

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 31, 2006

In Reply Refer To:
Transcontinental Gas Pipe Line Corp.
Docket No. RP06-241-000

Transcontinental Gas Pipe Line Corp.
P.O. Box 1396
Houston, TX 77251-1396

Attention: Marg Camardello
Manager, Tariffs and Certificates

Reference: Non-Conforming Service Agreements

Dear Ms. Camardello:

1. On March 1, 2006, Transcontinental Gas Pipe Line Corporation (Transco) filed 20 non-conforming Rate Schedule FT Service Agreements along with the referenced tariff sheets for Commission review.¹ The service agreements contain a transportation contract quantity provision which is not provided for under Transco's FT Rate Schedule and *pro forma* FT Service Agreement. Transco requests that the Commission approve the non-conforming service agreements and proposed tariff sheets effective January 1, 2006. The Commission accepts the non-conforming service agreements and tariff sheets effective January 1, 2006, as requested.

2. Transco states that the quantity provision of the service agreements constitutes a non-conforming provision and, in light of recent Commission orders, it has filed the contracts with the Commission for review. Transco states that each of the service agreements resulted from a prearranged permanent release of capacity to the Municipal Gas Authority of Georgia (MGAG). Transco states that the firm transportation services at issue in this filing were originally held by twenty separate former sales customers

¹ The tariff sheets are Seventh Revised Sheet No. 30 and First Revised Sheet No. 30A to FERC Gas Tariff, Third Revised Volume No. 1. These tariff sheets list the 20 non-conforming contracts.

using service under Transco's former G and OG Rate Schedules.² Transco states that through various Commission-approved stipulation and agreements the firm sales customers converted their sales service to a limited-term Rate Schedule FT service³ and subsequently converted to permanent long-term Rate Schedule FT service.⁴ Pursuant to these settlements, each converting G/OG sales customer was allowed to choose a varying maximum daily contract demand quantity profile for each month under its FT agreement. Transco states that the varying maximum daily contract demand quantities for each of the Cities was reflected in the FT service agreements by means of an exhibit.

3. Transco states that it does not offer such varying monthly contract demands to all its customers. Consistent with this fact, Transco's current *pro forma* service agreement under Rate Schedule FT contains a single blank to reflect the transportation quantity. Thus, the MGAG contracts are non-conforming.

4. Transco states that the Cities have appointed MGAG as their agent to administer the service agreements as well as the other gas supply and transportation agreements held by the Cities. The Cities effectuated prearranged permanent releases of their full firm entitlements under their service agreements to MGAG, pursuant to section 42.14 of Transco's GT&C. Transco states that the provisions in MGAG's service agreements do not pose a substantial risk of undue discrimination. Transco states that the Commission has approved non-conforming provisions that do not change the conditions under which service is provided and do not present a risk of undue discrimination.⁵ Transco states that the quantity provision should be approved because the deviations reflect the conditions under which the service was previously provided to the Cities.

5. Public notice of the filing was issued on March 9, 2006. Interventions and protests were due as provided in section 154.210 of the Commission's regulations.⁶ Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, all timely motions to intervene and all motions to intervene out of time filed before the issuance of this order

² The former G and OG sales customers are municipalities located in Georgia and Alabama (Cities).

³ *Transcontinental Gas Pipe Line Corp.*, 48 FERC ¶ 61,399 (1989).

⁴ *Transcontinental Gas Pipe Line Corp.*, 55 FERC ¶ 61,446 at 62,364 (1991).

⁵ *Citing Natural Gas Pipeline Negotiated Rates Policies and Practices*, 104 FERC ¶ 61,134, at p 27 (2003); *El Paso Natural Gas Co.*, 109 FERC ¶ 61,146 (2004); *ANR Pipeline Co.* 97 FERC ¶ 61,224 (2001); and *Columbia Gas Transmission Corp.* 97 FERC ¶ 61,221 (2001).

⁶ 18 C.F.R. §154.210 (2005).

are granted.⁷ Granting late intervention will not disrupt the proceeding or place additional burdens on existing parties. Atlanta Gas Light Company (Atlanta), Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas Company (Elizabethtown) and d/b/a Elkton Gas, and Virginia Natural Gas, Inc. (VNG) filed joint comments which are discussed below. MGAG filed comments in support of the filing.

6. Atlanta, Elizabethtown, Elkton and VNG state that Transco should be required to offer to its local distribution company customers the same type of seasonal service being offered to MGAG. These parties further state that the aggregation of 20 individual city firm transportation contracts into one large firm transportation contract held by MGAG is similar in nature to other local distribution companies' firm transportation agreements. Therefore, Atlanta, Elizabethtown, Elkton and VNG state that fairness dictates that Transco offer seasonal service to its other customers.

7. MGAG urges the Commission to approve the service agreements and to grant the requested waiver to permit the service agreements to be effective on January 1, 2006. MGAG states that the new transportation agreements will allow MGAG to manage its capacity for the benefit of its member cities and to manage transportation imbalances more efficiently and at lower cost for the member cities. In addition, MGAG states that as Transco pointed out in its transmittal letter, the capacity rights under the twenty service agreements were established initially under Transco's Commission-approved service restructuring settlements and were converted into long-term firm transportation agreements by the twenty cities. MGAG further states that the transfer of preexisting, Commission-approved capacity rights using the Commission approved capacity release mechanism does not entail any potential for undue discrimination.

Discussion

8. The Commission grants waiver of the notice period and accepts the non-conforming service agreements and tariff sheets. Cities, through permanent releases of their service agreements, is appointing MGAG to provide gas services to the municipalities. MGAG is a Georgia state public corporation formed under the Municipal Gas Authority Act⁸ for the purpose of obtaining gas supplies for Georgia municipalities that own and operate natural gas systems to administer these service agreements. The permanent release of the Cities' capacity was effectuated pursuant to the terms of section 42.14 of Transco's General Terms and Conditions. As such, Transco is not proposing any new seasonal service to any of its customers and is not permitted to do so

⁷ 18 C.F.R. §385.214 (2005).

⁸ 1987 Ga. Laws page no. 745, Ga. Code Ann., Chapter 4 Title 46.

under its tariff provisions. The permanent release to MGAG will provide the municipalities with the same service that the Cities received under contract entitlements that were established by previously-approved settlements. The contracts will continue to be used to serve the same customers with the same level of service that the Cities have historically received.

9. Based on these circumstances, the Commission finds that the varying seasonal contract demands in the filed contracts with MGAG are permissible material deviations from Transco's form of service agreement. Accordingly, the Commission rejects the request by Atlanta, Elizabethtown, Elkton and VNG that Transco be required to provide seasonal service to other customers.

By direction of the Commission.

Magalie R. Salas,
Secretary.