets. El Paso proposes an effective date of August 1, 2005 for its tariff sheets.

2. As discussed below, the Commission will accept El Paso's primary tariff sheets listed on Appendix A and suspend their effectiveness until January 1, 2006, subject to conditions and the outcome of the hearing and technical conference established in this order.[3] The Commission will reject the first and second alternate sheets listed on Appendix B.

3. In addition, the Commission will resolve certain issues summarily in this order. As discussed below, the Commission will accept, as consistent with Commission policy, El Paso's proposal to recover its fuel costs through a tracking mechanism. The appropriate level of the fuel charge may be addressed at the hearing. The Commission will reject, as inconsistent with Commission policy,

[1] *See* Appendix A.

[2] *See* Appendix B.

[3] El Paso has agreed to delay moving the overrun and variance tariff sheets into effect until March 1, 2006, in accordance with its Order No. 637 proceeding (See Page 11 of El Paso's transmittal).

El Paso's proposal to track the costs of renewing its rights-of-way and maintenance expenditures, as well as its proposed IT rate design.

Background

4. El Paso is a natural gas company that operates an interstate pipeline system for the transportation of natural gas from areas in the southwestern United States through the states of Texas, New Mexico, Colorado, and Arizona, to two points of termination at the boundary between the states of California and Arizona, near Ehrenberg and Topock, Arizona. El Paso also delivers gas to numerous on-system delivery points and to off-system eastern markets. El Paso's system consists of its South System and North System mainlines and El Paso can deliver gas from three production basins, San Juan, Permian, and Anadarko, to various delivery points on its system. The current rates for service on El Paso's system were established by a Settlement filed by El Paso on March 15, 1996, (1996 Settlement) and approved by the Commission.[4]

Details of El Paso's Filing

A. Tariff Issues

5. El Paso proposes to make a number of changes to its tariff and to implement those changes in conjunction with its proposed rate modifications. El Paso states that the proposed tariff changes include: (i) changes to eliminate tariff provisions that were intended to expire on December 31, 2005, pursuant to the 1996 Settlement; (ii) four new firm services and two new interruptible services, described below; (iii) provisions to establish procedures for assigning D-Codes[5] for scheduling purposes under a shipper's transportation service agreement (TSA);[6] (iv) provisions allowing non-primary firm and interruptible

---

[4] 79 FERC ¶ 61,028, *reh'g denied*, 80 FERC ¶ 61,084 (1997).

[5] D-Codes are clusters of delivery points and represent an aggregation of individual meters.

[6] In conjunction with these provisions, El Paso is proposing a new firm rate schedule for delivery point operators that allows the operator to aggregate and manage individual delivery points within the D-Code for scheduling and billing purposes. Under the rate schedule, each D-Code will have a maximum quantity assigned to it and scheduling and contracting will be done at that level. El Paso proposes to assign a maximum delivery obligation to each individual delivery point within the D-Code to specify how much of the D-Code's total volume can be taken at a particular meter.

capacity to be allocated by price; (v) provisions giving El Paso the right to terminate, rather than just suspend, transportation after 30 days in the event of a shipper's failure to pay its bills; (vi) provisions clarifying the incremental out-of-zone daily reservation charge when a shipper uses alternate receipt/delivery point(s) not specified in its TSA or redesignates a primary receipt-delivery point combination; (vii) provisions revising the competitive bidding process to allow shippers to acquire El Paso capacity more quickly and easily; (viii) various changes to update El Paso's force majeure and waiver provisions consistent with orders issued in other pipeline proceedings; (ix) removal of out-dated provisions contained in Rate Schedule FT-1 and FT-2 and the related forms of service agreement that waive El Paso's right to effect pre-granted abandonment when certain transportation contracts expire; (x) provisions establishing procedures for the conversion of all TSAs from an Mcf to Dth contract basis effective January 1, 2006; (xi) removal of Bounce at the California Border and California Receipt Service provisions because they will no longer be needed when proposed new service offerings and pathing and segmentation are implemented; (xii) various minor changes to update El Paso's gas quality specifications; and (xiii) removal of Texas and selection of Colorado as the state law to govern interpretation of TSAs. The details of El Paso's proposal are set forth below.

B. Cost of Service Issues

6. El Paso proposes rates that reflect an increase of approximately 15.35 percent to the average system-wide maximum rate. El Paso states that capital investments such as Line 2000 and Line 1903 account for most of the proposed rate increases. El Paso proposes to continue its zone of delivery reservation rates based on straight fixed variable cost allocation and rate design. The proposed rates reflect actual experience for the twelve-month period ending March 31, 2005 (base period), as adjusted for known and measurable changes through December 31, 2005 (test period).

7. El Paso's rates are based on a total cost-of-service of approximately $607 million. El Paso states that while its overall cost-of-service has increased in the last ten years, the increase has been substantially offset by significant volume increases on the system. El Paso projects annual billing determinants of approximately 69 million Dth. El Paso states that the billing determinants used in

this filing reflect the April 7, 2003 system capacity allocated to all shippers in the Capacity Allocation Proceeding[7] as increased for recent expansions and reduced for the approximately 200,000 Dth/day of capacity not currently contracted.

8. The proposed cost of service includes Operation and Maintenance expenses of approximately $206 million and Administration and General expenses of approximately $69 million. El Paso proposes an overall rate of return of 11.40 percent and a return on equity of 13.50 percent. El Paso reflects an increase in its transmission depreciation rate from 1.60 percent to 2.20 percent, and an increase in its storage depreciation rate from 1.60 percent to 2.00 percent.

9. El Paso states that it proposes to allocate mileage-based costs using a miles-of-haul approach, consistent with the position advocated by Southern California Edison Company in Docket No. RP95-363-002, using actual flows occurring on El Paso's system during the test period. El Paso states that it is proposing to use this cost allocation method in order to comply with its obligations under the Stipulated Judgment approved by the U.S. District Court for the Central District of California in Case Nos. CIV03-4565(SVW), CIV03-4566(SVW) and CIV03-4568R(SVW).

C. Rate Issues

1. Short-Haul Rate

10. El Paso proposes to eliminate its existing short-haul rate for transportation of 100 miles or less. El Paso explains that the short-haul rate is inconsistent with El Paso's overall rate design which reflects a zone-of-delivery methodology. El Paso also explains that a mid-stream short-haul service could effectively require El Paso to sell valuable capacity at a low, short-haul rate and prevent El Paso from marketing capacity at a higher long-haul rate.

---

[7] In El Paso's Capacity Allocation Proceeding, the Commission resolved complaints that firm service on El Paso had become unreliable. The Commission directed that full requirements service be converted to contract demand service and took a number of other actions to restore reliable firm service on El Paso's system. *El Paso Natural Gas Co.,* 99 FERC ¶ 61,244 (2002), *reh'g,* 104 FERC ¶ 61,045 (2003), *reh'g*, 106 FERC ¶ 61,233 (2004), *aff'd, Arizona Corporation Commission v. FERC*, 397 F.3d 952 (2005).

2. IT Rate Design

11. El Paso proposes to design its interruptible transportation rate for service under Rate Schedule IT-1 on a 60 percent load factor equivalent of the basic FT-1 firm transportation rate. El Paso claims that its proposed IT rate design encourages firm transportation arrangements. El Paso also claims that its proposed IT rate design addresses an upcoming period of substantial system re-contracting issues. Last, El Paso states that its IT rate design proposal promotes fairness by placing IT and FT shippers on a similar footing. El Paso explains that its system average load factor for firm shippers is currently approximately 60 percent. El Paso contends that a continuation of a 100 percent load factor rate for IT service prices interruptible service at a significant discount to firm service.

3. Overrun Charges

12. El Paso proposes to establish hourly and daily overrun and variance charges which will be applied to the difference between scheduled quantities and delivered quantities.[8] El Paso states that it agreed in its Order No. 637 proceeding not to seek to impose hourly or daily penalties for at least one year after the February 2005 implementation of critical condition procedures.[9] El Paso states that its proposed hourly and daily provisions cover both delivered quantities that exceed scheduled quantities (an overrun) and the converse (an under-run) that are authorized and unauthorized. El Paso also states that the provisions distinguish between critical and non-critical operating conditions. El Paso proposes to charge its IT rate for authorized overruns and daily variances during non-critical periods and twice the IT rate for overruns when not authorized. However, during critical periods El Paso proposes to charge overruns and daily variances at a higher "penalty" rate to protect its system operations consistent with Commission

[8] El Paso states that the overrun and variance tariff sheets reflect an August 1, 2005 effective date because the overrun charges are integrally related to and should be considered with the new services proposed. El Paso explains that although it has asked for an August 1, 2005 effective date, it is expected that the Commission will follow its normal procedures and suspend these sheets until January 1, 2006. However, El Paso states that it agrees to delay moving the overrun and variance tariff sheets into effect until March 1, 2006.

[9] El Paso cites 109 FERC ¶ 61,292 (2004).

policy.[10] El Paso states that it will treat unauthorized overrun charges and critical condition variance charges as penalties and will credit revenues (net of costs) from these charges to non-offending shippers. Finally, El Paso states that it will assess an hourly overrun charge when a shipper takes more gas on an hourly basis than permitted by its daily scheduled quantity and its applicable rate schedule, consistent with Commission policy.[11]

4. <u>Park & Loan Rate</u>

13. El Paso proposes to eliminate the subsequent day rate previously approved for Rate Schedule PAL to eliminate a rate distinction for the number of days gas is parked and loaned.

5. <u>Production Area Rate</u>

14. El Paso is proposing to modify its San Juan Basin production area for rate and fuel purposes by re-defining the basin's geographic boundaries. El Paso states that the western boundary for application of the San Juan Basin production area rate will be the Window Rock compressor station along the north mainlines and the eastern boundary will be the Bluewater compressor station along the Permian-San Juan Crossover. El Paso states that it expanded the western boundary on the North Mainline System to the Window Rock station to avoid disadvantaging delivery points in the vicinity of Valve City. El Paso further states that the capacity of the Permian-San Juan Crossover has traditionally been defined by how much gas El Paso can move through the Bluewater station, so that is the boundary that has been established on the east side. Last, El Paso states that the Permian production area has also been defined with, in part, a new demarcation point at the Dimmit Station on the Anadarko line.

---

[10] El Paso cites *Questar Pipeline Co.*, 98 FERC ¶ 61,159 (2002) (approving the charging of the IT maximum rate for overrun service during normal operating conditions) and *Algonquin Gas Transmission Co.*, 102 FERC ¶ 61,149 (2003) (noting that the Commission "has authorized pipelines to charge twice the interruptible transportation rate for unauthorized overruns during non-critical periods and even higher penalties for overruns during critical periods.").

