128 FERC ¶ 61,203
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

August 27, 2009

In Reply Refer To:
Texas Gas Transmission, LLC
Docket No. RP09-448-001

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

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

Reference: Compliance Filing

Dear Mr. Stephens:

1. On May 11, 2009, Texas Gas Transmission, LLC (Texas Gas) filed additional information to comply with the Commission's order issued April 9, 2009, in Docket No. RP09-448-000.[1] As discussed below, the Commission accepts the tariff sheet[2] filed by Texas Gas on March 11, 2009, to be effective April 11, 2009, as proposed, subject to further conditions described herein.

2. On March 11, 2009, Texas Gas filed a revised tariff sheet to reflect changes and modifications applicable to Operational Balancing Agreements (OBA) as defined in section 13.2 of its General Terms & Conditions (GT&C) of its FERC Gas Tariff. Texas Gas proposed to modify its tariff to allow OBA counterparties and Texas Gas to mutually agree on the method for resolving OBA imbalances, including the ability to use mutually

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[1] *Texas Gas Transmission, LLC*, 127 FERC ¶ 61,030 (2009) (April 9 Order).

[2] First Revised Sheet No. 2502 to Texas Gas's FERC Gas Tariff, Third Revised Volume No. 1.

agreed upon market-related price indices or procedures to cash-out an imbalance. Prior to the proposal, Texas Gas was required by its tariff to resolve imbalances at OBA points using the cash-out mechanism defined in section 14 of the GT&C of its tariff, the same provision which Texas Gas uses to resolve imbalances for transportation shippers at non-OBA points. On March 23, 2009, Tennessee Valley Authority (TVA) filed comments conditionally supporting Texas Gas's filing but requesting that Texas Gas make OBAs available to power plants or other large end-users which meet the required standards.

3. On April 9, 2009, the Commission issued an order[3] that accepted and suspended Texas Gas's tariff sheet to be effective April 11, 2009, subject to Texas Gas providing additional support for its proposal to permit different cash-out mechanisms for resolving OBA imbalances and transportation imbalances. The order directed Texas Gas to explain how its proposal does not unduly favor OBA point operators relative to transportation shippers that lack the ability to enter into OBAs. The April 9 Order denied TVA's request that the Commission require Texas Gas to expand the availability of OBAs.

4. Texas Gas filed additional support for its proposal on May 11, 2009, to comply with the April 9 Order. In its May 11, 2009 filing, Texas Gas asserts that its proposal will not result in more favorable cash-out provisions to OBA parties than those available to transportation shippers accessing non-OBA points. Texas Gas asserts that differences between OBA imbalance resolution and shipper imbalance resolution provide a reasonable basis for permitting OBA parties to agree to a cash-out reference price that is different from the price used to resolve shipper imbalances at non-OBA points. Texas Gas states the OBA imbalance resolution is designed to address imbalances with interconnecting parties at specific points or a set of locations within a single zone on Texas Gas (e.g., at pipeline interconnects); however, the shipper imbalance resolution applicable to non-OBA points is designed to address shipper imbalances stemming from all of a shipper's transportation activity across the entire Texas Gas system, not at particular interconnects. In resolving the shipper transportation imbalances at non-OBA points, Texas Gas states that it determines a net imbalance incorporating each shipper's total receipts and deliveries in different zones across the entire system.[4] Texas Gas states that it uses a single index rate to resolve these shipper imbalances, which eliminates the motivation for a shipper to engage in arbitrage by manipulating overages and shortages at

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[3] April 9 Order, 127 FERC ¶ 61,030 (2009).

[4] Citing section 14(c) of the GT&C of Texas Gas's tariff. As a hypothetical example, Texas Gas explains that an individual shipper's imbalance shortages at receipt points in Southern Louisiana (Zone SL) and Northern Louisiana (Zone 1) could be netted with imbalance overages at delivery point located in Ohio (Zone 4).

particular locations. Moreover, Texas Gas states that it permits such shippers to trade their net imbalance with other shippers across Texas Gas's entire system, even when the shippers are in different zones.[5]

5. Texas Gas states that in contrast, Texas Gas's OBA agreements are limited to specific interconnect(s) in a single zone and do not involve receipt and delivery points in different zones as is the case with shipper transportation imbalances at non-OBA points. In resolving imbalances related to OBAs, Texas Gas states that it does not permit OBA imbalances to be netted across zones in contrast to its practice regarding the resolution of shipper imbalances at non-OBA points. Further, Texas Gas elaborates that while shipper transportation imbalances can be traded with any other shipper on Texas Gas's system, an OBA party may trade its net monthly imbalance only with other OBA parties whose OBAs cover interconnects in the same rate zone.

