

128 FERC ¶ 61,220  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;  
Suedeen G. Kelly, Marc Spitzer,  
and Philip D. Moeller.

Texas Gas Transmission, LLC

Docket Nos. RP09-844-000 and  
RP09-844-001

ORDER ACCEPTING AND SUSPENDING TARIFF SHEETS,  
SUBJECT TO CONDITIONS

(Issued September 3, 2009)

1. On July 28, 2009, Texas Gas Transmission, LLC (Texas Gas) filed revised tariff sheets<sup>1</sup> to modify several rate schedules<sup>2</sup> and establish a new section 12.14 of the General Terms and Conditions (GT&C) of its tariff, requesting an effective date of September 1, 2009. Specifically, Texas Gas proposes to remove language requiring semi-annual storage inventory tests from the subject rate schedules, and to insert language requiring such tests as are “operationally necessary” in the GT&C.<sup>3</sup> As discussed below, the Commission accepts and suspends the proposed tariff sheets, subject

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<sup>1</sup> For a list of these revised tariff sheets, see Appendix.

<sup>2</sup> The rate schedules proposed to be revised are Rate Schedule NNS (No-Notice Firm Transportation Service); Rate Schedule NNL (No-Notice Firm Transportation Service); Rate Schedule SGT (Small Customer General Firm Transportation Service); Rate Schedule SGL (Small Customer General Firm Transportation Service); Rate Schedule SNS (Summer No-Notice Service); Rate Schedule FSS (Firm Storage Service); Rate Schedule ISS (Interruptible Storage Service); Rate Schedule FSS-M (Firm Storage Service With Market Based Rates); Rate Schedule ISS-M (Storage Service With Market Based Rates).

<sup>3</sup> On August 6, 2009, Texas Gas filed Substitute First Revised Sheet No. 459 to correct a clerical error to the proposed revision in Rate Schedule NNL.

to Texas Gas's filing additional information, and subsequent Commission action, to be effective February 1, 2010, or an earlier date specified in a subsequent Commission order.

### **I. Description of the Filing**

2. Texas Gas states that its storage fields are an integral part of its system serving the above-referenced rate schedules, and in order to ensure the storage fields are operating at peak efficiency and integrity, Texas Gas has historically performed storage inventory verification tests twice each year on each storage field. Moreover, Texas Gas states that each of the above-referenced rate schedules includes a section that pertains to the timing and duration of storage inventory verification tests and the notice period required prior to such tests. Texas Gas proposes to move this language from each of the above-referenced rate schedules to proposed section 12.14 of the GT&C. In addition, Texas Gas proposes (1) to allow for the temporary suspension of storage activities (injection and withdrawal) for periods that may last two weeks or longer, and (2) to specify that storage inventory verification tests will be conducted as "operationally necessary," not to exceed twice a year, rather than on a semiannual basis. Texas Gas contends that this will ensure that it has the operational latitude to schedule storage inventory verification tests on each of its storage fields only when it determines that such tests are operationally necessary. Texas Gas further contends that its proposal should minimize service interruptions to customers. Texas Gas requests an effective date of September 1, 2009, and requests, if the Commission determines suspension to be in order, that only the minimum suspension be imposed.

### **II. Notice, Interventions, and Comments**

3. Public notice of the July 28, 2009 filing was issued July 29, 2009, and public notice of the August 6, 2009 filing was issued August 7, 2009, with interventions and protests due as provided in section 154.210 of the Commission's regulations.<sup>4</sup> Pursuant to Rule 214,<sup>5</sup> 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

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<sup>4</sup> 18 C.F.R. § 154.210 (2009).

<sup>5</sup> 18 C.F.R. § 385.214 (2009).

existing parties. The Western Tennessee Municipal Group,<sup>6</sup> the Jackson Energy Authority, City of Jackson, Tennessee, and the Kentucky Cities<sup>7</sup> (together, Cities) filed a protest.

4. On August 14, 2009 Texas Gas filed an answer to Cities' protest. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure prohibits an answer to a protest unless otherwise ordered by the decisional authority.<sup>8</sup> The Commission will accept Texas Gas's answer because it has provided information that assisted in the Commission's decision-making process.

5. Cities assert that Texas Gas has failed to demonstrate that its proposal to eliminate mandatory storage inventory testing is just and reasonable. Cities assert that Texas Gas's system is particularly dependent upon its storage facilities to create capacity.<sup>9</sup> Cities express concern over this proposal because they are no-notice customers dependent upon the pipeline's storage facilities to serve their peak heating days in the winter. Cities assert that Texas Gas has not indicated clearly its history of testing and whether it has satisfied its current tariff obligations in recent years, and they suggest that Texas Gas share the results of such analyses to demonstrate that its proposal is reasonable. Furthermore, Cities assert that Texas Gas's proposal is vague and that Texas Gas makes no attempt to describe the standards that it would apply prospectively in determining whether tests are "operationally necessary." Cities argue that Texas Gas presents a