[11] El Paso notes that both Colorado Interstate Gas Company and CenterPoint Energy Gas Transmission Company have hourly overrun rate provisions in their Commission-approved tariffs.

6. **Fuel Tracker**

15. El Paso is proposing to establish an annual tracking mechanism to recover the cost of fuel and lost and unaccounted for gas. El Paso states that under its proposed fuel tracker, it will recover the actual cost of fuel based on the prior twelve months' fuel, subject to a deferred account true-up for any over-recoveries or under-recoveries. El Paso states that its fuel tracker is similar to other fuel trackers the Commission has approved for other pipelines.[12] In addition, El Paso states that it is eliminating the San Juan East fuel exemption, which is an expired settlement provision.[13] El Paso explains that it is separately charging lost and unaccounted for (L&U) retention percentage so that all transactions will pay a proportionate share of L&U. El Paso proposes the following fuel retention rates for transportation services:

Mainline Fuel:	2.46% of the quantity received
Within-Basin Fuel:	
Anadarko Basin:	0.14% of the quantity received
Permian Basin:	1.12% of the quantity received
San Juan Basin:	0.55% of the quantity received
Permian to Anadarko Fuel:	1.27% of the quantity received
Rate Schedule ISS Fuel:	2.11% of the quantity received
L&U:	0.20% of the quantity received

16. Additionally, as part of its fuel tracker provisions, El Paso proposes that when it purchases or sells gas to maintain system linepack due to fuel recovery shortfalls or overage, it will include in the adjustment the difference in its actual cost of gas and the Monthly System Cash Out Index Price. That difference will be converted to gas quantities and included in the true-up adjustment.[14]

---

[12] El Paso cites *ANR Pipeline Co.*, 110 FERC ¶ 61,069 (2005).

[13] El Paso cites *El Paso Natural Gas Co.*, 79 FERC ¶ 61,028 (1997) and Paragraph 2.2 of the 1996 Settlement.

[14] *See* proposed Second Revised Sheet No. 323.

7. Right-of-Way (ROW) Surcharges and Maintenance Surcharges

17. El Paso states that similar to its fuel tracker proposal, El Paso proposes to track two other Cost-of-Service (COS) items that are substantial in relation to total system cost and are highly unpredictable. First, El Paso states that it proposes to track the cost of renewing its ROW for the 900 miles of its mainline system that cross Navajo Nation lands. El Paso claims that the Navajo Nation is demanding an increase of 1000 percent above the ROW payment that El Paso now makes to the Nation, under a 20-year agreement that expires on October 17, 2005. Second, El Paso proposes to track its maintenance expenditures, including pipeline program costs.

18. El Paso acknowledges that the Commission disfavors the use of cost trackers because the individual costs that are tracked by means of surcharges may be offset by decreases in costs that are not being tracked.[15] El Paso points out that the Commission, however, has approved proposals by pipelines to use limited section 4 filings to track or flow through costs in certain circumstances. El Paso refers to fuel mechanisms as an example, where pipelines are permitted to recover highly volatile and large gas costs.[16] El Paso also refers to tracking mechanisms for take-or-pay settlement contract costs for recovery of prudently incurred costs.[17] El Paso also refers to other Commission approved trackers pertaining to recovery of Account No. 858 costs,[18] and trackers based solely on the individual facts of a pipeline where it believed the benefits outweigh the detriment to ratepayers.[19]

19. El Paso states that it is making an $8.2 million adjustment to the base period ROW expense to reflect the cash portion of El Paso's most recent offer to the Navajo Nation. However, El Paso explains that Navajo negotiators are requesting approximately $22 million per year in ROW payments. El Paso states that given the unpredictability of these negotiations, as well as the magnitude of the costs that will ultimately result from the negotiations, El Paso believes it is

---

[15] *See Midwestern Pipeline Co.*, 57 FERC ¶ 61,073 (1991).

[16] El Paso cites *ANR Pipeline Co.*, 110 FERC ¶ 61,069 (2005).

[17] El Paso cites *Order No. 636-C,* 78 FERC ¶ 61,186, at 61,787 (1997) (Citing Order No. 500-H, FERC Statutes and Regulations, Regulations Preambles 1986-1990, at 31,575).

[18] El Paso cites *Algonquin Gas Transmission Co.*, 55 FERC ¶ 61,334 (1991).

[19] El Paso cites *Canyon Creek Compression Co.*, 101 FERC ¶ 61,233 (2002).

appropriate to establish a surcharge mechanism to recover the actual expenses it ultimately incurs. El Paso states that under the proposed surcharge, El Paso would file to adjust annually for increases or decreases in ROW fees paid to the Navajo Nation or its related entities, plus amounts paid in possessory interest taxes (*i.e.*, property tax).

20. With regard to El Paso's maintenance expenditures, El Paso states that the surcharge will allow El Paso the opportunity to recover these necessary costs of properly maintaining its pipeline without resort to frequent rate cases. El Paso also states that the surcharge will permit El Paso to implement AR-18 (*i.e.*, one component of the tracked costs) without being harmed by the unavoidable timing of this rate case. El Paso states that these costs, many of which haven been, and will be, incurred to comply with recently-enacted federal pipeline safety legislation, are particularly unpredictable at the present time since the Commission is in the midst of a rulemaking on whether to require pipelines to capitalize or expense significant portions of these costs. El Paso points out that a maintenance tracker is consistent with recent Commission precedent suggesting that a surcharge can be an appropriate way to recover uniquely volatile and unpredictable costs.[20] El Paso is proposing to recover through a surcharge, to be adjusted annually based on a limited section 4 filing, the costs incurred for its pipeline integrity program depending on the outcome in the AR-18 rulemaking. El Paso states that its projected test period level of maintenance and pipeline integrity expenditures exceeds $36 million. Further, El Paso proposes that the amounts to be recovered through the surcharge be reduced by annual accrued depreciation on maintenance and pipeline integrity investments. Finally, El Paso states that its proposed maintenance tracker is consistent with Commission action in other cases.[21]

8. <u>FT-2 Rate</u>

21. El Paso states that it is proposing to revise the FT-2 rate design to reflect the on-going full requirements status of shippers receiving service under this rate schedule. El Paso proposes two tiers of rates for the FT-2 service, as well as changed terms and conditions. El Paso states that each FT-2 shipper was allocated San Juan Basin capacity based on its historic levels of service. This allocation is each shipper's Tier 1 service and the rate for that service is based on a 60 percent load factor. For service above the Tier 1 level and up to 10,000 Dth/day, the

---

[20] El Paso cites *Florida Gas Transmission Co.*, 109 FERC ¶ 61,320 (2004) (order approving Settlement).

[21] El Paso cites *Southern Natural Gas Co.*, 111 FERC ¶ 63,043 (2005) (order approving uncontested Settlement).

shipper will have primary rights in the Permian Basin. This is the Tier 2 service for which shippers will pay a higher rate based on a 40 percent load factor equivalent rate.

D. New Services

22. El Paso states that it is proposing a variety of new daily and hourly services, including no-notice and other services that will provide shippers with the firm right to vary their takes on a daily and hourly basis. El Paso states that the tariff changes associated with these new services are modeled on services that the Commission has approved for other pipelines.[22] El Paso proposes to price these new services at a level that recognizes the fact that shippers who do not take gas ratably, and who incur significant daily imbalances, require a greater amount of El Paso's system resources. As a result, El Paso proposes to charge rates for these new services on a simple pay for what you use approach.

23. El Paso proposes the following new hourly and daily services: (1) Hourly Enhanced Entitlement Nominations (HEEN), an enhanced scheduling right under Rate Schedule FT-1;[23] (2) Rate Schedule FT-H, which provides defined peak hour limitations and peak hour durations in several different packages, tailored to the different hourly behavior profiles of El Paso's shippers; (3) Rate Schedule FDBS, a storage patterned service using pipeline assets and line pack as horizontal storage; and (4) No-Notice services, which are the combination of FT-1 or FT-H and FDBS services. El Paso states that rates for No-Notice and other new services

---

[22] El Paso cites *Portland Natural Gas Transmission System*, 106 FERC ¶ 61,289, at P 61 (2004), *reh'g*, 110 FERC ¶ 61,375 (2005); *Colorado Interstate Gas Co.*, 96 FERC ¶ 61,330 (2001); *Gulfstream Natural Gas System, L.L.C.*, 91 FERC ¶ 61,119, at 61,464 (2000), *order issuing certificates, on clarification, and on reh'g*, 94 FERC ¶ 61,185, *order amending certificate*, 98 FERC ¶ 61,349, at 62,480 (2002); *See* also *Gulfstream Natural Gas System, L.L.C.*, 100 FERC ¶ 61,018, at P 33 (2002).

[23] El Paso notes that a HEEN nomination is made by a shipper that designates some portion of its otherwise available daily entitlement which is not needed throughout the day, but rather is reserved by the shipper for use in receiving non-ratable hourly deliveries at a later time during the day. El Paso notes that no additional rate is charged for HEEN service. El Paso concludes that the HEEN service is very similar to the service that has recently been approved by the Commission for Cheyenne Plains Gas Pipeline Company, L.L.C. (105 FERC ¶ 61,095 (2003)) as well as the service that has been in effect for some time on Colorado Interstate Gas Company's system (96 FERC ¶ 61,330 (2001)).

described above are based on Commission-approved methods and appropriately reflect comparability of service rate design principles. El Paso concludes that it presently has uncontracted capacity, of which it will allocate a portion to the new services.

24. El Paso also proposes to offer an interruptible storage service that will enable shippers to store gas quantities at Washington Ranch to be withdrawn later at the shipper's request. El Paso states that it will be able to provide this new service with existing facilities and that no facility modifications or additional facilities would be required.

E. Article 11 of the 1996 Settlement

25. El Paso states that Paragraph 11.2(a) of the 1996 Settlement provided that the rates under certain transportation service agreements for certain shippers (mostly El Paso's former full requirements shippers) would be subject to vintage or discounted rate levels in this and subsequent El Paso rate cases.

26. El Paso requests that the Commission find that the provisions of Article 11 no longer apply and that any obligations El Paso and the other settling parties formerly had under Article 11 have been permanently extinguished and fully discharged. El Paso states that this is the result of several material changes to other provisions of the 1996 Settlement that the Commission required in the Capacity Allocation Proceeding. For example, El Paso asserts, the FR contracts no longer exist because the Commission abrogated FR service and FR contracts in the Capacity Allocation Proceeding. El Paso contends that the terms of the 1996 Settlement were a non-severable package deal, which were fundamentally altered by the Commission in the Capacity Allocation Proceeding. El Paso claims that as a result of the Capacity Allocation Proceeding, El Paso was deprived of many material benefits of the Settlement and thus should be relieved of the attendant burdens. El Paso states that the Commission caused El Paso to absorb more than $250 million in expansion and other costs that it otherwise had a right to recover under the 1996 Settlement.