6. Texas Gas states that because OBAs apply to specific points on its system, gas delivered to an OBA point has a specific market value (reflected in a published price index) which will be different from the imbalance resolution rate which is set forth in section 14 of the GT&C of Texas Gas's tariff for resolving shipper transportation imbalances at non-OBA points and which applies system-wide.[6] Thus, explains Texas Gas, OBAs present different circumstances from shipper transportation imbalances at non-OBA points, which can be netted or traded across the system, and for which a location-specific price reference is inappropriate.

7. Texas Gas asserts that interconnecting OBA parties have been reluctant to agree to the cash-out prices set forth in Texas Gas's tariff which apply a system-wide index rate for resolving shipper imbalances at non-OBA points when such prices do not adequately represent the market value of the imbalance gas for the zone containing the OBA. As a result, Texas Gas filed the subject tariff revision to enable it to negotiate a mutually agreeable cash-out price with its OBA counter-parties.

8. Finally, Texas Gas asserts that it does not benefit from either imbalance resolution mechanism. Texas Gas states that all revenues, from both shipper transportation imbalances at non-OBA points and OBA imbalance resolution are included

[5] Citing section 14(k) of the GT&C of Texas Gas's tariff.

[6] Pursuant to section 14(g) of the GT&C of Texas Gas's tariff, Texas Gas calculates the index based upon the price for spot gas supplies "Delivered to Pipeline" at Gulf Coast, Onshore Louisiana and at North Louisiana as contained in the table "Gas Price Report" of the publication "Natural Gas Week."

in Texas Gas's cash-out tracker in accordance with section 14(n)(i) of Texas Gas's GT&C.

9. Notice of Texas Gas's filing was issued on July 27, 2009. Protests were due as provided in section 154.210 of the Commission's regulations, 18 C.F.R. § 154.210. No protests or comments were filed.

10. Based upon the additional explanation provided by Texas Gas on May 11, 2009, and the other filings in this proceeding, the Commission finds that Texas Gas's proposal does not confer an unfair advantage upon OBA parties as compared to shippers at non-OBA points. The procedures for shipper imbalance resolution at non-OBA points and for OBA imbalance resolution use different imbalance netting and trading practices. The cash-out for the shipper imbalance resolution at non-OBA points applies to imbalances wherever incurred across the entire Texas Gas system. In contrast, the OBA imbalance resolution applies to imbalances only at a particular point or within a particular zone. Due to these differences, shippers are not prejudiced by the OBA imbalance resolution process utilizing different market value indices for cash-out purposes than is used for the generally applicable shipper imbalance resolution process. The Commission finds that the proposed OBA procedures will facilitate mutually agreeable imbalance resolution at interconnection points.

11. However, the Commission observes that Texas Gas's proposed tariff change to section 13.2 appears to be inconsistent with the *pro forma* OBA in its tariff. The *pro forma* OBA in Texas Gas's tariff states that any operational imbalance will be cleared pursuant to section 14 of the GT&C of Texas Gas's FERC Gas Tariff.[7] However, in contrast to the language in the *pro forma* OBA, Texas Gas's proposed revision to section 13.2 of its tariff provides that Texas Gas and the OBA Party may negotiate different methods for resolving OBA imbalances than the imbalance resolution procedures outlined within section 14. As a condition of acceptance, the Commission requires Texas Gas to resolve the apparent inconsistency between its *pro forma* OBA and its proposed tariff provisions in section 13.2.

12. Moreover, in its compliance filing, Texas Gas represents that OBA imbalance resolutions are included in Texas Gas's "cash-out tracker in accordance with section 14(n)(i)" of Texas Gas's GT&C.[8] However, neither the text of section 14 nor the proposed language in section 13.2 expressly provide that OBA imbalance resolutions are to be included in the cash-out tracker in section 14(n)(i) of Texas Gas's GT&C.

[7] Original Sheet No. 5500 to Texas Gas's FERC Gas Tariff, Third Revised Vol. No. 1.

[8] Texas Gas's May 11, 2009 Compliance Filing at 9.

Texas Gas is directed to modify its tariff provisions to be consistent with its representation in the compliance filing.

13. Accordingly, the Commission accepts Texas Gas's proposed tariff sheet, referenced in footnote 2, effective April 11, 2009, subject to Texas Gas filing within 15 days revised tariff sheets consistent with the conditions described herein.

By direction of the Commission.

Kimberly D. Bose,
Secretary.