

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

August 16, 2005

In Reply Refer To:
Texas Eastern Transmission, LP
Docket No. RP04-25-003

Texas Eastern Transmission, LP
Attn: Gregg E. McBride
Vice President, Rates and Economic Analysis
P.O. Box 1642
Houston, TX 77251-1642

Reference: Compliance filing dated November 23, 2004

Dear Mr. McBride:

1. On December 15, 2004, Texas Eastern Transmission, LP (Texas Eastern) submitted a compliance filing pursuant to a Commission order issued in this proceeding on November 23, 2004.¹ In that order, the Commission conditioned acceptance of tariff sheets relating to the Texas Eastern Incremental Market Expansion Project (TIME Project) Applicable Shrinkage Adjustment (ASA) surcharge rate on the requirement that Texas Eastern provide additional explanation for the exclusion of system ASA cost elements from that rate. The Commission also found that Texas Eastern's incremental pricing proposal in this case included, among other things, the horsepower ratio methodology that was part of the methodology set for hearing in Docket No. RP03-542-000.² Accordingly, the Commission further conditioned acceptance of the revised tariff sheets filed in this docket on the outcome of that proceeding.

2. Notice of Texas Eastern's filing was published in the *Federal Register*,³ with interventions, comments and protests due on or before January 10, 2005. None were filed.

¹ *Texas Eastern Transmission, LP*, 109 FERC ¶ 61,212 (2004).

² *Texas Eastern Transmission, LP*, 104 FERC ¶ 61,180 (2003).

³ 70 Fed. Reg. 1,223 (2005).

3. In its compliance filing, Texas Eastern asserts that it would be inappropriate to include allocations of each of the cost elements used in determining its system ASA surcharge rate in the determination of the TIME Project ASA surcharge rate, because that would conflict with the Commission's directive that Texas Eastern establish a separate tracking methodology for that project. That is, it asserts that it would be inconsistent with incremental pricing for the TIME Project (and would favor rolled-in treatment instead). Texas Eastern further states that the TIME Project ASA tracking methodology already accounts for net cashout, gas purchase and gas auction line items and, therefore, including these system ASA cost items would result in a double cost assignment to the TIME Project. In addition, Texas Eastern asserts that other cost items, such as the credit for capitalized or reimbursed gas losses, compressor fuel taxes, and interruptible transportation revenue credits, historically have not been allocated to incremental customers, but, rather, have been allocated to those system customers responsible for the credits or costs when initially expended or incurred.

4. With respect to the conditional acceptance of the revised ASA tariff sheets subject to the outcome of the proceeding in Docket No. RP03-542-000, Texas Eastern asserts that the Commission approved the horsepower ratio methodology in its June 14, 2004 Order setting the Docket No. RP03-542-000 proceeding for hearing.⁴ It asserts that the horsepower methodology used in the Docket No. RP03-542-000 filing pertains to its existing electric-power compressors and not to the new electric compressor at the Lambertville station. Moreover, Texas Eastern states that all issues in Docket No. RP03-542-000 have been resolved pursuant to a Commission-approved uncontested offer of settlement⁵ and, accordingly, the condition on the acceptance of the tariff sheets in this case is now moot. Texas Eastern requests that the Commission accept the tariff sheets as filed and without condition.

5. We find reasonable Texas Eastern's explanation for exclusion of the cost elements used in determining its system ASA from the TIME Project ASA, and accordingly, we find that it has met the condition to support the cost elements underlying its proposed rates. In addition, because the proceeding in Docket No. RP03-542-000 resulted in a settlement of the issues in that case without a decision on the merits of the horsepower ratio methodology, the condition of acceptance on the outcome of that proceeding is moot and is removed. However, contrary to Texas Eastern's claim, the Commission did not approve the horsepower ratio methodology in its June 14, 2004 Order in Docket No. RP03-542-000 and, instead, set that rate methodology issue for hearing, among other issues. Nonetheless, in light of the fact that no party to the instant ASA proceeding opposed the horsepower ratio methodology that is part of Texas Eastern's incremental

⁴ Texas Eastern cites *Texas Eastern Transmission, LP*, 107 FERC ¶ 61,268 at P 41 (2004).

⁵ *Texas Eastern Transmission, LP*, 110 FERC ¶ 61,065 (2005).

pricing proposal here, the proposed rates are accepted without condition, but without prejudice to the methodology being protested in regard to Texas Eastern's future fuel tracker filings.

By direction of the Commission.

Linda Mitry,
Deputy Secretary.

cc: All Parties