F. Pooling Procedures

27. El Paso states that it is proposing to modify its pooling procedures, which will require three major changes: (1) the creation of three new title transfer tracking (TTTL) master pools, one each for the San Juan, Permian and Anadarko basins, that will enable shippers to aggregate gas supplies from across the supply basin; (2) the movement of pool-to-pool trading from the current physical pooling

areas to the new basin-wide TTTL master pools; and (3) the elimination of the sum-of-the-squares methodology for determining scheduling priorities. El Paso states that it is also proposing to add several additional physical pooling areas in the Permian Basin so that nominations impacted by the more common constraint points within that basin can be more easily identified.

Public Notice, Interventions and Protests

28. Public notice of El Paso's filing was issued on July 6, 2005. Interventions and protests were due July 13, 2005, as provided in section 154.210 of the Commission’s regulations. Pursuant to Rule 214 (18 C.F.R. § 385.214), any timely filed motion to intervene is granted unless an answer in opposition is filed within 15 days of the date such motion is filed. Any motions to intervene out-of-time filed before the date of this order are granted pursuant to 18 C.F.R. § 385.214(d), since the Commission finds that granting intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties. Protests or comments were filed by BP America Production Company, Burlington Resources Trading Inc., Chevron Texaco Natural Gas, Conoco Phillips Company, Coral Energy Resources, L.P., Occidental Energy Marketing, Inc. (collectively Indicated Shippers), New Mexico Attorney General’s Office, Southern California Edison Company (Edison), Pimalco, Inc. (Pimalco), UNS Gas, Inc. (UNS), Southern California Gas Company (SoCalGas), San Diego Gas & Electric Company (SDG&E), Duke Energy Trading and Marketing, L.L.C. (DETM), Duke Energy Marketing America, LLC (DEMA), Aera Energy LLC (Aera), Sempra Global (Sempra), New Harquahala Generating Company, LLC (Harquahala), Southwestern Public Service Company (SPS), Public Service Company of New Mexico (PNM), Arizona Public Service Company and Pinnacle West Energy Corporation (APS/Pinnacle), Golden Spread Electric Cooperative, Inc. (Golden Spread), GS Electric Generating Cooperative, Inc. (GSE), El Paso Municipal Customer Group (EPMCG), Transwestern Pipeline Company, LLC (Transwestern), Southwest Gas Corporation (Southwest), Arizona Electric Power Cooperative, Inc. (AEPCO), MGI Supply LTD. (MGI Supply), Apache Nitrogen Products, Inc. (Apache), Phelps Dodge Corporation (PD), Imperial Irrigation District (IID), El Paso Electric Company (El Paso Electric), Salt River Project Agricultural Improvement and Power District (SRP), Blythe Energy, LLC (Blythe), Pacific Gas and Electric Company (PG&E), Public Utilities Commission of the State of California (CPUC), Arizona Corporation Commission (ACC), ONEOK Energy Services Company, LP (OES), Texas Gas Service Company (TGS), and The City of El Paso (City).

29. In addition, Indicated Shippers; APS/Pinnacle; SRP; TGS, EPMCG and UNS; SPS; Transwestern; and UNS filed motions for summary rejection of portions of El Paso's filing. El Paso, the ACC, APS/Pinnacle, California Parties, ONEOK Energy, Southwest Gas, and UNS filed answers to these motions. AEPCO, PD, Southwest, and Transwestern filed responses to El Paso's answer.

Discussion

30. The Commission will resolve on the merits in this order some of the issues raised by El Paso's filing. Summary disposition of portions of a filing in a section 4 rate case is appropriate when no genuine issues of material fact are in dispute as to that part of the proceeding.[24] The Commission may summarily reject portions of a proposed filing if it determines that there are no material issues of fact in dispute and the filing is in clear violation of an applicable statute, regulation, or Commission policy.[25] As explained below, El Paso's proposal with regard to the effective date of the tariff provisions, the fuel tracker, the rate design load factor percentage for the IT rates, and the surcharge tracker for rights-of-way and maintenance raise no disputed issues of material fact and can be resolved on the basis of Commission policy without the need for further proceedings.

31. Other issues, including the applicability of the rate cap contained in section 11.2 of the 1996 Settlement, the general terms and conditions of service, pooling, overrun and variance charge provisions, and flexibility of receipt points for FT-2 service will be further considered after a technical conference. Finally, the remaining issues, including rates for existing and newly proposed services will be set for hearing. The issues that may be litigated at the hearing are limited to the rate case issues raised by El Paso's filing in this docket.[26]

---

[24] *E.g., KN Interstate Gas Transmission Co.*, 86 FERC ¶ 61,229 at 61,824 (1999).

[25] *E.g., Northern Border Pipeline Co.*, 60 FERC ¶ 61176 at 61,644 (1992).

[26] In its protest, PD states that it intends to litigate in this proceeding the issue of whether El Paso was culpable for the capacity shortfall that occurred in 2000-01, pending the outcome of the appeal in the United States Court of Appeals for the District of Columbia in *Arizona Corporation Commission v. FERC*, No. 04-1123. The Commission clarifies that this matter is not at issue in this proceeding, regardless of the outcome of the appeal cited by PD, and may not be addressed at the hearing.

A. Policy Issues Resolved on the Merits

1. Effective Date of the Tariff Provisions

32. The 1996 Settlement provides that "El Paso shall be obligated to file pursuant to Section 4 of the NGA a new, general, system-wide rate change to be effective as of January 1, 2006."[27] El Paso filed its rate case on June 30, 2005, with a proposed effective date of August 1, 2005, anticipating that the Commission would suspend the filing for the maximum five-month period, thus making the filing effective on January 1, 2006, at the conclusion of the suspension period. The Commission is in fact suspending El Paso's rate filing for the maximum five-month period, making the rates effective January 1, 2006, as contemplated by the Settlement.

33. SRP and TGS argue that El Paso has violated the 1996 Settlement by proposing an August 1, 2005 effective date for the tariff sheets and that the Commission should therefore reject El Paso's filing as premature. These parties assert that El Paso was required by the Settlement to file tariff sheets with a January 1, 2006 effective date. SRP states that El Paso's proposed effective date of August 1, 2005 presents the possibility that its rates would change prior to December 31, 2005 in violation of the 1996 Settlement. Further, SRP states that pursuant to the Commission's regulations, all proposed tariff changes must be filed with the Commission not less than 30 days nor more than 60 days prior to the proposed effective date of the tariff.[28] Therefore, SRP argues, El Paso should have filed its rate case no earlier than October 31 and no later than November 30, 2005. If El Paso had followed proper procedures, SRP argues, the suspension period for this rate filing would begin, not end, on January 1, 2006. El Paso filed an answer in opposition to the motions for summary rejection.

34. The Commission will not reject El Paso's filing as premature. Contrary to the assertions of SRP and TGS, the 1996 Settlement does not specify what effective date should appear on El Paso's tariff sheets, but states that El Paso's system-wide rate change should be effective January 1, 2006. The 1996 Settlement contemplates a 10-year Settlement period commencing January 1, 1996 and a new rate structure in place on the system as of January 1, 2006.[29] That is what will result from El Paso's filing and the Commission's action in this order.

---

[27] 1996 Settlement, Article XII.

[28] 18 C.F.R. § 154.207 (2005).

[29] *See* 1996 Settlement, Introduction, Article II.

2. **The Fuel Tracker**

35. Section 154.403 of the Commission's regulations permits a pipeline to adjust fuel retention percentages in periodic limited rate filings pursuant to a methodology set forth in the pipeline's tariff.[30] Furthermore, the Commission requires that when a pipeline chooses to track fuel costs in periodic, limited section 4 rate cases or when it is ordered to do so by the Commission as a result of a section 5 investigation, must include a true-up provision.[31]

36. The Commission finds that, with the exceptions discussed below, El Paso's fuel tracker provisions satisfy the Commission's requirements. El Paso's fuel tracker will consist of compressor station fuel and fuel for other utility purposes, including line losses and unaccounted-for gas. Fuel and L&U shall be furnished in-kind by shippers at each applicable receipt point. Also consistent with Commission policy, the fuel and L&U shall be recomputed annually, to be effective January 1 of each year. Furthermore, the annual fuel charge will include a true-up mechanism reflecting the difference between the actual quantities of mainline fuel used by El Paso during each period and the quantities of mainline gas retained for fuel by El Paso during that period. Thus, consistent with Commission policy, El Paso's use of a fuel tracker is just and reasonable. However, as discussed below, El Paso must modify its general terms and conditions for non-annual filings.

37. Section 26.3(b) of El Paso's general terms and conditions provides the following:

> At its election, Transporter may also submit Fuel and L&U adjustment filings more frequently that annually. Such non-annual filings shall be submitted at least 30 days prior to the proposed effective date of the proposed Fuel and L&U Percentages. The data collection period for such filings will be based on the most recent available 12 months of experience.

38. Section 154.403 of the Commission's regulations requires, among other things, that a statement of the frequency of the adjustment and the dates on which the adjustment will become effective must be included in the general terms and

---

[30] 18 C.F.R § 154.403.

[31] *ANR Pipeline Co.*, 110 FERC ¶ 61,069 (2005).

conditions for periodic rate adjustments, such as fuel trackers.[32] El Paso's provision does not satisfy the Commission's requirement and is therefore rejected. If El Paso determines that a different period for fuel cost updates is necessary, it must make a section 4 filing requesting changes to the appropriate tariff sheet.

39. Finally, El Paso has proposed that if it is necessary to purchase or sell gas to maintain system line pack due to fuel recovery shortfalls or overages, the true-up mechanism will include a component that reflects the purchased/sold gas. Specifically, El Paso proposes:

> …the adjustment will include the difference between the cost of such gas based on the Monthly System Cash Out Index Price for the month when the shortfall or overage occurred and the actual cost of gas that Transporter bought or sold. For purposes of this Adjustment, the difference in cost will be converted to gas quantities by dividing the total cost difference by the price per Dth of the quantities bought or sold.[33]

40. The Commission finds that El Paso has not adequately explained the need to purchase or sell gas and, further, that it is not clear from El Paso's tariff where the costs and revenues associated with these purchases and sales will be accounted for, reported and evaluated. Therefore, this issue will be addressed at the technical conference.[34]

41. While El Paso's use of a fuel tracker mechanism is just and reasonable, we will set for hearing the initial fuel retention rates proposed by El Paso for its various transportation services. Parties have raised issues of material fact with regard to the initial retention rates, and the issues should be addressed in a hearing.

