

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Sudeen G. Kelly, Marc Spitzer,  
Philip D. Moeller, and Jon Wellinghoff.

Kern River Gas Transmission Company

Docket No. RP04-274-000

ORDER ON MOTION

(Issued May 2, 2007)

1. This order addresses a motion filed by BP Energy Company, Calpine Energy Services, L.P., Pinnacle West Capital Corporation and Questar Gas Company (collectively the Kern River Shippers) requesting that the Commission direct Kern River Gas Transmission Company (Kern River) to provide certain additional information with respect to its December 18, 2006 compliance filing in this proceeding and schedule a technical conference to discuss the additional information. For the reasons discussed below, the Commission will grant the motion in part and deny the motion in part.

**Background**

2. On October 19, 2006, the Commission issued Opinion No. 486, an opinion and order on initial decision addressing Kern River's general section 4 rate case filed on April 30, 2004 in Docket No. RP04-274-000.<sup>1</sup> The Commission held that Kern River must continue its existing levelized rate methodology, but required various changes in the calculation of those rates. On December 18, 2006, in Docket No. RP04-274-008, Kern River submitted its filing to comply with the requirements of Opinion No. 486.

3. On January 8, 2007, the Kern River Shippers filed a motion for (1) production of computer models used in calculating the revised rates, (2) scheduling of technical conference, (3) modification of the date for comments and (4) shortened answer period.

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<sup>1</sup> *Kern River Gas Transmission Company*, 117 FERC ¶ 61,077 (2006).

On January 23, 2007, Kern River filed an answer to the Kern River Shippers' motion regarding compliance procedures. These pleadings are discussed below.

### **Motion of the Kern River Shippers**

4. The Kern River Shippers request that the Commission (1) direct that Kern River promptly furnish all participants in the captioned docket, electronic copies of each model with cells, links, formulae and data intact, used to calculate the data contained in Kern River's December 18, 2006 compliance filing herein; (2) schedule a technical conference to occur approximately three weeks after Kern River has complied with the Commission's direction to provide further information and (3) set a date for comments approximately one week after the technical conference.

5. The Kern River Shippers state that each Kern River Shipper has devoted considerable resources to reviewing the compliance filing. The Kern River Shippers have determined that a number of significant questions concerning the compliance filing cannot be answered without more complete information than that contained in the compliance filing. The Kern River Shippers assert that the compliance filing does not provide important information about the derivation of rates it contains. For example, the Kern River Shippers submit that the marginal, handwritten notations in the workpapers, which often do not cross-reference other filed material where underlying calculations could be reviewed, are inadequate to allow shippers to understand, much less verify, many of the steps taken in calculating the rates.

6. The Kern River Shippers assert that they are aware of no reason why the electronic version of the models, used to derive the compliance filing, should be denied to Kern River's Shippers. They state that Kern River provided an electronic version of the models used to derive the rates it originally had advocated in Docket No. RP04-274, presumably to justify its calculations. They assert that there is no reason why it should not provide the same type of support for the compliance filing. The Kern River Shippers contend that it would represent a tremendous waste of resources and time to recreate that which is already in Kern River's possession, namely the models with any changes to inputs, formulae and calculations made by Kern River based upon its understanding of the requirements of Opinion No. 486. The Kern River Shippers assert that it would be nonsensical to obligate the shippers and Staff to replicate the data inputting, calculation, and verification of revised rates involving a level of complexity that required an additional month of effort by Kern River. The Kern River Shippers argue that providing adequate information, including the models (which are the levelization methodology, according to Kern River), is a necessary prerequisite to verifying and testing the proposed compliance filing rates.

7. In addition, the Kern River Shippers contend that a technical conference held a reasonable period shortly after provision of the models would facilitate understanding of changes Kern River made to the models, input and the like, which may affect rates. They state that once the Kern River Shippers have had their questions concerning these matters addressed, they can eliminate those issues on which no controversy exists and more narrowly identify remaining items of controversy, if any, through supplemental comments.

### **Kern River's Answer**

8. Kern River filed an answer opposing the motion of the Kern River Shippers. Kern River asserts that the Commission should deny the shippers' request for an order directing Kern River to provide them with additional copies of the levelization models for the simple reason that all participants already have electronic copies of the models and they and their consultants have had well over two years to use and understand them.<sup>2</sup> Kern River argues that the calculations underlying Kern River's December 18 compliance filing are amply documented in the schedules, statements and workpapers included in its filing, most of which are simply printed copies of spreadsheets included in the electronic models. Kern River submits that the calculations done within the models for the compliance filing differ from those in the copies of the models the shippers already possess only to the extent they reflect the Commission's rulings in Opinion No. 486 adjusting certain cost factors (return on equity, for example) and billing determinants, and directing that depreciation of compressor engines and general plant be included in determining the levelized cost of service. Kern River states that the shippers have long had copies of Kern River's models and instructions for using them – and have uniformly declined Kern River's offer of assistance in understanding and using the models. Accordingly, Kern River asserts that a technical conference and supplemental comments would serve no purpose other than unnecessarily and unjustifiably prolonging this already lengthy proceeding.

### **Discussion**

9. The Commission will grant the Kern River Shippers' motion in part and deny it in part. The Commission finds that the Kern River Shippers' request that the Commission direct Kern River to furnish all participants with electronic copies of each model, with

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<sup>2</sup> *Citing*, Ex. Nos. KR-118 (**Protected Material**) (original filing), KR-119 (**Protected Material**) (45-day update filing); Ex. No. BP-54 (instructions).

cells, links, formulae and data intact, used to calculate the data contained in Kern River's December 18, 2006 compliance filing is reasonable. The Commission finds that it is appropriate for the parties to have the computer model on which Kern River based its December 18, 2006 compliance filing so that they may properly evaluate it. While Kern River asserts that parties have already seen two prior computer models, that fact is irrelevant to the parties' ability to examine the most recent computer model underlying its compliance filing. Kern River itself admits in its answer that the computer model for the compliance filing differs from the two prior models provided to the parties in this proceeding. Since Kern River has the most recent computer model in its possession, there is no reason to withhold that model from the parties and force them to replicate the model on their own. Accordingly, within 20 days of the date of this order Kern River is directed to provide interested parties with electronic copies of each model, with cells, links, formulae and data intact, used to calculate the data contained in Kern River's December 18, 2006 compliance filing. The Commission also recognizes that Kern River may request that parties who receive the information to be subject to a protective order as it did with the previous computer models in this proceeding.

10. The Commission denies the Kern River Shippers' request to establish a technical conference. As Kern River has pointed out, the parties are familiar with the computer models previously used by Kern River in this proceeding. Moreover, Kern River has stated that it has offered assistance in the past in understanding and using the computer model and the Commission directs Kern River to provide such assistance if requested by interested parties. Finally, within 30 days after the computer models are provided by Kern River, parties may file supplemental comments on Kern River's compliance filing based on their analyses of the information provided by Kern River.

The Commission orders:

(A) The Kern River Shippers' motion is granted in part and denied in part as discussed above.

(B) Within 20 days of the date of this order Kern River must provide to any interested party electronic copies of each model, with cells, links, formulae and data

intact, used to calculate the data contained in Kern River's December 18, 2006 compliance filing, and parties may file supplemental comments on the compliance filing 30 days thereafter.

By the Commission.

( S E A L )

Philis J. Posey,  
Deputy Secretary.