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<sup>6</sup> The Western Tennessee Municipal Group consists of the following municipal distributor-customers of Texas Gas: City of Bells, Gas & Water, Bells, Tennessee; Brownsville Utility Department, City of Brownsville, Brownsville, Tennessee; City of Covington Natural Gas Department, Covington, Tennessee; Crockett Public Utility District, Alamo, Tennessee; City of Dyersburg, Dyersburg, Tennessee; First Utility District of Tipton County, Covington, Tennessee; City of Friendship, Friendship, Tennessee; Gibson County Utility District, Trenton, Tennessee; Town of Halls Gas System, Halls, Tennessee; Humboldt Gas Utility, Humboldt, Tennessee; Martin Gas Department, Martin, Tennessee; Town of Maury City, Maury City, Tennessee; City of Munford, Munford, Tennessee; City of Ripley Natural Gas Department, Ripley, Tennessee.

<sup>7</sup> The Kentucky Cities are the Cities of Carrollton and Henderson, Kentucky. They are municipal distributor-customers of Texas Gas.

<sup>8</sup> 18 C.F.R. § 385.213(a)(2) (2009).

<sup>9</sup> Cities, August 10, 2009 Protest at 3 (citing *Texas Gas Transmission Corp.*, 64 FERC ¶ 61,083, at 61,768 (1993)).

Catch-22 by proposing to conduct storage inventory verification tests only when they are deemed operationally necessary, despite the fact that the very purpose of inventory verification is to “provide indications of compromise to the integrity of the storage facility.”<sup>10</sup>

6. Cities refute Texas Gas’s claim that its proposal would minimize service interruptions, noting that Texas Gas normally conducts inventory verification tests during the summer season (April through October) to avoid suspending storage activity during winter peaking periods for testing.<sup>11</sup> Cities assert that Texas Gas’s proposal is therefore superfluous, and has the potential downside of preventing the pipeline from identifying system integrity issues. Cities identify Commission orders certificating storage facilities in which the Commission has mandated that storage providers conduct annual inventory verification studies as a condition to certificate authorizations.<sup>12</sup> Furthermore, Cities argue that an annual inventory testing requirement should apply to the Texas Gas system, similar to the Commission’s requirement to conduct annual verification studies in a 2008 order authorizing Texas Gas to expand its facilities at Midland storage field.<sup>13</sup>

7. Cities also assert that Texas Gas’s proposal would increase the duration of storage activity suspensions, which contradicts Texas Gas’s assertion that its filing will minimize disruptions. Cities object to Texas Gas’s proposal to change the current tariff provision, which allows for the suspension of individual storage field activities for a period of “approximately two weeks” and thereby provides a general guideline with respect to how long service may be interrupted, to a new interruption period “that may last two weeks or longer,” thereby removing any and all parameters as to the permissible duration of suspensions. Cities assert that this change could cause a perpetual service disruption, and given the absence of any support or explanation for the change, it should be rejected by the Commission.

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<sup>10</sup> *Id.* at 4 (citing *Petal Gas Storage, L.L.C.*, 120 FERC ¶ 61,226, at P 38 (2007)).

<sup>11</sup> *Id.* at 5 (citing *Texas Gas Transmission Corp.*, 64 FERC ¶ 61,083 at 61,828 (1993)).

<sup>12</sup> *Id.* (citing *Atmos Pipeline & Storage, LLC*, 127 FERC ¶ 61,260, at 62,135 (2009); *Colorado Interstate Gas Co.*, 123 FERC ¶ 61,099, at 61,722 (2008); *Dominion Transmission, Inc.*, 120 FERC ¶ 61,235, at 61,992 (2007); *Southern Star Central Gas Pipeline, Inc.*, 118 FERC ¶ 62,224, at 64,658 (2007)).

<sup>13</sup> *Id.* (citing *Texas Gas Transmission, LLC*, 122 FERC ¶ 61,190, at Ordering Para. (E) (2008)).

8. In its answer, Texas Gas commits to maintaining the prudent operation of all storage facilities, and states that it will continue to comply with all certificate requirements applicable to individual storage facilities. Additionally, Texas Gas states that its proposal will reduce service disruptions at storage facilities caused by semiannual testing, which Texas Gas has determined to be unnecessary, consequently increasing service flexibility for customers. Texas Gas maintains that it has ten years of data supporting its determination that it is no longer necessary to conduct semiannual inventory verification tests. Texas Gas asserts that its proposed operational necessity standard would allow it to schedule testing when necessary and at times when it will have a minimal impact on the market. Furthermore, Texas Gas asserts that its proposed standard is particularly important on the Texas Gas system, given the number of storage fields that comprise its storage complex and the fact that the storage fields are operated on an integrated basis.