---

[32] 18 C.F.R. § 154.403(c)(4).

[33] *See*, proposed section 26.6(a)(ii).

[34] We recognize that in the decision in *Colorado Interstate Gas Co.*, 107 FERC ¶ 61,312 (2004), *order on reh'g*, 111 FERC ¶ 61,216 (2005), the Commission required the pipeline to provide this information in an annual report. However, the Commission finds that here the technical conference will provide a forum for obtaining additional information about El Paso's proposal.

3. Elimination of The Short-Haul Rate

42. El Paso has proposed to eliminate its existing short-haul rate for transportation of 100 miles or less. Several parties have protested this proposal and argue that the elimination of this rate is unjust and unreasonable, anticompetitive, and inconsistent with the Commission's policy that rates should reflect the distance of haul. In addition, SR and Transwestern filed motions for summary rejection of this proposal. The ACC, APS/Pinnacle, and UNS filed answers in support of the motions for summary rejection. El Paso filed an answer in opposition to the motion and Transwestern filed a response to El Paso's answer.

43. SRP argues that the elimination of the short-haul rate contravenes the Commission policy regarding the development of market centers as well as the policy concerning distance-sensitive rates and discriminates against short-haul shippers. Transwestern argues that the Commission should take immediate action to reject El Paso's proposal to avoid competitive damage. Transwestern argues that eliminating the short-haul rate will inhibit competition by requiring a shipper to contract and pay for substantial amounts of capacity both upstream and downstream of a market center to use only the upstream or downstream part of the pipeline. Transwestern states that it plans to file a certificate application to extend its pipeline system to serve markets in the Phoenix area and compete with El Paso. Transwestern alleges that El Paso's proposal will inhibit competing pipelines and storage facilities from entering the Phoenix area and will deter development of a Phoenix area market center. The ACC argues that elimination of the short-haul rate would reduce opportunities for developing competition and diversity in Arizona's natural gas infrastructure.

44. The Commission finds that there is no basis for summarily rejecting El Paso's proposal. There is no Commission policy that requires a pipeline to have a short-haul rate. El Paso's rates are distance-sensitive zoned rates and the Commission has approved zoned rates on El Paso and other pipelines. Issues concerning the impact of elimination of the short-haul rate on market centers and other issues raised in the protests may be addressed at the hearing. The requests for summary rejection are denied.

4. The Proposed IT Rate Design

45. El Paso proposes an IT rate based on a 60 percent load factor equivalent of the FT-1 transportation rate. El Paso states that it recognizes the Commission's preference for a 100 percent load factor, but asserts that special circumstances exist on its system to warrant an exception. El Paso supports its proposal with the prepared testimony of Mr. Rexford Adams.

46. El Paso asserts that the proposed IT rate will encourage firm transportation arrangements. El Paso argues that this is in the public interest because electric generation loads in Arizona exceed firm year-round capacity under contract by approximately 500 MMcf/day and this gap is currently being filled by interruptible transportation. El Paso asserts that the decision of some electric generators to gamble on IT availability or spot market gas purchases means that the next time electric demand in the Western U.S. spikes, these generators may not have access to needed gas supplies. El Paso states that the Commission found that reliance on interruptible transportation contributed to the spike in Western energy prices in 2000-2001. El Paso argues that the Commission should adopt policies that encourage shippers to sign firm contracts rather than relying too heavily on interruptible transportation for delivered gas.

47. Further, El Paso states that a significant portion of its capacity that is currently under firm contract is subject to termination rights within the next few years, and that its proposed IT rate would help provide proper incentives for shippers to sign firm contracts. El Paso argues that a 60 percent load factor rate is consistent with Commission policies that seek to encourage shippers to sign long-term firm contracts, including the Commission's term-differentiated rate policy set forth in Order No. 637.

48. In addition, El Paso argues that its IT rate proposal promotes fairness by placing IT shippers on a similar footing as FT shippers. El Paso states that its system average load factor for firm shippers is currently approximately 60 percent and, therefore, continuation of a 100 percent load factor rate for IT service prices IT service at a tremendous discount compared to firm service which is utilized at a 60 percent load factor. El Paso states that its proposed 60 percent load factor IT rate eliminates that disparity. El Paso also asserts that the use of a 60 percent load factor rate maximizes throughput and is consistent with the goal that the IT rate ration capacity during peak periods.

49. Protests and motions for summary rejection of El Paso's proposal were filed by Indicated Shippers, MGI, PNM, and SPS. These parties argue that El Paso's proposal is inconsistent with Commission policy that favors a 100 percent load factor rate for IT and that El Paso has provided no justification for deviating from this policy. Several of these parties also assert that El Paso's proposal amounts to an attempt to exercise market power to coerce shippers to purchase firm service they may not want or need. El Paso and Southwest filed answers in opposition to Indicated Shippers' motion for summary rejection of El Paso's proposal.

50. The Commission will reject El Paso's proposed IT rate design and directs El Paso to refile its interruptible rates based on a 100 percent load factor rate design. As the protestors point out, the Commission has consistently endorsed the use of a 100 percent load factor derivative of the FT rate to establish IT rates.[35] While the Commission has recognized that other levels may be appropriate in certain circumstances,[36] El Paso has presented no basis for deviating from the Commission's general policy in this case.

51. The Commission has held that a 100 percent load factor rate meets the rate objectives of the Commission's regulations of maximizing throughput[37] and rationing capacity.[38] The Commission has also recognized that a 100 percent load factor rate imposes the appropriate level of cost responsibility on interruptible shippers and recognizes the inferior quality of interruptible service as compared to firm service.[39] Thus, as the Commission stated in *High Island Offshore System, L.L.C. (HIOS),*[40] "the Commission seeks interruptible rates which ration scarce capacity during peak periods, maximize throughput when capacity is available, and recognize quality of service considerations."

52. El Paso's proposal is not consistent with these goals. El Paso asserts that the 60 percent load factor rate is consistent with the goal that the IT rate ration capacity during peak periods because, El Paso states, if the pipeline is fully

---

[35] *E.g., High Island Offshore System, L.L.C.*, 110 FERC ¶ 61,043 at P 200 (2005); *Southern Natural Gas Co.*, 99 FERC ¶ 61,345 at P 85-87 (2002); *Tennessee Gas Pipeline Co.,* 80 FERC ¶ 61,070 at 61,202-05 (1997).

[36] *High Island Offshore System, L.L.C.,* 110 FERC ¶ 61,043 at P 199 (2005).

[37] 18 C.F.R. § 284.10(b)(2).

[38] 18 C.F.R. § 284.10(b)(1).

[39] *High Island Offshore System, L.L.C.,* 110 FERC ¶ 61,043 at P 201(2005).

[40] *Id.* at P 200.

subscribed, IT is largely irrelevant to the issue of rationing capacity during peak periods. El Paso, however, states that it is not fully subscribed. In *HIOS*, the Commission addressed circumstances in which the pipeline was not fully subscribed and found that in those circumstances, the pipeline had shown no need to ration capacity on its underutilized system, thus making maximizing throughput the goal in designing its rates. Similarly, El Paso has not demonstrated the need to ration capacity on its system and thus the goal of designing its rates is maximizing throughput.

53. El Paso asserts that the 60 percent load factor rate maximizes throughput because it "may maximize firm contract quantities" and thus "spread fixed costs to the largest possible population."[41] However, El Paso has not explained why a substantial increase in the IT rate would increase throughput. All El Paso has suggested is that a higher IT rate "may" encourage some shippers to sign up for firm service instead of interruptible. This does not maximize throughput and is not consistent with the Commission's goals. As El Paso's Witness Catherine Palazzari states in her prepared testimony, "throughput will not be maximized if service is over-priced to certain shippers relative to the quality of service they receive."[42] The higher IT rate proposed by El Paso would be a disincentive to move IT volumes if there were alternatives to El Paso's IT service, and where there are no alternatives to El Paso's IT service, the higher rate appears to be a means of extracting a higher rate than is just and reasonable.

54. El Paso argues that interruptible transportation should be priced in a manner that encourages the use of firm service rather than interruptible service. El Paso suggests that this is better for the pipeline and other shippers, as well as consistent with Order No. 637. The Commission has rejected the view that the rationale behind term-differentiated rates for firm service is a justification for deviation from a 100 percent load factor IT rate and the imposition of a higher IT rate.[43] The discussion in Order No. 637 regarding term-differentiated rates was limited to shippers who were using firm service. Order No. 637 did not suggest that it was appropriate to price IT service in a manner that would encourage IT shippers to purchase firm service.

---

[41] Testimony of Rexford Adams at 53.

[42] Testimony of Catherine Palazzari at 34.

[43] *Southern Natural Gas Co.*, 99 FERC ¶ 61,345 at P 85-87 (2002).

55. Further, Order No. 637 discussed the concept of providing an incentive for shippers to contract for longer-term service, rather than a disincentive for contracting for shorter term service. Thus, Order No. 637 suggested that firm shippers willing to sign up for longer terms be rewarded with a lower rate, not that shippers desiring to continue short-term contracts be charged a higher rate.

56. Moreover, El Paso's proposal fails to take into account the inferior nature of IT service. The Commission has consistently held that IT service should be at a lower rate than FT service because it is of a lower quality. The fact that under current circumstances on El Paso, IT service is rarely interrupted does not change this. As the Commission explained in *HIOS*, although shippers on that pipeline rarely had their service interrupted, it is not true that they were enjoying a "free ride[,]" and the IT shippers contributed their fair share to the recovery of the pipeline's fixed costs based on their 100 percent load factor rates.[44]

57. The Commission's regulations provide that pipelines that provide firm service under Part 284 must also offer interruptible service.[45] There is a role for interruptible service on the national transportation grid and it is not the Commission's policy to use pricing for this service as a means of discouraging customers from using IT. Shippers should be able to choose whether to purchase firm or interruptible service based on their needs and proper price signals, not based on a pricing scheme that discourages use of one type of service. It is not the Commission's policy that IT service should be priced in a manner that discourages its use. In its answer to Indicated Shippers' motion, Southwest asserts that the Commission's decisions cited by Indicated Shippers do not require the use of a 100 percent load factor in determining rates, and acknowledge that other levels may be appropriate in certain circumstances. The Commission recognizes that, as it stated in the *HIOS* decision, in some circumstances a deviation from the 100 percent load factor may be warranted.[46] However, as explained above, in this case El Paso has not presented any evidence or argument that warrants a departure from the Commission's general policy favoring a 100 percent load factor IT rate.

