

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

May 8, 2009

In Reply Refer To:
Texas Gas Transmission, LLC
Docket No. RP09-504-000

Texas Gas Transmission, LLC
9 Greenway Plaza
Houston, TX 77046

Attention: J. Kyle Stephens
Vice President -- Regulatory Affairs and Rates

Reference: Revised Tariff Sheets

Dear Mr. Stephens:

1. On April 9, 2009, Texas Gas Transmission, LLC (Texas Gas) filed revised tariff sheets¹ to alter its NNS, NNL, and SNS no-notice rate schedules regarding service at points covered by Operational Balancing Agreements (OBAs). Texas Gas's tariff sheets are accepted effective May 9, 2009.
2. Texas Gas proposes to modify its NNS, NNL, and SNS no-notice rate schedules to require all customers on its system to nominate all quantities transported to an OBA, including those quantities that would otherwise be unnominated under no-notice service. Texas Gas states that it is proposing this modification to reflect the operational reality that a customer cannot receive unnominated no-notice service at a pipeline interconnect subject to an OBA. Texas Gas explains that absent a customer nomination for its no-notice service to a specific location covered by an OBA, it is impossible to allocate the unnominated portion of a customer's no-notice service because any difference between nominations and actual gas flow is allocated as an imbalance under an OBA. Texas Gas

¹ See Appendix.

states that it was unnecessary for it to modify the SGT and SGL no-notice rate schedules because none of the customers utilizing these services have primary delivery points covered by an OBA.

3. Notice of Texas Gas's filing was issued on April 14, 2009. Interventions and protests were due April 21, 2009, as provided in section 154.210 of the Commission's regulations.² Pursuant to Rule 214,³ all timely motions to intervene and any motions 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 the proceeding or place additional burdens on existing parties. On April 16, 2009, Tennessee Valley Authority (TVA) filed a protest.

4. On April 23, 2009, Texas Gas filed an answer to TVA's comments. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure,⁴ prohibits answers to protests unless otherwise ordered by the decisional authority. We will accept Texas Gas's answer because it has provided information that assisted us in our decision-making process.

5. TVA expresses concern that Texas Gas's proposal may restrict large end-users and power generators from fully utilizing firm, off-system storage with existing no-notice transportation and that Texas Gas's proposal may pre-empt TVA from obtaining third party storage in lieu of Texas Gas's balancing options. TVA states that to meet hourly swings, TVA has contracted with a third party storage provider for year-round, high deliverability storage, a storage service that Texas Gas is not able to provide from its own assets. TVA also states that it has unsuccessfully urged Texas Gas to provide unbundled third party storage services, and TVA further asserts that pipelines may not impose operational restrictions on shippers that choose a third-party provider.⁵ TVA avers that Texas Gas is now attempting to sever its no-notice obligation from points covered by an OBA. TVA notes that shippers pay a premium for no-notice services because there is a value to having the option to transport unnominated quantities, and TVA asserts that Texas Gas's proposal hinders no-notice customers' ability to use no-notice service to meet short swings in demand. TVA notes that these adverse effects may be further compounded by Texas Gas's adherence to the minimum NAESB nominating requirements.

² 18 C.F.R. § 154.210 (2008).

³ 18 C.F.R. § 385.214 (2008).

⁴ 18 C.F.R. § 385.213(a)(2) (2008).

⁵ *Citing Tennessee Gas Pipeline Company*, 80 FERC ¶ 61,359 (1997).

6. In its answer, Texas Gas explains the context of its filing. Texas Gas states that it has conducted a thorough review of its transportation contracts to determine whether they conform with the *pro forma* agreements contained in Texas Gas's tariff. Texas Gas states that it made the filing to align the terms of its *pro forma tariff* to the terms of side letters to agreements with certain shippers. Texas Gas explains that these side letters contained an additional requirement, not in Texas Gas's *pro forma* tariff, that customers nominate the unominated portion of no-notice service for deliveries to primary delivery points subject to an OBA.