9. Texas Gas argues that its proposal is a reasonable approach that recognizes the pipeline's extensive experience and expertise operating these facilities. Furthermore, Texas Gas states that Commission policy gives pipelines the discretion to operate their systems based on their experience and defers to pipelines' expertise as operators.<sup>14</sup> Texas Gas also states that its proposal is not inconsistent with Commission decisions requiring annual storage verification testing at other new facilities, nor is it inconsistent with any certificate requirement applicable to Texas Gas's storage facilities, including the Midland storage field. Texas Gas states that the normal, ongoing operation and maintenance activities serve to monitor, track, and protect the efficiency and integrity of the storage facilities. Texas Gas states that this proposal will not affect other testing and operational and maintenance requirements required under its existing certificates and Operation and Maintenance manual, and, once this proposal is approved, Texas Gas will continue to comply with all requirements, including the annual inventory verification testing requirement contained in its certificate to operate and expand the Midland storage field.

### **III. Commission Determination**

10. Based upon a review of the filing, protest, comments, and Texas Gas's answer, the Commission finds that the proposed tariff language has not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, Texas Gas is directed to file the additional supporting information detailed below. The Commission rejects First Revised Sheet No. 459 as

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<sup>14</sup> Texas Gas, August 14, 2009 Answer, at 2-3 (citing *Rockies Express Pipeline LLC*, 124 FERC ¶ 61,215, at P 19 (2008)).

moot, and accepts the remaining tariff sheets for filing and suspends their effectiveness for the period set forth below.

11. The Commission's policy regarding suspensions is that 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.<sup>15</sup> 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.<sup>16</sup> Such circumstances do not exist here. Accordingly, the Commission shall suspend the effectiveness of the subject tariff sheets until February 1, 2010, or some earlier date specified in a subsequent Commission order, subject to further Commission action, and subject to Texas Gas providing sufficient support for its proposal.

12. In order for the Commission to determine whether Texas Gas's proposal is just and reasonable, Texas Gas is directed to provide additional information in support of its proposal. The Commission notes that in its answer, Texas Gas states it has years of data that support its contention that semiannual inventory verification tests are no longer warranted.<sup>17</sup> This information, along with any other information that would support Texas Gas's proposal, should facilitate the Commission's decision-making process and aid it in determining whether the proposed tariff revisions are just and reasonable. Accordingly, within fifteen days of the date of this order, Texas Gas is directed to file additional information about its storage facilities, its current verification process, and its proposed verification process. This information should include, for each storage facility on its system, the current certificated and maximum operating values of (1) total storage capacity, (2) working gas capacity, (3) cushion gas capacity, (4) native gas volume, and (5) deliverability (at maximum and minimum pressure). Additionally for each facility, provide the certificated and operating maximum and minimum storage pressures (volumes and rates in MMcf and pressures in psia). For each field, Texas Gas is directed to provide the results of all inventory verification studies conducted in the last five years and to identify any existing or past operational problems for the storage field, including but not limited to gas loss and gas migration that has occurred in the last five years.

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<sup>15</sup> See *Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension).

<sup>16</sup> See *Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension).

<sup>17</sup> Texas Gas, August 14, 2009 Answer at 3.

Finally, Texas Gas is directed to discuss how it will monitor field integrity to identify potential gas loss/migration issues if inventory verification is not performed semiannually.

13. The parties to this proceeding will be permitted to file comments on Texas Gas's answers to the above-listed questions within fifteen days after Texas Gas files its answers.

The Commission orders:

(A) The tariff sheets referenced in Part I of the Appendix of this order are accepted and suspended, to be effective February 1, 2010, or some earlier date specified in a subsequent order, subject to the conditions discussed in the body of this order and further action by the Commission.

(B) The tariff sheet referenced in Part II of the Appendix of this order is rejected as moot.

(C) Texas Gas is directed to provide additional support for its proposal as explained in the body of this order, within fifteen days of the date this order issues.

(D) Comments on the additional supporting information provided by Texas Gas shall be due fifteen days thereafter.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.

**APPENDIX**

**Texas Gas Transmission, LLC  
Docket Nos. RP09-844-000 and RP09-844-001  
FERC Gas Tariff, Third Revised Volume No. 1**

**I. Tariff Sheets Accepted and Suspended, Subject to Conditions,  
Effective February 1, 2010<sup>18</sup>**

First Revised Sheet No. 407  
Substitute First Revised Sheet No. 459  
First Revised Sheet No. 460  
Second Revised Sheet No. 506  
Second Revised Sheet No. 558  
Second Revised Sheet No. 559  
First Revised Sheet No. 607  
First Revised Sheet No. 804  
First Revised Sheet No. 805  
First Revised Sheet No. 904  
First Revised Sheet No. 905  
Second Revised Sheet No. 1229  
Second Revised Sheet No. 1254  
First Revised Sheet No. 2409

**II. Tariff Sheet Rejected as Moot**

First Revised Sheet No. 459

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<sup>18</sup> Or some earlier date specified in a subsequent order.