58. In its answer to Indicated Shippers' motion for summary rejection, El Paso alleges that its proposal raises issues of fact that must be addressed at a hearing. El Paso states that the particular facts and circumstances on its system that warrant a departure from the Commission's policy favoring a 100 percent load factor rate are that firm customers on El Paso use their capacity at only a 60 percent load

[44] *HIOS*, 110 FERC ¶ 61,043 at P 201.
[45] 18 C.F.R. § 284.9(a)(1) (2005).
[46] *HIOS*, 110 FERC ¶ 61,043 at P 199.

factor, that during non-peak periods, IT service is essentially the same quality as firm, that El Paso historically has had to compete in a market often characterized by excess capacity, that El Paso is threatened by potential upcoming capacity turnbacks, that shippers with IT contracts impose a greater risk to the pipeline and other shippers, that over 500 MMcf/day of El Paso's capacity to serve electric generation customers is not currently under firm contracts, and that El Paso seeks to provide shippers with incentives to enter into firm contracts. However, as discussed above, none of these alleged "facts," which are assumed to be true for the purposes of the motion for summary disposition, warrants a departure from the Commission's general policy favoring a 100 percent load factor IT rate.

5. The FT-2 Rate

59. Rate Schedule FT-2 is El Paso's small customer firm transportation rate schedule that entitles a qualified shipper to schedule its full requirements with El Paso, up to 10,000 Dth per day, and pay a one-part volumetric rate for that service. In the Capacity Allocation Proceeding, the Commission directed that FR contracts on El Paso be converted to CD contracts, but found that small shippers could retain full requirements service under El Paso's Rate Schedule FT-2 as long as their requirements remain less than 10,000 Dth/d.[47]

60. In its tariff filing, El Paso has proposed a two-tiered, one-part volumetric rate structure for FT-2 full requirements service. El Paso states that it has allocated an annual average of approximately 27,000 Mcf/day of San Juan receipt capacity and mainline capacity to serve FT-2 shippers, and each Rate Schedule FT-2 shipper was allocated San Juan Basin capacity based on that shipper's historic levels of service. This historic service level will be the Tier 1 service and the rate for this service will be a 60 percent load factor equivalent. A shipper that does not exceed its Tier 1 capacity will pay only the Tier 1 rate.

61. However, El Paso states, FT-2 shippers may use primary capacity rights for up to 10,000 Dth per day. Therefore, for capacity needs above the shipper's allocated Tier 1 capacity and up to 10,000 Dth per day, the shipper will have available primary rights from receipt points located in the Permian Basin. El Paso has proposed a separate, higher Tier 2 rate, which is based on a 40 percent load factor equivalent rate and will be charged to those shippers that use capacity over and above their allocated Tier 1 capacity levels.

[47] There are currently 27 FT-2 shippers on El Paso's system.

62. Apache and EPMCG filed protests to El Paso's proposal. Apache argues that El Paso has provided no reason why a FT-2 customer that needs more than its Tier 1 allocation on a given day must resort to the more expensive Tier 2 service when some or all of the other FT-2 customers are not using all their allotted Tier 1 capacity. Apache argues that by proposing a Tier 1 cap, El Paso is eliminating the valuable benefit of having a small pool of capacity available to meet FT-2 demands. Apache argues that this reduces the value of FR service and is inconsistent with Apache's contract rights. Apache argues that El Paso should not be permitted to make this change, absent a showing by El Paso under the *Mobile-Sierra* doctrine[48] that this change is required by the public interest. Apache also protests the rate design assumptions used by El Paso in developing the Tier 2 rate.

63. EPMCG argues that El Paso's proposal unduly complicates service for these small shippers and means that they cannot obtain all of their requirements from the same basin during their peak consumption whether or not El Paso has adequate capacity there. EPMCG argues that the Commission should reject El Paso's proposal as administratively burdensome. It states that in the Capacity Allocation Proceeding, the Commission prohibited El Paso from allocating these small contracts among different supply basins in recognition that such an approach would be administratively burdensome.

64. EPMCG states that this proposal will complicate scheduling and purchasing of gas for these small customers. For example, EPMCG states, the City of Benson, Arizona, has an allocation of Tier 1 capacity of 507 Mcf/d. If, during a cold snap, it requires 550 Mcf/d, it must purchase 43 Mcf/d from the Permian Basin or pay overrun and penalty charges. EPMCG states that no seller of gas is interested in such a small transaction. EPMCG asserts that the way in which El Paso has allocated capacity rights to FT-2 customers is arbitrary and capricious and deviates from the Commission's order to El Paso in 2003.

65. In the Capacity Allocation Proceeding, the Commission was concerned about placing undue administrative burdens on small FT-2 shippers and stated that the impact of the FT-2 contracts on the El Paso system is de minimis.[49] The Commission is concerned that requiring the small shippers to take small amounts of gas from the Permian Basin may place a burden on the small shippers.

---

[48] *United Gas Pipeline Co. v. Mobile Gas Services Corp.,* 350 U.S. 332 (1960); *FPC v. Sierra Pacific Power Co,* 350 U.S. 348 (1956).

[49] El Paso cites *El Paso Natural Gas Co.,* 100 FERC ¶ 61,285 at P 46 (2002).

66. The Commission will consider this matter at the technical conference at which El Paso may further explain its proposed restrictions on the FT-2 service. In addition, the Commission finds that the two-tiered rates for FT-2 service may be unjust and unreasonable, and, accordingly, the FT-2 rates will be addressed at the hearing established in this proceeding.

6. Tracker for Right-of-Way and Maintenance

67. El Paso states that similar to its fuel tracker proposal, El Paso proposes to track two other cost-of-service items that are substantial in relation to total system cost and are highly unpredictable. First, El Paso states that it proposes to track the cost of renewing its ROW for the 900 miles of its mainline system that cross Navajo Nation lands. El Paso claims that the Navajo Nation is demanding an increase of 1000 percent above the ROW payment that El Paso now makes to the Nation, under a 20-year agreement that expires on October 17, 2005. Second, El Paso proposes to track its maintenance expenditures, including pipeline program costs.

68. El Paso acknowledges that the Commission disfavors the use of cost trackers because the individual costs that are tracked by means of surcharges may be offset by decreases in costs that are not being tracked.[50] El Paso points out that the Commission, however, has approved proposals by pipelines to use limited section 4 filings to track or flow through costs in certain circumstances. El Paso refers to fuel mechanisms as an example, where pipelines are permitted to recover highly volatile and large gas costs.[51] El Paso also refers to tracking mechanisms for take-or-pay settlement contract costs for recovery of prudently incurred costs.[52] El Paso also refers to other Commission-approved trackers pertaining to recovery of Account No. 858 costs,[53] and trackers based solely on the facts of particular pipelines because the Commission found that the benefits outweigh the detriment to ratepayers.[54]

---

[50] El Paso cites *Midwestern Pipeline Co.*, 57 FERC ¶ 61,073 (1991).

[51] El Paso cites *ANR Pipeline Co.*, 110 FERC ¶ 61,069 (2005).

[52] *See Order No. 636-C*, 78 FERC ¶ 61,186, at 61,787 (1997) (Citing Order No. 500-H, FERC Statutes and Regulations, Regulations Preambles 1986-1990 at 31,575).

[53] El Paso cites *Algonquin Gas Transmission Co.*, 55 FERC ¶ 61,334 (1991).

[54] El Paso cites *Canyon Creek Compression Co.*, 99 FERC ¶ 61,351, *order after technical conference,* 101 FERC ¶ 61,233 (2002).

69. El Paso states that it is making an $8.2 million adjustment to the base period ROW expense to reflect the cash portion of El Paso's most recent offer to the Navajo Nation. However, El Paso explains that Navajo negotiators are requesting approximately $22 million per year in ROW payments. El Paso states that given the unpredictability of these negotiations, as well as the magnitude of the costs that will ultimately result from the negotiations, El Paso believes it is appropriate to establish a surcharge mechanism to recover the actual expenses it ultimately incurs. El Paso states that under the proposed surcharge, El Paso would file to adjust annually for increases or decreases in ROW fees paid to the Navajo Nation or its related entities, plus amounts paid in possessory interest taxes (*i.e.* property tax).

70. With regard to El Paso's maintenance expenditures, El Paso states that the surcharge will allow El Paso the opportunity to recover these necessary costs of properly maintaining its pipeline without resort to frequent rate cases. El Paso also states that it will permit El Paso to implement AR-18 (*i.e.*, one component of the tracked costs) without being harmed by the unavoidable timing of this rate case. El Paso states that maintenance expenditures, many of which have been, and will be, incurred to comply with recently enacted federal pipeline safety legislation, are particularly unpredictable. El Paso points out that a maintenance tracker is consonant with recent Commission precedent suggesting that a surcharge can be an appropriate way to recover uniquely volatile and unpredictable costs.[55] El Paso states that, based on the Commission's notice of proposed rulemaking in AR-18, it has adjusted its Operation and Maintenance expense by over $14 million to reflect the expensing rather than capitalization of those costs as proposed by AR-18. El Paso is proposing to recover through a surcharge, to be adjusted annually based on a limited section 4 filing, the costs incurred for its pipeline integrity program depending on the outcome in the AR-18 rulemaking. El Paso states that its projected test period level of maintenance and pipeline integrity expenditures exceeds $36 million. Further, El Paso proposes that the amounts to be recovered through the surcharge be reduced by annual accrued depreciation on maintenance and pipeline integrity investments. Finally, El Paso states that its proposed maintenance tracker is consistent with Commission action in other cases.[56]

[55] El Paso cites *Florida Gas Transmission Co.*, 109 FERC ¶ 61,320 (2004) (order approving Settlement).

[56] El Paso cites *Southern Natural Gas Co.*, 111 FERC ¶ 63,043 (2005) (order approving uncontested Settlement).