7. Texas Gas asserts that such provisions are necessary because at delivery points governed by an OBA, any unominated no-notice service volumes are considered to be an imbalance in accordance with OBA provisions. Texas Gas asserts that nomination by a no-notice customer of all quantities delivered to an OBA point enables the interconnecting parties to allocate properly all scheduled volumes.

8. Texas Gas also denies TVA's assertion that this proposed change may affect TVA's ability to use volumes from third party storage. Texas Gas notes that the proposed change applies only to delivery points, not receipt points, and only for volumes withdrawn from no-notice storage on Texas Gas's system. Texas Gas states that its no-notice services do not utilize third party storage, and thus, changes to Texas Gas's no-notice service provisions cannot impact TVA's access to third party storage. Texas Gas further claims that TVA is seeking to require Texas Gas to adopt a no-notice service using third party storage facilities. Texas Gas asserts that TVA has failed to meet its burden of proof for such a change under section 5 of the Natural Gas Act (NGA).

9. The Commission finds that Texas Gas's proposed tariff language is consistent with the Commission's no-notice service requirements. As TVA asserts, the Commission requires no-notice service to provide customers the ability to access gas to meet unexpected demand at locations along the pipeline's system. However, Texas Gas's proposal does not unduly impede customers from accessing unominated quantities pursuant to no-notice service. Texas Gas's proposed tariff change only restricts the removal of unominated quantities at primary delivery points subject to an OBA. By the terms of Texas Gas's tariff, the types of delivery points subject to an OBA are rather limited. Texas Gas permits OBAs only at pipeline interconnects, processing plants, and production facilities,⁶ all of which present circumstances quite apart from the need that no-notice service is intended to serve for meeting customer demand on the pipeline's system.

10. TVA expresses concern that Texas Gas's proposal restricts utilization of third party or off-system storage, which, in conjunction with no-notice service, TVA states

⁶ Section 13.2 of the GT&C in Texas Gas' tariff.

serves as an alternative to pipeline balancing options. However, it is not apparent how Texas Gas's proposal impacts TVA's use of third party or off-system storage. TVA is not presently a no-notice customer on Texas Gas's system, and Texas Gas's proposed change only applies to delivery points pursuant to its own no-notice service, not receipt points for gas coming from another pipeline system pursuant to a no-notice service with the connecting pipeline. Furthermore, Texas Gas does not permit the usage of third party storage as a part of no-notice service on its own system. It is not clear whether TVA is requesting that the Commission require Texas Gas to permit the use of third party storage as a part of its no-notice service. To the extent this is the case, the Commission finds that TVA's request is beyond the scope of this proceeding. Texas Gas has not proposed to change the type of storage that it uses for unominated quantities in no-notice service, and TVA has not carried its burden to show that Texas Gas's current tariff provisions are unjust and unreasonable.

11. In accepting Texas Gas's filing, the Commission emphasizes that all pipelines must file any service agreement containing a material deviation from the *pro forma* service agreement in the pipeline's tariff.⁷ In its answer, Texas Gas acknowledges that it failed to file the side letters to its service agreements containing the provision at issue in this filing. The acceptance of the tariff sheets in the Appendix brings such terms of those agreements into compliance with Texas Gas's *pro forma* service agreements. Texas Gas has an affirmative obligation to continue to monitor its service agreements with customers to ensure that these agreements conform to its *pro forma* service agreements.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

⁷ 18 C.F.R. § 154.1(d) (2008). See *Southern Star Central Gas Pipeline, Inc.*, 125 FERC ¶ 61,082 (2008).

Appendix

Texas Gas Transmission, LLC
FERC Gas Tariff, Third Revised Volume No. 1

Tariff Sheets Accepted Subject to Refund Effective May 9, 2009:

Third Revised Sheet No. 401
Third Revised Sheet No. 451
Second Revised Sheet No. 600