124 FERC ¶ 61,310
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

September 30, 2008

In Reply Refer To:
Equitrans, L.P.
Docket No. RP08-591-000

Equitrans, L.P.
225 North Shore Drive
Pittsburgh, PA 15212-5861

Attention: Joseph Dawley
Council, Energy & Environmental Law

Reference: Tennessee Capacity Surcharge Tracker

Dear Mr. Dawley:

1. On August 29, 2008, pursuant to section 4 of the Natural Gas Act and section 154.403 of the Commission's regulations,[1] Equitrans L.P. (Equitrans) filed tariff sheets[2] to establish a new Tennessee Capacity Surcharge Tracker to recover reservation charges incurred by Equitrans under a Gas Transportation Agreement with Tennessee Gas Pipeline Company (Tennessee) and establish rules and procedures for Equitrans's shippers to utilize the Tennessee capacity. The Commission accepts and suspends the proposed tariff sheets, to be effective October 1, 2008, subject to refund and conditions, and further Commission review.

2. On November 15, 2006, in Docket No. CP06-275-000, the Commission issued a Certificate authorizing Equitrans to construct and operate the Big Sandy project.[3] The Big Sandy project is a 67.61 mile long pipeline extending from the Big Sandy compressor station near Langley, in Floyd County, Kentucky to a connection with Tennessee's Broad Run lateral in Carter County, Kentucky. In order to receive gas into

[1] 18 C.F.R. § 154.403 (2008).

[2] See the Appendix for a list of the tariff sheets.

[3] *Equitrans, L.P.*, 117 FERC ¶ 61,184 (2006).

its Broad Run lateral, Tennessee needed to make modifications to its transmission system. To compensate Tennessee for the modifications made and provide downstream capacity to its shippers, Equitrans entered into a Firm Transportation Agreement (Transportation Agreement) with Tennessee under Rate Schedule FT-A for the term March 1, 2008 through August 30, 2010. This filing is being made by Equitrans to recover from Big Sandy pipeline[4] shippers costs incurred under the Transportation Agreement beginning October 1, 2008 through the end of the contract and to establish rules and procedures for Equitrans's Big Sandy pipeline shippers to utilize the Tennessee capacity.

3. Equitrans's proposed tariff sheets provide for recovery of capacity costs incurred by Equitrans under the Transportation Agreement for the period October 1, 2008 through August 31, 2010. The Transportation Agreement provides for 82,000 Dth per day of firm transportation service from Glancy Fork, the Equitrans Big Sandy interconnect with Tennessee, to Dry Creek, an interconnect on Tennessee with Texas Eastern Transmission Corporation. Equitrans proposes to recover from the Big Sandy pipeline shippers the firm reservation charges associated with the Transportation Agreement (Capacity Costs) by means of a surcharge tracker. The Tennessee Capacity Surcharge Tracker (TCST) rate shall be applicable to the Big Sandy pipeline shippers under Rate Schedule FTS and ITS. In addition to the TCST rate, firm and interruptible shippers nominating gas to Dry Creek will be responsible for fuel and volumetric charges assessed by Tennessee to transport gas to Dry Creek.

4. Equitrans proposes that annually, or at such other times as Equitrans in its reasonable discretion determines necessary, it may adjust the TCST rate to take into account both prospective changes in Capacity Costs and unrecovered Capacity Costs from the preceding period. Accordingly, Equitrans will estimate Capacity Costs for the prospective 12-month period based on the Transportation Agreement (Prospective Capacity Costs). Equitrans will separately adjust the Prospective Capacity Costs upward or downward if and to the extent that Equitrans under-recovered or over-recovered Capacity Costs during the prior 12-month period. Equitrans will determine the existence and amount of such under-recovery or over-recovery by determining the TCST revenues received from shippers, during the prior 12-month period and subtracting the actual Capacity Costs incurred by Equitrans during the prior 12-month period. The remaining over-recovered or under-recovered dollars, if any, will be subtracted from or added to the Prospective Capacity Costs. Equitrans will determine the TCST rate by dividing the adjusted Prospective Capacity Costs by the actual current Big Sandy reservation units