71. Numerous parties object to El Paso's proposed method to track costs associated with Navajo ROW, maintenance, and system integrity and request rejection. MGI Supply requests the Commission summarily dismiss the proposed trackers for Navajo ROW and system integrity. MGI Supply argues that the Commission's policy clearly discourages trackers of this sort because they permit a regulated entity whose rates have been otherwise established on a test-period basis to adjust one component of its cost of service without exposing the remainder to scrutiny. MGI Supply also argues that the two cases (*i.e.*, *Florida Gas Transmission* and *Southern Natural Gas Company*) cited by El Paso as support for cost of service trackers do not set policy since they were the result of settlements. TGS states that El Paso's pipeline integrity cost program is unsupported and will result in over recovery of costs. TGS claims that El Paso's proposal should be rejected as overbroad, unsupported, and inconsistent with the Commission's recent order on accounting for pipeline assessment costs.[57] PG&E argues that the availability of a tracker for the ROW will diminish El Paso's incentive to negotiate the best outcome for its customers' best interest. UNS argues that the Commission will not allow a cost tracker without a compelling demonstration of need.[58] UNS cites section 284.10(c)(2) of the Commission's regulations, which states that any rate filed for service subject to this section must be designed to recover costs on the basis of projected units of service. UNS states that a cost tracker, by ensuring a level of revenue recovery, would weaken two important incentives that flow from this requirement, such as the pipeline's incentives to minimize its costs and maximize the service it provides.[59] El Paso filed a response to the motion for summary rejection, arguing that there is no absolute prohibition against surcharges and that it should be able to address at the hearing the issue of whether these surcharges are appropriate.

72. The Commission will reject El Paso's proposed Navajo ROW, maintenance, and system integrity cost of service trackers as inconsistent with Commission policy as discussed below. While the Commission rejects El Paso's proposal to recover by means of a tracking mechanism the costs associated with renewing its right-of-way across Navajo Nation lands, the Commission recognizes that due to the ongoing nature of El Paso's negotiations with the Navajo Nation, the costs associated with this expense are not known at this time.

---

[57] *Jurisdictional Public Utilities Licensees, Natural Gas Companies, Oil Pipeline Companies*, 111 FERC ¶ 61,501 (2005).

[58] UNS cites *Midwestern Gas Transmission Co.*, 57 FERC ¶ 61,073 (1991).

[59] UNS cites *Canyon Creek Compression Co.*, 99 FERC ¶ 61,351, at 62,508 (2002).

73. In its transmittal letter, El Paso asks the Commission, in view of the unique nature of the ROW issues, to remove the deadline imposed by the end of the test period for the ROW costs. The test period in this case ends in December 2005 and El Paso's current contract with the Navajo Nation terminates in October 2005. We understand that these negotiations are ongoing and sensitive. Accordingly, if the ROW costs become known and measurable *after* the test period, El Paso may seek waiver to include such costs in accordance with section 154.303(d). The Commission has in some circumstances found it appropriate to consider data outside of the test period if the post-test-period data show that the projections based on the test-period data will be seriously in error.[60] Assuming good cause exists, the Commission may consider granting the requested waivers and consolidating the filing with the ongoing hearing, if the hearing has not progressed too far as to be burdensome to the other parties. Finally, we offer the parties to this issue the services of the Commission's Office of Dispute Resolution to assist in their negotiations.

74. Historically, the Commission has not allowed cost of service trackers for costs associated with Operation and Maintenance and Administrative and General because they permit a regulated entity whose rates have been otherwise established on a test-period basis to adjust one component of its COS without exposing the remainder to scrutiny.[61] El Paso concedes on page 13 of its transmittal letter that the Commission disfavors the use of cost trackers because the individual costs that are tracked by means of the surcharges may be offset by decreases in costs that are not being tracked.

75. Finally, the Commission has previously rejected a pipeline's request for out-of-test-period costs in an Account No. 858 cost of service tracker.[62] Further, the cases cited by El Paso to support cost of service trackers, such as *Florida Gas Transmission Company*, *Algonquin Gas Transmission, LLC*, and *Southern Natural Gas Company*, were the result of settlements and do not establish Commission

---

[60] *Williston Basin Interstate Co*., 87 FERC ¶ 61,265 at 62,022 (1999); *National Fuel Gas Supply Corp*., 51 FERC ¶ 61,122 at 61,334 (1990); *Distrigas of Massachusetts Corp*. *v*. *FERC*, 737 F.2d 1208, 1220-21 (1st Cir. 1984).

[61] *E.g., ANR Pipeline Co.*, 70 FERC ¶ 61,143 at 61,431 (1995) (rejecting pipeline's request for base rates cost of service tracker); *Canyon Creek Compression Co.*, 99 FERC ¶ 61,351 at PP 14-15 (2002) (finding that, except in special circumstances, cost of service tracking provisions are contrary to the requirement in section 284.10(c)(2) of the Commission's regulations that rates be designed on estimated units of service).

[62] *See ANR Pipeline Co.*, 70 FERC ¶ 61,143 at 61,431 (1995).

policy. El Paso also cites to *Canyon Creek Compression Company* (*Canyon Creek),*[63] in which the Commission approved a cost of service tracker based solely on the individual facts of the case. However, the Commission's decision in *Canyon Creek* is not on point here. Canyon Creek tracks its entire cost of service, matching any increases with declining rate base and other decreasing expenses. Further, Canyon Creek submitted a reserve study demonstrating a sufficiently significant probability of declining throughput to justify waiver of the Commission's policy against trackers to ensure that it has an opportunity to recover its revenue requirement as its throughput declined. Unlike the situation in *Canyon Creek*, El Paso is not proposing to track its entire cost of service, but rather only two specific elements of the cost of service. El Paso has not provided sufficient support to warrant waiver of the Commission's policy against trackers.

7. Hourly and Daily Services

76. As discussed above, El Paso states that it is proposing a variety of new daily and hourly services, including no-notice and other services that will provide shippers with the firm right to vary their takes on daily and hourly bases. El Paso states that the tariff changes associated with these new services are modeled on services that the Commission has approved for other pipelines.[64] El Paso proposes to price these new services at a level that recognizes the fact that shippers who do not take gas ratably, and who incur significant daily imbalances, require greater amounts of El Paso's system resources. As a result, El Paso proposes to charge rates for these new services on a simple pay for what you use approach.

77. El Paso proposes the following new hourly and daily services: (1) Hourly Enhanced Entitlement Nominations (HEEN), an enhanced scheduling right under Rate Schedule FT-1; (2) Hourly Firm Transportation Service, Rate Schedule FT-H, which provides defined peak hour limitations and peak hour durations in several different packages, tailored to the different hourly behavior profiles of

---

[63] 99 FERC ¶ 61,351 (2002).

[64] El Paso cites *Portland Natural Gas Transmission System,* 106 FERC ¶ 61,289, at P 61 (2004), *order on reh'g*, 110 FERC ¶ 61,375 (2005); *Colorado Interstate Gas Company*, 96 FERC ¶ 61,330 (2001); *Gulfstream Natural Gas System, L.L.C.*, 91 FERC ¶ 61,119, at 61,464 (2000), *order issuing certificates, on clarification, and on reh'g*, 94 FERC ¶ 61,185, *order amending certificate*, 98 FERC ¶ 61,349, at 62,480 (2002); *See* also *Gulfstream Natural Gas System, L.L.C.*, 100 FERC ¶ 61,018, at P 33 (2002).

El Paso's shippers; (3) Firm Daily Balancing Service, Rate Schedule FDBS, a storage patterned service using pipeline assets and line pack as horizontal storage; and (4) No-Notice services, which are the combination of FT-1 or FT-H and FDBS services.

78. El Paso also proposes to offer an interruptible storage service that will enable shippers to store gas quantities at the Washington Ranch storage facility to be withdrawn later at the shipper's request. El Paso states that it will be able to provide this new service with existing facilities and no facility modifications or additional facilities would be required.

79. Numerous parties filed protests arguing for rejection of the various daily and hourly services proposed by El Paso. Others parties, such as Southwest, request that this issue be set for hearing. The protestors also take issue with the level and allocation of the costs of such services.

80. Indicated Shippers and AEPCO argue that it appears that HEEN service would allow a shipper to take non-ratably during the day, but restricts total takes in any one hour to 1/24th of the shipper's contract demand, which implies a ratable take requirement. AEPCO states that El Paso has not shown that splitting its current non-ratable FT-1 service for East of California shippers into separate ratable and non-ratable components is required to preserve system reliability. EPMGC argues that the creation of ratable takes in FT service is an unlawful abandonment of service. SRP claims that El Paso's proposal to enforce strict ratable takes is contrary to Commission precedent and should be rejected.[65] El Paso Electric states that the proposed services permit shippers to deviate or swing from hourly ratable takes based on load profiles of individual shippers. El Paso Electric contends that nowhere in El Paso's filing does it set forth these load profiles for any shipper. Harquahala objects to El Paso's attempt to limit a customer's hourly service based on its daily nominations.

81. CPUC argues that these proposed enhanced hourly services are not being offered to California customers. TGS argues that HEEN service is only for forward hauls at points that will be posted at a later date. TGS argues that El Paso failed to identify and provide operational support for the proposed limitations as to the points at which service will be available and this could create potential for undue discrimination. PG&E asserts that it appears that these new services will only be available to East of California delivery points, and not the California

[65] SRP cites *Portland Natural Gas Transmission System*, 106 FERC ¶ 61,289 (2004), *order on reh'g*, 110 FERC ¶ 61,375 (2005).

delivery points. PG&E contends that these services should be available to all mainline delivery points. Blythe argues that the hourly and daily variability component of the proposed services cannot be transferred to alternate points. El Paso Electric and PD state that the premium services, such as FTH service and No-Notice Transportation Service Hourly (NNTH) service, are available only at premium service delivery points and these points are not identified.

82. Pimalco states that the proposed services are quite extensive and require significant analysis prior to being approved for El Paso's system. Blythe argues that the new hourly services can be terminated, modified, or suspended by El Paso at any time, which diminishes the reliability of the services. SPS argues that the hourly services are not just and reasonable and are discriminatory when compared to the HEEN service that FT shippers may use at no extra cost. El Paso Electric argues that the proposed new services are designed to compel FT-1 shippers to purchase premium services at premium rates or incur costly penalties for violating stringent ratable take provisions and daily imbalance provisions. El Paso Electric contends that since the proposed FTH service is in equal monthly quantities, East of California shippers are thus barred from converting their sculpted monthly contract rights to this service.

83. The Commission will accept and suspend the newly proposed hourly and daily services for five months to be effective January 1, 2006. The rates associated with these services will be set for hearing.

84. The Commission finds that the proposed new hourly and daily services are similar to other services previously approved by the Commission.[66] The Commission finds that these new hourly and daily services will provide shippers with the added flexibility to alter their hourly or daily flows to support swings in demand. In addition, these services are optional to shippers who wish to contract for such service for the added flexibility.

