

130 FERC ¶ 61,010
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Transcontinental Gas Pipeline Company, LLC

Docket No. CP09-57-001

ORDER GRANTING REHEARING

(Issued January 5, 2010)

I. Background

1. On September 3, 2009, the Commission issued an order authorizing Transcontinental Gas Pipe Line Company, LLC's (Transco) 85 North Expansion Project, an expansion of its existing pipeline system in its Southern Market area, to provide an additional 308,500 dekatherms per day (Dth/day) of incremental firm transportation service to four shippers.¹ The September 3 Order also authorized Transco to abandon six existing compressor units. Transco and Constellation Energy Commodities Group, Inc. (Constellation) filed requests for rehearing of the September 3 Order.

2. In response to Transco's proposal to apply its generally applicable system fuel retention and electric power rates to the expansion service, the September 3 Order stated that Transco's application did not provide any information as to the possible impact the new compression would have on the fuel costs or fuel retention levels of existing shippers. Therefore, the Commission required Transco to maintain separately its accounts for fuel used by the project and to report the results in its first fuel tracker rate filing after the project is in service. Only if that filing demonstrates that existing shippers will not be adversely affected by the inclusion of the project's compression costs in the Zones 4 and 5 fuel rates would Transco be authorized to apply system fuel rates to the expansion service. The September 3 Order also required, in Ordering Paragraph (E), that the authorized facilities be constructed and made available for service within one year of the date of the order.

¹*Transcontinental Gas Pipe Line Company, LLC*, 128 FERC ¶ 61,223 (2009)(September 3 Order).

II. Statement Of Issues

3. Transco seeks rehearing of the Commission's finding in the September 3 Order (at P 26) that Transco did not provide information in its application about the possible impact the new compression might have on existing shippers' fuel costs or fuel retention levels. Transco states that such information was provided in Exhibit Z-1 of the application.

4. Transco also seeks rehearing of the Commission's failure in the September 3 Order to make a decision on the merits of Transco's proposal to apply its generally applicable system fuel retention and electric power rates to the expansion service.² Further, Transco requests the Commission to make a predetermination that it will be appropriate to roll the fuel retention and electric power rates associated with the project into Transco's system fuel rates.

5. Finally, Transco seeks rehearing of the Commission's requirement that it place the project facilities in service within one year of the date of the September 3 Order. Transco states the project is proposed to be constructed in two phases and that the second phase is not targeted to be placed in service until May, 2011.

III. Discussion

6. The first two issues, relating to the appropriate project fuel retention and electric power rates, can be treated together. In the project application (at p. 14), Transco proposed to apply its generally applicable system fuel retention and electric power rates to the project service. In its rehearing request, Transco states that it did include information in Exhibit Z-1 to the application which supports Transco's proposal to assess project shippers the generally applicable system fuel retention and electric power charges. Transco further notes that no party disputed its assertion that the project would increase fuel efficiency on Transco's system. Thus, states Transco, the Commission's failure to make a decision on the merits of Transco's request for rolled-in fuel and electric power

² Constellation Energy Commodities Group, Inc. (Constellation) filed a separate rehearing application addressing this specific issue and supporting Transco's argument that Transco's generally applicable system fuel retention and electric power rates be applied to the project. *See also* Motion to Intervene and Comments of Constellation filed March 5, 2009, in which Constellation states that Exhibit Z-1 in Transco's application shows that the project will generate significant fuel benefits for existing system shippers.

was without justification. Accordingly, Transco requests that the Commission, consistent with precedent,³ approve Transco's request for a predetermination of rolled-in fuel retention and electric power rates for the project.

7. Upon reconsideration, the Commission finds that there is sufficient information in the record about the possible impact of the new compression on existing shippers' fuel costs or fuel retention levels to support a predetermination that rolled-in fuel retention and electric power rates are appropriate for the project.

8. In Exhibit Z-1 of the application, Transco provided a narrative describing the operational modeling it used to evaluate system fuel consumption. The evaluation in Exhibit Z-1 includes two graphs showing historical fuel retention percentages and electric power rates in Transco Zones 4-4 and 5-5 for the period 1993 through 2008. Transco states that this information demonstrates that the fuel retention levels and electric power rates remain close to the 1993 levels despite the construction of numerous pipeline expansions since that time.

9. Exhibit Z-1 also includes graphs that represent the results of an operational modeling study Transco performed to predict the impact of the project on system fuel use, which Transco describes as gas compressor fuel plus the gas fuel equivalent of electric-powered compression. Transco states that the model utilized a 10-day representative sampling of a range of operational load profiles actually occurring on the system from Station 65 to Station 200 during the period September 1, 2007 through August 1, 2008. Transco explains that the study included controls for matching load factors, full utilization of facilities, and system operating conditions before and after the in-service date of the project. The study predicts that non-project shippers will experience an approximate 5.19 percent expected annual system fuel reduction resulting from the project. Transco asserts these results support its request for rolled-in fuel and electric power rates for the 85 North Project shippers.

10. The Commission finds that Transco's submissions show that rolling in fuel charges will likely result in downward pressure on fuel costs on its system. The Commission finds no evidence that any subsidy by Transco's existing customers will occur. Therefore, absent a significant change in circumstances, the Commission grants Transco a predetermination that the gas fuel and electric power costs associated with the project will qualify for rolled-in treatment in a future general section 4 rate filing.

³ Citing *El Paso Natural Gas Co.*, 123 FERC ¶ 61,101, at P 34 (2008), *reh'g dismissed*, 125 FERC ¶ 61,374 (2008) (predetermination of rolled-in rate treatment for fuel costs associated with a pipeline expansion project); *Northern Natural Gas Co.*, 127 FERC ¶ 61,133 (2009).

11. Transco also seeks rehearing of the Commission's requirement that the authorized facilities be constructed and made available for service within one year of the date of the order. Transco states that the project will be constructed in two phases: the target in-service date of Phase 1 is July 1, 2010, and the target in-service date of Phase 2 is May 1, 2011. Therefore, Transco requests that Ordering Paragraph (E) be modified to require that all project facilities be placed in service within two years of the date of the September 3 Order (i.e., by September 2, 2011). The Commission grants rehearing on this issue.

The Commission orders:

Rehearing is granted as discussed in the text of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.