[4] Equitrans defines "Big Sandy Pipeline" in section 1.2 of the General Terms and Conditions of its FERC Gas Tariff, Original Volume No. 1 as the transportation facilities and assets located in Kentucky and approved by the Commission in Docket No. CP06-275-000.

under rate schedule FTS adjusted for projected interruptible throughput quantities estimated to flow during the prospective 12-month period. Equitrans proposes to make any adjustments to the TGST rate by making a Capacity Cost Tracker filing with the Commission annually on or before September 1 to become effective October 1 (Annual TCST Filing).

5. Based upon its current Big Sandy firm contracts, estimated interruptible volumes, and Tennessee's current rates, Equitrans's initial proposed firm reservation surcharge rate to be assessed firm service customers is \$1.7672 per MDQ and the volumetric surcharge rate to be assessed interruptible service customers is \$0.0581 per Dth. Equitrans workpaper 1 describes how it arrived at these figures:

Projected Tennessee Gas Pipeline Reservation Charges		\$ 2,814,240
Big Sandy Firm Demand (Dth/Day)	130,000	
IT Service Volumes (Dth/Day)	2,708	
Total Reservation Quantities (Dth/Day)		132,708
Annual Reservation Surcharge		\$ 21.2063
Monthly Reservation Surcharge (Annual/12)		\$ 1.7672
Interruptible Surcharge (Annual/365)		\$ 0.0581

6. Notice of Equitrans's filing was issued on September 9, 2008. Interventions and protests were due as provided in section 154.210 of the Commission's regulations, 18 C.F.R. § 154.210. Pursuant to Rule 214, 18 C.F.R. § 385.214 (2008), all timely filed motions to intervene and any motion to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties. No adverse comments or protests were made.

7. Equitrans states in its filing that the Tennessee costs were not included in its compliance filing made with the Commission to establish the final rates for service on the Big Sandy pipeline and Equitrans is proposing to recover the costs from October 1, 2008 through the end of the contract. Equitrans's filing raises issues, *inter alia*, regarding consistency with the underlying certificate authorizations for the Big Sandy pipeline and recovery of costs related to the interconnection with Tennessee.

8. The Commission requires additional information on Equitrans's proposal and must give the proposal further review in order to determine whether it is just and reasonable and in accordance with Commission precedent, policies and regulations. Staff is directed to issue a data request on this filing following this order.

9. The Commission also notes that there are two errors in Equitrans's proposed tariff language. In the next to last sentence in section 41.2, Equitrans did not include the word "be" between the words "will allocated". Also in the first sentence of section 41.3, Equitrans makes a reference to "section 41.3 below". The correct reference should be to "section 41.4 below". Therefore, the Commission directs Equitrans to make the revisions discussed above within 15 days of the issuance of this order.

10. Based upon a review of Equitrans's filing, the Commission finds that the proposed tariff sheets tendered in the instant docket 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 proposed tariff sheets and suspend their effectiveness for the period set forth below, subject to refund and conditions set forth in this order, and further review.

11. The Commission's policy regarding suspensions is that tariff 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 inconsistent with other statutory standards.[5] 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.[6] Here, the Commission will exercise its discretion to accept and suspend the proposed tariff sheets for a minimal period, to become effective October 1, 2008, subject to refund and conditions, and further review.

The Commission orders:

Equitrans's proposed tariff sheets are accepted and suspended, to become effective October 1, 2008, subject to refund and conditions, and further review.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

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

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

APPENDIX

Equitrans, L.P.
FERC Gas Tariff
Original Volume No. 1

Tariff Sheets Accepted and Suspended,
Subject to Refund and Condition, effective October 1, 2008

Twenty-Second Revised Sheet No. 5
Thirty-Second Revised Sheet No. 6
Seventh Revised Sheet No. 200
Original Sheet No. 316