85. Protestors argue that the new hourly and daily services are restrictive and require ratable takes. The Commission finds that while El Paso's existing tariff does provide some flexibility to shippers, it requires shippers to make good faith efforts to take gas at uniform hourly rates of flow and does not give shippers firm,

---

[66] *See Colorado Interstate Gas Co.*, 96 FERC ¶ 61,330 (2001); *Portland Natural Gas Transmission System*, 106 FERC ¶ 61,289 (2004), *order on reh'g*, 110 FERC ¶ 61,375 (2005); and *Gulfstream Natural Gas System, L.L.C.*, 100 FERC ¶ 61,018, at P 33 (2002).

specified rights to hourly variations.[67] However, shippers now have the option under El Paso's newly proposed hourly and daily services to take gas at non-ratable takes. Shippers can swing gas takes by as much as 150 percent of 1/24th of the daily scheduled quantity under Rate Schedules FT-H and NNTH.

86. Protesters argue that El Paso's newly proposed hourly and daily services are restrictive with regard to allowable delivery points and are restrictive to forward hauls for HEEN service. The Commission finds that El Paso has not demonstrated that these operational limitations are necessary.

87. The Commission allows limitations on service flexibility for open access services only when the pipelines demonstrate that the limitations are operationally necessary.[68] However, the Commission finds that El Paso has not demonstrated that flexibility limitations are operationally necessary in the context of its proposed hourly and daily firm and interruptible transportation and storage services. El Paso is required to explain any restrictions with regard to delivery points and forward haul at the technical conference.

B. Issues Set for Hearing and Technical Conference

88. The instant application raises many typical rate case issues that need to be investigated further. Accordingly, the Commission will establish a hearing to explore issues including, but not limited to, the issues set out in the protests regarding cost-of-service, cost allocation, and rate design for the existing and new services. These issues should be examined in the context of a hearing where a factual record can be developed by the parties.[69]

89. The Commission will set all other issues related to the proposed new services and the proposed terms and conditions reflected in the tariff sheets listed in Appendix A, other than the issues resolved in this order and the issues set for hearing, for technical conference in order to seek a prompt resolution of the terms and conditions of these services prior to the end of the suspension period. These issues include the applicability of the 1996 Settlement rate cap, the general terms and conditions of service, pooling, overrun and variance charge provisions, and flexibility of receipt points for FT-2 service. Resolution of these issues first

---

[67] *See Southwest Gas Corp.*, 111 FERC ¶ 61,511 (2005).

[68] *See Colorado Interstate Gas Co.*, 96 FERC ¶ 61,330 (2001).

[69] As explained above, the issues to be addressed at the hearing are limited to issues raised in El Paso's tariff filing in this proceeding. These issues do not include matters related to the capacity shortfall on El Paso during 2000-01.

permits the allocation and rate design issues to be determined more quickly and efficiently in the hearing ordered in this proceeding.

90. El Paso has proposed three sets of tariff sheets: primary tariff sheets that reflect the termination of the applicability of Article 11 of the 1996 Settlement, first alternate tariff sheets that reflect the continued applicability of Article 11 for the eligible former full requirements shippers, and second alternate tariff sheets that reflect the continued applicability of Article 11 for all eligible shippers. As discussed above, the Commission will address the issue of the continued applicability of Article 11 after the technical conference. Therefore, the Commission will accept and suspend the primary tariff sheets contained in Appendix A, subject to further Commission order, and will reject the first and second alternate tariff sheets contained in Appendix B. The rates contained in the primary tariff sheets reflect the elimination of the Article 11 rate cap. Should the Commission ultimately determine that the rate cap should remain in place, El Paso will be responsible for refunds.

Suspension

91. Based on a review of the filing, the Commission finds that the proposed tariff sheets have not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission shall accept the tariff sheets in Appendix A for filing, and suspend their effectiveness for the period set forth below, subject to the conditions in this order.

92. The Commission's policy regarding rate suspensions is that rate filings generally should be suspended for the maximum period permitted by statute where preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or that it may be inconsistent with other statutory standards.[70] 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.[71] Such circumstances do not exist here. Therefore, the Commission shall

[70] *See Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension).

[71] *See Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension).

exercise its discretion to suspend the rates for five months, and permit the tariff sheets to take effect on January 1, 2006, subject to refund. Additionally, the tariff sheets in Appendix A are accepted subject to the outcome of a hearing or a technical conference in this proceeding, as discussed above.

93. El Paso must adhere to section 154.303(c)(2) of the Commission's regulations which provides that at the end of the test period, the pipeline must remove from its rates costs associated with any facility that is not in service or for which certificate authority is required but has not been granted.

The Commission orders:

(A) The proposed tariff sheets listed in Appendix A are accepted and suspended for five months to be effective January 1, 2006, subject to conditions and the outcome of the hearing and technical conference established in this order.

(B) The tariff sheets listed in Appendix B are rejected.

(C) El Paso is directed to refile tariff sheets consistent with the discussion in the body of this order 30 days prior to moving the rates into effect at the end of the suspension period.

(D) Upon its motion to place suspended rates into effect, El Paso must remove facilities not placed in service before the effective date.

(E) The Commission Staff is directed to convene a technical conference to explore issues, and to report the results of the conference to the Commission within 150 days of the issuance of this order.

(F) Pursuant to the authority of the Natural Gas Act, particularly sections 4, 5, 8, and 15 thereof, and the Commission's rules and regulations, a public hearing shall be held in Docket No. RP05-422-000 concerning the lawfulness of El Paso's proposed rates.

(G) A Presiding Administrative Law Judge, to be designated by the Chief Administrative Law Judge for that purpose pursuant to 18 C.F.R. § 375.304, shall hold the hearing (and the litigation time track) in abeyance pending the outcome of the issues set for technical conference. Nevertheless, the parties are encouraged to pursue settlement options of all issues raised by the filing while the technical conference issues are under review. Upon completion of the technical conference and issuance of a Commission order regarding the issues discussed therein, the

Administrative Law Judge shall convene a prehearing conference in this proceeding in a hearing or conference room of the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426. The prehearing conference shall be held for the purpose of clarification of the positions of the participants and establishment by the presiding judge of any procedural issues and discovery dates necessary for the ensuing hearing. The Presiding Administrative Law Judge is authorized to conduct further proceedings in accordance with this order and the Rules of Practice and Procedure.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

Appendix A

El Paso Natural Gas Company
Docket No. RP05-422-000
Accepted Tariff Sheets
Effective January 1, 2006
Subject to further order
Second Revised Volume No. 1-A

First Revised Sheet No. 0 (Title Page)
Twenty-Sixth Revised Sheet No. 1
Seventh Revised Sheet No. 2
Original Sheet No. 2A
Second Revised Sheet No. 10
First Revised Sheet No. 11
Thirty-First Revised Sheet No.20
Seventh Revised Sheet No. 21
Twenty-Fifth Revised Sheet No. 22
Sub Thirtieth Revised Sheet No. 23
Thirty-Seventh Revised Sheet No. 24
Seventh Revised Sheet No. 25
Original Sheet No. 25A
Original Sheet No. 25B
Original Sheet No. 25C
Original Sheet No. 25D
Original Sheet No. 25E
Original Sheet No. 25F
Original Sheet No. 25G
Original Sheet No. 25H
Substitute 31st Revised Sheet No. 26
Thirty-First Revised Sheet No. 27
Second Revised Sheet No. 27A
Twenty-Fourth Revised Sheet No. 28
Second Revised Sheet No. 28A
Original Sheet No. 28B
Original Sheet No. 28C
Original Sheet No. 28D
Original Sheet No. 28E
Original Sheet No. 28F
Original Sheet No. 28G
Thirteenth Revised Sheet No. 29
Second Revised Sheet No. 100
Fifth Revised Sheet No. 101
Second Revised Sheet No. 101A
Eighth Revised Sheet No. 102
Fourth Revised Sheet No. 103
Third Revised Sheet No. 104
Third Revised Sheet No. 105
Original Sheet No. 106
Original Sheet No. 106A
Original Sheet No. 106B
Original Sheet No. 107
Original Sheet No. 107A
Original Sheet No. 107B
Original Sheet No. 107C
Original Sheet No. 107D
Original Sheet No. 107E
Sheet Nos. 108-109
Third Revised Sheet No. 110
Original Sheet No. 110A
Eighth Revised Sheet No. 111
Eighth Revised Sheet No. 112
First Revised Sheet No. 112A
Eighth Revised Sheet No. 113
Fifth Revised Sheet No. 113A
Fifth Revised Sheet No. 113B
First Revised Sheet No. 113C
Sixth Revised Sheet No. 113D
Third Revised Sheet No. 113E
Sixth Revised Sheet No. 114
First Revised Original Sheet No. 114A
Third Revised Original Sheet No. 115
Second Revised Sheet No. 116
Tenth Revised Sheet No. 117
Eleventh Revised Sheet No. 118
Fourth Revised Sheet No. 118A
Fifth Revised Sheet No. 119

Appendix A

El Paso Natural Gas Company
Docket No. RP05-422-000
Accepted Tariff Sheets
Effective January 1, 2006
Subject to further order
Second Revised Volume No. 1-A

Second Revised Sheet No. 121
Third Revised Sheet No. 125
Second Revised Sheet No. 126
Fifth Revised Sheet No. 127
Fourth Revised Sheet No. 128
Third Revised Sheet No. 129
Sheet No. 130
Second Revised Sheet No. 133
Second Revised Sheet No. 134
Second Revised Sheet No. 135
Second Revised Sheet No. 137
First Revised Original Sheet No. 138
First Revised Original Sheet No. 139
First Revised Original Sheet No. 140
First Revised Original Sheet No. 141
First Revised Original Sheet No. 142
First Revised Original Sheet No. 143
First Revised Original Sheet No. 144
Original Sheet No. 145
Original Sheet No. 145A
Original Sheet No. 145B
Original Sheet No. 145C
Original Sheet No. 145D
Original Sheet No. 145E
Original Sheet No. 145F
Original Sheet No. 145G
Original Sheet No. 145H
Original Sheet No. 145I
Original Sheet No. 145J
Original Sheet No. 145K
Original Sheet No. 145L
Original Sheet No. 145M
Original Sheet No. 146
Original Sheet No. 146A
Original Sheet No. 146B
Original Sheet No. 146C
Original Sheet No. 146D
Original Sheet No. 146E
Original Sheet No. 146F
Original Sheet No. 147
Original Sheet No. 147A
Original Sheet No. 147B
Original Sheet No. 147C
Original Sheet No. 147D
Original Sheet No. 147E
Original Sheet No. 147F
Original Sheet No. 147G
Original Sheet No. 147H
Original Sheet No. 148
Original Sheet No. 148A
Original Sheet No. 148B
Original Sheet No. 148C
Original Sheet No. 148D
Original Sheet No. 148E
Original Sheet No. 148F
Original Sheet No. 148G
Original Sheet No. 148H
Original Sheet No. 148I
Original Sheet No. 148J
Original Sheet No. 148K
Original Sheet No. 148L
Original Sheet No. 148M
Original Sheet No. 148N
Sheet No. 149
Original Sheet No. 150
Original Sheet No. 150A
Original Sheet No. 150B
Sheet Nos. 151 – 199

Appendix A

El Paso Natural Gas Company
Docket No. RP05-422-000
Accepted Tariff Sheets
Effective January 1, 2006
Subject to further order
Second Revised Volume No. 1-A

Sixth Revised Sheet No. 200
Original Sheet No. 200A
Third Revised Sheet No. 201
Seventh Revised Sheet No. 202
Ninth Revised Sheet No. 202A
Thirteenth Revised Sheet No. 202B
Original Sheet No. 202C
Original Sheet No. 202D
Original Sheet No. 202E
Original Sheet No. 202F
Original Sheet No. 202G
Original Sheet No. 202H
First Revised Sheet No. 203
First Revised Sheet No. 204
First Revised Sheet No. 205
Third Revised Sheet No. 206
First Revised Sheet No. 207
First Revised Sheet No. 208
First Revised Sheet No. 209
Sixth Revised Sheet No. 211
Fifth Revised Sheet No. 211A
Fourth Revised Sheet No. 212
Third Revised Sheet No. 213
Eleventh Revised Sheet No. 214
Second Revised Sheet No. 214A
Fourth Revised Sheet No. 215B
Second Revised Sheet No. 215C
Fifth Revised Sheet No. 217
Fifth Revised Sheet No. 218
Fifth Revised Sheet No. 219
Second Revised Sheet No. 219A
Second Revised Sheet No. 219A.01
First Revised Sheet No. 219B
Second Revised Sheet No. 219C
First Revised Sheet No. 219D
Third Revised Sheet No. 219E
Second Revised Sheet No. 219F
First Revised Sheet No. 219G
First Revised Sheet No. 219J
First Revised Sheet No. 219K
First Revised Sheet No. 219L
First Revised Sheet No. 219M
First Revised Sheet No. 219N
First Revised Sheet No. 219O
First Revised Sheet No. 219P
First Revised Sheet No. 220
First Revised Sheet No. 221
First Revised Sheet No. 222
First Revised Sheet No. 223
First Revised Sheet No. 224
Second Revised Sheet No. 225
First Revised Sheet No. 226
Second Revised Sheet No. 227
First Revised Sheet No. 233
First Revised Sheet No. 235
Second Revised Sheet No. 236
Third Revised Sheet No. 238
Original Sheet No. 238A
Second Revised Sheet No. 239
Second Revised Sheet No. 240
Fifth Revised Sheet No. 241
First Revised Sheet No. 242
First Revised Sheet No. 247
Fourth Revised Sheet No. 249
First Revised Sheet No. 251
Third Revised Sheet No. 258
Fourth Revised Sheet No. 259
First Revised Sheet No. 259A

Appendix A

El Paso Natural Gas Company
Docket No. RP05-422-000
Accepted Tariff Sheets
Effective January 1, 2006
Subject to further order
Second Revised Volume No. 1-A

First Revised Sheet No. 260
Second Revised Sheet No. 261
Second Revised Sheet No. 270A
First Revised Sheet No. 271A
Second Revised Sheet No. 272
First Revised Sheet No. 273
Fourth Revised Sheet No. 274
First Revised Sheet No. 274A
First Revised Sheet No. 275
Second Revised Sheet No. 276
Original Sheet No. 284D
Original Sheet No. 284J
Original Sheet No. 284K
Second Revised Sheet No. 286
Original Sheet No. 286B
Sixth Revised Sheet No. 287
Fourth Revised Sheet No. 287A
Original Sheet No. 287C
Sixth Revised Sheet No. 288
Third Revised Sheet No. 288A
Eighth Revised Sheet No. 289
Original Sheet No. 289A
Fifth Revised Sheet No. 290A
Second Revised Sheet No. 291
First Revised Sheet No. 292
Original Sheet No. 292A
Original Sheet No. 292B
Original Sheet No. 292C
Fourth Revised Sheet No. 293
Second Revised Sheet No. 294
Second Revised Sheet No. 295
Third Revised Sheet No. 296
Fourth Revised Sheet No. 297
Fourth Revised Sheet No. 298
Second Revised Sheet No. 299
Second Revised Sheet No. 300
Second Revised Sheet No. 301
Second Revised Sheet No. 302
Third Revised Sheet No. 303
Third Revised Sheet No. 308
Third Revised Sheet No. 309
Third Revised Sheet No. 310
Second Revised Sheet No. 311
Second Revised Sheet No. 320
First Revised Sheet No. 321
Second Revised Sheet No. 322
Second Revised Sheet No. 323
Original Sheet No. 324
Sheet Nos. 325 - 329
Second Revised Sheet No. 330
Second Revised Sheet No. 331
Second Revised Sheet No. 332
First Revised Sheet No. 333
Third Revised Sheet No. 334
Second Revised Sheet No. 335
Seventh Revised Sheet No. 336
Third Revised Sheet No. 344
Fourth Revised Sheet No. 345
Second Revised Sheet No. 347
Second Revised Sheet No. 348A
Fourth Revised Sheet No. 349
Ninth Revised Sheet No. 350
Sixth Revised Sheet No. 350A
Fourth Revised Sheet No. 352
Fourth Revised Sheet No. 354
First Revised Sheet No. 355
Original Sheet No. 356A
First Revised Sheet No. 358

Appendix A

El Paso Natural Gas Company
Docket No. RP05-422-000
Accepted Tariff Sheets
Effective January 1, 2006
Subject to further order
Second Revised Volume No. 1-A

First Revised Sheet No. 359
First Revised Sheet No. 360
First Revised Original Sheet No. 362M
Original Sheet No. 362N
Second Revised Sheet No. 363
First Revised Sheet No. 363C
Second Revised Sheet No. 364
First Revised Sheet No. 372
Second Revised Sheet No. 373
Original Sheet No. 373A
Original Sheet No. 374
Original Sheet No. 375
Original Sheet No. 376
Sheet No. 377
Original Sheet No. 378
Original Sheet No. 379
Original Sheet No. 380
Original Sheet No. 381
Original Sheet No. 382
Original Sheet No. 383
Original Sheet No. 384
Original Sheet No. 385
Original Sheet No. 386
Original Sheet No. 387
Original Sheet No. 388
Original Sheet No. 389
Sheet Nos. 390 – 399
Fifth Revised Sheet No. 401
Fifth Revised Sheet No. 402
Third Revised Sheet No. 403
Fourth Revised Sheet No. 405
Third Revised Sheet No. 406
Fourth Revised Sheet No. 407
Third Revised Sheet No. 408
Second Revised Sheet No. 409
Original Sheet No. 410
Original Sheet No. 410A
Original Sheet No. 410B
Original Sheet No. 410C
Original Sheet No. 411
Original Sheet No. 411A
Original Sheet No. 411B
Sheet Nos. 412 - 413
Second Revised Sheet No. 415
Third Revised Sheet No. 416
Fourth Revised Sheet No. 419
Third Revised Sheet No. 420
Fourth Revised Sheet No. 423
Third Revised Sheet No. 433
Fourth Revised Sheet No. 434
Second Revised Sheet No. 437
Second Revised Sheet No. 438
Third Revised Sheet No. 439
Third Revised Sheet No. 442
Third Revised Sheet No. 446
Third Revised Sheet No. 447
Sheet Nos. 459 – 479
Original Sheet No. 480
Original Sheet No. 480A
Original Sheet No. 480B
Original Sheet No. 480C
Original Sheet No. 480D
Original Sheet No. 481
Original Sheet No. 481A
Original Sheet No. 481B
Original Sheet No. 481C
Original Sheet No. 481D
Original Sheet No. 482

Appendix A

El Paso Natural Gas Company
Docket No. RP05-422-000
Accepted Tariff Sheets
Effective January 1, 2006
Subject to further order
Second Revised Volume No. 1-A

Original Sheet No. 482A
Original Sheet No. 482B
Original Sheet No. 482C
Original Sheet No. 482D
Original Sheet No. 483
Original Sheet No. 483A
Original Sheet No. 483B
Original Sheet No. 483C
Original Sheet No. 483D
Sheet No. 484
Original Sheet No. 485
Original Sheet No. 485A
Original Sheet No. 485B
Original Sheet No. 485C
Sheet Nos. 486-499

Appendix B

El Paso Natural Gas Company
Rejected Tariff Sheets
Second Revised Volume No. 1-A

Alternate 31st Revised Sheet No. 20
Alternate Seventh Revised Sheet No. 21
Alternate Sub 30th Revised Sheet No. 23
Alternate Original Sheet No. 23A
Alternate Seventh Revised Sheet No. 25
Alternate Original Sheet No. 25A
Alternate Original Sheet No. 25B
Alternate Original Sheet No. 25C
Alternate Original Sheet No. 25D
Alternate Original Sheet No. 25E
Alternate Original Sheet No. 25F
Alternate Original Sheet No. 25G
Alternate Original Sheet No. 25H
Alternate Sub 31st Revised Sheet No. 26
Alternate Second Revised Sheet No. 27A
Alternate Sixth Revised Sheet No. 200
Alternate Third Revised Sheet No. 310
Alternate Second Revised Sheet No. 311
2nd Alternate 31st Revised Sheet No. 20
2nd Alternate 7th Revised Sheet No. 21
2nd Alternate Sub 30th Revised Sheet No. 23
Second Alternate Original Sheet No. 23A
2nd Alternate 7th Revised Sheet No. 25
Second Alternate Original Sheet No. 25A
Second Alternate Original Sheet No. 25B
Second Alternate Original Sheet No. 25C
Second Alternate Original Sheet No. 25D
Second Alternate Original Sheet No. 25E
Second Alternate Original Sheet No. 25F
Second Alternate Original Sheet No. 25G
Second Alternate Original Sheet No. 25H
2nd Alt Sub 31st Revised Sheet No. 26
2nd Alternate 2nd Revised Sheet No. 27A
2nd Alternate 6th Revised Sheet No. 200
2nd Alternate 3rd Revised Sheet No. 310
2nd Alternate Second Revised Sheet No. 311
2nd Alternate 3rd Revised Sheet No. 312